



## Tax Alert

Overview of tax law changes that have the potential to affect your business

Dear friends,

In this Alert, we provide an overview of recent amendments introduced to Code No. 120-IV *On Taxes and Other Obligatory Budget Payments* (the “Tax Code”) related to tax administration.

## Tax administration

### Responsibilities of second-tier banks

Law No. 354-VI dated 2 July 2020 *On Introduction of Amendments and Additions to the Tax Code* (the "Law") expands the requirements of second-tier banks and organisations engaged in certain types of banking operations (article 24.20 of the Tax Code) to submit information and/or documentation to the authorised body regarding cash withdrawals from bank accounts by legal entities.<sup>1</sup>

\* Entered into force on 1 January 2021.

### VAT payment deadline for certain taxpayers

The Law changes the VAT payment deadline for the National Infrastructure Operator (KTZh-Infrastructura JSC) to 25 February 2021 for 2020 Q2 and 2020 Q3 VAT.

However, this does not apply to import VAT liabilities and VAT liabilities arising under liquidation tax reporting.

\* Applicable until 26 February 2021

### State registration

The Law has excluded truck tractors units engaged in the international road haulage of goods from having to undergo state registration.<sup>2</sup>

\* Applicable until 1 January 2021

The Law has exempted organisations engaged in microfinance activities from the registration fee.<sup>3</sup>

\* Effective from 1 January 2021

### License fees

The Law establishes the following registration fees for the right to engage in certain types of activities:<sup>4</sup>

Activity type	Fee (MCI)
1.51.1 Banking operations carried out by second-tier banks, <b>branches of Kazakhstan non-resident banks</b>	800 (per operation)

<sup>1</sup> Joint Resolutions of the Board of the Kazakhstan National Bank No. 51 dated 21 April 2020, the Board of the Kazakhstan Agency for the Regulation and Development of the Financial Market No. 54 dated 29 April 2020 and Order of the First Deputy Prime Minister - Minister of Finance No. 435 dated 29 April 2020 *On the Procedure for Legal Entities to Withdraw Cash from Bank Accounts, Make Cash Withdrawals in Excess of the Established Limit and Provide Information on Cash Withdrawals by Legal Entities in Excess of the Established Limit to the Ministry of Finance*

1.52.	Operations of banks and <b>branches of Kazakhstan non-resident banks</b> to implement professional activities in the securities market	800
1.53.	Other operations carried out by banks and <b>branches of Kazakhstan non-resident banks</b>	800
1.53.1	Microfinancing	30

The Law has expanded the list of permit-type documents that cost 25 MCI to issue, including for the consent to elect (appoint) management employees to the following organisations:<sup>5</sup>

- branch of a Kazakhstan non-resident bank,
- branch of a Kazakhstan non-resident insurance (reinsurance) company,
- branch of a Kazakhstan non-resident insurance broker.

\* Entered into force on 1 January 2021

## Personal Income Taxation

### Adjustment of personal income

According to the Law, taxpayer employees may adjust their income, if the taxpayer is in the quasi-public sector and at the same time is involved in the following activities:<sup>6</sup>

- creating and broadcasting television programmes and/or
- radio-broadcasting and/or)
- publishing newspapers, magazines and/or periodicals.

\* Effective from 1 April 2020 until 1 October 2020.

### Tax benefits

The Law introduces additional tax benefits on:

- property, land and vehicle tax for individual taxpayers;<sup>7</sup>
- VAT and corporate income tax (CIT) for taxpayers.<sup>8</sup>

<sup>2</sup> Article 553.4 of the Tax Code (table row 4.4)

<sup>3</sup> Article 553.8 of the Tax Code

<sup>4</sup> Article 554.4 of the Tax Code

<sup>5</sup> Article 554.8 of the Tax Code (table row 6)

<sup>6</sup> Article 341.1(51) of the Law *On the Introduction of the Tax Code*

<sup>7</sup> Article 57-5 of the Tax Code

<sup>8</sup> Article 57-6 of the Tax Code

### **Tax incentives for individuals**

If an individual taxpayer pays property, land and vehicle tax liabilities accrued for tax periods up to 1 January 2020 (excluding property and land tax liabilities for 2019) by 31 December 2020:

- interest on the taxpayer's personal tax account statement as at 1 April 2020, and
- interest accrued on that tax liability before the payment date, including the day of payment

will not be recognised as an outstanding tax liability, and will be written off in accordance with procedures established by the authorised body.

