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Overview of planned amendments to the rules for Refunding Excess VAT

GRATA law firm presents to your attention an overview of the main amendments and additions to the draft order of the Minister of Finance of the Republic of Kazakhstan dated March 19, 2018, № 391 «On Approving the Rules for Refunding Excess Value Added Tax and Applying a Risk Management System to Confirm the Accuracy of the Amount of Excess Value Added Tax, as well as Risk Degree Criteria» (hereinafter – the «Rules»). The draft order addresses the following issues:

The determination of the data relevance date in VAT declarations and information systems when generating the «Pyramid» report

Tax authorities, when generating the «Pyramid» report, will use information with data relevance as of the 20th day of the third month of the quarter in which the request for the refund of excess VAT is submitted. The collection of such data will be carried out no later than the 10th day of the month following the quarter in which the request for the refund of excess VAT was submitted.

Reducing the period for the generation of the «Pyramid» report.

Proposed by taxpayers:

- ▶ applying a simplified refund procedure;
- ▶ implementing an investment project with a value exceeding 150,000,000 MRP;
- ▶ engaged in activities under a subsurface use contract with a tax burden coefficient of no less than 20% over the last 5 years;
- ▶ engaged in exploration and/or extraction of hydrocarbons at sea under a PSA (Production Sharing Agreement):

For the above-mentioned taxpayers, the deadline for the 'Pyramid' report formation shall be no more than 10 business days from the expiration date of the data collection deadline.

For all other taxpayers, the deadline shall be no later than 30 business days from the expiration date of the data collection deadline.

Establishment of restrictions on the formation of the «Pyramid» report

It is proposed to amend the Rules with a new provision that establishes limitations on the formation of the 'Pyramid' report. The proposed addition obligates tax authorities not to generate the 'Pyramid' report in the following cases:

- ▶ when the amount of violations exceeds the amount of VAT credited to the supplier directly or through intermediaries (agents, commission agents, or representatives) who supplied goods, performed work, or provided services to the audited service recipient;
- ▶ as provided in paragraphs 46 and 47 of the Rules.

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