



Transfer Pricing

The PKF Kazakhstan team is pleased to offer you transfer pricing advisory services and present the main requirements of the Kazakhstan transfer pricing legislation to you.

In view of the recent changes in the transfer pricing ("TP") legislation of the Republic of Kazakhstan, the TP-related issues in Kazakhstan are getting more relevant, which is associated primarily with the growth of activities of the tax authorities involving inquiries and monitoring of transactions. The PKF Kazakhstan team is pleased to offer you the TP advisory services and present the main requirements of the Kazakhstan transfer pricing legislation to you.

Today, current Transfer Pricing Act № 67-IV of 5 July 2008 (hereinafter - the "TP Act") regulates public relations arising from TP in order to prevent loss of public revenues in cross-border transactions and cross-border trading.

right people
right size
right solutions



Our services:

Detailed inspection of activities for the purposes of assessment and development of measures aimed at reducing the TP-related risks

Development of comparative studies to determine the market value/profitability range/interest rate (benchmark analysis)

Collection of information, development of methodology and preparation of documents with substantiation of the applied price for submission to the authorized bodies

Adaptation of the documentation and methodology of multinational enterprise to the TP requirements in Kazakhstan

Preparation of transaction monitoring reports and three-tier reporting (local, master and country-by-country)

Development of a TP policy

Development of a TP methodology

Assistance in case of a tax inspection and/or in appealing the inspection results

Transfer pricing control is exercised for the following transactions (hereinafter – the "Controlled Transactions"):

- International business transactions (export and import)
- Transactions made in the territory of the Republic of Kazakhstan, directly related to international business operations:
 - for the sold minerals produced by the subsoil user, being one of the parties
 - when one of the parties has tax benefits
 - when one of the parties has a loss for the last two tax periods

Transfer Pricing obligations

- Major taxpayers are subject to tax monitoring and submit annual transaction monitoring report
- Certain members of multinational enterprises have obligations to submit one or more types of three-tier reports
- Companies carrying out Controlled Transactions shall provide TP documentation on the conformance of the applied transaction price with market conditions (during a tax inspection or upon a request from the tax authorities)

Difference between the Kazakhstan TP legislation from the legislation of most countries

- TP requirements apply to all international transactions, regardless of whether they are with related parties or third parties
- TP requirements apply to certain transactions between Kazakhstan residents that are directly associated with international business transactions (exports and imports)
- A strict hierarchy of methods is applied, where the comparable uncontrolled price method is of the highest priority

Transfer Pricing obligations*



Obligations	Reason	Submission deadline and procedure	Entity	Liability
TP documentation with substantiation of the transaction price	International business transactions and certain transactions made in Kazakhstan that are directly associated with international business transactions	During a tax inspection or within 90 calendar days at the request of the tax authority	Any taxpayer of the Republic of Kazakhstan who has a reason	For failure to submit or refusal: 250 - 500 MCI For action or omission committed repeatedly within a year: 500 - 1000 MCI For a deviation of the transaction price from the market price found: additional CIT charge, penalty 30% - 80% of the amount of additional charge, fine
Transaction monitoring report	International business transactions in goods (works, services) according to the list approved by the Minister of Finance of the Republic of Kazakhstan	Before May 15 of the year following the reporting year	Major taxpayers subject to monitoring	For failure to submit or refusal: 100 - 350 MCI For action or omission committed repeatedly within a year: 125 - 750 MCI For differences found between reporting data and data received during inspection: 100 - 300 MCI
Notification of participation in multinational enterprise	Incurrence of the obligation for three-tier reporting on transfer pricing	Before September 1 of the year following the reporting financial year	Member of multinational enterprise	For failure to report or inaccurate reporting or refusal: 250 - 500 MCI For action or omission committed repeatedly within a year: 500 - 1,000 MCI
Local file	Revenue for the previous reporting period of at least 5 million MCI	Within 12 months following the reporting financial year	Member of multinational enterprise	For failure to report or inaccurate reporting or refusal: 250 - 500 MCI For action or omission committed repeatedly within a year: 500 - 1,000 MCI
Master file	Revenue according to the consolidated financial statements of multinational enterprise for the previous period of at least EUR 750 million	Within 12 months of receipt of the request from the authorised body	Member of multinational enterprise	For failure to report or inaccurate reporting or refusal: 250 - 500 MCI For action or omission committed repeatedly within a year: 500 - 1,000 MCI
Country-by country report	Revenue according to the consolidated financial statements of multinational enterprise for the previous period of at least EUR 750 million	Within 12 months following the reporting financial year for Kazakhstan residents: <ul style="list-style-type: none"> parent company of multinational enterprise authorised member Within 12 months of receipt of the request from the authorised body	Member of multinational enterprise	For failure to report or inaccurate reporting or refusal: 250 - 500 MCI For action or omission committed repeatedly within a year: 500 - 1,000 MCI

Message to a Client

Attention to transfer pricing is currently growing all over the world, in Kazakhstan as well. To combat Base Erosion and Profit Shifting (BEPS), the government introduced a reporting obligation for members of multinational enterprise.

