

Refund of VAT accumulated during geological exploration

Amendments to the Tax code that eliminate ambiguity regarding refund of VAT accumulated during exploration and development of a field became effective from 1 January 2016.

PwC Kazakhstan professionals were directly involved in developing these amendments and are ready to provide practical assistance with refund of accumulated VAT.

Our team

Our professionals specialise on VAT refund issues and have significant experience in this sphere.

Refund of accumulated VAT

Legislative provisions

On 3 December 2015, the President adopted a law introducing significant amendments to the statute of limitation for refund of accumulated excess VAT during geological exploration and development of a subsurface field.

According to these amendments, the statute of limitation for tax liabilities and refund of VAT accumulated during exploration and development starts from the end of the period when export of usable minerals takes place. For exports started before 1 January 2016, the statute of limitation begins in 1 January 2016.

As a result of these amendments, the statute of limitation starts later. Taxpayers now have an opportunity to apply for refund of VAT accumulated more than 5 years ago.

Following submission of the VAT return with the request for the refund, a thematic tax audit will confirm the amount.

The period to be checked by the thematic tax audit starts from the period when the subsoil use contract was concluded.

In confirming the amount the tax authorities consider previous tax audits, including cross audits.

Specific legislative amendments include:

- a new Article 273-1 “Peculiarities of refund of excess VAT in certain cases”;
- paragraph 3-2 was added to Article 46 “Statute of limitation”;
- paragraph 2-1 was added to Article 635 «On conducting a thematic tax audit based on the request of the taxpayer in the VAT return to confirm the VAT amounts to be claimed for refund”.

Who may use this service

This opportunity exists primarily for taxpayers working under a subsoil use contract (except for contracts on exploration and (or) extraction of widespread useful minerals, underground water and etc.) regarding excess VAT accumulated during geological exploration and development of a field.

Period of VAT refund

A refund is made in equal instalments over 5 years (20 tax quarters) starting from the period when VAT claimed for refund is confirmed.

PwC's role in the reform

PwC actively participated in discussions about the problem, as well as the solutions reached as reflected in the Law.

How we can help

- Consulting on provisions of the law on VAT refund;
- Support during the thematic tax audit;
- Independent analysis of complex tax issues and development of technical arguments.

Practical assistance during the disputes with the tax authorities

The tax authorities tend to be aggressive. We have a great deal of experience drafting appeals (against actions of the tax authorities) to the higher level of the tax authority or court, as well as to provide further support during the litigation process.

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