

Law of the Republic of Kazakhstan No.142-II dated January 16, 2001
On non-for-profit organizations

Chapter 1. General Provisions

Article 1. Matters governed by the present Law

The matters governed by the present Law are relations arising in connection with establishment, activity, reorganization, and liquidation of the non-for-profit organizations.

Peculiarities concerning legal status, establishment, activity, reorganization and liquidation of political parties, professional unions are regulated by the special laws.

Article 2. Notion of a non-for-profit organization

A legal entity, of which entity main purpose is not derivation of income and which entity does not distribute derived net income among its members, shall be recognized a non-for-profit organization.

Article 3. Laws concerning non-for-profit organizations

1. The laws of the Republic of Kazakhstan concerning non-for-profit organizations are based on the Constitution of the Republic of Kazakhstan and include the Civil Code, the present Law and other legislative acts.

2. The present Law shall apply to activity of the non-for-profit organizations of any organizational legal form, branches and representative offices (detached subdivisions) of foreign and international non-for-profit organizations, which are established and existing in the Republic of Kazakhstan.

3. Peculiarities concerning establishment, activity, reorganization and liquidation of separate non-for-profit organizations are governed by this Law and other legislative acts.

Article 4. Purposes of activity of the non-for-profit organizations

The non-for-profit organizations may be established in order to achieve social, cultural, scientific, educational, charitable, administrative purposes; protection of the rights, legal interests of individuals and organizations; to settle disputes and conflicts; to satisfy spiritual and other needs of individuals; protection of health of the individuals, environmental protection, development of physical education and sport; rendering legal assistance, as well as for other purposes aimed at assuring public benefits and benefits for their members.

Purposes of activity of the non-for-profit organizations shall be specified by the constituent documents.

Article 5. Rights and obligations of the non-for-profit organizations

1. In order to achieve purposes stipulated by the articles of association the non-for-profit organizations shall have the right:

1) to open accounts with the banks according to the procedure established by the legislation;

2) to have seal, stamps and letterheads stating full name of an organization in the State and Russian languages, as well as label (symbols) registered according to the established procedure;

3) to have the ownership or the right to day-to-day management of detached property, as well as independent balance sheet or budget;

4) to acquire and exercise property and personal non-property rights;

5) to establish other legal entities, unless the legislative acts provide for otherwise;

6) to establish branches and representative offices;

7) to enter into associations and unions, as well as to take part in their activity;

8) to use funds to realize purposes provided for in the articles of association;

9) to be plaintiff and defendant in court;

10) to exercise other rights, which do not contradict the laws of the Republic of Kazakhstan.

2. The non-for-profit organizations shall be obliged:

1) to comply with the legislation of the Republic of Kazakhstan;

2) to pay taxes and to make other obligatory budgetary payments according to the established procedure;

3) to be responsible for their liabilities with all property belonging to them (except for the institutions);

4) to bear responsibility in accordance with the legislative acts of the Republic of Kazakhstan.

Article 6. Forms of the non-for-profit organizations

The non-for-profit organizations may be established in the form of an institution, social association, joint-stock company, consumer cooperative, fund, religious association, association of legal entities in the form of an association (union) and in other form provided for by the legislative acts.

Article 7. Name and location of a non-for-profit organization

1. Name of a non-for-profit organization shall include its name and indication of its legal organizational form. It may include additional information provided for by the legislation.

The names, which contradict the requirements of the legislation or standards of social morality, and proper names of persons may not be used in the name of a non-for-profit organization, if they do not coincide with the name of members or if the members did not obtain permission from those persons (their successors) to use a proper name.

2. Location of a non-for-profit organization shall be recognized the place of location of its continuing body.

3. The name and location of a non-for-profit organization shall be stated in its constituent documents.

Chapter 2. Legal Organizational Forms of the Non-For-Profit Organizations

Article 8. Institution

1. An institution is recognized an organization established and funded by its founder in order to perform management, social and cultural or other functions of non-profit nature.

The rights of an institution to the property assigned to it shall be specified in accordance with the civil laws.

2. Depending on form of property the institutions are subdivided into the state and private institutions.

3. Peculiarities of legal status of separate types of institutions are governed by the legislative acts.

Article 9. State institution

1. A state institution is recognized an institution formed by the State in accordance with the Constitution and the laws of the Republic of Kazakhstan or the statutory legal acts of the President of the Republic of Kazakhstan, the Government of the Republic of Kazakhstan and akimats of oblasts (cities of republican importance, capitals), district (cities of regional importance), which is only maintained at the expense of the State budget, unless the legislative acts stipulate otherwise.

Property of the state institution shall be conferred on it as the right to day-to-day management.

