

International Tax

Kazakhstan Highlights

In Plain English



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Investment basics:

Currency – Kazakhstan Tenge (KZT)

Foreign exchange control – Payments between residents may be made only in KZT, payments between residents and nonresidents may be made in any currency. Certain transactions may be subject to the national bank's notification or registration regime.

Accounting principles/financial statements

– Large entities and public companies in Kazakhstan must use IFRS, while small and medium-sized enterprises, branches and representative offices of foreign entities may use IFRS or national financial reporting standards.

Principal business entities – The principal forms of business include the joint stock company, limited liability company, unregistered partnership (consortium), branch and representative office of a foreign corporation.

Corporate taxation:

Residence – A company is considered to be a Kazakh tax resident if it is established under the laws of Kazakhstan or if its governing body/place of actual management and control is located in Kazakhstan.

Basis – Resident companies are taxed on worldwide income. Nonresidents generally are taxed only on Kazakhstan-source income.

Taxable income – Entities are subject to corporate income tax on business profits and other taxable income. Expenses may be deducted against income if they are wholly and exclusively incurred for business-related purposes and if they are substantiated by supporting source documentation.

Taxation of dividends – Dividends received are effectively exempt from income taxation, except for certain categories of

dividends (such as dividends received from risk investment funds), in respect of which specific requirements must be met to obtain an exemption.

Capital gains – Capital gains are taxed at the standard corporate income tax rate. Certain categories of capital gains (including gains derived from the sale of shares that principally do not derive their value from subsurface use property) are exempt if certain conditions are satisfied.

Losses – Operating losses generally may be carried forward for up to 10 years following the year in which the loss is incurred. The carryback of losses is not permitted.

Rate – The standard corporate income tax rate of 20% applies to domestic and foreign companies.

Surtax – A surtax exists in the form of an excess profits tax levied on subsurface users. The excess profits tax was abolished for subsurface users engaged in the mining industry as from 1 January 2018.

Alternative minimum tax – No

Foreign tax credit – A credit generally is available for foreign taxes paid on foreign-source income, based on documentation confirming the foreign income tax payment.

Participation exemption – No

Holding company regime – No

Incentives – Certain tax and non-tax incentives are available. Tax incentives are provided in the form of accelerated tax deductions for capital expenditure, provided certain requirements are met. Special tax regimes/incentives are available for qualifying nonprofit organizations and organizations operating in social spheres. Tax incentives in the form of a 100% reduction of corporate income tax, a zero coefficient to the land tax rates and property tax at a zero rate apply in relation to investments in qualifying investment

priority projects if certain conditions are met. Other non-tax reliefs granted depending on the type of the investment project mainly include exemptions from customs duties, access to state material grants and investment subsidies.

Withholding tax:

Dividends – A 15% withholding tax is levied on dividends paid to nonresidents without a permanent establishment (PE) in Kazakhstan. A 20% rate applies to dividends paid to nonresidents registered in a tax haven. The rate may be reduced under an applicable tax treaty.

Qualified dividends (except for dividends paid to persons registered in a tax haven) may be exempt from withholding tax under domestic tax legislation where the underlying shares are listed on the Kazakh stock exchange or the Astana international exchange (AIX) or are held in Astana International Financial Center (AIFC) participants; or where the underlying shares/participation in a non-subsurface user have been held by a nonresident for more than three years and no more than 50% of the value of the non-subsurface user is derived from subsurface use.

A domestic WHT exemption also is available for dividends (except for dividends paid to persons registered in a tax haven) paid by subsurface users if certain conditions are fulfilled.

Interest – A 15% withholding tax is levied on interest paid to nonresidents without a PE in Kazakhstan. Interest paid to nonresidents registered in a tax haven is subject to a 20% rate. The tax rate may be reduced under an applicable tax treaty.

Royalties – Royalties paid to nonresidents without a PE in Kazakhstan are subject to a 15% withholding tax. A 20% rate applies to royalties paid to nonresidents registered in a tax haven. The tax rate may be reduced under an applicable tax treaty.

Technical service fees – The tax code does not specifically provide a definition of technical services. However, as a general rule, payments for technical services to nonresidents without a PE in Kazakhstan are considered Kazakh-source income, and are subject to a 20% withholding tax. Certain technical service fees may be reclassified as royalties subject to a 15% withholding tax. The tax rate may be reduced in line with the provisions of an applicable tax treaty. A 20% rate applies to technical service fees paid to a nonresident registered in a tax haven, regardless of the nature of services provided.

Branch remittance tax – A PE of a nonresident foreign company is subject to a net profit tax of 15% on net after-tax income, in addition to corporate income tax. The net profit tax is payable regardless of whether net profits are remitted to the parent company. The tax rate may be reduced under an applicable tax treaty.

