

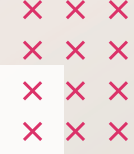


CHANGES TO THE TAX CODE OF THE REPUBLIC OF KAZAKHSTAN

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Changes to the Tax Code of the Republic of Kazakhstan

On 13 December 2023 a number of amendments was introduced to the Code of the Republic of Kazakhstan dated 25 December, 2017 No. 120-VI 'On taxes and other obligatory payments to the budget (Tax Code)' (the 'Tax Code')[1]. Below you may find the most significant of these amendments. Most of them with certain exceptions came into effect on 1 January, 2024.



[1] Law of the Republic of Kazakhstan dated December 12, 2023 No. 45-VIII 'On amendments to the Code of the Republic of Kazakhstan "On taxes and other obligatory payments to the budget" (Tax Code) and the Law of the Republic of Kazakhstan "On the enactment of the Code of the Republic of Kazakhstan "On taxes and other obligatory payments to the budget" (Tax Code)'.

1. AMENDMENTS TO THE TAXPAYER'S OBLIGATIONS (ARTICLE 13 (5) OF THE TAX CODE).

- Taxpayer's obligation to keep certain records in respect of the cash transactions as well as refunds/cancellations for 5 years will not be applied to the taxpayers using cash registers with the data fixation and/or transmission function(s).



2. AMENDMENTS TO THE TAX OBLIGATIONS DEADLINES (ARTICLE 51-2 OF THE TAX CODE).

Payment of the state fee for filing a claim to the court may be postponed for one year, if it is not affordable for a legal entity (excluding large business) or an individual to pay such fee at the moment of the claim filing due to the special circumstances (such as damage caused by the natural disasters, the untimely salary payment etc.), however there are grounds to believe that the legal entity/the individual will pay such fee later within a year.



3. AMENDMENTS TO THE TAX CONTROL (ARTICLE 70 (5) OF THE TAX CODE).



Taxpayer is no longer obliged to provide the tax authorities with the notarised copies of the documents confirming the taxpayer's location upon explanation of the taxpayer's absence during its tax control. Now it is sufficient to provide ordinary copies of the documents along with their original versions for the tax authorities verification.

4. AMENDMENTS TO THE IN-HOUSE TAX AUDIT (ARTICLE 96 (2 (2), 2-1, 4 AND 6) AND ARTICLE 118 (1 (7)) OF THE TAX CODE) [2].

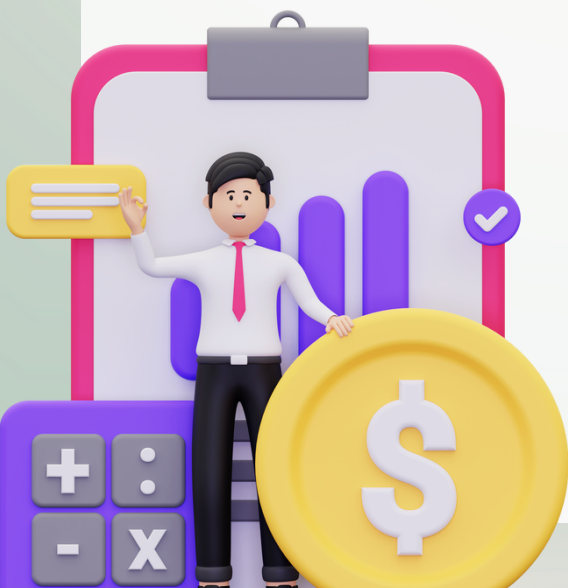
- Upon reply to the notification on elimination of violations with average risk level revealed by the tax authorities upon the in-house tax audit, extracts from the registers of tax/accounting records, documents confirming the tax reporting data as well as other documents are provided at taxpayer's discretion.



[2] Comes into effect on February 12, 2024.

- No decision is issued in case the tax authorities recognise the notification on elimination of violations with average risk level revealed by the tax authorities upon the in-house tax audit as unexecuted.
- The tax authorities are not allowed to request the documents which are unrelated to those specified in the notification on elimination of violations revealed by the tax authorities upon the in-house tax audit.