2. Responsibility of the state institution for its liabilities shall be governed by the civil laws.

3. The state institution may not establish, as well as it may not be founder (member) of, another legal entity, except those institutions, which are conferred according to the established procedure the right to possess, use, dispose of the state-owned property.

4. The civil transactions to be concluded by the state institutions are subject to registration according to the procedure determined by the Government of the Republic of Kazakhstan.

5. For the purposes of the government regulation of the goods (works, services performed/rendered by the state institutions, which are not public bodies) an anti-monopoly agency shall specify the procedure for fixing the prices for services rendered by the state institutions.

Article 10. Private institution

1. A private institution is recognized an organization, which is not recognized a part of the governmental structure, established by natural persons and (or) non-governmental legal entities in order to perform management, social and cultural or other functions of non-profit nature.

2. Property of a private institution shall be assigned to its subject to the right to day-to-day management.

3. A private institution shall be responsible for its liabilities with money being at its disposal. If money is insufficient, responsibility for liabilities of a private institution shall be born by its founder.

Article 11. Social association

1. A social association is an organization formed as a result of voluntary joining of people with the view of achievement of common purposes by them, which purposes shall not contradict the laws of the Republic of Kazakhstan.

2. Members of the social associations shall not have the rights to property transferred by them to those associations, including membership fees. They shall not be responsible for liabilities of the social associations, in which they are members, and mentioned associations shall not be responsible for liabilities of their members.

3. Peculiarities of legal status of the social associations shall be governed by the Law of the Republic of Kazakhstan “On social associations”.

Article 12. Fund

1. A fund shall be acknowledged a non-for-profit organization without membership, which is formed by the individuals and (or) legal entities on the basis of voluntary property contributions, pursuing social, charitable, cultural, educational and other socially beneficial purposes.

2. Continuing collegial governing body - the board of trustees, which appoints the executive body of the fund, control compliance of the fund’s activity with its purposes defined by the articles of association, as well as performs other authorities specified by the articles of association of the fund, shall be formed by decision of the founders (founder), when establishing the fund.

The most of members of the board of trustees of the fund may not be married persons and immediate relatives, as well as they may not be staff members of that fund.

3. The executive body of the fund shall act on the basis of and in pursuance of decisions of the supreme governing body and continuing collegial governing body of the fund (the board of trustees) and shall be accountable to the same.

A director and members of the executive governing body of the fund shall be obliged to jointly indemnify to the fund for losses caused as a consequence of decision making by them in defiance of the constituent documents of the fund, the present Law and other legislative acts of the Republic of Kazakhstan. Those persons, who voted against, abstained or did not take part in meeting, when such a decision had been made, shall be exempted from obligation to indemnify for losses.

4. The fund must have a director and accountant, which shall not be married to each other, be immediate relatives or be related by marriage. The same person may not hold both positions. A director shall have the right to make transactions on behalf of the fund on the basis of the constituent documents, decisions of the governing body of the fund. The fund’s articles of association may specify areas of activity of the other authorized persons, which may act on their own and make transactions. A director of the fund shall have the right to represent the fund before court, public authorities, as well as organizations without a power of attorney.

5. Property transferred to the fund by its founders shall be property of the fund.

The founders of the fund shall not have property rights to the property of the fund and they may be excluded from the fund for failure to fulfil liabilities by the general meeting of founders according to the procedure established by the articles of association.

6. The fund shall be obliged to revise financial activity within a term prescribed by the articles of association. Revisions shall be carried out by an auditor or an auditing organization. The procedure of election of an auditor shall be stipulated by the articles of association, the auditing organizations shall be engaged according to the procedure established by the legislation.

7. The fund shall be obliged to annually publish reports on use of its property in official prints.

Article 13. Types of funds

1. Private, corporate, social, state funds may be formed depending on membership of founders, as well as area of activity.

Social, charitable, cultural, educational and other funds may be formed depending on purposes of activity.

2. A private fund shall be recognized a fund formed by one natural person or natural persons being members of the same family at the expense of his/her (their) own funds. A private fund may also be formed under notarized will of a natural person.

Property of a private fund shall be formed at the expense of lump-sum and (or) regular incomings from a natural person (founder) or natural persons being members of the same family (founders), property received under will, as well as other sources provided for in article 35 of the present Law and answering the purposes of activity of a private fund.

3. A corporate fund shall be recognized a fund formed by one legal entity or several legal entities being profit-making and (or) non-for-profit organizations at the expense of funds of those organizations.

Property of a corporate fund shall be formed at the expense of lump-sum and (or) regular incomings from one or several legal entities being profit-making and (or) non-for-profit organizations (founders), as well as the other sources provided for in article 35 of the present Law and answering the purposes of activity of a corporate fund.

