

Special Retail Tax Regime of 3%

From 1 January 2021, a number of changes provided for by the Law come into force¹.

Thus, a new Chapter 77-1 of the Tax Code entered into force, which contains provisions on the application of the special retail tax regime (SRTR), which will be an alternative to CIT or IIT for businessmen.

Application Period

The new tax regime is introduced for the period of 1 January 2021 through 1 January 2023. To switch to this tax regime, a taxpayer shall submit a Notice of Tax Regime Applied to the tax authority at location.

Tax Benefits

The main feature of this tax regime is a reduced rate of 3% applied to the taxpayer's income. Thereat, according to the information provided by the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan, unlike the general taxation procedure, a rate of 3% applies to income excluding expenses. Besides, the taxpayers that enjoy the SRTR shall be exempt from social tax.

VAT Details

The Tax Code provides for the obligatory VAT registration, if the taxpayer's turnover during a calendar year exceeds the minimum turnover equal to 30,000 MCI (20,000 MCI from 2022).

Pursuant to the changes in Article 82.4 of the Tax Code, the minimum turnover shall not include the turnovers of the taxpayer that apply the SRTR. In other words, it may be inferred that such a taxpayer cannot have obligations to register for VAT due to exceeding the minimum turnover.

Entities already registered for VAT will have to de-register. To do so when applying the SRTR, the taxpayer shall submit an application to the tax authority at location no later than five business days prior to the STR application, as provided for by the changes in Article 85 of the Tax Code.

Tax Period and Reporting

Taxpayers enjoying the SRTR will file a specially developed tax reporting form 913.00². The tax period in this case is will be one calendar quarter.

Who Is Eligible to SRTR

The SRTR can apply provided that the following two conditions are simultaneously met:

- 1) the taxpayers are recognised as small and medium businesses in accordance with the Business Code of the Republic of Kazakhstan;
- 2) the taxpayers engage in one or several activities.

The list of activities is determined by the Decree of the Government of the Republic of Kazakhstan No. 30 'On the Determination of Activities for the Purpose of Applying the Special Retail Tax Regime', dated 2 February 2021.

Please note, however, that if several activities are performed, including those that are not included in the list indicated above, the taxpayer shall not be entitled to apply the SRTR.

¹ The Law of the Republic of Kazakhstan dated 10 December 2020 No. 382-VI 'On the Introduction of Amendments 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 the Enactment of the Code of the Republic of Kazakhstan 'On Taxes and Other Obligatory Payments to the Budget' (Tax Code)'.

² Draft Order of the Minister of Finance of the Republic of Kazakhstan 'On the Introduction of Amendments to Some Orders of the Ministry of Finance of the Republic of Kazakhstan'.

This review contains all the information available as of the date hereof, while the mechanism for implementing the SRTR is still being finalised. Follow the updates on our website gratanet.com.

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Throughout its existence the Firm successfully engages in tax practice. In this connection, in 2005, the Firm structure was completed with the specially formed Tax Law Department. Unlike many consulting firms, GRATA tax team is mainly consists of lawyers, who have experience with tax and customs authorities. The above enables us to provide our clients with both the right and practicable advice.

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