



KPMG in Kazakhstan and Central Asia

NewsFlash

Tax&Legal

Dear readers,

We offer you a short overview of some of the most important recent amendments and additions to Kazakhstan legislation.

Tax Code Amendments

A newly adopted Law¹ on Amendments and Additions to Certain Legislative Acts on Improvement of Civil and Banking Legislation and Improvement of Conditions for Entrepreneurial Activities (hereinafter – the “Law”) introduced changes to 46 laws of Kazakhstan.

The Law supplemented the Tax Code with provisions regulating taxation of operations on simultaneous exchange of assets and liabilities between parent and subsidiary banks established by Article 61-4 of the Law on Banks and Banking Activities in Kazakhstan.

The Law changed the heading of Article 135-2 of the Tax Code as follows: “Taxation of an organization wholly-owned by the Government of Kazakhstan that specializes in the improvement of the quality of loan portfolios of second-tier banks.” Earlier 100 percent of the voting shares of this organization belonged to the National Bank. The amendments supplemented the article with a provision exempting from profit tax the organization’s income from an acquisition or a sale of assets of a legal entity previously being a bank restructured under a court decision and as of December 31, 2013 more than 90 percent of voting shares of which belonged to the national managing holding. The amendments also introduced corresponding editorial and clarifying wording changes throughout the Tax Code.

The Law introduced significant changes to the VAT registration and de-registration procedures. A taxpayer may submit an application for the VAT registration both electronically and in a hard copy. Earlier the tax authorities accepted only hard copies of VAT registration applications. Accordingly, the Tax Code requirement to take a photo of the company’s head during the submission of the VAT registration application is excluded.

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The tax authorities register a taxpayer for VAT purposes within one business day after the date when the taxpayer submits an application (earlier - five business days). A taxpayer applying for the VAT registration is regarded as a VAT-payer from the date of the application submission (earlier - from the first day of the month following the month of the application submission).

The Law excludes a requirement to accompany a VAT registration application with documents confirming the place of location of an applicant and the fact that the applicant’s turnover exceeds the established threshold for VAT registration.

According to the amendments, a taxpayer may voluntarily register as a VAT-payer:

- Via submission of a VAT registration application to the tax authorities electronically or in a hard copy;
- During the state registration of a Kazakh legal entity with the National register of business identity numbers.

The Law eliminates the Tax Code provisions entitling the tax authorities to decline a taxpayer’s voluntary VAT registration. Therefore, the tax authorities are required to register a taxpayer for VAT purposes (unless the applicant is not eligible to be a VAT-payer) upon a receipt of the taxpayer’s application for the VAT registration. The list of taxpayers not entitled to voluntarily register for VAT purposes did not change and includes:

¹ Law No. 49-VI of the Republic of Kazakhstan on Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Improvement of Civil and Banking Legislation and Improvement of Conditions for Entrepreneurial Activities, dated 27 February 2017

- individuals not registered as individual entrepreneurs;
- state institutions;
- nonresidents with no branch or representative office in Kazakhstan;
- structural subdivisions of a Kazakh legal entity;
- taxpayers subject to gambling or fixed tax.

The Law excludes a Tax Code requirement to remove from the VAT register a taxpayer if the taxpayer's sales turnover in a calendar year in which it registered as a VAT-payer does not exceed the established threshold for the VAT registration.

The amendments added the following points to the list of cases in which the tax authorities are entitled to remove a taxpayer from the VAT register without notification:

- The sole shareholder of a legal entity is an inactive legal entity;
- The head or the sole shareholder of a legal entity is the head or the sole shareholder of an inactive legal entity;
- A taxpayer is regarded as inactive.

The Law came into effect on 12 March 2017 except for certain provisions. The amendments related to the VAT registration and de-registration procedures will come into force on 1 May 2017.