4. A social fund shall be recognized a fund formed by natural persons, who are not members of the same family, and (or) by legal entities being social associations.

Property of a social fund shall be formed at the expense of lump-sum and (or) regular incomings from legal entities being social associations and natural persons, as well as the other sources provided for in article 35 of the present Law and answering the purposes of activity of a social fund.

Property of a social fund may not be formed at the expense of incomings from members of the same family being the sole members of mentioned fund.

5. A state fund shall be recognized a fund formed by decision of the public bodies, to which according to the established procedure the right to possess, use,

dispose of the state-owned property was transferred, furthering purposes and performing tasks of the fund at the expense of funds from the state budget.

Property of the state fund shall be formed at the expense of funds from the state budget of the Republic of Kazakhstan according to the procedure established by the legislation, as well as the other sources provided for in article 35 of the present Law and answering the purposes of activity of the state fund.

6. Relations arising in connection with formation, activity, reorganization and (or) liquidation of the funds formed at the expense of obligatory payments stipulated by the legislation of the Republic of Kazakhstan are not governed by the present Law.

Article 14. Consumer cooperative

1. Consumer cooperative shall be recognized a voluntary association of the individuals on the basis of membership in order to satisfy material and other needs of the members by combining property contributions (interests) by its members.

In the events provided for by the legislative acts, the legal entities may join a consumer cooperative.

2. Rural consumer cooperatives may be formed in order to satisfy not only material and other needs of their members, but also those of other individuals residing in rural areas.

3. Members of a consumer cooperative shall jointly bear secondary responsibility for its liabilities within limits non-contributed part of additional contribution of cooperative's members.

4. Incomes derived by a consumer cooperative may not be distributed among its members and they shall be spent for purposes prescribed by the articles of association.

5. Members of a consumer cooperative shall be obliged to recover arisen losses by means of additional contributions within three months upon approval of the annual balance sheet. In case of failure to fulfil that obligation, the cooperative may be judicially liquidated on demand of creditors.

6. Peculiarities of legal regulation of consumer cooperatives, including rural ones, are governed by special legislative acts.

Article 15. Religious association

1. A religious association shall be recognized a voluntary association of individuals joining according to the procedure established by the legislative acts on the basis of community of their interests in order to satisfy spiritual requirements.

2. Members of a religious association shall not preserve rights to property transferred by them to that organization, including membership fees. They are not responsible for liabilities of a religious association, and a religious association shall not be responsible for liabilities of its members.

3. Peculiarities of legal status of a religious association are governed by the law.

Article 16. Non-for-profit joint-stock company

1. A non-for-profit joint-stock company shall be recognized a legal entity issuing shares for the purpose of obtaining funds in order to carry out its activity, incomes of which are only used for development of that company.

2. Non-for-profit joint-stock companies shall not have the right to issue preferred shares, derivatives and convertible securities.

3. Memorandum of association of a non-for-profit joint-stock company shall be made by way of signing of that memorandum by each of founders or its authorized representative.

4. A company established as a non-for-profit organization may not be reorganized into a profit-making organization, as well as a company established as a profit-making organization may not be reorganized into a non-for-profit organization.

Requirement of the first part of this clause shall not apply to the events of reorganization of stock exchanges established in accordance with the legislation of the Republic of Kazakhstan concerning the equity market.

Article 17. Other legal form of a non-for-profit organization

1. Non-for-profit organizations may be established in another legal form.

2. Notarial chambers, bars, chambers of commerce and industry, professional auditing organizations, cooperative of apartment owners and other non-for-profit organizations may be established in another legal form.

3. Peculiarities of legal status of other legal forms shall be governed by the legislative acts.

Article 18. Joining of legal entities in the form of an association (union)

1. Profit-making organizations may join each other in the form of associations (unions) under an agreement between them, as well as jointly with non-for-profit organizations, for the purposes of coordination of their entrepreneurial activity, representation and protection of common property and other interests.

2. Non-for-profit organizations may voluntarily join into associations (unions) of these organizations.

3. Members of an association (union) shall preserve their independence and rights of a legal entity.

4. An association (union) shall not be responsible for liabilities of its members. Members of an association (union) shall bear secondary responsibility for its liabilities to the extent and according to the procedure provided for by the constituent documents of an association (union).

5. Members of an association (union) shall have the right to retire from an association (union) at their discretion in the end of a financial year, unless constituent documents provide for otherwise. In that event a member of an association (union) shall bear secondary responsibility for its liabilities arisen before its retirement from association in proportion to its contribution within two years from the moment of retirement.

A member of an association (union) may be excluded therefrom by decision of the members of an association (union) in the events and according to the procedure

specified in the constituent documents of an association (union). The rules relating to retirement from an association (union) shall apply with regard to responsibility of excluded member of an association (union).

