

**Dear Readers,**

**In April 2019, amendments to the Tax Code introduced a new concept of pilot tax project. The tax authorities are entitled to carry out so-called pilot projects that imply non-statutory procedures for tax administration and fulfilment of tax obligations. In this NewsFlash, we outline two pilot projects that the tax authorities implemented recently.**

### Tax Free<sup>1</sup> Project

The tax authorities implemented a pilot Tax Free project on the basis of the Esentai Mall trade center in Almaty and the Almaty International Airport. According to the approved procedures, an operator of tax free system (Global Blue company) reimburses an individual buyer for the VAT paid in Kazakhstan, if the all of following conditions are met:

- The buyer is a citizen of a foreign state that is not a member state of the Eurasian Economic Union;
- The purchased goods are exclusively non-food products and the buyer acquired them from an entity engaged in trading activities in the tax free system in the Esentai Mall trade center;
- The buyer presented to the operator a “tax free” document (a receipt) properly completed and stamped by the state revenue authorities seal;
- The total price of the purchased goods indicated on the tax free documents (receipts) exceeds 20 times the monthly index factor;
- The buyer exports the purchased goods outside the Eurasian Economic Union through a checkpoint at the state border of Kazakhstan in the Almaty International Airport;

- The period from the receipt date to the application for the VAT refund does not exceed three months.

The tax free project started on 15 August 2019 and will last till 1 July 2022.

### VAT Administration Project<sup>2</sup>

The following taxpayers will be regarded as participants to the pilot project on the improvement of VAT administration procedures which are realized on the basis of the information system of electronic VAT invoices with the application of the tax risks assessment rules:

- VAT payers with the high degree of tax risks;
- Taxpayers that purchase goods, works or services from VAT payers with the high degree of tax risks.

<sup>1</sup> Order No. 871 of the Acting Minister of Finance of the Republic of Kazakhstan On Approval of the Rules and Deadlines for a Pilot Project on VAT Refund to Foreigners Exporting Goods Outside the Eurasian Economic Union, Except for Exportation of Goods through the Member States of the Eurasian Economic Union (Tax Free Pilot Project), dated 13 August 2019

<sup>2</sup> Order No. 1084 of the First Deputy of the Prime Minister of the Republic of Kazakhstan – Minister of Finance of the Republic of Kazakhstan On Approval of the Rules and Deadlines for the Pilot Project on Improvement of VAT Administration Procedures on the Basis of the Information System of Electronic VAT Invoices Using the Risk Management System (Pilot Project), dated 3 October 2019

Under the project, the state revenues authorities are entitled to conduct a desktop review of the participants before the tax reporting deadlines and to request taxpayers with the high degree of tax risk to provide documents confirming the fact of a transaction performance. The participants are required to eliminate violations that the state revenue authorities detect during the desk audit and to submit copies of the requested documents.

The participants are required to eliminate the detected violations within five business days after the receipt of an appropriate notification from the state revenue authorities. If a taxpayer fails to execute the notification, the state revenue authorities will limit the taxpayer's access to the information system of electronic VAT invoices. A notification is regarded as the executed after a taxpayer:

1. Recalls the issued electronic VAT invoices – if the taxpayer agrees with the violations specified on the notification;
2. Provides explanations and copies of documents to confirm the fact of the transaction performance – if the taxpayer disagrees with the violations specified on the notification.

The tax authorities cancel the limitation of access to the information system of electronic VAT invoices within three business days after a taxpayer executes the notification on tax violations.

The project started on 18 October 2019 and will last till 1 July 2021.

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