

# NewsFlash

Tax and Legal

December 2019



### Dear readers,

The President approved several laws introducing amendments to the state budget legislation and legislation on the provision of public services. We offer you an overview of some of the adopted amendments related to tax law

## **Taxation of Foreign Personnel**

The amendments<sup>1</sup> introduced changes to the taxation procedure established by Tax Code Article 656 for income of expatriate personnel seconded to Kazakhstan. Part of the amendments came into effect retroactively on 1 January 2018. The remaining part will enter into force on 1 January 2020.

The following amendments entered into force on 1 January 2018:

- The taxation procedure established by Article 656 is applicable to income of expatriate personnel seconded to Kazakhstan by a foreign entity not registered as a taxpayer in Kazakhstan (previously a foreign entity with no permanent establishment in Kazakhstan). Accordingly, the amendments replaced the wording sent to Kazakhstan by a non-resident legal entity with no permanent establishment by sent to Kazakhstan by a non-resident legal entity not registered as a taxpayer in the heading and throughout the body of Tax Code Article 656;
- Taxation procedure established by this article is applicable to income of an expatriate individual seconded to Kazakhstan, if the individual is:
  - an employee and (or) a contractor (subcontractor) of a foreign seconding entity not registered as a taxpayer in Kazakhstan, or an employee of a contractor (subcontractor) of the seconding entity;

- regarded as permanently residing in Kazakhstan in accordance with the requirements of Kazakhstan tax legislation.
- If under provisions of Article 656, a host company in Kazakhstan is required to withhold personal income tax from 80% of the income payable to a foreign seconding company, the amount of the taxable income should be equally distributed among the secondees. In addition, the taxable income in this case may be reduced by the amount of personnel income reflected in the documents that the seconding entity provided to the host company.

The following amendments will enter into force on 1 January 2020:

- Taxation procedure established by this article is applicable to fringe benefits provided to a secondee by any taxpayer that is not the employer to the secondee (instead of a foreign seconding entity sending the personnel to Kazakhstan).
- If an expatriate secondee is not regarded as permanently residing in Kazakhstan, fringe benefits provided to the secondee by a non-employer is subject to taxation at the rates established by tax legislation for Kazakh-source income of nonresidents.
- If a host company in Kazakhstan is required to withhold personal income tax from 80% of the income payable to a foreign seconding company, the taxable income may be reduced by the amount of fringe benefits rendered to the secondees by third parties, provided that the terms of the secondment contract specify the provision of the fringe benefits.

<sup>&</sup>lt;sup>1</sup> Law No. 272-VI On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on the Provision of Public Services, dated 25 November 2019

### **Basic Indexes for 2020**

Law<sup>2</sup> On the State Budget for 2020 - 2022 established the following indices effective from 1 January 2020:

- 1. The minimum salary is 42,500 tenge;
- 2. The minimum state basic pension is 16,839 tenge;
- 3. The minimum pension is 38,636 tenge;
- 4. Monthly index factor is 2,651 tenge;
- 5. The cost of living for the calculation of basic social benefits is 31,183 tenge

# Contacts:



Inna Alkhimova Head of Tax and Legal KPMG in Kazakhstan and Central Asia Partner T: +7 727 298 08 98 E: ialkhimova@kpmg.kz



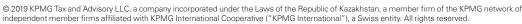
Rustem Sadykov
Tax and Legal
Partner
T: +7 7172 55 28 88
E: rsadykov@kpmg.kz

### www.kpmg.kz



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<sup>&</sup>lt;sup>2</sup> Law No. 276-VI On the State Budget for 2020-2022, dated 4 December 2019