



NewsFlash

Tax&Legal

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Dear Readers,

Since the beginning of the year, Kazakhstan adopted a number of laws introducing tax-related amendments to the Tax Code and other legislative acts. In this NewsFlash, we would like to highlight some of the most important, in our opinion, of the adopted amendments.

Administrative Penalties¹

The amendments increased administrative fines for the following tax offenses:

- A fine for the concealment of a taxable object increased from 150% to 200% of the amount of unpaid taxes;
- A fine for the concealment of a taxable object repeated within a year increased from 200% to 300% of the amount of unpaid taxes;
- A fine for an understatement of taxes increased to 20%, 50% and 80% of the additionally assessed taxes for small, medium and large entities, respectively;
- A fine for the issuance of a fictitious invoice increased to 100%, 200% and 300 % of the amount of VAT included in the invoice for small, medium and large entities, respectively.

The amendments reduced an interest rate for the calculation of interest penalties for the late payment of taxes from 1.25 to 0.65 times the official refinancing rate for cases where a taxpayer submits an additional corporate income or personal income tax declaration by 1 September of the year following the reporting year.

Control VAT Account²

The following amendments aimed to attract taxpayers to a newly introduced system of control VAT accounts:

Taxpayer operating through control VAT accounts obtain VAT refunds without tax audits of their VAT records. The tax authorities verify the amount of the excess VAT claimed for the refund on the basis of data available in their information systems;

Taxpayers are not required to account separately for VAT amounts flowing through a control VAT account;

Taxpayers operating through control VAT accounts are exempt from the requirement to collect their foreign currency proceeds to confirm the VAT claimed for a refund upon an exportation of goods;

A branch of a VAT payer is entitled to open and operate a separate control VAT account for the branch's settlements upon the branch's electronic VAT invoices;

Taxpayers subject to the state monitoring are entitled to simultaneously apply a simplified VAT refund procedure, as well as a control VAT account and (or) a generally established procedures for a refund of the remaining VAT amounts.

¹ Entered into force on 3 February 2019

² Entered into force on 1 January 2019

Controlled Foreign Companies³

Until 1 January 2020, companies registered in tax treaty states are not regarded as controlled foreign companies (CFCs).

A tax resident determines a reduction of the CFC's financial profit for Kazakh taxation purposes on a proportional basis, depending on the share of the CFC income taxed in Kazakhstan in the total amount of the CFC revenues reflected in the financial statements.

A tax resident is not entitled to credit income tax withheld from the CFC's Kazakh-source income against the resident's corporate income tax liabilities in Kazakhstan, if the CFC is registered in a tax haven.

The amendments extended the deadline for the submission of a resident's tax declaration reflecting the CFC's income tax liabilities, if the CFC's audited financial statements are not available on the date of the filing deadline. In this case, the resident assesses the CFC's tax liabilities on an additional corporate income tax declaration due within sixty business days after the date of the approval of the CFC's audited financial statements, but not later than 31 March of the second year following the reporting year.

Large Taxpayers⁴

The amendments expanded the list of the large taxpayers subject to the state monitoring by including on the list companies with the amount of annual tax liabilities exceeding 2,000,000 times the monthly index factor. The tax authorities will estimate the annual tax liabilities for each of the three consecutive years preceding the year of approval of the list.

Advertisement⁵

The amendments introduced payments for the placement of advertisements outside settlements and outside the public roads. The amendments also established rates for advertising through video images and tickers.

The payment deadline for the placement of advertisement fees changed from the 25th day of the month following the reporting period to the 25th day of the current month.

Tax Administration⁵

Second-tier banks and banking organizations are obliged to provide the tax authorities with information on the opening and closing of VAT accounts, as well as information on balances and cash flows on such accounts in accordance with the procedure established by the tax authorities in agreement with the National Bank.

Organizations providing services on supply of water, sewerage, gas, electricity, heat, waste collection (waste disposal) services, elevator services and (or) transportation services provide the tax authorities with information on the services they provided to third parties.

³ Entered into force on 1 January 2018

⁴ Entered into force on 1 January 2018

⁵ Entered into force on 11 April 2019

⁶ Entered into force on 1 January 2019

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