



# NewsFlash

## Tax and Legal

September - October 2017



Dear readers,

We offer you a short overview of some of the most important recent amendments and additions to Kazakhstan legislation.

### Agreement on the Exchange of Tax Information between Kazakhstan and the USA

In 2010, the USA adopted Foreign Account Tax Compliance Act (FATCA) under which foreign financial entities having international transactions with US financial organizations are required to submit information on accounts of all US taxpayers to the US competent state authorities.

Kazakhstan is to join the FATCA provisions through centralized collection of necessary information by the state revenue authorities to transfer the information to the US competent state authorities. To implement the tax information exchange procedure the governments of Kazakhstan and US agreed and signed a draft Agreement<sup>1</sup> stipulating the exchange of information on financial accounts of residents of both countries.

The Agreement specifies information subject to exchange and requirements to financial institutions on collection and submission of necessary information to the competent state authorities. Information for 2014 and subsequent years is subject to collection and transmission for further exchange.

The competent state authorities of Kazakhstan and the United States will agree and establish procedures for the fulfillment of obligations on information exchange established by the Agreement. The parties agreed to observe confidentiality and other protection measures during the transmission of information.

The Agreement will come into force after the United States receives a written notification from Kazakhstan on the completion of internal procedures necessary to enforce the Agreement. A party to the Agreement may terminate it by a written notice of termination provided to the other party. Such termination will come into force from the first day of the month following the end of the 12-month period after the date of the notification.

<sup>1</sup> Agreement between the Government of the Republic of Kazakhstan and the Government of the United States of America on the improvement of international tax discipline signed in Astana on September 11, 2017

## Rules for Preparation of Tax Reports

An order<sup>2</sup> of the Minister of Finance introduced changes and amendments to the rules for the preparation of tax reports. The rules for the following tax reports were supplemented with clauses indicating the terms of validity of the tax reports:

1. Form 200.00 – Personal Income Tax and Social Tax Declaration – from 1 January 2017 to 31 December 2017;
2. Form 220.00 – Personal Income Tax Declaration – from 1 January 2016 to 31 December 2017;
3. Form 230.00 – Declaration on Property and Personal Income Tax – from 1 January 2017 to 31 December 2017;
4. Form 240.00 – Personal Income Tax Declaration – from 1 January 2017 to 31 December 2017;
5. Form 700.00 – Declaration on Vehicle, Property and Land Tax – from 1 January 2016 to 31 December 2017;
6. Form 701.00 – Report on Vehicle Tax Estimations – from 1 January 2015 to 31 December 2017;
7. Form 701.01 – Report on Land and Property Tax Estimations – from 1 January 2016 to 31 December 2017;
8. Form 910.00 – Simplified Declaration for Small Business Entities – from 1 July 2017 to 31 December 2017;
9. Form 911.00 – Report on Estimation Patent Cost – from 1 July 2017 to 31 December 2017.

The order introduced new tax reporting forms and rules for the preparation of these tax reports to enter into force from 1 January 2018. The order came into effect on 27 October 2017.

## Special Economic Zones

A governmental resolution<sup>3</sup> established a new special economic zone International Center for Cross-Border Cooperation Khorgos (hereinafter – «Khorgos») for the period up to 2041. The resolution approved regulations on the special economic zones Khorgos, Aktau Seaport, Ontustyk and Pavlodar and their target indicators and critical levels of failing to achieve the target indicators. The resolution also expands the list of priority activities and goods (works, services) of own production that correspond to the activities of special economic zones Ontustyk, Pavlodar and Khorgos - Eastern Gate.

The resolution came into effect on 6 October 2017.

## Draft Amendments to the Law on Administrative Violations

On November 13, 2017, the Majilis approved a draft law introducing changes<sup>4</sup> to the Code on Administrative Violations and forwarded the draft law to a consideration of the Senate. The main goal of the draft law is a further softening of the administrative and tort legislation. The draft law provides for:

- A reduction of administrative fines for 157 administrative cases by average 30 percent;
- A reduction of an assessed penalty by 50 percent for legal entities settling the fine within 7 days after the assessment for more than 350 cases;
- A replacement of some penalties assessments with warning procedures (for 52 articles instead of 14);
- An introduction of an exoneration from a liability for insignificant offenses;
- A mitigation of a punishment and an exclusion of the strict administrative penalties such as a suspension or a withdrawal of a license and assessment of fines as percentage of damage for 18 administrative cases;
- An exclusion of property confiscation for four administrative cases and an introduction of an alternative to the property confiscation for three cases;
- A suspension of only part of a permit (license) instead of the suspension of the whole permit;
- A reduction of the statute of limitation period from 5 to 3 years for administrative violations in finance sphere;
- An ability to restore a license / permit upon addressing the violations;
- A replacement of business suspension with alternative penalties;
- Exclusion of an administrative liability for number of cases.

It is expected that the draft law will be adopted by the end of 2017.

<sup>2</sup> Order No. 533 of the Minister of Finance of Kazakhstan, dated 4 September 2017, On Amendments to Order No. 587 of the Minister of Finance of Kazakhstan, dated 25 December 2014 On Approval of Tax Reporting Forms and Rules for the Preparation of the Tax Reports

<sup>3</sup> Governmental Resolution No. 624 On Certain Issues of Special Economic Zones, dated 6 October 2017

<sup>4</sup> <http://atameken.kz>

## List of Low-Margin Oil Deposits

A governmental resolution<sup>5</sup> of 20 October 2017 extended the list of oil deposits regarded as low-margin, high-viscosity, flooded, marginal or worked-out. The

resolution added to the list the following five deposits with the mineral extraction tax rates from 0.25 to 2.5 percent:

	Deposit	Subsoil user	Type of deposit	Tax rate
1	Kyrykmyltyk	ANACO LLC	Marginal	1.5
2	Tobearal	Tobearal Oil LLC	Marginal	1.5
3	Komsomolskoye	Kommunay LLC	Low-margin	0.25
4	Tasbulat	Tasbulat Oil Corporation LLC	Low-margin	0.25
5	Aktas	Tasbulat Oil Corporation LLC	Low-margin	0.25

<sup>5</sup> Governmental Resolution No. 664, dated 20 October 2017, On Amendments to Governmental Resolution No. 673, dated 18 June 2014, On Approval of the List of Deposits regarded as low-margin, high-viscosity, flooded, marginal or worked-out

# Contacts



**Rustem Sadykov**  
**Partner,**  
**Head of Tax and Legal**  
**KPMG in Kazakhstan and Central Asia**  
**T: +7 (7172) 55 28 88**  
**E: rsadykov@kpmg.kz**



**Inna Alkhimova**  
**Tax and Legal**  
**Partner**  
**T: +7 (727) 298 08 98**  
**E: ialkhimova@kpmg.kz**

[www.kpmg.kz](http://www.kpmg.kz)



[kpmg.com/app](http://kpmg.com/app)



KPMG maintains a database of subscribers, event attendees and business-related contacts. The information we maintain on you contains your business contact details, as well as the track record of our interactions with you. In managing this database, we take our obligations about confidentiality and maintenance very seriously. We do not share personal information with unaffiliated third parties. Should you require your information to be updated, amended or deleted from our records please contact us at [company@kpmg.kz](mailto:company@kpmg.kz) outlining your requirements.

Legal services may not be offered to SEC registrant audit clients or where otherwise prohibited by law.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2017 KPMG Tax and Advisory LLC, a company incorporated under the Laws of the Republic of Kazakhstan, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.