

# **Profile——The Republic of Kazakhstan (Kazakhstan for short)**

## **I. Jurisdiction Background**

The Republic of Kazakhstan is a landlocked country mostly in Central Asia, with a part in Eastern Europe. It is de jure a democratic, unitary, constitutional republic. The capital is the city of Astana, while the largest city and leading cultural and commercial hub is Almaty. The official language of Kazakhstan is Kazakh. Russian is spoken by most Kazakhs, has equal status to Kazakh as an official language, and is used routinely in business, government and inter-ethnic communication. Kazakhstan dominates Central Asia economically and politically, accounting for 60 percent of the region's GDP, primarily through its oil and gas industry.

## **II. Organizational Structure**

The competent tax authority of Kazakhstan is the State Revenue Committee, one of the departments of the Ministry of Finance. The State Revenue Committee performs within its competence regulatory, implementation and control functions in the areas of tax and customs administration.

Tax authorities in Kazakhstan form a single centralised system, which consist of the central apparatus of the State Revenue Committee and its territorial subdivisions for oblasts, cities, for districts and districts in cities, as well as inter-district territorial subdivisions. In case of establishing special economic zones, territorial subdivisions may be formed on the territories of these zones.

The State Revenue Committee is managed by the Head, who is personally responsible for the fulfilment of the tasks assigned to the Committee. The Head of the Committee determines the duties and powers of the Heads of State Revenue Departments for oblasts, cities of republican significance and the capital. At the same time, the Head of State Revenue Departments may determine the duties and powers of Heads of territorial bodies of the Departments.

## **III. Current Tax System**

There are twelve different kinds of taxes in Kazakhstan, which can be divided into three categories according to their nature.

◆ Goods and services taxes: including Value Added Tax, Excise Tax, and Customs

Duty.

- ◆ Income taxes: including Corporate Income Tax and Individual Income Tax.
- ◆ Other taxes: including Social Tax, Motor Vehicle Tax, Land Tax, Property Tax, Tax on Gambling Business, Rent Tax on Export and Taxes of Subsoil Users.

Sub-taxes can be created under some of the taxes, e.g. Taxes of Subsoil Users include Mineral Extraction Tax and Excess Profit Tax.

The main provisions of each tax are located in the Tax Code of Kazakhstan and may be adjusted by local authorities only to the extent permitted by the Code (e.g., adjust the tax rate).

#### **IV. Overview of tax preference policies**

Tax preferences are granted to legal entities of Kazakhstan in accordance with the procedure and on the terms stipulated by the tax legislation of Kazakhstan. There are several types of tax preferences available.

- ◆ For investment priority projects: reduction of the amount of the calculated Corporate Income Tax by 100%; application of the coefficient 0 to Land Tax rates; calculation of Property Tax at the rate of 0% to the tax base.
- ◆ For other investment projects: exemption from Value Added Tax on imports of raw materials and materials within the framework of an investment contract.
- ◆ Regional incentives: incentives in Special economic zones and industrial zones (reduction of Land Tax and Property Tax by 100%); incentives in International technological park “Astana Hub” (reduction of Corporate Income Tax, Individual Income Tax, Value Added Tax and Social Tax by 100%).
- ◆ Other tax exemptions and reductions in the Tax Code of Kazakhstan.

#### **V. Tax Collection and Administration**

Tax administration in Kazakhstan is a system of measures carried out by tax authorities and other authorized state bodies to collect taxes and payments to the budget, including the implementation of tax control, the measures to ensure the fulfillment of tax obligations and measures of compulsory collection of tax arrears, as well as the provision of public services and other forms of tax administration established by the Tax Code of Kazakhstan.

Kazakhstan focuses on informatisation and automation in the process of tax collection

and administration, and has so far set up a number of information platforms with different functions:

- ◆ Astana-1: The system of customs and tax administration which unites 5 existing customs systems and integrates with the systems of authorised bodies, which makes it possible to submit goods declarations electronically without submitting paper documents.
- ◆ SONO: An information system for completing, submitting, receiving and processing tax reporting forms in electronic form.
- ◆ ESF: An information system for receiving and processing electronic invoices.
- ◆ Excise Taxes: An information system designed to control the production and turnover of excisable goods and certain types of petroleum products.

In Kazakhstan, the taxpayers with the highest aggregate annual taxable income are subject to monitoring, in the course of which the State Revenue Committee has the right to require taxpayers to submit documents and written explanations confirming the correctness of tax calculation and timeliness of payment, as well as financial statements of the taxpayer and its subsidiaries.