6. By consent of the members of an association (union) a new member of association may be admitted thereto. Admission of a new member into an association (union) may be conditioned by its secondary responsibility for liabilities of an association (union) arisen before its admission.

7. Name of an association (union) must contain indication of main subject of activity of the members of that association (union) including words “association” or “union”.

Chapter 3. Formation, Reorganization and Liquidation of a Non-For-Profit Organization

Article 19. Formation of a non-for-profit organization

1. A non-for-profit organization may be formed by establishment thereof and as a result of reorganization of an existing non-for-profit organization.

2. A non-for-profit organization (except social and religious associations) shall be formed by way of establishment thereof by decision of founders (founder).

Social and religious associations are formed on initiative of a group of individuals of the Republic of Kazakhstan (not less than ten persons) convening meeting of founders (congress, conference), whereat the articles of association shall be adopted and its bodies shall be formed.

3. Both a non-for-profit organization and a legal entity shall have legal capacity from the moment of its state registration.

Legal capacity of a non-for-profit organization in the area of activity, for which it is necessary to obtain a license, shall occur from the moment of obtaining of such a license.

Article 20. Founders of a non-for-profit organization

1. Founders of a non-for-profit organization, depending on its legal form, may be natural persons and (or) legal entities, unless this Law, other legislative acts of the Republic of Kazakhstan provide for otherwise.

2. A non-for-profit organization may be established by one person, except establishment of a consumer cooperative, associations (unions) and other events provided for by the legislative acts concerning special types of non-for-profit organizations.

Article 21. Constituent documents of a non-for-profit organization

1. The constituent documents of non-for-profit organizations shall be:

1) for institution – regulations (articles of association) approved by an owner (owners) and decision of an owner (owners) on establishment;

2) for fund, consumer cooperative, non-for-profit joint-stock company, legal entities joined in the form of an association (union), other legal forms – articles of association approved by the founders and memorandum of association;

3) for social association, religious association - articles of association.

2. Requirements of the constituent documents of a non-for-profit organization shall be binding for a non-for-profit organization and its founders (members).

3. In case of contradictions between the memorandum of association and the articles of association of one non-for-profit organization the terms and conditions of the following must apply:

1) the terms and conditions of the memorandum of association, if they relate to internal relations of the founders;

2) the terms and conditions of the articles of association, if application of the same may be of the same importance for relations of a legal entity and third persons.

Article 22. Articles of association of a non-for-profit organization

1. The articles of association of a non-for-profit organization must provide for:

1) name, including legal form, subject and purposes of activity of a non-for-profit organization;

2) location of a non-for-profit organization;

3) structure, procedure of formation and competence of governing bodies of a non-for-profit organization;

4) rights and obligations of the members of a non-for-profit organization;

5) conditions and procedure of admission as members of a non-for-profit organization and retirement therefrom (if a non-for-profit organization has membership);

6) sources of formation of the property of a non-for-profit organization;

7) procedure of making amendments and alterations to the constituent documents of a non-for-profit organization;

8) terms and conditions of reorganization and termination of activity of a non-for-profit organization;

9) procedure of use of property in case of liquidation of a non-for-profit organization;

10) information about branches and representative offices.

2. The articles of association of a non-for-profit organization may provide for other provisions, which do not contradict the laws of the Republic of Kazakhstan.

3. If a non-for-profit organization is established by one person, then its articles of association shall also specify the procedure of formation of the property and use of incomes.

4. Provisions of sub-clauses 4) and 5) of clause 1 of this article shall not apply to the funds. The articles of association of the fund, in addition to information mentioned in clause 1 of this article, must contain indications of bodies of the fund, procedure of appointment of officials of the fund and their dismissal, information about property of the fund in case of liquidation thereof.

5. The articles of association of a consumer cooperative must contain, in addition to information contained in clause 1 of this article, conditions of proportions of interests of the cooperative's members, structure and procedure of contribution of interests by the members of a cooperative and their responsibility for violation of a liability in relation to contribution of an interest, membership and

competence of cooperative's governing bodies and procedure of making decisions by them, including issues, decisions on which shall be made unanimously or by qualified majority of votes, procedure of indemnifying losses by the cooperative's members incurred by them.

6. The articles of association of the bar must contain provisions of the procedure of suspension of membership, procedure of formation and activity of the legal consultation offices, sources of formation of the property and procedure of disposal thereof, the procedure of payment of membership fees, procedure of rendering free legal assistance by barristers and procedure of "by value" allocation of legal assistance among barristers of a court, agencies of inquiry and preliminary investigation, procedure of barristers' certification, disciplinary responsibility of the members of the bar and probationers of barristers and procedure of bringing them to it, procedure of application for forfeiture of a barrister's licence.

