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Agreement to improve international tax compliance

At present, the Parliament of the Republic of Kazakhstan considers a law on ratification of the Agreement between the Government of the Republic of Kazakhstan and the Government of the United States of America to improve international tax compliance dated 11 September 2017 (hereinafter – the '**Agreement**').

The Agreement's objective is to enforce the Foreign account tax compliance act (hereinafter – the '**FATCA**'). This act was adopted in 2010 in the USA in order to prevent tax avoidance of the American citizens and companies. Thus, in particular, the FATCA obliges foreign financial institutions to provide the American tax authorities with the information on financial accounts of the abovementioned persons and entities. This information may be provided either through a competent authority (Model 1) or by the financial institution itself (Model 2).

In view of this, the Agreement with certain exceptions (for instance, the Kazakh financial institutions with the Kazakh clients only) will affect the Kazakh and American financial institutions performing one or several of the following types of activity:

- ▶ holding of financial assets for the account of others (residents as well as non-residents of the USA), if income from such activity is equal to or exceeds 20% from the gross income;
- ▶ accepting of deposits in the ordinary course of banking or similar business;

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