



Tax and Legal Newsletter

#January 24

Changes and amendments
to the Tax Code of the Republic
of Kazakhstan in 2024.



From the 1st of January 2024 in Kazakhstan will begin universal declaration: first, the general directors and founders of legal entities, and individual entrepreneurs, (including the directors and founders who are not citizens of Kazakhstan) are obliged to submit the personal income/property declarations under the universal tax declaration scheme.

In particular, the Tax Code introduce the main aspects of the forthcoming universal declaration: now, for the submission of the Declaration of Assets and Liabilities (Form 250.00) and the Declaration of Income and Property (Form 270.00), there is a common deadline for submission - not later than 15 September of 2024. At the same time, these declarations will be submitted at the place of residence. The income and property declaration will have to indicate an individual's income that is subject to independent taxation, excluding income already taxed such as wages, pensions and social payments. All other data will be automatically filled in on the basis of information obtained from the information systems of state bodies. It is assumed that 3.9 million people will be covered, individuals - managers of LLPs and IEs and their spouses, both citizens of the Republic of Kazakhstan and non-citizens of the Republic of Kazakhstan.

On the 12th December 2023 the President of Kazakhstan signed The Law of the Republic of Kazakhstan "On introducing amendments and additions to the Code of the Republic of Kazakhstan "On taxes and other obligatory payments to the budget" (Tax Code) and the Law of the Republic of Kazakhstan "On bringing into force the Code of the Republic of Kazakhstan "On taxes and other obligatory payments to the budget" (Tax Code)", providing for the following changes and additions: which will come into effect from January 1, 2024.

Under the special retail tax regime:

The amendments to the Law on Enactment of the Tax Code eliminated a conflict related to the impossibility of reducing retail tax rates by decisions of local representative bodies in the period from 1 July to 31 December 2023 due to insufficient clarity in the wording of the old version of this law. Now, from 2024, the possibility to make decisions on the reduction of rates until 31 March 2024 is envisaged, and they will be enacted from 1 January 2024, which will allow entrepreneurs paying retail tax to reduce its rate to 50% from the beginning of the year.



It does not apply to personal income:

Positive changes for KZ citizens from 1 January 2024 will be that as the income of an individual will not be considered professional payments at the expense of the employer, the amount of forgiven debt by the person to whom the right of claim on the loan is assigned, and the income received by the borrower as a result of payment for him by the bank, credit institution, as well as targeted savings under the Law of RK "On the Child welfare of the Republic of Kazakhstan in the form of payment from the Unified National Pension Fund, as well as directed to an individual pension account for voluntary contributions to the pension fund.

From 2024, the introduction of OPWR will provide Kazakhstanis with an additional payment

From the beginning of 2024, Kazakhstan has introduced a system of mandatory pension contributions to be made by employers in favor of their employees. The contribution rate will gradually increase from 1.5% with annual increases to 5% by 2028.