Other – A 15% withholding tax is levied on capital gains from dispositions of property located in Kazakhstan that is subject to state registration, rights or transactions that are subject to state registration, and shares/participations of resident legal entities. A 15% withholding tax is levied on capital gains from dispositions of shares/participations of nonresidents if 50% or more of the value of the shares/participations or assets of the nonresident constitute property situated in Kazakhstan. A 20% rate applies to capital gains of nonresidents registered in a tax haven. Capital gains may be exempt from WHT under an applicable tax treaty or under the domestic tax legislation (except for capital gains of persons registered in a tax haven) if certain conditions are fulfilled (subject to certain procedures).

A domestic WHT exemption may apply to capital gains from dispositions of the following:

- Shares by open auction on the Kazakh or a

foreign stock exchange;

- Shares on the Astana international exchange (AIX);
- Shares / participations in AIFC participants; or
- Shares/participations in non-subsurface users that have been held by a nonresident for more than three years and where no more than 50% of the value of the non-subsurface user is derived from subsurface use.

A domestic WHT exemption also is available for capital gains (except for capital gains of persons registered in a tax haven) realized on shares/participations in subsurface users if certain conditions are fulfilled.

Other taxes on corporations:

Capital duty – No

Payroll tax – An employer is required to remit social tax at a flat rate of 9.5%, applied to an employee's gross salary (both local and foreign), at its own expense.

The employer is required to withhold and remit 10% individual income tax and a 10% obligatory pension fund contribution on behalf of employees. Obligatory pension fund contributions to private pension accounts, similarly, are equal to 10% of the employee's monthly salary. The threshold set for the purposes of pension contributions is 10% of 50 times the minimum monthly salary established by the law on the republican budget, which currently is KZT 212,500 per month. See also under "Social security," below.

In addition to employee contributions, the employer is liable for additional professional pension fund contributions equal to 5% of gross income of employees (Kazakh citizens and residence permit holders) involved in hazardous/harmful activities.

Real property tax – Property tax is levied on

immovable property located in Kazakhstan at progressive rates ranging from 0.1% to 1.5%, depending on a taxpayer's activities.

Social security – The employer must pay social security contributions to the State Social Security Fund at a rate of 3.5% (with an income cap of KZT 297,500), in addition to local employees' salaries. Any social contributions paid ultimately reduce the amounts of social tax due (see under "Payroll tax," above).

Obligatory contributions to the Social Medical Insurance Fund also are paid by the employer, in the amount of 1.5% of an employee's gross salary (taxable income is capped at KZT 425,000).

Stamp duty – No standalone stamp duty regime exists. However, the authorities may impose a levy on various legal actions, such as the issuance of documents by state bodies.

Transfer tax – No

Other – Corporate taxpayers undertaking licensed activities to extract mineral resources in Kazakhstan are subject to a specific subsurface user taxation regime, which includes the excess profit tax (see under "Surtax," above), mineral extraction tax and rent tax on exports, in addition to bonuses payable upon signature of license agreements. As from 1 January 2019, the bonus that formerly was payable upon confirmation of commercial discoveries is abolished.

Certain oil and gas companies may choose to apply an alternative tax on subsurface usage, instead of certain taxes generally applicable to subsurface users.

Tax also is levied on transportation activities.

Anti-avoidance rules:

Transfer pricing – Kazakhstan's transfer pricing legislation applies to all cross-

border transactions and certain domestic transactions between related and unrelated parties. The law adopts the arm's length concept, although the definition is somewhat different from that in the OECD transfer pricing guidelines.

Kazakhstan has introduced the concept of three-tiered transfer pricing documentation, including a country-by-country (CbC) reporting requirement. A notification of participation in a multinational enterprise (MNE) group may be required to be filed by qualifying MNE group members by 1 September of the year following the reporting year. A requirement for submission of the local file and master file is effective as from 1 January 2019.

A framework for advance pricing agreements is included in the domestic legislation.

Thin capitalization – The deduction of interest generally is limited by a specific debt-to-equity formula set by the tax legislation. Deductions of interest accrued with respect to nonresident parties also are limited by the applicable market rate. The amount of interest accrued with respect to nonresident related parties in excess of the applicable market level must be recognized as a deemed dividend.

Controlled foreign companies – CFC rules apply to residents with at least a 25% shareholding or control (as defined by IFRS) in a tax haven entity or an entity that is taxed at an effective tax rate of less than 10%. The government has issued a list of tax haven jurisdictions. Kazakh residents holding shares or control in CFCs are required to include CFC profits proportionate to their shareholding or control in their aggregate annual income. A law enacted in April 2019 retroactively suspends the application of the CFC rules for the period 1 January 2018 until 1 January 2020 in relation to entities registered in a jurisdiction that has concluded a tax treaty with Kazakhstan.

Disclosure requirements – Tax residents (both individuals and legal entities) are required to notify the Kazakh tax authorities of a direct, indirect and/or constructive participation in (control over) a CFC.

A notification of participation in an MNE group may be required to be filed by qualifying MNE group members subject to CbC reporting requirements (see under "Transfer pricing").

