



A common current practice of the tax authorities is to reclassify consulting services into a royalty for withholding tax purposes

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If you are interested in additional information, please contact us.

In In detail

The Kazakhstan tax authorities are challenging exemption of interoffice services from withholding tax and trying to reclassify such services as a royalty. These interoffice services could include consulting, IT related, training, design, engineering and any other services provided to Kazakhstan companies by non-resident companies.

Such reclassification of services to royalty would result in application of withholding tax on these payments when the income is paid to non-residents or expenses are claimed for corporate income tax purposes. Under a double tax treaty ("DTT"), a royalty could be subject to reduced withholding tax rate of 10% in most cases (domestic rate is 15%), while consulting services can be exempt from withholding tax under a DTT if certain conditions are met.

If services are reclassified as a royalty for earlier periods, Kazakhstan companies which are recipients of services could be subject to an extra 15% withholding tax burden.

How we can help you?

We recommend reviewing interoffice services contracts to identify if they contain elements of intellectual property rights (royalty).

We can:

- review your contracts and provide our opinion if these contracts contain a royalty element;
- prepare position papers;
- support with the tax appeal process during cameral control or tax audit.

If you are interested in our support or any additional information, please contact us.