

**EXECUTIVE  
BOARD  
MEETING**

SM/20/4  
Correction 1

January 24, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Republic of Kazakhstan—Selected Issues**

Board Action:

The attached corrections to SM/20/4 (1/6/20) have been provided by the staff:

**Factual Errors Not  
Affecting the  
Presentation of Staff's  
Analysis or Views**

**Page 13**

Questions:

Mr. Horton, MCD (ext. 39850)  
Mr. Rozenov, MCD (ext. 37163)  
Ms. Shi, MCD (ext. 37690)



### Box 1. Tax Exemptions for Interest, Dividends, and Capital Gains

A wide-range of capital income is exempted in Kazakhstan.

Interest income is exempted:

- On deposits in banks licensed by the National Bank of Kazakhstan, debt securities, securities issued by the government of Kazakhstan.

Dividends are exempted if they are:

- Paid on securities officially listed on the Kazakh stock exchange;
- Paid by a Kazakh legal entity, except petroleum and mining firms, provided that ownership stake has been held for more than three years.

Capital gains that are exempted from PIT include:

- Sale of securities issued by the government of Kazakhstan;
- Income from an investment deposit placed with the Islamic bank;
- Gains from sales of ownership stakes in Kazakh legal entities, except petroleum and mining firms;
- Gains from a sale of stocks or bonds officially listed on the Kazakh stock exchange.

## Enhancing Information Reporting

**20. Kazakhstan has successfully leveraged third-party information for reporting and withholding by employers to collect taxes and contributions from employees.** The authorities also have access to other information sources that could be used to address evasion. ~~In 2020, t~~The government will gradually implement a universal income and property declaration. To be effective, the declaration should be combined with a credible corrective action, if evasion is found. Taxpayers will be more likely to accurately report their income and property if they know their reported information will be cross-verified from other sources. Cross-checking the information from declarations with other sources such as vehicle registration, property registration, and credit information will allow the government to identify and catch potential evasion.

**21. Third-party reporting and withholding should also be incorporated in other transactions in the economy.** Capital income, as mentioned earlier, should be reported to the revenue committee, even if it remains untaxed. At a minimum, this would allow the government to more accurately measure the size on income streams and their potential as sources to expand the tax base. Increased use of debit cards, credit cards, and online portals for payment allows for greater information reporting and cross-checking with income declarations. Many countries require payment card companies to report aggregate transaction volumes using point-of-sale (POS) machines. Better reporting will prevent evasion from firms exploiting turnover-based special tax regimes.