FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions.

As you will appreciate, the production of the WWTG is a huge team effort and we would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

The PKF Worldwide Tax Guide 2015/16 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 1 January 2015, while also noting imminent changes where necessary.

On a country-by-country basis, each summary such as this one, addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

Services provided by member firms include:

• Assurance & Advisory;
• Financial Planning / Wealth Management;
• Corporate Finance;
• Management Consultancy;
• IT Consultancy;
• Insolvency - Corporate and Personal;
• Taxation;
• Forensic Accounting; and,
• Hotel Consultancy.

In addition to the printed version of the WWTG, individual country taxation guides such as this are available in PDF format which can be downloaded from the PKF website at www.pkf.com
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MEMBER FIRM

For further advice or information please contact:

City         Name                  Contact information
Astana       Kulbarshyn Bazarbekova  kazakhstan@pkf.com

BASIC FACTS

Full name: Republic of Kazakhstan
Capital: Astana
Main languages: Kazakh (state); Russian (official)
Population: 17,948,816 (2014 estimate)
Major religion: Islam, Christianity
Monetary units: Kazakhstan Tenge (KZT)
Internet domain: .kz
Int. dialling code: +7

KEY TAX POINTS

- Resident companies pay corporate income tax on their worldwide income, whereas non-resident companies pay tax on their income sourced in Kazakhstan.

- The standard rate of corporate income tax is 20%. Companies whose main productive asset is land pay tax at a rate of 10% on profits from the direct utilisation of land.

- Capital gains are included within the taxable income of a company and taxed at the regular corporate income tax rates; capital gains are not subject to a separate taxation. Please note that certain capital gains are taxed by withholding tax from the payment for non-residents.

- An overseas company is subject to a branch profits tax of 15% on its net (after tax) income. This rate may be reduced under the terms of international tax treaties.

- VAT is charged on the realisation of goods and services and the importation of goods. The current rate of VAT is 12%.

- Dividends received from resident companies are not subject to corporate income tax (similarly, the payment of dividends is not tax deductible).

- Certain transactions are subject to transfer pricing rules which impose arm’s length pricing for tax purposes.

- Exchange transactions performed in Kazakhstan are regulated by Kazakhstan Law on exchange regulation and control.

- Employment taxes are withheld from an employee’s income on a monthly basis. Employees are required to make retirement contributions of 10%.

- Social Security is payable by all employers at a rate of 11% on salaries, etc. and payable by employers at a rate of 5%.
A. TAXES PAYABLE

COMPANY TAX

Resident companies pay corporate income tax on their worldwide income, whereas non-resident companies pay tax on their income sourced in Kazakhstan.

A company is considered resident if it is established under Kazakhstan law or is a legal entity established in accordance with the laws of a foreign state if its governing body or place of actual management is in Kazakhstan.

Tax is charged on all business income generated in Kazakhstan and abroad (including capital gains) with relief for tax deductible expenses. The standard rate of corporate income tax is 20%. Companies whose main productive asset is land pay tax at a rate of 10% on profits from the direct utilisation of land.

The tax year is the calendar year. Annual income tax returns must be filed by 31 March following the end of the tax year. Companies are required to make advance payments of tax on a monthly basis.

The following categories of tax payers have the right not to assess and make advance payments of corporate income tax:

- Taxpayers whose tax adjusted income for the period two years before the one in question does not exceed 325,000 times a monthly calculation index as determined under Kazakhstan tax law each 1 January;
- Newly-established tax payers – for the tax period in which the company registered with the state justice authorities as well as in the following tax period; and,
- Non-resident companies newly registered with the tax authorities as taxpayers operating in Kazakhstan via a permanent establishment and not via a branch or representative office – in the tax period in which the company was registered with the tax authorities as well as in the following tax period.

CAPITAL GAINS TAX

Capital gains are included within the taxable income of a company and taxed at the regular corporate income tax rates; capital gains are not subject to a separate taxation. Please note that certain capital gains are taxed by withholding tax from the payment for non-residents.

BRANCH PROFITS TAX

Overseas companies with permanent establishments in Kazakhstan are required to pay corporate income tax on the profits generated by their permanent establishments. In addition, the overseas company is subject to a branch profits tax of 15% on its net (after tax) income. This rate may be reduced under the terms of international tax treaties.