7. The constituent documents of an association (union) must also contain conditions of membership and competence of their bodies, procedure of making decisions by them and procedure of distribution of property remaining after liquidation of an association (union).

8. Amendments and alterations shall be made to the articles of association of a non-for-profit organization by decision of its supreme body (general meeting, congress, conference, and founder). The articles of association of the fund shall be amended and altered by the governing body of the fund, if it is granted such a right under the articles of association.

9. The articles of association of a non-for-profit joint-stock company must also contain indication of the fact that a company is a non-for-profit organization, provisions of the procedure of voting, non-payment of dividends and other requirements prescribed by the legislative acts of the Republic of Kazakhstan.

Article 23. Memorandum of association

1. The memorandum of association is an agreement between founders concerning establishment of a non-for-profit organization, which shall specify the procedure of joint operations related with formation thereof, conditions of transfer of the ownership to it (operating management) of its property and participation in its activity. It shall also prescribe terms and conditions and the procedure of management of activity of a non-for-profit organization, cessation of membership of the founders, unless the legislative acts concerning separate kinds of non-for-profit organizations provide for otherwise.

By agreement between the founders the memorandum of association may include the other terms and conditions, which shall not contradict the laws of the Republic of Kazakhstan.

2. The memorandum of association shall be signed by all of the founders or persons authorized by them.

3. If a fund and a private institution are formed by one person, then the memorandum of association shall not be made.

Article 24. Branches and representative offices of a non-for-profit organization

1. A non-for-profit organization may establish branches and open representative offices in the Republic of Kazakhstan in accordance with the legislation of the Republic of Kazakhstan.

Social and religious associations, institutions may establish their organization departments in accordance with the legislative acts concerning these organizations.

2. A branch of a non-for-profit organization is a separate subdivision of a non-for-profit organization situated out of its place of location and performing all or a part of its functions, including functions of representative offices.

3. A representative office of a non-for-profit organization is a separate subdivision of a non-for-profit organization situated out of its place of location and protecting and representing interests of a non-for-profit organization, making transactions and taking other legal actions on behalf thereof.

4. The branches and representative offices are not legal entities. They are given property of a non-for-profit organization, which established the same, and act on the basis of the regulations approved by it. The property of a branch or representative office shall be recorded in a separate balance sheet and in the balance sheet of a non-for-profit organization, which established the same.

5. Directors of the branches and representative offices of the non-for-profit organizations (except social and religious associations) shall be appointed by the authorized body of a non-for-profit organization and they shall act on the basis of its power of attorney.

Directors of organization departments (branches and representative offices) of the social associations shall be elected according to the procedure provided for by the articles of association of a social association and the regulations of its branch or representative office.

Directors of organization departments (branches and representative offices) of religious associations shall be elected or appointed according to the procedure provided for by the articles of association of a religious association and the regulations of its branch or representative office.

6. A branch and representative office shall carry out activity on behalf of a non-for-profit organization, which established the same. A non-for-profit organization, which established a branch of a representative office, shall bear responsibility for activity of the same.

7. Branches and representative offices of a non-for-profit organization shall be registered, and in the event of changes in the name, they shall be re-registered.

The procedure and terms of registration, re-registration shall be specified by the legislation concerning registration of the legal entities.

Article 25. Reorganization of a non-for-profit organization

1. A non-for-profit organization may be reorganized according to the procedure provided for by the Civil Code of the Republic of Kazakhstan, this Law, and the other legislative acts.

2. A non-for-profit organization may be reorganized in the form of merger, affiliation, division, segregation, reformation and in other forms provided for by the legislation.

3. A non-for-profit organization shall be deemed reorganized, except cases of reorganization in the form of affiliation, from the moment of the state registration of a newly formed organization (organizations).

At the time of reorganization of a non-for-profit organization in the form of affiliation of another organization thereto, the first of them shall be deemed reorganized from the moment of entry in the state register of the legal entities on termination of activity of affiliated organization.

4. The state registration of an organization (organizations) newly formed as a result of reorganization and an entry in the state register of the legal entities on termination of activity of reorganized organization (organizations) shall be in accordance with the procedure established by the legislation concerning the state registration of the legal entities.

Article 26. Liquidation of a non-for-profit organization

1. A non-for-profit organization may be liquidated on voluntary basis (by decision of an owner of property thereof or a body authorized by an owner, as well as by decision of a body of a legal entity authorized by the constituent documents) and on compulsory basis (by court decision) on the basis of and according to the procedure provided for by the Civil Code of the Republic of Kazakhstan, this Law and other legislative acts.

2. Founders (members) of a non-for-profit organization or a body adopted decision on liquidation of a non-for-profit organization shall be obliged to immediately inform about that in writing a body of justice registering the legal entities.