2020 has clearly shown that companies need to approach the transfer pricing issues while being fully ready.

Transfer pricing control will be strengthened since the tax authorities, in addition to the historical focus on transactions for the export of raw materials, have become more interested in controlling transactions for the provision/purchase of services, acquisition of licenses/franchises and financial transactions.

Amid the instability and decreasing government revenues, it is believed that the interest of tax authorities in transfer pricing will soon pick up steam.

The PKF Kazakhstan team of TP specialists are ready to support you in safely breaking new ground.

If you have both feet firmly on the ground, we can share our experience, give our alternative opinion, or undertake part of the activities.

Our team strives to identify risks, relying on their experience and knowledge to minimize unexpected costs and help management plan their activities as safely and knowledgeably as possible.

In conclusion, we believe that the potential and opportunities for business in our country are enormous, there is room for growth, and the adverse implications that arise with the wrong approach can cause significant losses and at least slow down development.

It is our sincere wish to help in resolving transfer pricing issues in terms of risk reduction and high-quality tax planning, which will definitely only lead to favourable results in the development and growth of your business.



Beibit Sergazinov
PKF Kazakhstan Team



Beibit Sergazinov

Manager, Transfer Pricing

Area of expertise: Transfer pricing and procurement consulting

Beibit is a member of the PKF Kazakhstan team of transfer pricing consultancy specialists.

Beibit has over 17 years of professional experience. During his career, he gained experience in accounting and auditing, having worked in the international audit network for over 6 years.

In recent years, he specialized in maintaining and coordinating import procedures in terms of the procurement of goods (including equipment) and services in the position of the head of the department, where he was responsible both for drawing up transfer pricing documentation and for controlling the transfer price.

Beibit has the following experience in advising on transfer pricing issues:

- Analysis of activities for the assessment and development of measures aimed at reducing the transfer pricing risks;
- Collection, preparation of documentation for submission to authorized bodies;
- Preparation of three-tier reports (local, master and country-by-country);
- Pricing policy development;
- Development of studies to determine the market price (benchmark analysis).



Zhandos Alzhanov

Manager, Transfer Pricing

Area of expertise: Transfer pricing and procurement consulting

Zhandos is a member of the PKF Kazakhstan team of transfer pricing consultancy specialists.

Zhandos has experience of transfer pricing consultancy gained at one of the Big Four companies since 2019. He has been involved in activities to conduct transfer pricing seminars and webinars.

The main projects where Zhandos took part as an expert: uranium industry, agricultural production, transportation and oilfield services.

Zhandos's key experience includes advising Kazakh and international companies on the following issues:

- Analysis of transfer pricing risks and risk localisation;
- Provision of assistance during a tax inspection and/or in appealing the inspection results;
- Preparation of transfer pricing documentation to substantiate the market level of applied prices for tax purposes;
- Development of three-tier reporting (local, basic and cross-country);
- Development of pricing methods for international groups of companies that enable establishing a unified approach, agreed with the tax authorities, for transfer pricing purposes.



Serik Smagulov

Partner, Tax Services

Area of expertise: Tax law consulting

Serik is a member of the PKF Kazakhstan team of tax consultancy specialists and linked to the transfer pricing team.

Throughout his career, Serik has been dealing exclusively with tax issues. Since 2009, he has been working in an international audit network, heading the tax department.

In his professional activities, Serik has also gained a teaching experience as a lecturer on taxation issues.

Serik has the following consulting experience:

- Management of projects in tax consulting, planning, international taxation and support of audit projects;
- Conduct of comprehensive expert examinations of the activities of Kazakh companies and their groups and development of recommendations on their development strategy;
- Tax support in structuring operations in Kazakhstan by foreign companies;
- Advising on the application of tax legislation for various sectors of economy, including the oil industry, banking, agriculture.

Serik is a Tax Consultant of the RK and a member of the Chamber of Tax Consultants of the RK.



Ilyas Kultassov

Managing Partner, Audit

Area of expertise: Audit and consulting

Ilyas is a member of the PKF Kazakhstan audit team and linked to the transfer pricing team.

Ilyas started his career in 2006 in an international audit network. Over the past 10 years, he has been holding management positions and has gained experience in:

- Conducting audits of financial statements, transformations and rendering other related services for entities in various sectors of economy;
- Engaging in the provision of consulting services: business accounting, finance, audit, expert examination, International Financial Reporting Standards (IFRS), International Standards on Auditing (ISA)
- Conducting Due Diligence;
- Engaging in audits of investment projects financed by international financial investors (European Bank for Reconstruction and Development, Asian Development Bank, World Bank);
- Providing consulting services for the optimization of business - processes;
- Engaging in the analysis of investment projects;
- Involving in the transfer pricing consultancy projects.

Ilyas is the Auditor of the RK and a member of the Chamber of Auditors of the RK.



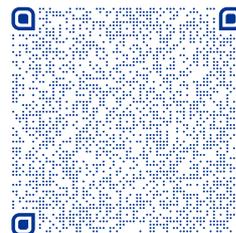
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