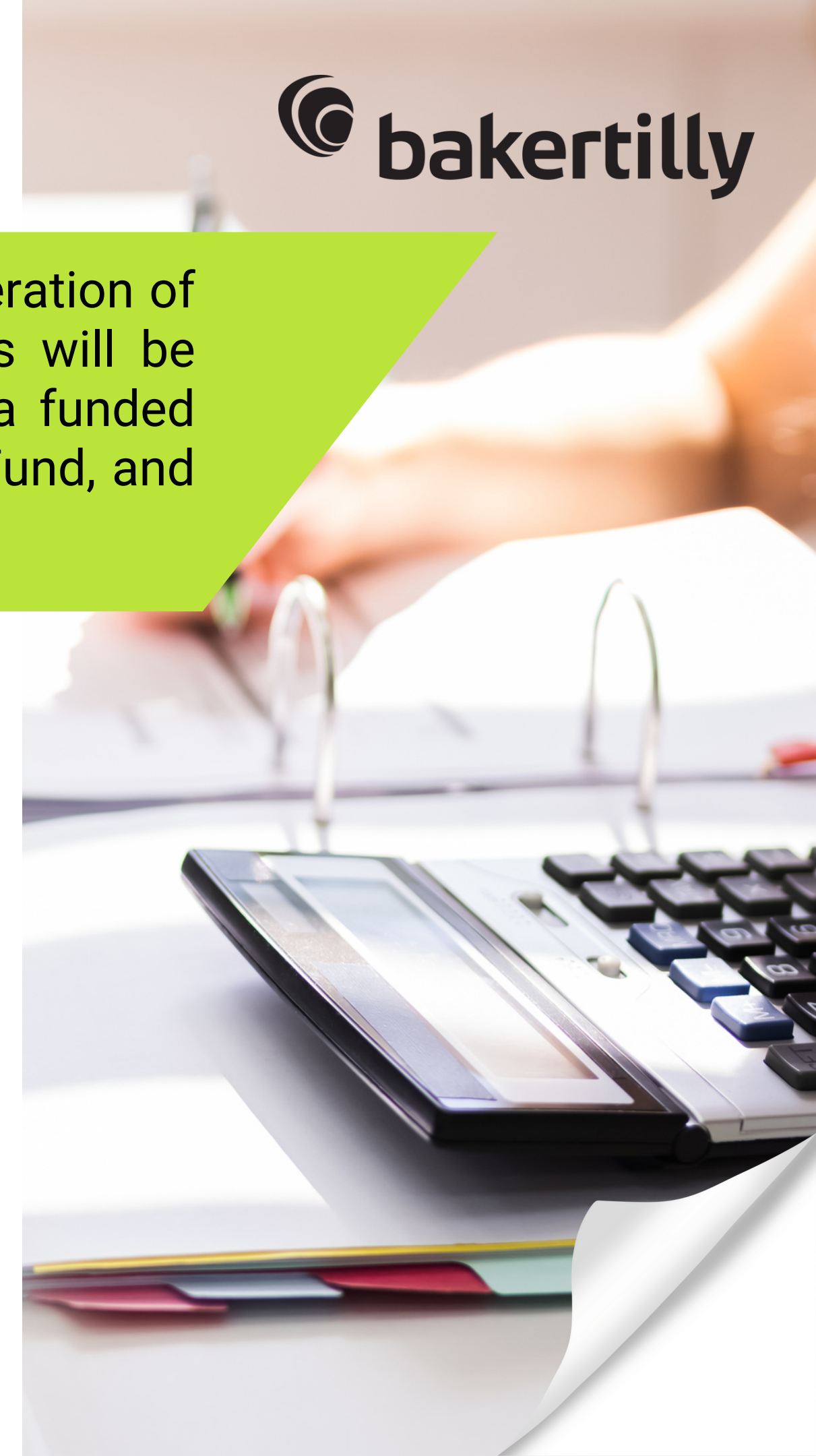
"The burden on the employer's payroll is reduced by the fact that contributions are increased in stages. According to the Social Code, employers will not pay OPWP for all employees, but only for those born in 1975 and later. Therefore, workers who will retire only in 2038 will start to receive payments from the TPIA"

This will provide an additional contributory pension for workers once they reach retirement age.

The purpose of this initiative is to provide financial support to the older generation of Kazakhstanis by linking their pensions to pension contributions. Pensions will be formed from three main sources: a basic pension provided by the state, a funded pension from employee contributions to the Unified Accumulative Pension Fund, and a notional funded pension provided by employer contributions.

The introduction of compulsory contributions is especially important for those who do not have a record of service in the solidarity system (before 1998) or whose record is insignificant. In accordance with international practice, the responsibility for the pension provision of citizens will be solidary and include the participation of the state, the employer and the employees themselves.

It is important to note that the employer's expenses on mandatory pension contributions will be charged to CIT deductions, which will help to significantly reduce the financial burden on employers, particularly for large businesses with a large number of employees.



The following changes have been made about cameral/remote tax monitoring/ control:

exclusion of the obligation of a taxpayer with an average and low degree of risk to submit documents, attaching extracts from tax and accounting registers and documents relating to the said violations, an explanation of disagreement with the violations identified as a result of desk audit;

replacing a taxpayer's obligation to attach copies of documents confirming the fact of carrying out operations (transactions) specified in violations with an obligation to indicate the circumstances confirmed by documents on the carrying out of operations (transactions) specified in a notification;

exclusion of the obligation to provide an explanation specifying the circumstances of disagreement and obligatory attachment of documents for notifications with a MEDIUM risk level, retaining this obligation only for notifications with a high-risk level; exclusion of the right of state revenue authorities to decide on recognising a notification as unfulfilled for notifications with a medium risk level, retaining this right only for notifications with a high-risk level;



On 1 January 2024, the moratorium on SME inspections expired, and therefore SMEs will likely be subject to tax audits.





exclusion from the grounds for suspension of debit transactions on a taxpayer's bank accounts - the existence of a decision by a State revenue authority to recognise as unexecuted a notice on the elimination of violations identified as a result of desk audit;

cancellation of the order to suspend debit transactions on bank accounts within one business day following the day of removal of the reasons for suspension of debit transactions on bank accounts;

addition to the basis for the thematic audit the issue of determining the tax liability on mutual settlements with the taxpayer (taxpayers), in respect of which the state revenue authority applied restrictions, on the issuance of electronic invoices;

replacing the grounds for a thematic audit in terms of "failure of a taxpayer (tax agent) to comply with a notification" with "confirmation of the existence of violations specified in the notification".