Founders or a body adopted decision on liquidation of a non-for-profit organization shall appoint a liquidation commission and specify the procedure and terms of liquidation of a non-for-profit organization in accordance with the Civil Code of the Republic of Kazakhstan and this Law.

3. From appointment of a liquidation commission the powers relating to management of the property and affairs of a non-for-profit organization shall pass to it. Liquidation commission shall appear before court on behalf of a non-for-profit organization being liquidated.

Article 27. Procedure of liquidation of a non-for-profit organization

1. Liquidation commission shall publish information about liquidation of a legal entity, as well as details about procedure and period of laying claims by its creditors in official prints of the central body of justice. The period for laying claims may not be less than two months from publication about liquidation of a non-for-profit organization.

Liquidation commission shall take actions to find creditors and to be repaid debt, to strike the branches and representative offices from a register, as well as to notify in writing the creditors of liquidation of a non-for-profit organization.

2. On expiry of the period for laying claims by the creditors the liquidation commission shall draw up the interim liquidation balance sheet, which shall contain information about structure of property of a non-for-profit organization

being liquidated, a list of claims made by creditors, as well as results of consideration thereof.

An interim liquidation balance sheet shall be approved by an owner of property of a non-for-profit organization or a body adopted decision on liquidation of a non-for-profit organization.

3. If a non-for-profit organization (except for the state institutions) being liquidated has not sufficient money in order to satisfy requirements of the creditors, a liquidation commission shall sell the property of a non-for-profit organization by public bidding according to the procedure established in order to execute judicial decisions.

4. Money shall be paid to the creditors of a non-for-profit organization being liquidated by a liquidation commission in order of priority prescribed by article 51 of the Civil Code of the Republic of Kazakhstan, in accordance with interim liquidation balance sheet, commencing from a day of approval thereof.

5. As soon as settlement of payments with creditors is completed, the liquidation commission shall make up a liquidation balance sheet, which shall be approved by an owner of property of a non-for-profit organization or a body adopted decision on liquidation of a non-for-profit organization.

6. In case funds of an institution being liquidated are insufficient to satisfy claims of the creditors, the latter shall be entitled to file an action with the court for satisfaction of remaining claims at the expense of an owner of property of that institution.

Article 28. Property of a non-for-profit organization being liquidated

1. In case of liquidation of a non-for-profit organization, the property remaining after satisfaction of creditors' claims shall be used for the purposes specified in the constituent documents, unless the legislative acts provide for other procedure.

In the event where a non-for-profit organization had tax and other benefits and existed on contributions of the members and (or) founders, incomes from its activity, donations from the public, it obtained grants from the State or non-governmental organizations, then the property remaining in case of liquidation after settlement of payments with the creditors may not be redistributed among the members, founders, officials or employees of the organization, and it must be used in accordance with the articles of association of the organization for its purposes prescribed by the articles of association. If the articles of association of an organization do not provide for such a procedure, then by decision of a body adopted a decision on liquidation remaining property may be transferred to a non-for-profit organization pursuing the same purposes or those, which are similar to purposes of an organization being liquidated.

2. In case of liquidation of a consumer cooperative or retirement of a member of cooperative, it shall have the right to separation of its interest in the property of a consumer cooperative in proportion to its share.

In case of retirement from a rural consumer cooperative, its member shall have the right to separate its interest in the property of a rural consumer cooperative and

to obtain value thereof or by agreement between all of the members of a cooperative – the property in kind in proportion to its share.

In case of death of a member of a consumer cooperative, its successors shall have preliminary right to be admitted as members of a cooperative, unless the legislative acts and the articles of association of a cooperative provide for otherwise. In the last event the cooperative shall pay to successors an interest in the property of the consumer cooperative in proportion to its share.

3. The founders shall preserve the right of ownership to the property of an institution.

4. Property of a non-for-profit joint-stock company remaining after settlement of payments with the creditors shall be distributed among all of the shareholders in proportion to the number of shares held by them.

Article 29. Completion of liquidation of a non-for-profit organization

Liquidation of a non-for-profit organization shall be deemed completed and a non-for-profit organization shall be deemed terminated after relative entry to this effect is made in the state register of legal entities.

Article 30. This article was excluded in accordance with the Law of the Republic of Kazakhstan No.537-II dated 18.03.04.

Article 31. The state registration and re-registration of a non-for-profit organization

The state registration and re-registration of a non-for-profit organization shall be effected according to the procedure established by the legislation concerning the state registration of the legal entities.

Chapter 4. Activity of Non-For-Profit Organizations

Article 32. Kinds of activities of a non-for-profit organization

1. A non-for-profit organization may carry out one kind of activities or several kinds of activities, which are not prohibited by the legislation of the Republic of Kazakhstan and answering the purposes of activity of a non-for-profit organization, which are provided for by its constituent documents.