- Taxpayer's bank accounts are seized due to non-execution of the notification on elimination of violations revealed by the tax authorities upon the in-house tax audit after 1 business day from the deadline for execution of such notification.
- Taxpayer's bank accounts cannot be seized on the ground that the tax authorities recognised the notification on elimination of violations revealed by the tax authorities upon the in-house tax audit as unexecuted.



5. AMENDMENTS TO CORPORATE INCOME TAX (ARTICLE 241 (2 (4)), ARTICLE 257 (2), ARTICLE 264 (1-1) AND ARTICLE 288 (2 (3-4)) OF THE TAX CODE).

- Dividends in respect of securities listed on KASE and AIX [3] may be excluded from the aggregate annual income. It is no longer needed to satisfy the active trading condition in respect of the listed securities in order to apply the abovementioned exemption. [4]
- Expenses on purchase or receipt of digital assets sold outside the AIFC digital asset exchange can now be deducted upon taxable income calculation[5].
- Employers are allowed to deduct professional payments made for employees engaged in hazardous working conditions irrespective of the fact that these payments are not recognised as employees income.



[3] At present there is no corresponding amendment to the relevant AIFC act.

[4] Came into force on January 1, 2023.

[5] Came into force on January 1, 2023.



- Deduction of expenses on management, consulting and similar services, including royalties, is now limited only in case such services are purchased from an affiliate registered in a tax haven [6].
- Capital gain and interest on government securities are no longer exempted from corporate income tax (excluding interest received by the second-tier banks in respect of the government securities issued by the National Bank of the Republic of Kazakhstan).



[6] Came into force on January 1, 2023.



6. AMENDMENTS TO INDIVIDUAL INCOME TAX (ARTICLE 319 (2) OF THE TAX CODE).

The following payments were added to the list of payments which are not recognised as individual's income:

- professional payments made by employer for employees working in hazardous conditions;

- savings in the Unified national pension fund under the Children national fund program;

- material benefit from cutback of the cost of goods, works or services purchased on the amount credited from the previous purchases (cashback) [7].

7. AMENDMENTS TO EXCISE TAX (ARTICLE 463 (4 (1)) OF THE TAX CODE) [8].

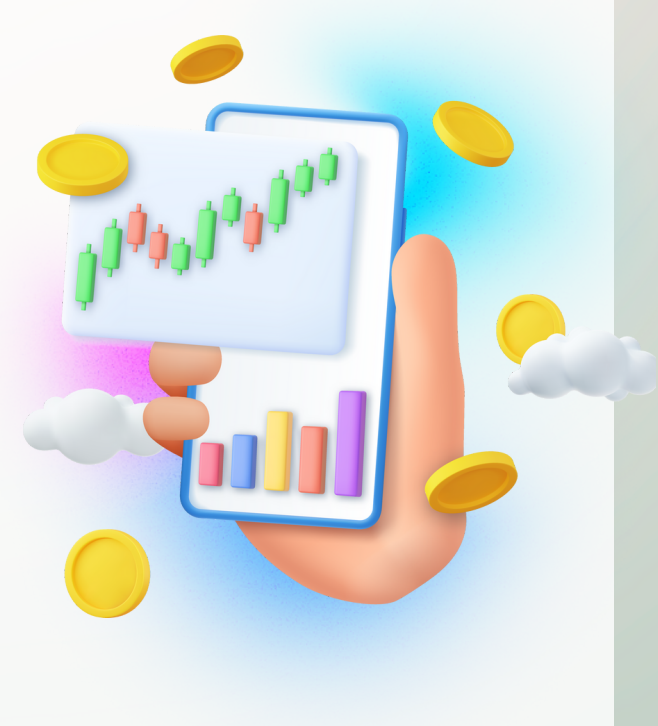
The excise tax rate on brewing products will be increased from KZT 79 per liter to KZT 90 per liter.