Customs Payments Rates

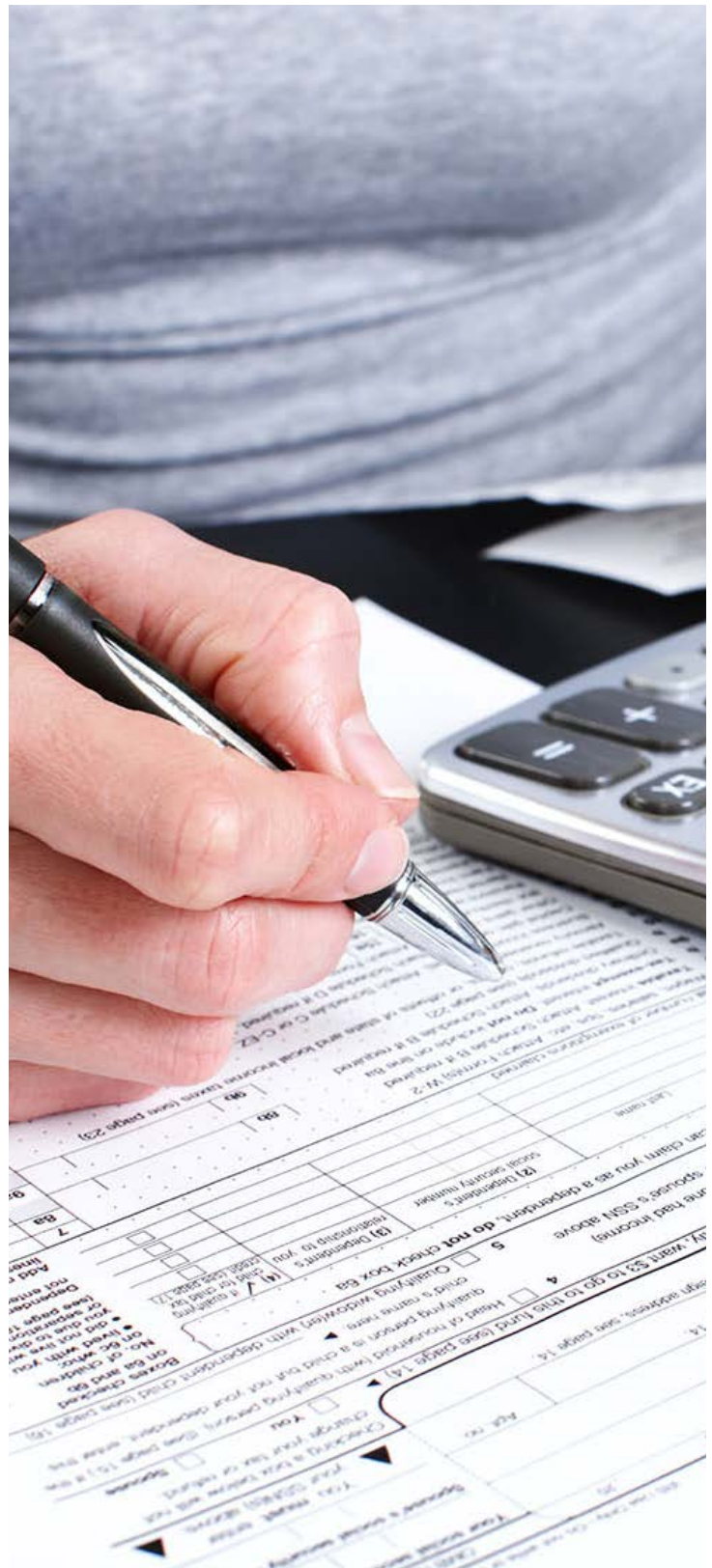
Starting from 1 March 2017, customs payment are nominated in tenge (previously in euros). The government applied exchange rates from 402 to 455 tenge per one euro to convert the customs rates from euro to tenge. The corresponding governmental resolution² was signed on 13 February 2017.

Special Investment Contract

To implement the provisions of Articles 292 and 295-1 of the Business Code related to special investment contracts, the Ministry of Investments and Development of Kazakhstan approved the following documents:

- Rules and requirements for the conclusion and termination of a special investment contract;³
- Standard special investment contract template;⁴
- Application form for the provision of investment preferences under a special investment project and rules for the application's submission and registration.⁵

The contract and application templates entered into effect on 22 February 2017. The rules and requirements for the conclusion and termination of a special investment contract came into force on 23 February 2017.



² Governmental Resolution No. 56 On Introduction of Amendments to Governmental Resolution No. 24, dated 21 January 2011, On Approval of Rates of Customs Payments Collected by the Customs Authorities, dated 13 February 2017

³ Order No. 85 of the Acting Minister of Investments and Development of the Republic of Kazakhstan, dated 8 February 2017, On Approval of the Rules and Conditions for the Conclusion and Termination of a Special Investment Contract

⁴ Order No. 75 of the Minister of Investments and Development of the Republic of Kazakhstan On Approval of a Standard Special Investment Contract, dated 7 February 2017

⁵ Order No. 74 of the Minister of Investments and Development of the Republic of Kazakhstan On Approval of an Application Form for the Provision of Investment Preferences under a Special Investment Project and the Rules for its Submission and Registration, dated 6 February 2017

Pension Payments

Amendments⁶ to the Budget Code established the following amounts of the basic pension payments starting from 1 July 2017:

- The amount of the basic state pension payment - 14,466 tenge (before 1 July - 12,802 tenge);
- The minimum pension - 31,245 tenge (before 1 July - 28,148 tenge).

⁶ Law No. 46-VI of the Republic of Kazakhstan On Amendments and Additions to the Law of the Republic of Kazakhstan On the Republican Budget for 2017-2019, dated 20 February 2017

Contact us

Rustem Sadykov

Partner,
Head of Tax&Legal
E: rsadykov@kpmg.kz

Inna Alkhimova

Partner
Tax&Legal
E: ialkhimova@kpmg.kz

KPMG in Kazakhstan

Almaty office

180 Dostyk Avenue
Almaty 050051
T: +7 727 298 08 98
F: +7 727 298 07 08
E: company@kpmg.kz

Astana office

Samal 12
Astana 010000
T: +7 7172 55 28 88
F: +7 7172 55 28 00
E: company@kpmg.kz

Atyrau office

34A Satpayev Street
Atyrau 060011
T: +7 7122 55 62 00
F: +7 7122 55 62 02
E: company@kpmg.kz

www.kpmg.kz

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