



The President signed amendments to the Transfer Pricing Law

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On 25 March the President signed the Law of the Republic of Kazakhstan "On introducing amendments and additions to some legislative acts of the Republic of Kazakhstan on transfer pricing. The Law comes into force in 60 calendar days after its official publication.

Below are listed the main amendments aimed generally at strengthening transfer pricing ("TP") control.

TP methods

Hierarchy of TP methods was excluded. At the same time, the priority remained on the comparable uncontrolled price method when selecting a TP method. If it is not applicable, one of the other four most appropriate methods should be selected.

Profitability range

A separate article establishes the procedure for determining the price range and profitability (margin) range depending on the number of comparables with the exclusion of extremely high and low observations in some cases. Previously, the range was determined on **minimum to maximum values**.

Moreover, for determining the profitability range, it is required the use of financial data for three consecutive calendar years preceding the calendar year in which the analyzed transaction is made.

Expansion of the concept of interrelatedness of parties

The law expands the conditions for determining the interrelatedness of parties to strengthen the control on profit shifting.

Expansion of TP control

According to the amendments, TP control for cross-border transactions will be applied not only to "goods, works, services", but potentially to any type of transactions, including transactions with **intangible assets, shares and/or participatory interests**.

Certain transactions between Kazakhstan's taxpayers that are related to cross-border transactions may also be subject to control if the parties have **different CIT rates**, tax losses or incentive, or engaged in the sale of subsoil minerals.

Filing of the Local file

The taxpayers that were previously exempt from filing the Local file since they were not **participants of multinational enterprises** may have such an obligation now going forward. The amendments imply that the reporting could be required by a **participant** of a controlled transaction **with certain related parties**. As a reminder, the Local file includes only material transactions (with a turnover exceeding 250 000 MCI).

TP adjustment

According to the amendments, if the results of a tax audit reveal a deviation of the transaction price from the market values **in transactions with related parties**, the TP adjustment will be determined on the basis of the **median** value of market data. .

How can we help you?

We will be happy to discuss with you the approved amendments and their impact on your business, as well as to perform short diagnostics of your obligations arising under TP considering the amendments and provide the necessary consulting support. You may send our team a separate request following the [link](#) on our website.