

Kazakhstan postpones introduction of VAT for nonresident providers of electronic services to individuals to 1 January 2021

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Kazakhstan has postponed to 1 January 2021, the introduction of new Article 426-1 of the Tax Code "Features of the Fulfillment of VAT Liabilities by Non-residents Providing Services in Electronic Form to Individuals" proposed by the State Revenue Committee of the Republic of Kazakhstan. The provision was originally to go into effect on 1 January 2020.

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

Electronic services (e-services) subject to VAT would include:

- ▶ Software distributed via the Internet
- ▶ Advertising services via the Internet
- ▶ Services involving the posting of an offer to acquire (sell) goods (works or services) or property rights on the Internet
- ▶ Search for and (or) provision of information about potential customers
- ▶ Technical, organizational, informational or other services to enable transactions between sellers and buyers via the Internet

- ▶ Provision and (or) maintenance of a commercial or personal presence on the Internet
- ▶ Information storage and processing on the Internet
- ▶ Provision of domain names and hosting services
- ▶ Information system and site administration on the Internet
- ▶ Internet site statistics services
- ▶ Sales of e-books, graphics, or music via the Internet

The place of supply of e-services would be deemed to be Kazakhstan if:

- ▶ The buyer (an individual) lives in Kazakhstan.
- ▶ The buyer pays for e-services using an account with a bank based in Kazakhstan or through an electronic money operator based in Kazakhstan.

- ▶ The buyer uses an IP address registered in Kazakhstan when purchasing e-services.
- ▶ The buyer uses a telephone number with the international country code assigned to Kazakhstan to purchase or pay for e-services.

Foreign entities would be required to calculate VAT at the rate of 12% of the value of e-services, submit VAT returns and pay VAT to the state budget each calendar quarter.

Foreign entities would not be required to issue Kazakhstan's statutory VAT-invoices for e-services rendered to individuals.

VAT on goods (works or services) purchased by a foreign entity for the provision of electronic services would not be off-settable.

For additional information with respect to this Alert, please contact the following:

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EYG no. 005254-19Gbl

1508-1600216 NY
ED None

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