



NewsFlash

Tax and Legal

December 2019

Dear readers,

The President approved several laws introducing amendments to the state budget legislation and legislation on the provision of public services. We offer you an overview of some of the adopted amendments related to tax law

Taxation of Foreign Personnel

The amendments¹ introduced changes to the taxation procedure established by Tax Code Article 656 for income of expatriate personnel seconded to Kazakhstan. Part of the amendments came into effect retroactively on 1 January 2018. The remaining part will enter into force on 1 January 2020.

The following amendments entered into force on 1 January 2018:

- The taxation procedure established by Article 656 is applicable to income of expatriate personnel seconded to Kazakhstan by a foreign entity **not registered as a taxpayer** in Kazakhstan (previously a foreign entity **with no permanent establishment** in Kazakhstan). Accordingly, the amendments replaced the wording **sent to Kazakhstan by a non-resident legal entity with no permanent establishment by sent to Kazakhstan by a non-resident legal entity not registered as a taxpayer** in the heading and throughout the body of Tax Code Article 656;
- Taxation procedure established by this article is applicable to income of an expatriate individual seconded to Kazakhstan, if the individual is:
 1. an employee and (or) a contractor (subcontractor) of a foreign seconding entity not registered as a taxpayer in Kazakhstan, or an employee of a contractor (subcontractor) of the seconding entity; and

2. regarded as permanently residing in Kazakhstan in accordance with the requirements of Kazakhstan tax legislation.
- If under provisions of Article 656, a host company in Kazakhstan is required to withhold personal income tax from 80% of the income payable to a foreign seconding company, the amount of the taxable income should be equally distributed among the secondees. In addition, the taxable income in this case may be reduced by the amount of personnel income reflected in the documents that the seconding entity provided to the host company.

The following amendments will enter into force on 1 January 2020:

- Taxation procedure established by this article is applicable to fringe benefits provided to a seconded by any taxpayer that is not the employer to the seconded (instead of a foreign seconding entity sending the personnel to Kazakhstan).
- If an expatriate seconded is not regarded as permanently residing in Kazakhstan, fringe benefits provided to the seconded by a non-employer is subject to taxation at the rates established by tax legislation for Kazakh-source income of nonresidents.
- If a host company in Kazakhstan is required to withhold personal income tax from 80% of the income payable to a foreign seconding company, the taxable income may be reduced by the amount of fringe benefits rendered to the secondees by third parties, provided that the terms of the secondment contract specify the provision of the fringe benefits.

¹ Law No. 272-VI On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on the Provision of Public Services, dated 25 November 2019

Basic Indexes for 2020

Law² *On the State Budget for 2020 - 2022* established the following indices effective from 1 January 2020:

1. The minimum salary is 42,500 tenge;
2. The minimum state basic pension is 16,839 tenge;
3. The minimum pension is 38,636 tenge;
4. Monthly index factor is 2,651 tenge;
5. The cost of living for the calculation of basic social benefits is 31,183 tenge

² Law No. 276-VI On the State Budget for 2020-2022, dated 4 December 2019

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