

Important changes in taxation of individuals

June 2018

In brief

Significant changes were introduced concerning taxation of individuals, along with the adoption of the new Tax Code, which came into force on January 1, 2018 ("New Tax Code of Kazakhstan").

In detail

- On declaration of bank accounts and property, the word "individuals" is replaced by "citizens of Kazakhstan, oralmans**** and persons with residence permits in Kazakhstan". Thus, foreigners who became Kazakhstan tax residents are now not obliged to declare bank accounts and property outside Kazakhstan;
- On declaration of bank accounts, an amendment was introduced that such obligation applies if the cash balance is over 12-times the minimum monthly salary (MMS)* at the end of reporting period;
- The list of persons obliged to file an individual income tax (IIT) declaration is supplemented by the following categories (the list is not exhaustive):
 - domestic workers under labour legislation, who receive income from a non-tax agent**;
 - Kazakhstan citizens who receive income under an employment or civil agreement concluded with diplomatic missions and similar agencies of a foreign state consular offices of a foreign state accredited in Kazakhstan, which are considered non-tax agents**;
 - Kazakhstan citizens who receive income under employment or civil agreements concluded with international and state organizations, foreign and Kazakhstan non-governmental public organizations and funds that are exempt from the obligation to assess, withhold and transfer IIT at the source of payment in accordance with international treaties ratified by Kazakhstan;
 - labour immigrants, residents of Kazakhstan, who receive income under employment agreements concluded in accordance with the labor legislation on the basis of a labor immigrant permit.

payments to the budget"

- The Code of the Republic of Kazakhstan on Administrative Offenses of July 5, 2014 No. 235-V

The takeaway

Foreigners considered as Kazakhstan tax residents are now excluded from the list of persons obliged to declare bank accounts and property outside of Kazakhstan.

Kazakhstan citizens, oralmans**** and individuals with residence permits considered as Kazakhstan tax residents are now required to declare information about bank accounts if the cash balance exceeds 12 MMS* at the end of reporting period.

The list of persons obliged to file an IIT declaration has been extended.

The IIT declaration is submitted by the tax resident to the tax authorities at the place of residence no later than 31 March of the year following the reporting tax period.

Failure to submit the declaration on time leads to an administrative warning. Repeated violation during the year results in a fine of 15 MCI***, according to the Administrative Code.

The concealment of information about the existence of property outside of Kazakhstan by an individual (not- reflected in the IIT declaration) results in a fine of 100 to 200 MCI*** for each bank account or item of property. Non-submission of a declaration on IIT is treated as non-reflection of bank accounts and information on property located outside of Kazakhstan.

Sources:

-The Code of the Republic of Kazakhstan No. 120-VI of December 25, 2017 "On taxes and other mandatory

*Minimum monthly salary (MMS) for 2018 – 28 284 KZT;

**Tax agent is an individual entrepreneur, private practitioner, the legal entity including its subdivisions, which is responsible for calculation, withholding and remittance of taxes at source of payment, under the Tax Code;

***Monthly calculation index (MCI) for 2018 – 2 405 KZT;

****Oralmans – foreigners or persons of Kazakh nationality, who did not have Kazakhstan citizenship at the moment when Kazakhstan became independent and who came to Kazakhstan for permanent residence in accordance with the Kazakhstan legislation.

Tax and Legal reporter

PwC Kazakhstan

Let's discuss

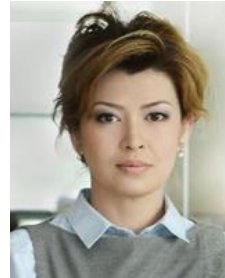
For a more detailed discussion of how this issue may affect your business, please contact:



Michael Ahern,
Partner
Tax and Legal services
michael.ahern@pwc.com



Elena Kaeva,
Partner
Tax services
elena.kaeva@pwc.com



Anar Khassenova,
Director
Tax services
anar.khassenova@pwc.com



Abay Munsyzbayev,
Senior Manager,
Tax services
abay.munsyzbayev@pwc.com



Zaure Mussabekova,
Manager
Tax Services
zaure.mussabekova@pwc.com

PwC Kazakhstan

34 Al-Farabi Ave
Building A, 4th floor
Almaty, A25D5F6, Kazakhstan
T.: +7 (727) 330 32 00
Fax: +7 (727) 244 68 68
www.pwc.kz

15/1 Kabanbay Batyr Ave.,
Q2 Business Center, 4th floor
Astana, Z05M6H9, Kazakhstan
T.: +7 (7172) 55 07 07
Fax: +7 (7172) 55 07 08
www.pwc.kz

"River Palace" hotel, 2nd floor, office
10, Aiteke Bi str., 55
Atyrau, Kazakhstan, 060011
T: +7 7122 76 30 00
www.pwc.kz