



Global Newsflash

Kazakhstan — New in personal tax compliance

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Overview

Generally, individuals are taxed in Kazakhstan according to their tax residency status. Tax residents are taxed on their worldwide income, while non-residents are taxed on their Kazakhstan-source income only.

In addition to income reporting, individuals qualifying as tax residents have foreign asset reporting obligation – and this is the topic we discuss below.

Background

The government adopted a law some time ago requiring citizens and residence permit holders to declare global income and assets, and file tax returns to report not only any income, but also assets and liabilities and movements of the same. The reporting requirement is due to take effect in 2020 for assets and liabilities as at December 2019.

The government has taken a number of steps to facilitate the new so-called “universal declaration” process, such as announcing an asset amnesty, which lasted until December 2016, and amendments to the foreign asset reporting obligation for individuals, which came into effect from 1 January 2018.

Prior Law (prior to 1 January 2017)

Up to tax year 2016, all *Kazakhstan tax residents* were required to disclose ownership of accounts with year-end positive balances in banks outside of Kazakhstan.

Transition

From the start of 2018, all *tax residents* are required to disclose ownership of the following foreign assets as at 31 December 2017:

- overseas immovable property
- shares in foreign entities
- equity interests in a foreign entity
- accounts with a positive balance in banks outside of Kazakhstan

New Law

Starting from tax year 2018, only *Kazakhstan citizens and residence permit holders* qualifying as tax residents will be required to disclose ownership of:

- overseas immovable property
- shares in foreign entities
- equity interests in foreign entities
- accounts with a positive balance in banks outside of Kazakhstan

As a clarification, an individual is recognised as a Kazakhstan tax resident if he/she spends more than 182 days in the country during any 12-month period, or if his/her centre of vital interest is in Kazakhstan, i.e. he/she holds Kazakhstan citizenship/residence permit, he/she or a spouse/close relative own property in Kazakhstan, and he/she has a spouse/close relative residing in Kazakhstan.

As such, the foreign asset reporting obligation discussed above applies to any foreign national who establishes Kazakhstan tax resident status up to the tax reporting year 2017.

Additional considerations

In recent years, Kazakhstan has assigned to a number of international agreements which, in our opinion, could influence the tax status of a number of individuals.

Tax residents also need to consider requirements for the automatic exchange of information, and potential liabilities for violating tax reporting rules.

On 1 August 2015, Kazakhstan signed and ratified the *Convention on Mutual Administrative Assistance in Tax Matters*, which has been adopted by over 80 countries and sets forth a single global standard for the automatic exchange of tax information. Kazakhstan is currently undergoing preparatory automatic information exchange procedures.

Kazakhstan also recently signed an agreement enabling US Foreign Account Tax Compliance Act (FATCA) reporting. FATCA uses international financial tools to prevent tax avoidance by US citizens and residents. The agreement establishes a process for Kazakhstan financial institutions to collect information on US taxpayers' accounts and provide that information to the US Internal Revenue Service through the Kazakhstan tax authorities and vice versa.

In addition to the above new agreements, Kazakhstan has Double Tax Treaties in place with 52 countries. Each treaty includes information exchange provisions, which are executed at the request of treaty country authorities.

All of this means that potentially information on assets held in a foreign jurisdiction or income generated outside of Kazakhstan by a Kazakhstan citizen can be shared with the local tax authorities.

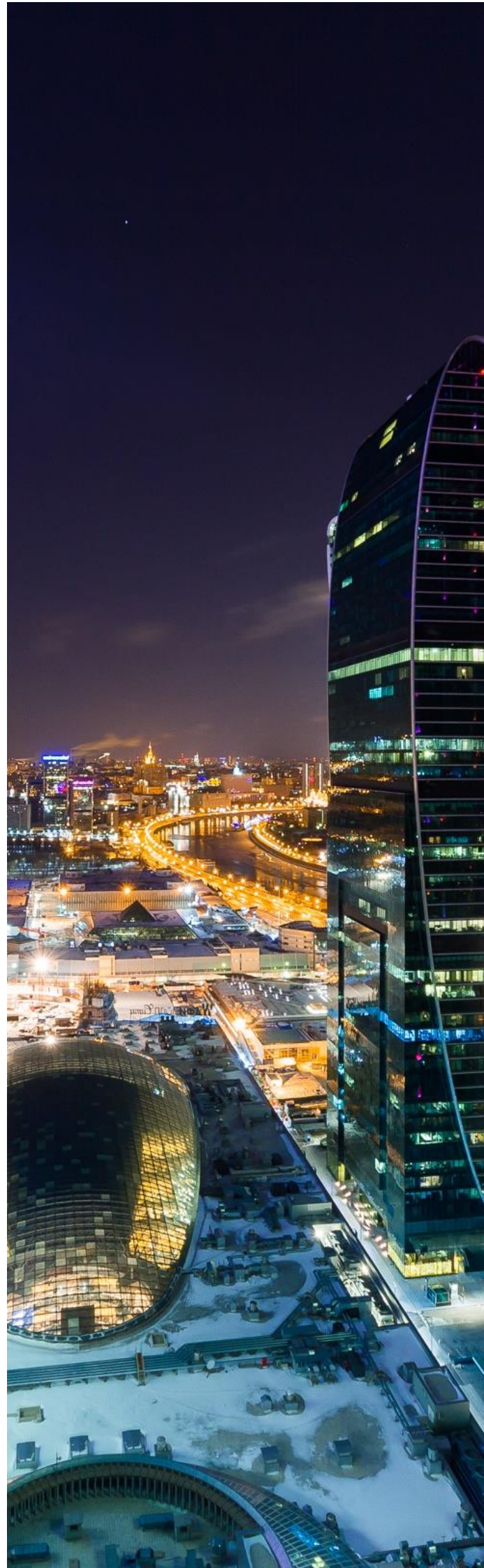
Administrative liabilities

The Kazakhstan government has increased significantly administrative fines applicable to individuals failing to submit income tax returns on foreign bank accounts and other reportable foreign assets. The current administrative fine for the non-disclosure of reportable assets is between US\$ 750 and US\$ 1,500 (approximately) for **each** undisclosed asset.

Deloitte view

In recent years, we have seen the international community work out or introduce a range of mechanisms to eliminate tax evasion by individuals and companies. The Kazakhstan government actively participates in these initiatives, and individuals with statutory reporting liabilities should take this into account.

Based on our practice, most Kazakhstan citizens qualify as Kazakhstan tax residents. As such, we would recommend any such individuals assessing their tax liabilities in order to mitigate any negative administrative consequences.



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