



# New package of amendments to the Tax Code

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If you are interested in additional information, please contact us.

On 11 July 2022, the Law on introduction of amendments to the Tax Code (“the Law”) was signed by the President. The Law came into force on 21 July 2022.

The following major amendments were introduced:

#### **Taxation of small and medium-sized enterprises, which received compensation for damages incurred during the period of state of emergency (SE) (effective from 1 January 2022 to 1 January 2023)**

- Compensation for property damaged during the period of SE is not subject to taxation;
- Value of inventory damaged during the period of SE is not subject to CIT deduction to the extent compensation was received;
- Ending balance of a subgroup (a group) of fixed assets should be reduced by the amounts received as a compensation for damages incurred during the period of SE;
- Input VAT on goods damaged/lost during the period of SE is not subject to exclusion from offset under certain conditions.

#### **Taxation of dividends received by non-residents (effective from 1 January 2023)**

1. The WHT and PIT exemptions of dividends on KASE-listed securities have been repealed. However, the exemption would still be available if securities are traded on a stock exchange during the calendar year in accordance with the criteria determined by the Government (“active trading on the stock exchange”);
2. The WHT and PIT exemptions of dividends available upon meeting certain conditions established by subparagraphs 4 and 5 of Article 645.9 of the Tax Code have been replaced by a reduced tax rate of 10%. At the same time, a provision specifying a procedure for determining the amount of dividends to which a reduced tax rate is applied (income previously subject to CIT) was introduced.

#### **Taxation of dividends received by residents (effective from 1 January 2023)**

1. Dividends on KASE-listed securities are not subject to exclusion of annual aggregate income. This does not relate to dividends on securities that were actively traded on the stock exchange;
2. The PIT exemption of dividends on KASE-listed securities will only apply to dividends on securities that were actively traded on the stock exchange;
3. The PIT exemption of dividends on shares and participation interests received upon meeting certain conditions will be repealed. Instead, individuals (tax residents) will have a PIT exemption on dividends received from a resident entity within the limits of 30,000 MCI;
4. The 5% PIT rate for resident individuals on income in the form of dividends received from sources in Kazakhstan has been repealed. Such income will be subject to 10% PIT.



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## Limitation of deducting expenses on intangible services provided by related non-resident entities (effective from 1 January 2023)

Deduction of expenses on so-called “intangible” services purchased from non-resident related entities will be carried out through the adjustment of taxable income in the amount not exceeding 3% of the taxable income.

Expenses on intangible services include expenses on management, consulting, consultancy, auditing, design, legal, accounting, advocate, advertising, marketing, franchising, financial (save for interest expenses), engineering, agency services, royalties, payments for transfer of IP rights.

For the purpose of this provision, an amendment is made to criteria for recognition of parties as related. Now related parties (in addition to entities defined as “related” in accordance with Article 1 of the Tax Code) will also include:

- legal entities that together with other legal entities are part of the same group of companies;
- individuals and (or) legal entities, relations between which have signs of related parties.

## Mineral extraction tax (MET) (effective from 1 January 2023)

- Changes to the methodology and criteria for calculating the tax base for uranium extracted from productive solutions were introduced;
- The MET rates were increased for exchange-traded metals (gold, silver, copper, zinc, aluminium) by 50% and for other solid minerals by 30%;
- The MET rate for uranium is reduced from 18.5% to 6%;
- If a deposit of solid types of minerals is classified as a deposit with low level of profitability, the application of MET rates effective as of 31 December 2022 is allowed;
- The criteria for granting benefits measures for exemption from MET for new deposits with reference to the internal level of profitability were introduced.

## Digital mining (effective from 1 January 2023)

- Digital mining rates have been revised. The new rates vary from 1 to 25 tenge per 1 kWh of electrical energy, depending on the cost of consumed energy;
- In the absence of control devices for metering the volume of consumption of electrical energy and (or) their being out of order for the purpose of digital mining, the fee is calculated at a rate of 25 tenge per 1 kWh of consumed electrical energy;
- Rate of 1 tenge per 1 kWh has been introduced for electric energy used if it was produced from renewable sources at a private power plant located in RoK.



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## Payment of VAT by offset method (effective from 1 January 2022)

Clarification regarding the period (i.e. 5 years) during which sale or financial lease of goods entails the loss of VAT benefits was introduced (i.e. where import VAT was paid by the offset method).

List of goods in relation to which VAT could be paid by the offset method has been extended:

- pesticides;
- breeding animals and equipment for artificial insemination;
- live cattle.

## Increase of tax rates for tobacco products (effective from January 1, 2023)

Tax rates have been increased on tobacco products, including products with heated tobacco:

- Cigarettes with/ without filter, cigarettes, cigarillos in 2023 - 14,100 tenge/1,000 pieces and in 2024 - 15,900 tenge/1,000 pieces;
- Pipe, smoking, chewing, sucking, snuffing, hookah and other tobacco in 2023 - 12,950 tenge/kg and in 2024 - 14,150 tenge/kg;
- Heated tobacco in 2023 - 9,870 tenge/1,000 pieces and in 2024 - 11,130 tenge/1,000 pieces;
- Nicotine-containing liquid in 2023 - 53 tenge/ml of liquid and in 2024 - 55 tenge/ml of liquid.

## Why is it important for you?

The proposed amendments will have a significant impact on tax burden, as well as on tax administration and established business processes. We are ready to assist in assessing the impact of these changes on your business, assess risks and offer solutions to mitigate them.