

CLIENT NOTE

Kazakhstan has ratified the Convention on avoidance of double taxation with Ireland

On 29 December 2017 the Republic of Kazakhstan has ratified the Convention on avoidance of double taxation with Ireland¹ and the Protocol thereto (hereinafter – the ‘Convention’).

The Convention will come into effect on the date of receipt through diplomatic channels of the last written notification on execution of required interstate procedures by Kazakhstan and Ireland for the purposes of entry of the Convention into force. If these procedures were finished in 2017, the residents of the states entitled to apply the Convention provisions in respect of income received (capital owned) effective 1 January 2018. In case these procedures are finished this year, the residents of the states will be entitled to apply the Convention provisions in respect of income received (capital owned) effective 1 January 2019.

Below is a brief overview of the main provisions of the Convention.

Dividends, interest, royalty

The Convention provides for opportunity to reduce income tax rates in respect of:

Dividends	Net income of permanent establishment	Interest	Royalty
<ul style="list-style-type: none"> • 5% - if the company directly owns not less than 25% of the capital of the company paying dividends • 15% - in all other cases. 	5%	10%	10%

Permanent establishment

The term “permanent establishment” includes among others a sales outlet as well as a warehouse for provision of storage facilities for other persons.

Moreover, activity related to exploration and exploitation of the sea bed, its subsoil and natural resources exceeding 30 days in any 12-months period will be also recognized as the permanent establishment.

Sale of real estate

Income received by the resident of Ireland from sale of real estate located in Kazakhstan, in general, is taxed in Kazakhstan.

‘Real estate’ definition is determined in accordance with the legislation provisions of the state where the property is located.

Sale of shares

Income of the resident of Ireland received from sale of shares or participation shares in Kazakh company subject to taxation in Kazakhstan, if fifty or more

¹Convention between the Government of the Republic of Kazakhstan and the Government of Ireland on avoidance of double taxation and prevention of tax evasion in respect of taxes and income on capital and the Protocol thereto dated 26 April 2017 ratified by the Law of the Republic of Kazakhstan dated 29 December 2017 No. 130-VI «On ratification of the Convention between the Government of the Republic of Kazakhstan and the Government of Ireland on avoidance of double taxation and prevention of tax evasion in respect of taxes and income on capital and the Protocol thereto».

percent of value of such shares or participant shares consists of value of real estate located in Kazakhstan.

**Information
exchange**

Kazakhstan and Ireland authorities are entitled to exchange information required for execution of the provisions of the Convention on avoidance of double taxation.

About GRATA International

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Since its inception in 1991 the Firm has developed a very experienced Tax Practice. In 2005, the structure of the firm was fully established, featuring a specific department dealing with Tax Law. Unlike many consulting companies, GRATA's tax team consists mainly of lawyers and auditors, who have experience working with the tax authorities. This distinct perspective enables us to provide our clients with correct and practical advice.

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