



International Tax Legislation Update

Tax alert on recent changes affecting the
Kazakhstan-Armenia Double Tax Treaty

This issue features the latest changes affecting the Convention between the Government of the Republic of Kazakhstan (“Kazakhstan”) and the Government of the Republic of Armenia (“Armenia”) for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital (the “Convention”) in connection with Armenia’s ratification of the Multilateral Convention (the “MLI”).

On September 25, 2023, Armenia deposited the instrument for the ratification of the Multilateral Convention with the Depository of the Organization for Economic Cooperation and Development (the “OECD”)¹. The Multilateral Instrument will enter into force in Armenia three calendar months after the instrument of ratification was deposited, i.e., on January 1, 2024, and therefore:

- From January 1, 2024, the provisions of the MLI will apply to tax treaties between Armenia and the relevant countries with respect to withholding taxes (subject to a ratified mutual agreement on the application of the MLI’s provisions);
- From March 1, 2024, the provisions of the MLI will also apply to taxes other than withholding taxes.

The instrument of ratification includes 51 tax treaties that Armenia wishes to be covered by the MLI, including the treaty with Kazakhstan².

¹ <https://www.oecd.org/ctp/treaties/eswatini-signs-landmark-agreement-to-strengthen-its-tax-treaties-and-armenia-and-cote-d-ivoire-deposit-their-instrument-for-the-ratification-of-the-multilateral-beps-convention.htm>

² <http://www.oecd.org/tax/treaties/beps-mli-position-armenia-instrument-deposit.pdf>

According to the Multilateral Convention, a benefit under the Convention with Armenia should not be available for an item of income or capital if it is reasonably concluded that the principal purpose (or one of such purposes) of the transaction was to obtain that benefit. The Multilateral Convention applies a Principal Purpose Test (the "PPT"), which allows the tax authorities to assess the eligibility of benefits for each separate transaction.

We hope you find this information useful.

We will be glad to meet with you to discuss any additional issues, as well as the most relevant updates in Kazakhstan's tax legislation and their impact on your business.

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