



# The 2022 tax legislation changes

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Dear Friends,

With the onset of the New Year, we want to inform you on the most important changes in the Kazakhstan tax legislation. Certain changes have already come into force since 1 January (some of them retroactively), whereas others should be enforced in the nearest time or in a medium-term.

We would like to emphasize that we did not try to cover all changes in our alert. Hence, we picked up only the most interesting ones.

The tax statute of limitation

Since 1 January 2022 the tax statute of limitation is five years for all large enterprises. For certain big companies it means that during 2022 the tax authorities could audit 2017 tax liabilities.

## CIT

A lot of questions and arguing were caused by a provision, based on which expenses on transactions of more than 1,000 MCI could be deducted only if e-invoices are available.

As per the changes that came into force since the beginning of this year, corresponding expenses could be deducted if there is also a sales ticket containing an identification number of a recipient of goods, works, services.

## VAT

*Threshold for mandatory VAT registration*

Threshold has been reduced from 30,000 MCI to 20,000 MCI.

*(Non)issuance of e-invoices*

Good changes for retailers. Since the beginning of this year issuance of e-invoices is not required upon sale of goods (a) from the List of Exclusions, (b) imported goods and (c) goods of non-VAT payers reflected in a Virtual Warehouse if such goods are sold to:

- individuals using purchased goods for own, family, home or any other purposes not related to business operations;
- individuals or legal entities being subjects of micro-entrepreneurship.



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## *Google Tax*

Being led by example of other countries, Kazakhstan introduced VAT on electronically supplied services and electronically sold goods (so-called Google Tax). The tax will be assessed and paid by:

- foreign providers rendering services to Kazakhstan individuals in electronic format;
- foreign companies owning Internet platforms through which Kazakhstan individuals purchase goods.

Second-tier banks and payment organizations are liable to provide the tax authorities with the information on payments to the above foreign entities. However, it is not clear at the moment how the tax authorities will use the obtained data.

In general, Google Tax causes a lot of questions (mechanisms of assessment, payment method, etc.). We monitor legislative changes and we will try our best to promptly inform you on the respective changes.

## *VATable import*

Now minimum prices apply to certain goods imported to Kazakhstan from the EAEU for determination of VATable import.

Currently the List includes only certain types of spirits and alcohol, but the List could potentially be amended in future.

## *Simplified VAT refund*

Large enterprises (as per the List) converting at least 50% of proceeds from export sale of raw materials have a right for simplified VAT refund (not more than 80% of the excessive input VAT for a respective calendar quarter).

## *Payment of VAT by offset*

The tax incentive has been prolonged till 1 January 2025.

## *VAT control accounts*

There is no more such administrative control measure. Provisions on application of VAT control accounts have been deleted from the Tax Code.



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## Sales tickets

Since 1 January 2022 sales tickets should also be issued upon making mobile payments for goods, works and services.

In addition, sales tickets should reflect identification numbers of buyers of goods, works and services upon their request.

## Tax incentives

### *Investment priority projects*

100% CIT reduction could be applied to income from conducting priority activities received from use of only those fixed assets, which have been put into operation as new production facilities, extended or modernized under investment priority contracts.

### *Astana Hub*

Currently, non-compliance with the Tax Code provisions prescribed for Astana Hub participants leads to cancellation of tax preferences since the date of registration in Astana Hub. However, as from 1 January 2023, this provision should be softened. Thus, in case of non-compliance with the Tax Code, tax preferences will be cancelled from the beginning of a calendar year when violations are made.

### *Astana Hub and SEZ*

From 1 January 2023 the tax authorities jointly with an authority in the area of informatisation would define a methodology for determination of income from use of IP and provision of informatisation services to which 100% CIT reduction applies.

As from 1 January 2023 a definition of losses from conducting IP activities would be introduced, i.e. "excess of deductions over annual aggregate income, including adjustments envisaged by Article 241 of the Tax Code". Such losses would be determined in relation to each IP object separately and offset against future taxable income generated from relevant IP objects within the tax statute of limitation.

## Tax reporting

If there are no taxable objects, there is no need to submit Form 101.04 (WHT on income of non-residents). This provision has been introduced with retroactive effect (i.e. effective since 1 January 2018).



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## Taxpayer's passport

From 1 March 2022 entities conducting business operations in the area of public catering and trade should have a taxpayer's passport. The passport should be placed where cash machines are located and it should be publicly available.

## Special tax regimes

As from 2023 taxpayers providing, inter alia, marketing services will not be able to apply special tax regime for small enterprises.

## Tax administration

### Tax audits

Full-scale tax audits initiated before 1 January 2022 should be completed without inclusion of emission tax liabilities into the scope.

### Banks' obligations on provision of information

Upon identification of transactions having signs of receiving income from business operations (as per special criteria jointly set with the National Bank), banks should provide the information on the following individuals:

- persons holding important public positions and their spouses;
- persons authorised to perform state functions and their spouses;
- persons equalized to those who are authorised to perform state functions and their spouses;
- persons obliged to provide declarations as per the Constitutional Law "On elections in Kazakhstan" and Laws "On countering corruption", "On banks and banking activities", "On insurance", "On securities market".

### Unblocking bank accounts

Settlement of tax liabilities indicated in the tax authorities' directive on blocking bank accounts serves as a basis for unblocking the accounts.

Banks should unblock the accounts during the day when corresponding tax liabilities are settled without waiting for the cancellation of the tax authorities' directive.



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## *Traceability of goods' turnover*

To implement the Agreement on mechanism for traceability of goods imported to the EAEU customs territory, a new form of state control is introduced (*"Traceability of turnover of goods imported to the EAEU customs territory"*).

The control is performed via organisation of a goods' tracking system for tracing goods subject to tracing and transactions related to turnover of such goods by means of the national tracing system (i.e. E-Invoicing Electronic System).

E-invoice is an accompanying document of the national tracing system.

The tax authorities should ensure provision of data on goods' subject to tracing and associated turnover transactions contained in the E-Invoicing System to the respective EAEU states.

## *Thematic tax audits*

Such audits will also cover issues of availability and authenticity of identification means. This is related to marking of tobacco products and shoes (and, potentially, some other goods in future).