VALUE ADDED TAX

VAT is charged on the realisation of goods and services and the importation of goods. The current rate of VAT is 12%.
The following transactions are subject to a zero rate:

- Export of goods;
- Turnover from production under subsurface management contracts providing for VAT exemption for imported goods;
- International transport services.

The following are exempt from VAT:

- The realisation of residential land and buildings;
- Financial services including security transactions, banking and other transactions performed by banks and institutions authorised under their license to perform particular banking transactions and transactions performed by other non-licensed entities under the legislative acts of Kazakhstan;
- Financial leasing of assets provided that certain requirements are met;
- Medical and veterinary goods and services as per the list of goods and services set by the Government of Kazakhstan;
- Services and works in the area of culture, science and education; and,
- The services of lawyers and public notaries.

VAT is also payable on services and works provided or performed by non-residents, if performed in the Republic of Kazakhstan.

The tax period for VAT is the calendar quarter and payers are required to submit their VAT returns to the local tax authorities for each tax period not later than the 15th day of the second month following the tax period. VAT for each tax period must be paid no later than 25th of the second month following the tax period.

**FRINGE BENEFIT TAX**

Certain benefits granted by an employer to employees in kind or as material benefits are treated as part of the employee’s taxable income. These include:

- Providing employees with goods and services at a reduced rate;
- Written-off debts;
- Cost of property received from the employer without charge. For services provided on a free-of-charge basis the taxable benefit is the expense incurred by the employer in connection with providing such services;
- Payment by employer for goods and services provided to the employee by third parties; and,
- Employer’s expenses towards payment of insurance premiums under insurance contracts of its employees.
LOCAL TAXES – EXCISE TAX

This is payable by individuals and entities that produce or import excisable products, including gasoline and diesel fuel.

The tax period is a calendar month and the tax is payable not later than 20th of the month following the tax reporting period. The Declaration must be made no later than the 15th of the second month following the tax reporting period.

OTHER TAXES

REAL ESTATE TAX (PROPERTY TAX)

Real estate tax is payable by legal entities and individuals who own:

1) Buildings and structures regarded as fixed assets or property investments under the international standards of financial reporting and Kazakhstan Law on accounting and financial reporting; and,

2) Buildings and structures that are the property of the state but which have been transferred temporarily into private ownership for the purposes of improvement.

The standard rate for legal entities is 1.5%. Individual entrepreneurs and legal entities applying the simplified regime are subject to the rate of 0.5%. Individual persons are subject to a tax of 0.05% to 1% on a progressive scale.

The tax is paid on a quarterly basis, with the exception of individuals, who must pay by 1st October of the tax year in which the tax arose.

Legal entities and individual entrepreneurs provide a declaration not later than 31 March following the tax reporting period.

LAND TAX

This is payable by individuals and entities on land in respect of which they have:

- The right of ownership;
- The right of permanent land use; and,
- The right of the primary grant of temporary land use.

Base rates are determined by the Tax Code, although local agencies may reduce or increase these rates within prescribed limits.

The tax reporting period is the calendar year. Legal persons (including sole proprietors) are required to make quarterly advance payments and provide a declaration no later than 31 March following the tax reporting period.

TAX ON VEHICLES

This is payable by individuals and entities who own or lease vehicles which are subject to state
registration in Kazakhstan. Tax rates are determined monthly depending on engine size, capacity and number of seats.

Legal persons must pay current charges by 5 July of the tax period and provide a declaration not later than 31 March following the tax reporting period.

**ADDITIONAL OTHER TAXES**

Additional other taxes include:

1. A tax on the use of mineral resources;
2. Gaming tax payable by legal entities and persons carrying on a gambling business based on the tables, machines etc. in use; and,
3. A fixed tax payable by legal entities and businesses that provide services using certain types of assets (e.g. skittle alleys, karts and billiard tables).

**B. DETERMINATION OF TAXABLE INCOME**

**CAPITAL ALLOWANCES**

Tax deductions are available for the depreciation of fixed assets including intangible assets and investment properties. The tax code sets out the following depreciation rates:

<table>
<thead>
<tr>
<th>Rate</th>
<th>Asset</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>Buildings and structures</td>
</tr>
<tr>
<td>25%</td>
<td>Machinery and equipment</td>
</tr>
<tr>
<td>40%</td>
<td>Computing equipment</td>
</tr>
<tr>
<td>15%</td>
<td>Others</td>
</tr>
</tbody>
</table>

**STOCK / INVENTORY**

Inventories are dealt with for the purposes of taxation in accordance with international standards of financial reporting and Kazakhstan Laws on accounting and financial reporting.