Informing taxpayers of a decision to restrict the issuance of electronic invoices by the following additional means: by registered mail with notification or to the taxpayer against signature;

providing the possibility for a taxpayer (tax agent) to send a complaint about the notification of the results of an audit by means of an e-government portal, as well as for a state revenue authority to send a decision on a complaint in electronic form, with certification by means of an electronic digital signature;

CIT:

On paragraph 23 of Article 264 of the Tax Code of the Republic of Kazakhstan amended to clarify the wording in the part that do not deduct the costs of intangible services acquired from a non-resident - a related party management, consulting, consulting, audit, design, legal, accounting, advocacy, advertising, marketing, franchising, financial (except for remuneration expenses), engineering, agency services, royalties, **the right to use intellectual property exclusively when such non-resident - the right to use the objects of intellectual property.**



On the benefits of Special Economic Zones (SEZs):

From 01.01.2024, changes were introduced to the activities of enterprises operating in the territory of special economic zones, in particular, these are exclusion of provisions on approval of lists of priority activities carried out on FEZ territories by the Resolution of the Government of the Republic of Kazakhstan (hereinafter referred to as "RGCP"), due to maintenance of the list of priority activities carried out on FEZ territories by the authorised body (Ministry of Industry and Construction of the Republic of Kazakhstan);

Besides, from 01.01.2024 a differentiated approach to granting tax benefits in FEZ will be introduced according to the principle "the more investments, the more benefits", in connection with which, the term of validity of tax benefits will be determined directly depending on the volume of investments made, therefore, it is possible to interpret these changes as follows: without investments, tax benefits for activities in FEZ will be reduced, on the basis of which such changes may significantly affect the activities of FEZ participants' enterprises.





Property income:

Changes were introduced from 01.01.2024 on property income it concerns individuals selling parking spaces, now the income from the increase in value when an individual sells parking spaces located in the territory of the Republic of Kazakhstan is a positive difference between the cost of sale and the cost of acquisition, which are under the ownership of less than a year from the date of registration of ownership (effective from 1 January 2022);

Also, changes were introduced to determine the price (cost) of acquisition of parking spaces in the territory of the Republic of Kazakhstan.

In addition, the new Tax Code provides for deferral of payment of State duty based on the property status of an individual or the financial status of a legal entity, which will facilitate the full realization of the constitutional right of everyone to judicial protection of their rights and freedoms.

Change the storage of tax accounting documentation.

The amendments exclude the obligation to keep cash and goods receipts, shift reports and cash books for only 5 years where a taxpayer uses a cash register with a data recording and transmission function. Accordingly, this documentation must be kept permanently. It is also no longer necessary to attach extracts from accounting registers and supporting documents to explanations in the event of disagreement with medium-risk violations specified in a notification on the results of desk audit.



How can we help you?

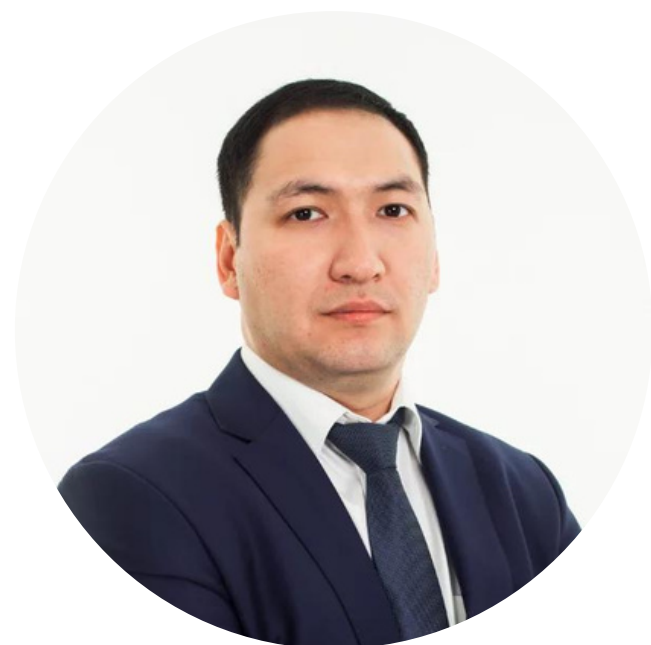
The Baker Tilly Qazaqstan Advisory team will be happy to provide more detailed advice on any questions you may have after reading this newsletter.

If your company has received a tax audit notice or is on the list for the first half of 2024, we will also be happy to help with preparation and comprehensive support during the tax audit, including services in the following areas:

- Tax reviews with identification of the main tax risks and recommendations on their motivation
- Tax consultations
- Support of tax audits
- Other tax services at your request
- Support for the provision of a declaration in the framework of universal declaration



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