2. The legislative acts of the Republic of Kazakhstan may prescribe restrictions on kinds of activities, which non-for-profit organizations of specific legal forms shall have the right to carry out.

3. In accordance with the legislative acts the non-for-profit organizations may only carry out particular kinds of activities on the basis of licenses.

Article 33. Right of a non-for-profit organization to carry out business

1. A non-for-profit organization may only carry out business insofar as this corresponds to its purposes prescribed by the articles of association.

2. The legislative acts of the Republic of Kazakhstan may prescribe restrictions on business of non-for-profit organizations of specific legal forms.

3. A non-for-profit organization shall keep record of incomes and expenses from business.

4. Business of non-for-profit organizations shall be liable to tax in accordance with the tax legislation of the Republic of Kazakhstan.

5. Incomes from business of non-for-profit organizations may not be distributed among members of non-for-profit organizations and they shall be used for the purposes prescribed by the articles of association. Use of their funds by the social and religious associations, funds for charitable purposes is allowed.

Article 34. Property of a non-for-profit organization

1. A non-for-profit organization may own or carry out day-to-day management of the objects, property, which are required for material support of activity provided for by its articles of association, as well as organizations established at the expense of its funds, except specific kinds of property, which in accordance with the legislative acts may not be owned by non-for-profit organizations.

A religious association shall have the right of ownership to the property acquired or created by it at the expense of own funds contributed by individuals, organizations or transferred by the State and acquired for other grounds, which shall not contradict the legislative acts.

An institution shall not be entitled to alienate on its own or otherwise dispose of property assigned to it and property acquired at the expense of the funds allocated to it according to the cost estimate.

2. A non-for-profit organization (except for institutions) shall be responsible for its liabilities with all property belonging to it.

Article 35. Sources of formation of the property of a non-for-profit organization

1. In accordance with the legislative the sources of formation of the property of a non-for-profit organization in money terms and in other forms acts shall be:

- 1) inpayments from founders (members);
- 2) voluntary property contributions and donations;
- 3) proceeds (income) from sale of the goods, works, services in the events prescribed by the legislation;
- 4) dividends (incomes, fee (interest) obtained for shares, debentures, other securities and contributions (deposits);
- 5) other returns, which are not prohibited by the law.

2. The legislative acts may prescribe restrictions on sources of incomes of non-for-profit organizations of separate kinds.

3. The procedure of obtaining of financial and other resources from founders (members) shall be specified by the constituent documents of a non-for-profit organization.

4. Contributions of founders to formation of the property of a non-for-profit organization in kind and in other forms, except money, shall be valued in money terms by agreement between all of the founders. If the value of such a contribution

exceeds amount equivalent to twenty thousand of monthly calculated indices, then assessment thereof must be confirmed by an auditing organization.

Article 36. Conflict of interests

1. Transactions between a non-for-profit organization and interested persons connected with disposal of the property of an organization assume conflict of interests.

2. Interested persons shall be recognized the members of the governing body (managing board) of a non-for-profit organization, as well as persons, who in the view of their relations with the organization may have influence on disposal by organization of its property, who conclude transactions with their organization on their own or through a representative.

3. Conflict of interests is also assumed, if a non-for-profit organization concludes transactions with relatives of interested persons, as well as their creditors.

Article 37. Separation of conflict of interests

A transaction, which assumes conflict of interests, must be approved by the authorized body of a non-for-profit organization. An interested person must inform the authorized body of the organization about assumed conclusion of such a transaction.

An interested person shall bear responsibility for indemnity for losses caused to a non-for-profit organization as a result of such a transaction concluded with conflict of interests, unless a transaction was approved by the authorized body.

In addition to indemnity for losses, such interested person must also pay back to a non-for-profit organization the whole amount of income derived by that person as a result of conclusion of such a transaction.

If losses resulted from actions of several interested persons, they must bear joint responsibility to a non-for-profit organization.

Chapter 5. Management of a Non-For-Profit Organization

Article 38. Principle of management of a non-for-profit organization

The structure, competence, procedure of formation and term of powers of the governing bodies of a non-for-profit organization, the procedure of decision-making and presentation on behalf of a non-for-profit organization shall be specified by the legislation and the constituent documents of a non-for-profit organization.

