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The Supreme Audit Chamber of the Republic of Kazakhstan identified violations in the application of customs exemptions: What importers should pay attention to

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Summary

The Supreme Audit Chamber of the Republic of Kazakhstan (SAC) has published the results of a state audit of the activities of the State Revenue Committee of the Ministry of Finance of Kazakhstan in relation to tax and customs administration for 2025. The report highlights violations related to the application of customs exemptions as well as the use of the VAT offset mechanism for imported goods.

For businesses, the audit results lead to two important conclusions:

1. **The application of customs exemptions remains a key focus area for inspections** by both the SAC and customs authorities. Following the audit, an increase in customs audits concerning the legitimacy of customs exemptions and the application of the VAT offset mechanism on imports is expected.
2. **More than half of the additional assessments imposed by the state revenue authorities were cancelled due to procedural violations.** This confirms the importance of ensuring that supervisory authorities comply with the established procedures when conducting audits and inspections.

In Detail

Customs benefits and the import VAT offset mechanism

According to the published information, in addition to cases involving the improper application of customs exemptions on imported goods, the report places particular emphasis on the application of the VAT offset mechanism. According to the SAC, violations were identified involving 34 importers.

As a reminder, the VAT offset mechanism applies to foreign goods and equipment that are not produced in Kazakhstan or whose domestic production does not satisfy market demand. The mechanism allows importers not to pay VAT to the state budget upon importation, thereby reducing their tax burden. However, its application is subject to several conditions and restrictions, namely:

- the importer must be VAT-registered;
- the HS code of the goods must be included in the approved List;
- the goods must be placed under the customs procedure of release for domestic consumption (IM40);
- restrictions on the resale of goods must be observed for five years (18 months for poultry used in agriculture).

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In this regard, companies applying customs exemptions and the VAT offset mechanism are advised to review:

- compliance with the conditions for applying customs exemptions;
- the availability of supporting documents confirming entitlement to exemptions and preferences;
- compliance with statutory requirements following the importation of goods;
- potential tax and customs risks associated with previous import transactions.

Procedural violations during audits

The SAC also noted that more than half of the appealed additional tax and customs assessments over the last four years were cancelled in favour of taxpayers due to legislative violations and procedural errors committed during inspections.

This finding highlights the importance of analysing not only tax and customs risks, but also whether the authorities conducting inspections comply with the legally established procedures.

During tax and customs audits, companies should pay attention not only to the substance of the claims raised by the authorities, but also to the authorities' compliance with procedural requirements stipulated by law.

Practical takeaways for businesses

Following the audit, SAC issued instructions and recommendations and provided the relevant directives to the authorities responsible.

Given the increased scrutiny of customs exemptions and the VAT offset mechanism, companies are encouraged to proactively assess risks related to import transactions, verify compliance with applicable requirements, and ensure the availability of documents supporting the lawful application of customs exemptions and tax preferences. This will help businesses prepare for potential customs control measures and reduce the risk of additional customs duties and taxes being assessed as a result of audits.

How We Can Help

PwC supports companies in complying with customs legislation requirements related to the import and export of goods, including the application of customs exemptions and the VAT offset mechanism on imported goods.

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We can assist both with current operations and with transactions carried out within the statutory limitation period, including:

- conducting customs reviews of import and export operations to identify potential tax and customs risks;
- assessing compliance with the conditions for applying customs exemptions and preferences;
- reviewing the legitimacy of applying the VAT offset mechanism, including compliance with tax law requirements;
- assessing compliance with EAEU and Kazakhstan customs legislation for imported goods;
- reviewing the accuracy of customs valuation, tariff classification under the EAEU HS Nomenclature, and proof of origin;
- providing support during customs audits, including participation in discussions with customs authorities;
- challenging audit results through both administrative and judicial appeal procedures.

Our approach is aimed not only at identifying potential risks, but also at developing practical recommendations to mitigate them, preparing companies for possible control measures, and supporting the defense of their position in interactions with government authorities.

Should you be interested in receiving further information, we would be pleased to discuss the matter and answer any questions you may have.

Source

The state audit results were published on the official website of the Supreme Audit Chamber of the Republic of Kazakhstan: https://www.gov.kz/memleket/entities/esep/press/news/details/1258204?lang=ru