[7] Came into force on January 1, 2018.

[8] Comes into force on January 1, 2025.

8. AMENDMENTS TO DIGITAL MINING (ARTICLE 227-1 (4), ARTICLE 397 (4) AND ARTICLE 606-3 OF THE TAX CODE).

- Value of the digital assets is now determined based on the data of the global crypto currency exchanges as well as the AIFC crypto currency exchanges [9].
- Turnover from the sale of digital assets is now exempted from value added tax.
- Digital mining fee rate was reduced to KZT 2 per kilowatt-hour of consumed electrical energy. Previously, there was a progressive scale with rates ranging from KZT 1 to KZT 24 per kilowatt-hour.
- If electricity is generated from the facilities not connected to the unified power system, the digital mining fee rate will be KZT 1 per kilowatt-hour.



[9] Comes into force on February 12, 2024.

9. AMENDMENTS TO UNIVERSAL DECLARATION (ARTICLE 632, ARTICLE 634 (2 (3), 4) AND ARTICLE 635 (1) OF THE TAX CODE).

- The deadline for filing universal declarations is now September 15 of the reporting year.
- It was clarified that the income and asset declaration should reflect income taxed by the individual himself/herself (previously – income for the calendar year).
- It was clarified that the income and asset declaration should provide for information on the property purchased or sold outside Kazakhstan (previously – property purchased or sold in as well as outside Kazakhstan). This provision does not apply to individuals who are obliged to file declarations in accordance with the Anticorruption Law of the Republic of Kazakhstan, i.e. such individuals shall provide an information on the property purchased or sold in as well as outside Kazakhstan.
- It was clarified that individuals who are not obliged to file declarations in accordance with the Anticorruption Law of the Republic of Kazakhstan are not required to disclose the sources of their expenses in the income and asset declaration.





10. AMENDMENTS ON NON-RESIDENTS TAXATION (ARTICLE 645 (9 (3, 6)) AND ARTICLE 654 (3 (5)) OF THE TAX CODE).

- Now interest received by a non-resident from securities listed on KASE and AIX [10] may be exempted from withholding tax upon compliance with the following conditions for a calendar year:



the transactions with securities amount to at least KZT 25 million per calendar month;

the number of transactions with securities is at least 50 per calendar month.

- Capital gain and interest in respect of government securities are no longer exempted from withholding tax [11].

[10] At present there is no corresponding amendment to the relevant AIFC act.

[11] Comes into force on January 1, 2030.

11. AMENDMENTS TO SPECIAL TAX REGIMES (ARTICLE 683 (2 (3)) AND ARTICLE 696-3 (2 (7)) OF THE TAX CODE).

- Individuals engaged in collection and receipt of glassware can apply special tax regimes for small business.
- Taxable income of the taxpayers applying the special retail tax regime is determined in the same way as income of the taxpayers applying the special tax regimes of patent or simplified declaration [12].
- Legal entities are not allowed to apply the special retail tax regime in case their founder or participant simultaneously acts as the founder or participant of another legal entity which applies special tax regime (previously – only special retail tax regime) [13].



[12] Comes into force on February 12, 2024.

[13] Comes into force on February 12, 2024.



12. AMENDMENTS TO SPECIAL ECONOMIC ZONES (ARTICLE 709 (11) OF THE TAX CODE).

The participants of the special economic zones apply their tax incentives in the following order:

for **7** years for A category, i.e. projects costing less than 3 000 000 monthly calculated indexes [14];

for **15** years for B category, i.e. projects costing from 3 000 000 to 14 500 000 monthly calculated indexes [15];

for **25** years for C category, i.e. projects costing more than 14 500 000 monthly calculated indexes.

[14] In 2024 one monthly calculated index is KZT 3 962 or approximately USD 8.

[15] B category is assigned to the projects related to the production of food products, textiles, clothing, leather and related products as well as the production of computers, electronic and optical equipment in case such project costs from 1 000 000 to 14 500 000 monthly calculated indexes.



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