



Dear readers,

The Mazhilis of the Parliament approved in first reading a draft law *On Amendments to Certain Legislative Acts of the Republic of Kazakhstan concerning Taxation and Improvement of the Investment Climate* (hereinafter, the "Draft Law"). One of the draft law provisions imposes VAT on electronic sales of goods and services by foreign entities to individuals in Kazakhstan (the so-called "Google tax") starting on 1 January 2021.

Google Tax

The Draft Law introduces the following definitions:

- electronic services are services provided to individuals through the information and telecommunications network, including via the Internet;
- an electronic sale of goods is a sale of goods to individuals via an Internet platform;
- an Internet platform is an information system in the Internet for electronic sale of goods.

Foreign companies that apply their Internet platforms for electronic sales of goods or services to individuals in Kazakhstan are regarded as VAT payers. A foreign Internet company will be required to calculate and pay VAT on an electronic sale of goods or services to an individual, if one of the following conditions is met:

- the individual buyer's place of residence is Kazakhstan;
- the buyer pays to the foreign Internet company through a bank account in a bank or via an operator of electronic money located in Kazakhstan;
- the individual buyer's network address is registered in Kazakhstan;
- the buyer uses for the transaction a telephone number (including mobile) with an international country code assigned to Kazakhstan.

According to the Draft Law, foreign Internet companies will not be required to register in Kazakhstan for VAT purposes or issue VAT invoices.

The Draft Law is silent on how the foreign Internet companies should remit and report VAT to the tax authorities without VAT registration. Perhaps the Draft Law will be amended by the second reading in the Mazhilis.

For the calculation of VAT on an electronic sale of goods or services, a foreign currency value of the transaction should be converted into tenge at the market exchange rate on the last business day preceding the payment date.

For electronic sales from abroad, the Draft Law establishes quarterly VAT payments – by the 25th day of the second month following the quarter in which a foreign entity sold goods or services electronically.

The second reading of the Draft Law in the Mazhilis is expected to be in September of this year. After that, the Mazhilis will pass the Draft Law to the Senate of the Parliament for further review. We hope that the final version of the Draft Law will not include any uncertainties that currently exist in the Draft Law. We will continue informing you of the status of the Draft Law and of any significant amendments that the legislators will make to the Draft Law.

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