Compliance for corporations:

Tax year – Calendar year

Consolidated returns – Consolidated returns are not permitted; each company must file a separate tax return. However, in certain cases, nonresidents with several PEs in Kazakhstan may opt to file a consolidated tax return.

Filing requirements – The corporate income tax return is due by 31 March of the year following the reporting tax year. A one-month extension may be obtained for electronically filed tax returns.

Penalties – Penalties are assessed at 1.25 times the official refinancing rate established by the national bank for each day of delay in paying the tax due.

Rulings – The tax authorities generally issue nonbinding rulings of an explanatory nature. However, rulings issued by the tax authorities individually to taxpayers will be considered during the tax appeal process. Advance pricing agreements also are possible.

Personal taxation:

Basis – Resident individuals are taxed on worldwide income. Nonresidents are taxed only on their Kazakh-source income.

Residence – Tax residence is based on whether an individual is permanently residing in or has his/her center of vital interests in Kazakhstan. The permanent residence test is based on the number of

days of presence in Kazakhstan: a foreign individual is deemed to be a resident if he/she is present in Kazakhstan no less than 183 days in any consecutive 12-month period ending in the reporting tax year. The center of vital interests test is based on whether an individual is a citizen or a holder of a Kazakh residence permit and has a spouse and/or close relatives and a place of abode in Kazakhstan.

Filing status – Joint filing is not permitted; each individual must file his/her own return, if required.

Taxable income – Kazakh-source income includes income from employment and other activities in Kazakhstan and any other benefits received in this respect, regardless of where payment is made. Taxable income comprises employment income (including benefits in kind), income from a business and passive income. Certain dividend income is exempt.

Capital gains – Income derived from the sale of property is treated as capital gains subject to taxation unless the individual has held the property for more than one year. Subject to certain exceptions, income derived from the sale of shares of participations and securities is treated as capital gains subject to taxation. Income in the form of capital gains is taxed at the rate generally applicable to the individual.

Deductions and allowances – Standard monthly deductions are allowed for tax residents, such as a minimum monthly salary deduction (KZT 42,500 per month) and deductions for obligatory pension fund contributions, medical costs, etc., with certain limitations.

Rates – Employment income is taxed at a flat rate of 10% for both residents and nonresidents. Kazakh-source dividends are taxed at 5% (or 10% if from foreign sources) for residents. Insurance premiums on contracts of risk insurance, dividends, interest, royalties and capital gains are

taxed at 15%, and insurance premiums on contracts of risk reinsurance and income from services of international transportation are taxed at 5% for nonresidents. Other income is taxed at 10% for residents and 20% for nonresidents.

Other taxes on individuals:

Capital duty – No

Stamp duty – See under “Other taxes on corporations,” above.

Capital acquisitions tax – No

Real property tax – Property tax is levied on immovable property located in Kazakhstan at progressive rates, depending on the value of the property. The applicable rate of taxation varies from 0.05% to KZT 2,946,600 + 2% x (property value minus KZT 450 million) on the value of the object of taxation.

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – See under “Other taxes on corporations.”

Compliance for individuals:

Tax year – Calendar year

Filing and payment – Individual income tax on employment income is subject to withholding, payment and reporting by the employer. Payment is due by the 25th day of the month following the month in which the income was paid. Income and tax must be reported on a quarterly basis by the 15th day of the second month following the reporting quarter.

If an individual receives income not subject to taxation at source, or if a tax resident (applicable only to residents that are citizens, oralmans (certain immigrants intending to stay permanently in Kazakhstan) or residence permit holders in Kazakhstan) possesses foreign assets

(an overseas bank account with a minimum balance, immovable property, foreign legal entity shares or equity capital interests), a tax return may be required to be filed by 31 March of the year following the reporting year, with the payment of the final tax due by 10 April.

Penalties – Penalties apply for late payment of taxes, and administrative fines are imposed for noncompliance.

Value added tax:

Taxable transactions – VAT is levied on the supply of goods, works and services, as well as on imports. A reverse-charge VAT applies on supplies of works and services by nonresidents, if the place of supply is deemed to be in Kazakh territory, except for certain cases (such as VAT-exempt supplies, etc.).

Rates – The standard rate is 12%. A 0% rate or exemption applies in certain cases.

Registration – Registration is compulsory for companies whose turnover exceeds KZT 75,750,000 in a calendar-year period. Otherwise, registration is optional.

Filing and payment – Payment is due by the 25th day of the second month following the reporting quarter. VAT and related turnover must be reported on a quarterly basis, by the 15th day of the second month following the reporting quarter. A two-week extension may be obtained for electronically filed tax returns.

Source of tax law: Code of the Republic of Kazakhstan on taxes and other mandatory payments to the budget (Tax Code)

Tax treaties: Kazakhstan has concluded 54 tax treaties. Kazakhstan signed the OECD multilateral instrument (MLI) on 25 June 2018.

Tax authorities: State Revenue Committee of the Ministry of Finance; state revenue departments at the regional level and for the cities of Almaty and Astana; state revenue agencies at the district and town levels

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