
Amendments to civil and banking legislation, and improvement of conditions for doing business

April 2017

In brief

Significant amendments to civil and banking legislation, and improvement of conditions for doing business were introduced.

In detail

On 27 February 2017, the President signed the Law "On Amendments to the Civil, Banking Legislation and Improving Conditions for Entrepreneurial Activity" (the "Law").

One of the main changes is the division of transactions into disputed and void:

- transactions that contradict the laws of Kazakhstan, constitutional documents of organizations are void, and, consequently, invalid from the moment of conclusion. Void transactions have no legal consequences;
- if a dispute arises in respect of the void transaction, then such a transaction is considered to be disputed, and may be invalidated by a court decision.

The law also explicitly provides in the Civil Code (general part) that one of the ways to protect civil rights by a court (or arbitration), is to suppress actions that violate the rights, or threaten its violation. (The absence of the right to compensation for moral damage by legal entities is now also prescribed).

The law also introduces other significant changes including:

- Certain transactions involving individuals requiring notarization of their signature: now require full notarisation of the transaction;

- The sale of common property for the purpose of distribution of proceeds between owners is now allowed if it is impossible to divide the property in kind or divide the share out of it;
- Reduction of a fine/penalty which is excessive in comparison with the losses of the creditor is allowed by the court only at the request of the debtor;
- The provision of the Law on Arbitration that allowed to any of the parties to withdraw from the arbitration agreement unilaterally is withdrawn.

The Law amends certain Tax Code provisions including:

- Amendments to VAT and corporate income taxation (CIT) of financial institutions;
- From 1 May 2017, VAT registration will become simpler and faster.

Specifically, it will be possible to apply for VAT registration electronically. Voluntary VAT registration may be applied for on state registration of a legal entity.

Taxpayers will become VAT payers from the day of filing the application for registration or from the day of a legal entity's state registration.

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- Amendments to the circumstances when the tax authorities deregister VAT payers without their notification.

[Source: the Law of the Republic of Kazakhstan No. 49-VI dated 27 February 2017 "On Amendments and Additions to Certain Legal Acts of the Republic of Kazakhstan on Improving Civil, Banking Legislation and Improving Conditions for Entrepreneurial Activity"]

The takeaway

- More transactions requiring full notarization;
- Transactions which violate provisions of foundation documents have no legal consequences;
- An arbitration clause becomes more favorable relative to use of state courts;
- Change to CIT and VAT treatment of certain transactions of financial institutions;
- Taxpayers may register as VAT payers faster and more simply.

Let's talk

For a deeper discussion of how this might affect your business, please contact PwC team members servicing your company, or any person below.



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