## **VI. Taxpayer Services**

The tax service channels in Kazakhstan mainly include Taxpayer's webroom, E-Salyq Business and Electronic government of the Republic of Kazakhstan, and Electronic services of the State Revenue Committee.

- ◆ Taxpayer's webroom: It is possible to submit tax returns, pay taxes, submit various applications electronically through software Taxpayer's webroom.
- ◆ E-Salyq Business: This app is designed to simplify the fulfilment of tax and social payment obligations by individual entrepreneurs.
- ◆ Electronic government of the Republic of Kazakhstan: eGov portal offers users a whole list of services in the field of taxes and finance. For example, view tax debts on the portal and pay them or suspend tax reporting.
- ◆ Electronic services of the State Revenue Committee: Electronic services provide users with the opportunity to check the tax status of persons registered as Value Added Tax payers, as well as information on the absence (or existence) of tax arrears.

In order to regulate the provision of more than 30 tax services to taxpayers, rules for provision of public services provided by the tax authorities were approved by the Order No.665 of the Minister of Finance dated 10 July 2020.

## **VII. Tax Legislation Process**

Tax legislation of Kazakhstan is based on the Constitution of Kazakhstan and consists of the Tax Code and normative acts adopted on the basis of the provisions of the Tax Code. On 1 July 1995, the Decree of the President of Kazakhstan “On Taxes and Other Obligatory Payments to the Budget” came into force and became the first Tax Code adopted among the CIS countries. Subsequently in 2001, 2008 and 2017, Kazakhstan reintroduced new Tax Codes, the current tax law was passed in 2017. After the enactment of each new Tax Code, Kazakhstan enacted multiple amendments to it almost every year. On December 12, 2023, the President of the Republic of Kazakhstan signed Law No. 45-VIII Key Amendments to the tax code.

The main amendments to the Tax Code in Kazakhstan in recent years include but not limited to:

- ◆ Limitation of deductions of intangible services rendered by a related non-resident entities.
- ◆ Changes in taxation of interest payments for listed securities.
- ◆ Adjustment of income by the dividends received for Corporate Income Tax purposes.
- ◆ Changes in the deadlines for submitting the Declaration of Assets and Liabilities(250.00 tax form) and the Declaration of Income and Property(270.00 tax form).
- ◆ Changes in in-house audit (desk audit).

### **VIII. Future Tax Reform Plan**

Kazakhstan is working on a draft of a new Tax Code and a Concept of Tax Policy for the period up to 2030. The project provides for predictability of tax policy, stability of legislation, fair tax burden, transparency of taxation, stimulation of priority sectors of the economy and compliance with international practice.

Three main principles are to be followed in the formulation of the new Tax Code, the first of which is to ensure an increase in tax revenues, the second is to shift the tax burden to the higher-income class, and the third is to comply with international practice.

The main directions of tax reform in Kazakhstan in the coming years include but not limited to, the following:

- ◆ Comprehensively systematise and increase the availability of the mechanism of deductions for Personal Income Tax.

- ◆ Reorient the activities of tax services from punishment to prevention of tax violations, while retaining punishment only for malicious or illegal deliberate tax evasion.

- ◆ Systematically assess the effectiveness of tax incentives in the Tax Code and clean up a portion of the ineffective tax incentives.

## **IX. International tax cooperation**

Kazakhstan is an active participant in international tax cooperation, which not only promotes the development of cross-border trade and investment activities, but also expands its influence in regional economic and international organisations.

- ◆ Expansion of the tax treaty network: Kazakhstan signed Double Taxation Agreements with 53 countries (including China and the Russian Federation), based on the OECD and United Nations model tax conventions.

- ◆ Belt and Road Initiative Tax Administration Cooperation Mechanism: Kazakhstan not only hosted the second Belt and Road Initiative Tax Administration Cooperation Forum but also established the Regional Tax Center for Russian-speaking countries of "One Belt, One Road" initiative.

- ◆ Co-operation with CIS Member States: Kazakhstan cooperates with Russia, Belarus and other CIS member States in improving their tax administration systems and actively participates in the work of the Coordinating Council of the Heads of Tax Services of the CIS Member States.

- ◆ Co-operation with the OECD: Kazakhstan committed to the BEPS programme's inclusive framework and supported the OECD's Pillar Two initiative. In addition, Kazakhstan is a signatory to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) and has already ratified the Convention in 2020.

## **X. Others**

None.