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In This Issue:

- ***Overview of most significant changes in the new Tax Code essential for NGOs***

International Center for Not-for-Profit Law (ICNL) is an international expert organization providing technical assistance on a global basis to facilitate and support the development of civil society and freedom of association.

Other materials, including prior issues of this newsletter, are available on ICNL's official website at www.icnl.org (in English) and www.icnl.org/programs/location/NIS (in English and Russian).

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Overview of most significant changes in the new Tax Code essential for NGOs

The new Tax Code (hereinafter “the Code”) entered into effect (for the most part)¹ on January 1, 2009 and represents a major effort in Kazakh legislation. Many provisions of the old Tax Code were subject to considerable reconstruction and revision. Although there were several important positive changes relating to non-commercial organizations (hereinafter “NCOs”), their beneficiaries and financial donors, the overall tax structure for NCOs was not modified dramatically. ICNL considers this to be a positive development, since the Kazakh system of taxation for NCOs, their beneficiaries and donors has been painstakingly crafted during the last 10 years and for the most part is one of the best among post-Soviet countries. Over this time period, a number of proposals to reverse or eliminate significant tax incentives and equitable treatment for NCOs, their beneficiaries and donors have been defeated. The development of the current Code was no exception, which was closely monitored by ICNL throughout 2008 (e.g., please see ICNL Newsletter 1, 2008).²

This newsletter contains ICNL's Overview with description and brief analysis of the most significant amendments in the Code affecting NGOs, which covers the following modifications:

1. So-called “social sphere organizations” (a term that includes private social institutions such as schools, hospitals, museums, libraries, scientific and amateur sport facilities) are now included into the category of eligible recipients to whom corporate donors can make tax-deductible contributions.
2. A valuation basis was established for works and services donated to NCOs and social sphere organizations, which enables these donations to be deducted from taxable income by a corporate donor.
3. Definitions of “grant”, “charitable aid”, “non-commercial organization” and “social sphere organization” were modified to be make them more unambiguous and consistent.
4. The minimum turnover threshold that would trigger registration as VAT taxpayer was increased.
5. The general exemption from VAT for funds received under state social contracts was revoked.

¹ Please see the Law on Putting the Tax Code into Effect dated December 10, 2008. Russian text is available at official website of the Tax Committee of Kazakh Ministry of Finance at: <http://www.salyk.kz/ru/Lists/ListInformation/DispForm.aspx?ID=22>.

² Texts of ICNL newsletters both in Russian and English are available at http://www.icnl.org/programs/location/nis/index_en.htm. (For Russian language readers at <http://www.icnl.org/programs/location/nis/index.htm>).

6. The ability to obtain refunds of VAT paid from grants received from foreign states, governments and international organizations was retained only for those NGOs which are subcontractors of the government agencies received grants from such foreign donors. For all other categories of NGOs such ability was revoked.
7. The state registration fee was increased (insignificantly) and prorated to monthly payment units (MPUs).

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