



# NewsFlash

## Tax and Legal

June 2020



Dear readers,

**The Senate of the Parliament is considering a draft law *On Amendments and Additions to Certain Legislative Acts of Kazakhstan on Regulation of Digital Technologies* (hereinafter, the "Draft Law").<sup>1</sup> The purpose of the Draft Law is to create a legal framework for the regulation of new digital technologies, such as blockchain technologies, robotics, big data analysis, national video monitoring system, etc. In this NewsFlash issue, we offer you an overview of the proposed amendments with respect to blockchain technologies.**

### Blockchain technologies

The Draft Law introduces to the Law *On Informatization* certain new definitions related to blockchain technologies: blockchain, distributed data platform, digital asset, digital mining, digital token.

A digital asset is defined as a property created in digital form using encryption and computer calculations. It is not a financial instrument. A digital asset may also certify property rights. The Civil Code classifies a digital asset as property benefits and rights.

The Draft Law establishes legislative norms for operations with digital assets. According to them, a digital asset is not a mean of payment. The Draft Law defines two categories of digital assets:

- *secured digital assets* - assets that digitally certify property rights to goods or services. A person issuing secured digital assets should establish the types of the assets and the list of the rights under them in accordance with a procedure established by law;
- *unsecured digital assets* - assets received as remuneration for participation in maintaining consensus in the blockchain in accordance with a procedure established by law. Under unsecured digital assets the lawmakers implied cryptocurrencies or virtual currencies that are not secured by real assets.

The state information security authorities will establish a procedure for the issuance and turnover of secured digital assets. With respect to unsecured digital assets, the Draft Law limits the operations with them in Kazakhstan to only legislatively specified cases. The lawmakers proposed to permit activities related to the circulation of cryptocurrencies within the framework of the Astana International Financial Center in order to accumulate relevant regulatory experience.

According to the Draft Law, digital miners will be considered as owners of the mined digital assets. They will be required to inform the information security authorities of the digital mining activities.

The Draft Law does not stipulate a separate tax treatment for activities related to blockchain technologies. Thus, business activities in this area will be subject to the statutory tax rules established by the Tax Code.

<sup>1</sup> Resolution No. 1154-VI of the Majilis of the Parliament of Kazakhstan *On the Draft Law of Kazakhstan On Amendments and Additions to Certain Legislative Acts of Kazakhstan on Regulations of Digital Technologies*, dated 29 April 2020

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