**DIVIDENDS**

Dividends received from resident companies are not subject to corporate income tax (similarly, the payment of dividends is not tax deductible).

There is no withholding tax on dividends paid to non-residents or resident individuals providing that the following conditions are met:

- The shares on which the dividends are paid have been held for a period of not less than three years; and,
• 50% or more of the share capital equity of the company paying the dividends is not owned by persons carrying on mineral extraction and other sub-soil mining activities in Kazakhstan.

INTEREST DEDUCTIONS

Interest expenses are generally deductible, although there is a general restriction, where the debt to equity ratio exceeds 6:1 or 9:1 for financial institutions. This restriction applies to interest payable to related parties and persons incorporated in low-tax countries.

LOSSES

Trading and capital losses may be carried forward for up to 10 years. Losses from the sale of shares and securities may be utilised against gains arising from the sale of such assets. Losses cannot be carried back.

FOREIGN SOURCED INCOME

Overseas income and gains are taxable along with domestic income and gains under normal Kazakhstan tax rules. If a resident of Kazakhstan owns 10% or more of the authorised capital of a non-resident legal entity registered in a State with a preferential taxation regime, a share of the profits share is included in the taxable income of the resident.

These rules apply where the overseas company pays tax at less than 10% or where there are confidentiality laws in the relevant foreign jurisdiction.

C. FOREIGN TAX RELIEF

Income taxes paid overseas by resident taxpayers on foreign-sourced income are creditable against corporate or individual income tax in Kazakhstan if the document certifying the payment of tax overseas is made available.

The amount available for offset is the lower of the following:

1) The amount of tax actually paid in the foreign state;

2) The amount of income tax on income from sources outside the Republic of Kazakhstan, calculated in the Republic of Kazakhstan.

D. CORPORATE GROUPS

There are no special provisions relating to the taxation of groups of companies in Kazakhstan.

E. RELATED PARTY TRANSACTIONS

Certain transactions are subject to transfer pricing rules which impose arm’s length pricing for tax purposes. These include the following transactions involving a related party where:

1) The other entity is incorporated in a low-tax jurisdiction;

2) The transaction is a barter transaction;
3) The other entity has recognised losses according to its tax returns for the two tax periods immediately preceding the year of transaction;

4) The other party benefits from tax incentives or preferential tax rates;

5) The transactions involve the off-set of debts; and,

6) The transactions are between related parties.

F. WITHHOLDING TAX

All income paid from Kazakhstan sources, is subject to withholding taxes. The relevant rates are as follows:

<table>
<thead>
<tr>
<th>Income</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends</td>
<td>15%</td>
</tr>
<tr>
<td>Interest</td>
<td>15%</td>
</tr>
<tr>
<td>Royalties</td>
<td>15%</td>
</tr>
<tr>
<td>Capital gains</td>
<td>15%</td>
</tr>
<tr>
<td>Insurance premiums (payable on insuring risks in Kazakhstan)</td>
<td>20%</td>
</tr>
<tr>
<td>Insurance premiums (payable on policies reinsuring risks in Kazakhstan)</td>
<td>5%</td>
</tr>
<tr>
<td>International transport services</td>
<td>5%</td>
</tr>
<tr>
<td>All other income</td>
<td>20%</td>
</tr>
</tbody>
</table>

G. EXCHANGE CONTROL

Exchange transactions performed in Kazakhstan are regulated by Kazakhstan Law on exchange regulation and control.

H. PERSONAL TAX

Non-resident individual persons pay tax on their income sourced in Kazakhstan. A foreign person is considered resident if they:

- Reside permanently in Kazakhstan (i.e. spends at least 183 days there out of a 12-month period ending in the tax year); and,

- Are a payer of individual income tax at the rate of 10% on all income with the exception of dividends (subject to 5% tax from source).

Individuals generating income from business activities are subject to a tax similar to corporate income tax, although small and medium businesses are subject to a special tax regime.

