

Kazakhstan VAT liabilities of non-residents providing electronic services to individuals (B2C)

Alert on recently proposed changes to tax legislation of the Republic of Kazakhstan

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Starting from 1 January 2020, the State Revenue Committee of the Republic of Kazakhstan is proposing the introduction of a new Article 426-1 of the Tax Code "Features of the fulfillment of VAT liabilities by a non-resident providing services in electronic form to individuals".

According to the proposed changes, a non-resident legal entity, when providing services to individuals in electronic form, will be required to register as a VAT payer and calculate VAT based on turnover of services rendered if the place of supply of such services is the Republic of Kazakhstan (regardless of whether they have established a registered presence).

Electronic services would include:

- ▶ provision of computer programs via the Internet;
- ▶ provision of advertising services on the Internet;
- ▶ provision of services involving the posting of an offer to acquire (sell) goods (works or services) or property rights on the Internet;
- ▶ provision of search and (or) provision of information about potential customers;
- ▶ provision of technical, organizational, informational or other means to enable transactions between sellers and buyers via the Internet;
- ▶ provision and (or) maintenance of a commercial or personal presence on the Internet;
- ▶ storage and processing of information on the Internet;
- ▶ provision of domain names and hosting services;
- ▶ provision of services for the administration of information systems and sites on the Internet;
- ▶ maintenance of statistics on internet sites;
- ▶ sales of e-books, graphics, or music via the Internet.

The place of supply of services in electronic form would be deemed to be in Kazakhstan if:

- ▶ the place of living of the individual buyer is Kazakhstan;
- ▶ the location of the bank in which the account used by the individual buyer for the payment for services is opened, or the location of the electronic money operator through which the individual buyer makes payment for services, is Kazakhstan;
- ▶ the network address of the individual buyer used when purchasing services is registered in Kazakhstan;
- ▶ the international country code of the telephone number used to purchase or pay for the services is that assigned to Kazakhstan.

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Foreign organizations would have to calculate VAT at the rate of 12% of the value of services provided in electronic form and would have to submit VAT returns and pay VAT to the state budget each calendar quarter.

Issuing Kazakhstan statutory VAT-invoices by a non-resident for services in electronic form rendered to individuals is not envisaged.

VAT on goods (works or services) purchased by a non-resident for the provision of electronic services would not be allowed for offset.

We will be happy to advise you on these proposed changes in more detail, as well as help in the preparatory stage, and to assist in analyzing the business of your company in order to identify transactions that may be subject to these new requirements.

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