In this case, interest is written off on the tax for which the outstanding liability have been paid.

However, this tax incentive does not apply to:

- individual entrepreneurs, and
  - private practitioners
- except when their tax liabilities do not relate to the activities of:
- entrepreneurs,
  - private notaries,
  - private enforcement officers (bailiffs),
  - lawyers
  - professional mediators.

*\* Effective from 1 April 2020 until 1 October 2020.*

### **Tax incentives for legal entities**

The Law introduces incentives for the following enterprises that are in the list of major taxpayers subject to monitoring during 2020 Q1, Q2 and Q3:

- mining (with the exception of those producing hydrocarbons) enterprises
- ore mining and smelting enterprises
- smelting enterprises

The above taxpayers may apply the following administrative concessions:

- receive up to 80% of the VAT refund under the simplified procedure

- up to 33% threshold for excess of CIT liability for 2020 over the CIT advance payments

Also, the Law provides the following tax incentives:

- an import VAT exemption on aircraft spare parts (engines, power plants, heat exchangers, radio altimeters, radars, sensors and casings)
- a VAT for non-residents exemption on royalties, maintenance and software updates, services to provide and process information, provide internet resource access to taxpayers engaged in civil air transportation;
- a 0% coefficient to land tax and land use payments for land occupied by aerodrome runways and airport terminals.

*\* Benefits are valid between 1 June 2020 and 31 December 2020.*

### **Primary documentation**

#### **Provision of residency certificates**

The Law extends the deadline for providing tax residency certificates to access double tax treaty benefits in the form of a full tax exemption of Kazakhstan-source income (article 666 of the Tax Code) or tax exemption/ tax rate reduction on Kazakhstan-sourced income from dividends, interest and/or royalties (article 667 of the Tax Code).

At the same time, the submission deadlines have been extended until 31 December 2020 with respect to:<sup>9</sup>

- submission (including legalization) by a non-resident of its tax residency certificate for 2019, and;
- submission by the tax agent to Kazakh tax authorities of a copy of tax residency certificate for 2019.

*\* Entered into force on 1 June 2020*

#### **Primary documentation during the state of emergency**

Under the Law, during the state of emergency in Kazakhstan, copies of primary documentation (scans) are recognised as accounting records used by taxpayers for tax accounting purposes.<sup>10</sup>

However, this provision applies only if originals of primary documentation are provided within seven months following the month in which the state of emergency is lifted. During this seven-month period, copies of primary documentation are recognised as originals for inspections/audits and other control procedures for those tax periods in which the state of emergency was in effect.

*\* Entered into force on 1 June 2020*

<sup>9</sup> Article 57-7.1 of the Tax Code

<sup>10</sup> Articles 57-7.2 and 57-7.3 of the Tax Code

**Tax Alert**  
July 2020

**How Deloitte can help:**

If you would like to express your opinion on this issue or in any other way participate in the discussion, please reach out to our specialists whose contact information may be found below.

**Contact us:**

**Almaty/Nur-Sultan**

**Andrey Zakharchuk**

Partner

[azakharchuk@deloitte.kz](mailto:azakharchuk@deloitte.kz)

**Gulsara Ryskeldinova**

Manager

[gryskeldinova@deloitte.kz](mailto:gryskeldinova@deloitte.kz)

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities. DTTL (also referred to as “Deloitte Global”) and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 312,000 people make an impact that matters at [www.deloitte.com](http://www.deloitte.com).

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms or their related entities (collectively, the “Deloitte network”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2020 Deloitte LLP & Deloitte TCF LLP. All rights reserved.