Capital gains arising on the sale of the following are subject to a 10% tax:

- Real estate;
Personal deductions available to all employees include:

1) Minimum monthly wage;
2) Mandatory pension contributions as prescribed by the legislation of the Republic of Kazakhstan on pensions;
3) Voluntary pension contributions;
4) Premiums paid on endowment policies;
5) Payment of interest on loans received in the housing construction savings banks to conduct activities to improve living conditions in the territory of the Republic of Kazakhstan, in accordance with the laws of the Republic of Kazakhstan on housing construction savings; and,
6) Expenses for medical services (except cosmetic surgery).

Employment taxes are withheld from an employee’s income on a monthly basis. Persons generating income other than employment income are required to file a tax return for each calendar year. This tax return has to be submitted not later than 31 March of the following year. Individuals with business activities must settle any outstanding tax arrears within ten days from filing their tax returns. Employees are required to make retirement contributions of 10% of gross monthly remuneration not exceeding 75,000 times the minimum wage.

Social Security is payable by all employers at a rate of 11% on salaries, etc. and payable by employers at a rate of 5% on the income of the employee, up to a maximum of ten times the minimum monthly wage.

### I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

<table>
<thead>
<tr>
<th></th>
<th>Dividends (1) (%)</th>
<th>Interest (%)</th>
<th>Royalties (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-Treaty Countries:</strong></td>
<td>15 (7)</td>
<td>15 (7)</td>
<td>15 (7)</td>
</tr>
<tr>
<td><strong>Treaty Countries:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td>15/5 (1)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Belarus</td>
<td>15</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Belgium</td>
<td>15/5 (1)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Canada</td>
<td>15/5 (1)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>China (People’s Republic)</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Country</td>
<td>Dividends (1) (%)</td>
<td>Interest (%)</td>
<td>Royalties (%)</td>
</tr>
<tr>
<td>-----------------------</td>
<td>------------------</td>
<td>--------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Estonia</td>
<td>15/5 (2)</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Finland</td>
<td>15/5</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>France</td>
<td>15/5 (1)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Georgia</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Germany</td>
<td>15/5 (2)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Hungary</td>
<td>15/5 (2)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>India</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Iran</td>
<td>15/5 (3)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Italy</td>
<td>15/5 (1)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Japan</td>
<td>15/5</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Korea, Republic of</td>
<td>15/5 (1)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Latvia</td>
<td>15/5 (2)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Lithuania</td>
<td>15/5 (2)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Malaysia</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Moldova</td>
<td>15/10 (2)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Mongolia</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Netherlands</td>
<td>15/5/0 (4)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Norway</td>
<td>15/5 (1)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Pakistan</td>
<td>15/12.5 (1)</td>
<td>12.5</td>
<td>15</td>
</tr>
<tr>
<td>Poland</td>
<td>15/10 (3)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Romania</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Russia</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Singapore</td>
<td>10/5 (5)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>15/10 (6)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Spain</td>
<td>15/5</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Sweden</td>
<td>15/5 (1)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Switzerland</td>
<td>15/5/0 (5)</td>
<td>0/10</td>
<td>10</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>15/10 (6)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Turkey</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Ukraine</td>
<td>15/5 (2)</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>
### Kazakhstan

<table>
<thead>
<tr>
<th>Country</th>
<th>Dividends (1) (%)</th>
<th>Interest (%)</th>
<th>Royalties (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>15/5 (1)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>United States</td>
<td>15/5 (1)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

### Notes:

1. Unless indicated otherwise, the lower rates in this column apply if the recipient company owns at least 10% of the capital or the voting power of the paying company, as the case may be.

2. This rate applies if the recipient company owns at least 25% of the capital or the voting power of the paying company, as the case may be.

3. The rate applies if the recipient company owns at least 20% of the capital or the voting power of the paying company, as the case may be.

4. The zero rate applies if the recipient company owns 50% of the capital of the paying company and that participation has a value of at least US$ 1 million, and the head office’s state of residence has secured the participation. The 5% rate applies if the recipient company owns at least 10% of the capital of the paying company.

5. This rate applies if the recipient company has a direct holding of at least 25% of the capital of the company paying the dividends.

6. This rate applies if the recipient holds at least 30% of the capital of the paying company.

7. Where payments are made to entities registered in a tax haven (according to a list), the rate of withholding tax is 20%.