TP Spotlight

Issue №6 – January, 2025

Monitoring reporting: overview of changes and new requirements for international transactions

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Dear readers!

On December 24, 2024, the Minister of Finance of the Republic of Kazakhstan (hereinafter, the "MF RK") approved amendments to the list of international business transactions subject to reporting for transaction monitoring.[1] The amendments came into effect on January 10, 2025.

We encourage to review the updated provisions.

Transaction monitoring reporting: basic information

In accordance with the Law of the RK "On Transfer Pricing" (hereinafter, the "TP Law"), the state revenue authorities monitor transactions by analyzing the prices applied and collecting information from taxpayers engaged in international (cross-border) transactions. The monitoring covers international (cross-border) transactions included in the list approved by the order of the MF RK.

The transaction monitoring reporting must substantiate the justification of the applied prices and includes detailed information about the transaction, participants, pricing methods, as well as economic and commercial factors affecting the price determination.

The reporting should also provide data confirming the compliance of prices with market conditions and legal requirements. More detailed requirements for the content of the reporting can be found here.

Completed transaction monitoring reporting forms are submitted electronically, allowing for data processing through computer systems. The submission of reporting is carried out via the specialized system for receiving and processing tax documentation used by tax authorities. Transaction monitoring reporting should be submitted no later than May 15 of the year following the reporting period.

In case of late submission of reporting, the subject may incur administrative liability in accordance with Article 273 of the Code of Administrative Offenses. Sanctions range from 100 to 750 MCI[2] depending on the degree of violation and the size of the business entity.

Who is required to submit monitoring reports?

In the previous version, the obligation to submit reporting on transaction monitoring was imposed solely on taxpayers included in the approved list of large taxpayers subject to monitoring. However, since July 23, 2023, amendments have come into effect, broadening the scope of obligated parties. Now, reporting is required from all taxpayers that conducted transactions subject to monitoring during the reporting period according to the list established by the MF RK, where the amount of income/expenses or liabilities exceeds 250,000 MCI. These changes apply to reporting starting from 2023, so it is recommended to review how they affect your business.

Expansion of the list of transactions subject to monitoring (1/2)

The Order № 866 of the MF RK, which came into effect on January 10, 2025, was issued on December 24, 2024. This document introduced changes to the list of international (cross-border) transactions for which transaction monitoring reporting must be submitted.

The key changes involve the expansion of the list of goods, works, and services for which international (cross-border) transactions are subject to monitoring under transfer pricing regulations.

The goal of these changes is to strengthen control over transfer pricing and prevent the loss of state revenue.

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1. Order of the MF RK dated March 19, 2015 № “On Approval of the List of goods (works, services),international business transactions for which are subject to transaction monitoring”
2. Monthly calculation index

Expansion of the list of transactions subject to monitoring (2/2)

One of the key aspects of the changes is the focus on international transactions related to loans issued and received from/to non-residents of the RK. These transactions are now also subject to monitoring, which will enhance transparency and improve control over financial flows.

Additionally, the list of goods subject to monitoring has been expanded to include new categories, such as:

- Non-ferrous metals, including aluminum and its wire.
- Ferrous metals, such as semi-finished iron products.
- Coal, including hard coal, briquettes, pellets, and other types of solid fuel, as well as lignite and brown coal.
- Products related to hydrocarbons, hydrogen, polymers, and other important chemicals.
- Food products, including rice, barley, flour, as well as sunflower and safflower oils.

Moreover, the list now includes transactions involving rare-earth metals, bitumen, seeds, etc. The full list can be found **here**.

These changes are crucial for strengthening control over transfer pricing and ensuring transparency in international trade and financial transactions.

Conclusion

The recent changes to the legislation regarding transaction monitoring and transfer pricing are aimed at strengthening control and increasing transparency in international business operations. The expansion of the list of international (cross-border) transactions subject to monitoring, as well as the widening scope of obligated parties required to submit reports, significantly raise the requirements for taxpayers in the RK.

For taxpayers, this means the need to implement more effective systems for tracking and controlling transactions. It will also be necessary to update internal documentation and revise processes to ensure compliance with the new legal requirements.

Therefore, it is recommended to carefully monitor transactions included in the list of international (cross-border) transactions and regularly analyze the turnover related to them. It is crucial to prepare and submit reporting in a timely manner to avoid penalties and minimize risks associated with non-compliance with the legislation.

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