

## CHANGES IN TAX CODE OF THE REPUBLIC OF KAZAKHSTAN

### IMPORTANT!

On 24 June 2021, the President signed the [Law](#) on Introduction of Amendments and Additions into the [Code](#) of the Republic of Kazakhstan on Taxes and other Mandatory Payments to the Budget (hereinafter, the Law). These amendments will come into effect step by step: from 1 July 2021, 1 January 2022, a January 2023 and 1 January 2025.

Please find below a summary analysis of amendments, introduced by the Law, which we deem most important.

### ■ Changes in the List of Individual Income

New provision was introduced into Article 319 “Annual Individual Income” of the Tax Code of the Republic of Kazakhstan (hereinafter, the Tax Code), which sets forth that the following employer's expenses made in favor of an employee shall not be deemed as the individual income:

- laboratory examination;
- provision of employees with means of individual protection;
- medical examination for employees;
- preventive vaccination;
- medical observation, treatment, isolation, hospitalization due to imposition of restrictive measures, including quarantine (clause 10-1 of Article 319 of the Tax Code).

It is obvious that this provision was introduced in connection with the COVID-19 pandemic and has the aim to improve the position of employees.

### ■ Changes Related to Bank Account Blocking

Starting 1 July 2021, the Law establishes the minimum amount of a tax debt, which entails suspension of debit transactions on bank accounts. Before the amendments there were no such restrictions and suspension could be applied at any minimum debts.

Now the suspension is applied in case of a failure to pay of a tax debt in the amount of more than 6 monthly calculation indices (approximately KZT 17,500 or USD 41). These changes relate to the following subjects:

- legal entities;
- structural subdivisions of a legal entity;
- non-residents, who perform activities in the Republic of Kazakhstan through a permanent establishment;

- individuals, who act as an individual entrepreneur;
- professionals with a private practice.

### ■ **Changes in the List of Persons Entitled to Supplemental VAT Offset**

Starting 1 July 2021, the Law enlarges the list of persons entitled to supplemental VAT offset. In particular, legal entities are granted with the right to include into the offset the supplementary amount of VAT on turnover of goods within two years from the moment of state registration.

In the meantime, the Law establishes the following exceptions:

- the goods manufactured shall comply with criteria of sufficient processing of goods and shall have the certificate of origin in accordance with the Kazakhstan legislation;
- these changes shall not be applied to products not manufactured in the territory of Kazakhstan or those ones, which do not cover the Kazakhstan's needs;
- these changes shall be applied to legal entities that for the first time set in operation in the territory of Kazakhstan the facilities, machinery and equipment to conduct activities on manufacturing of goods in processing industry (except for metallurgy).

### ■ **Changes in the Procedure for Deduction under Transactions that Exceed the Monthly Calculation Index in 1000-times**

Starting 1 January 2022, deductions for expenses on goods, works and services, the cost of which exceeds the monthly calculation index in 1000-times, must be made upon availability of invoice in electronic form or check of the cash register machine with the function of latching or transfer of data that includes identification number of a buyer, receiver of goods, works and services. This requirement is applied in case the corresponding deal is settled with:

- resident legal entities;
- non-residents acting in Kazakhstan through their branches / representative offices;
- individual entrepreneurs;
- professionals with a private practice, not registered in the territory of Kazakhstan as a payer of the value added tax.

### ■ **Introduction of a New Special Tax Regime**

Starting 1 January 2022, the special tax regime that provides for use of a special mobile application will be put into effect to simplify the procedure for fulfillment of tax obligations.

In this regard, the Articles 686-1 "Special Mobile Application", 686-2 "Application Procedure" and 686-3 "Procedure for Calculation of Individual Income Tax and Social Payments in the Special Mobile Application and Its Payment" were introduced into the Tax Code.

The special tax regime that provides for use of a special mobile application will be granted to those entrepreneurs, who:

- do not use the work of employees;
- conduct activities in the form of individual entrepreneurship;

- conduct one of the established types of activities;
- are not registered as a payer of value added tax.

### ■ **Changes in the List of Persons Entitled to Apply the Special Tax Regime for Retail Tax**

Starting 1 January 2023, the list of persons entitled to apply the special tax regime for retail tax (hereinafter, the STR) will be reduced; the STR will be applied to those taxpayers, who conduct their activities in the sphere of food service industry determined by the Kazakhstan Government.

When applying the STR, the calculation of the Corporate Income Tax and Individual Income Tax shall be made using a 6% rate to an object of taxation for accountable tax period. Current rate is 3%. These changes shall be valid from 1 January 2023 until 1 January 2025.

### ■ **Introduction of Payment for Digital Mining**

One of the important amendments is the introduction of a new type of payment charged for digital mining. The Tax Code was supplemented with Paragraph 11, which includes Articles 606-1 – 606-5.

The specified provisions will come into effect from 1 January 2022. The Law stipulates that the payment for digital mining will be charged upon the volume of electrical energy consumed in the process of digital mining in the amount of KZT 1 per 1 kilowatt-hour.

The payers shall be the persons, who conduct digital mining. The tax period for calculation of payment is a quarter.

This Information Letter contains the most important amendments and additions to the Tax Code. Should you have any additional questions in connection with this Information Letter, we would be happy to provide more detailed information.

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