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Mandatory "assets and liabilities" declaration from 2024 for executives, business owners and their spouses

From January 2024, the III stage of universal declaration in the Republic of Kazakhstan will be introduced, within the framework of which "*Declaration of assets and liabilities*" must be submitted by managers, founders (participants) of legal entities, individual entrepreneurs, as well as their spouses.

The Government of the Republic of Kazakhstan for the purposes of creating a system of effective control of income and property of individuals and legal entities, as well as to struggling the shadow economy and corruption manifestations made a decision on necessities to introduce universal declaration.

Within the framework of the 42nd step of the Plan of the Nation - 100 concrete steps in the Republic of Kazakhstan provides for universal tax declaration of income and expenditures. Universal declaration is carried out in stages, starting from 2021.

The declaration should reflect information on the acquisition and/or sale, gift or inheritance of property subject to state or other registration, including property abroad. These include, in particular:

- ▶ immovable property, including land plots and/or land shares;
- ▶ movable property: aircraft and marine vessels, automobiles, special equipment;
- ▶ shares in a residential building under a contract on share participation in housing construction;
- ▶ shares in the authorized capital of a legal entity;
- ▶ securities, derivative financial instruments, digital assets, cryptocurrencies;
- ▶ investment gold, intellectual property objects, copyright objects.

In addition, information on notarized (certified) loan agreements must be reported. At the same time, both the structure or individual who issued the loan and the one who received it must report it.

The "*Declaration of Assets and Liabilities*" is submitted to record the accumulated assets and liabilities as of the date of entry into the declaration system, i.e. as of 31.12.2023. At the same time, information on immovable property and vehicles registered with the authorized bodies does not need to be reflected in the declaration, as this information is available in the state revenue authorities.

Deadline for submission of the "*Declaration of Assets and Liabilities*" for 2024 on paper - no later than July 15, 2024, and on electronic media - no later than September 15, 2024.

If there is no actual activity

For this category of persons, the obligation to submit declarations will arise even if the entrepreneur or legal entity does not carry-on business. In Kazakhstan, it is common practice for legal entities to operate without hired employees or balance sheet real estate. At the same time, when terminating their activities, legal entities often prefer not to undergo the mandatory procedure of liquidation of a legal entity. Nevertheless, from the point of view of the legislation such legal entities are considered registered, therefore their owners are obliged to file declarations on assets and liabilities from January 1, 2024.

In case of actual absence of entrepreneurial activity, it is recommended to carry out the following actions before the end of 2023, which will help to be exempted from Stage III of the declaration process:

- ▶ If a legal entity does not operate, it is necessary to make a decision and go through the procedure of liquidation of the legal entity. If certain conditions are met, the legal entity is liquidated in a simplified procedure, in other cases, as a result of a tax audit.
- ▶ If an individual is not the head of a legal entity, but the registration data of the legal entity has not been changed, it is necessary to correct the data by submitting a notification on the web portal of E-government of the Republic of Kazakhstan or by mail.

The list of managers of inactive legal entities can be found on the website of the State Revenue Committee of the MoF RK.

Responsibility

For late submission of the declaration, the legislation provides for sanctions in the form of a warning in the first case and a fine in case of repeated violation within a year. The amount of the penalty is equal to 15 MCI or 55,380 tenge.

Concealment by an individual of information on the availability of property by right of ownership outside Kazakhstan, as well as money in bank accounts in foreign banks located outside Kazakhstan, to be reflected in the individual income tax declaration, committed by not reflecting them in the declaration shall entail a fine in the amount of 100 MCI or 369,200 tenge.

Stage IV of declaration

Also, it should be made clear that the income declaration to be filed for the first time in 2024 is officially called "*Declaration of Assets and Liabilities*". In the future, this form of declaration will be replaced by another one - "*Declaration of Income and Assets*".

In other words, the universal declaration declared by the State is not a one-off but an annual one.

The deadline for submitting the "*Declaration of Income and Property*" on paper is **no later than July 15, 2025**, and on electronic media **no later than September 15, 2025**.

Within the framework of multilateral agreement of competent authorities "*on automatic exchange of financial information with the countries of the Organization for Economic Cooperation and Development (OECD)*", the Republic of Kazakhstan actively exchanges and analyzes data on financial accounts of residents and non-residents.

From the beginning of the fourth stage of universal declaration, residents of the Republic of Kazakhstan who have foreign assets or receive income from abroad will be required to file an individual income tax return and pay tax to the treasury, even if they reside abroad.

According to the Order of the Minister of Finance of the Republic of Kazakhstan dated June 21, 2018 № 617 "*On approval of the form of the declaration of assets and liabilities of an individual and the Rules for its preparation*", from 2025 the declaration must be submitted also by:

- ▶ residence permit holders;
- ▶ foreigners or stateless persons who are residents of the Republic of Kazakhstan;

- ▶ Foreigners or stateless persons who are non-residents in case one of the following conditions exists as of December 31 of the year preceding the year of submission of the Declaration:
- ▶ property for which rights and (or) transactions are subject to state or other registration in the territory of the Republic of Kazakhstan;
- ▶ shares of participation in housing construction on the territory of the Republic of Kazakhstan.

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