Article 39. Governing bodies of a non-for-profit organization

1. The governing bodies of a non-for-profit organization, except for the State institutions, in accordance with their constituent documents shall be:

1) supreme governing body (general meeting, congress, conference, founder) shall have the right to make decisions on any issues of activities of a non-for-profit organization;

2) executive governing body (collegial or sole) shall be charged with day-to-day management of activities of a non-for-profit organization, except for issues referred by the constituent documents of a non-for-profit organization to the exclusive competence of the supreme governing body, shall be accountable to that body;

3) controlling body (auditing committee, auditor), which is elected or appointed by the governing bodies of a non-for-profit organization;

4) other bodies in accordance with the constituent documents of a non-for-profit organization.

2. The exclusive competence of the supreme governing body of a non-for-profit organization shall include the following issues:

1) adoption, amendment and alteration to the constituent documents of a non-for-profit organization;

2) voluntary reorganization and liquidation of a non-for-profit organization;

3) determination of competence, organizational structure, procedure for formation and termination of powers of the governing bodies of a non-for-profit organization;

4) determination of the procedure and periodicity of presentation of the financial statements of the executive bodies, as well as the procedure of examination to be carried out by the controlling body and approval of results thereof;

5) making decision on participation of a non-for-profit organization in establishment or activity of other legal entities, as well as its branches and representative offices within limits prescribed by the legislative acts.

In accordance with the legislative acts the constituent documents of a non-for-profit organization may include other issues of activities of that organization in the exclusive competence of the supreme governing body.

3. A non-for-profit organization shall not have the right to pay fee to the members of its supreme governing body for performance of functions entrusted to them, except for compensation for expenses directly connected with participation in work of the supreme governing body.

4. Labour laws of the Republic of Kazakhstan and legislation of the Republic of Kazakhstan concerning social security and insurance shall apply to staff employees of non-for-profit organizations working under employment agreement.

Chapter 6. The State and Non-For-Profit Organizations

Article 40. The State and non-for-profit organizations

1. The State encourages formation and vigorous activities of non-for-profit organizations. Non-for-profit organizations may be granted tax, customs and other benefits in accordance with the legislation of the Republic of Kazakhstan.

2. Non-for-profit organizations in accordance with purposes of their activities may cooperate with the governmental authorities concluding agreements with the same and perform certain works for the same.

Article 41. Control of activity of a non-for-profit organization

1. A non-for-profit organization shall keep accounting records and statistical records according to the procedure provided for by the legislation of the Republic of Kazakhstan.

2. A non-for-profit organization shall present information about its activities to the bodies of the state statistics and tax bodies, founders and other persons in accordance with the legislation of the Republic of Kazakhstan and the constituent documents of a non-for-profit organization.

A non-for-profit organization, which carries out activity at the expense of funds granted without compensation by foreign states, international and foreign organizations, foreign and stateless persons, shall present report on use of those funds to the tax bodies in accordance with the legislation of the Republic of Kazakhstan.

3. Branches and representative offices (detached subdivisions) of foreign and international non-for-profit organizations carrying out activity in the Republic of Kazakhstan shall annually publish in prints the information about their activities, including information about their founders, structure of property, sources of formation and expenditure of funds.

4. Amounts and structure of incomes of a non-for-profit organization, as well as information about amounts and structure of property of a non-for-profit organization, its expenses, number and membership of employees, remuneration of their labour, and use of labour of individuals in activity of a non-for-profit organization without compensation may not be trade secret.

Article 42. Suspension of activity of a non-for-profit organization

1. Activity of a non-for-profit organization may be suspended for a period from three up to six months by decision of court on the basis of representations of the bodies of public prosecutor's office in cases where the Constitution and laws of the Republic of Kazakhstan are violated or a non-for-profit organization takes actions, which are beyond the scope of the subject and purposes of activity determined by its articles of association, more than once.

2. If activity of a non-for-profit organization provided for in clause 1 of this article, is suspended, it is prohibited to carry out activity provided for by the constituent documents. Its right to use bank accounts shall also be suspended, except for settlement of payments under employment agreements, indemnity for losses caused as a result of its activity and payment of penalties.

If during fixed period of suspension of activity a non-for-profit organization remedies violations giving occasion to suspension of its activity, then after the end of mentioned period a non-for-profit organization shall resume its activity. In case a non-for-profit organization fails to remedy violations, the bodies of public prosecutor's office shall have the right to file an action with the court for liquidation thereof.

3. The court, which made decision on suspension of activity of a non-for-profit organization, shall have the right to early remove that restriction in connection with remedy of violation on application of a non-for-profit organization.

Article 43. Responsibility of a non-for-profit organization, natural persons and legal entities

1. Violation of the laws shall entail responsibility of a non-for-profit organization according to the procedure provided for by the legislative acts of the Republic of Kazakhstan.

2. Natural persons and legal entities, including officials of the governmental bodies, guilty of violation of the laws concerning non-for-profit organizations shall bear responsibility therefor.

President of the Republic of Kazakhstan

N. NAZARBAYEV