

NewsFlash

Tax and Legal

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Dear Colleagues,

The Mazhilis of the Parliament approved in second reading a draft law¹ on amendments to tax legislation of Kazakhstan (hereinafter, the "Draft Law") and submitted it to the Senate for consideration. During the second reading, the Mazhilis amended the draft law provisions related to VAT on electronic sales of goods and services by foreign entities to individuals in Kazakhstan (the so-called "Google tax").

Google Tax

The Draft Law proposes to supplement the Tax Code with a new section regulating VAT payments by foreign Internet companies on electronic sales of goods or services to individuals. The new section introduces definitions of electronic services, electronic sale of goods and an Internet platform.

The Mazhilis have not changed VAT obligations criteria for foreign Internet companies. Foreign entities 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.

In the final wording of the Draft Law, the Mazhilis excluded VAT reporting obligations and introduced a notional registration procedure for foreign Internet companies. Consequently, under the Draft Law, foreign Internet companies will not be required to issue VAT invoices or submit VAT declarations in Kazakhstan.

For the notional tax registration, a foreign Internet company sends to the tax authorities a hard copy of a confirmation-letter with the following information:

1. Name of the company;
2. Tax registration number (or its equivalent), if there is such number in the country of incorporation or the country of residence;
3. State registration number (or its equivalent) in the country of incorporation or the country of residence;
4. Bank account details from which the company will pay the Kazakh VAT;
5. Postal details (official e-mail address, address of location in the country of incorporation or the country of residence).

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. 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.

According to the Draft Law, the norms regulating VAT payments by foreign Internet companies on electronic sales of goods or services to individuals will enter into effect on 1 January 2022.

¹ Draft Law of the Republic of Kazakhstan On Amendments and Additions to the Code of the Republic of Kazakhstan On Taxes and Other Mandatory Payments to the Budget (Tax Code) and Law of the Republic of Kazakhstan On Introduction of the Code of the Republic of Kazakhstan On Taxes and Other Mandatory Payments to the Budget (Tax Code)

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