
Overview of the new Tax Code provisions on desktop audit results, tax monitoring and tax audits

November 2018

In brief

- I. Issues with executing notification on correction of violations identified by a desktop tax audit results.
 - II. New specifics of taxpayer monitoring procedures.
 - III. Tax audits.
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In detail

I. Desktop tax audit

According to the provisions of the Tax Code which became effective from 2018 (the Tax Code), taxpayers have 30 working days to correct violations which have been identified by notification on the results of desktop tax audits. In case of disagreement, taxpayers should provide an explanation on the identified violations.

However, as per recent practices of our clients, the tax authorities have interpreted provisions of the Tax Code (Article 96.4) in their own way and issued a written decision on non-fulfilment of the notification despite provision of the explanations since 2018.

What is very significant is that taxpayers' bank accounts may be blocked 5 working days after the due date of the notification as per the Tax Code (Article 118.1.7).

Thus, the taxpayer's explanation in response to the notification is crucial as the consequences may be severe.

II. Procedure for monitoring of large taxpayers

From 2018, monitoring of large taxpayers by regular data submission was replaced with provision of information on request. As such, the tax authority requests provision of documents and a written explanation (to be provided within 30 calendar days) (Article 132.1 of the Tax Code).

The tax authority should analyse the documents, however, the Tax Code does not provide specific criteria in terms of quantity and type of information, which can be requested by the tax authority. Furthermore, since the Tax Code does not contain any provisions on deadlines for analysis of the documents, the tax authority could analyse the documents without any time limits.

If violations and discrepancies are identified, the tax authority shall send a notice to the taxpayers to which taxpayers shall respond in writing within 15 calendar days.

If the tax authority remains in disagreement, taxpayers are invited for discussion. A reasoned decision is then issued (Article 132.2 of the Tax Code).

If taxpayer accept the decisions, they shall send a notice within 5 calendar days and submit additional tax returns. If not, a thematic inspection could be scheduled (Article 142.1.24 of the Tax code).

III. Tax audit

Prior to 2018, the tax authorities performed scheduled and unscheduled tax audits. The schedule of tax audits were not publicly available.

From 2018 two types of tax audits were introduced:

- tax audits conducted under a specific procedure based on the risk level;
- unscheduled tax audits.

The specific procedure for tax audit applies to taxpayers classified as high risk. However, criteria for different levels of risk is not publicly available.

Tax audits under the specific procedure will be conducted based on the half-year schedule published on the website of the General Prosecutor's Office. The said schedule of tax inspections is not a tax secret (Article 30.1.11-1 of the Tax code).

The list of companies for tax audit in the first half of 2019 should be confirmed in late 2018.

How PwC can help you?

Our services related to desktop audits, monitoring of large tax payers and full audits includes: establishing overall strategies, preparing for an audit, negotiation support, providing oral and/or written response to questions, appeals support, management of overall processes and others.

Tax and Legal Alert

PwC Kazakhstan

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