

Overview of Transfer Pricing rules in Kazakhstan



Main transfer pricing provisions in Kazakhstan



Relations arising from transfer pricing (hereinafter, “TP”) between taxpayers and government agencies in Kazakhstan are similar to the principles of OECD Guidelines, and are regulated by local legislation, that is, the Law of the Republic of Kazakhstan “On Transfer Pricing” dated 5 July 2008 (hereinafter, the “TP Law”).

Overview of TP rules in Kazakhstan

Topic	Description
Subject of price control	<p>If the specific turnover threshold is exceeded (the minimum turnover should exceed approx. USD 2 million), then TP controls are exercised for the following transactions:</p> <ul style="list-style-type: none"> • International business transactions (both with related and independent parties) • Transactions concluded between parties in Kazakhstan that directly relate to international business transactions: <ul style="list-style-type: none"> • involving the sale of minerals extracted by a subsoil user that is one of the parties • in which one of the parties has tax benefits • in which one of the parties has incurred a loss based on tax returns for the last two tax periods preceding the year of the transaction • in which the parties have different corporate income tax rates
Hierarchy of applying TP methods	The highest priority method is the comparable uncontrolled price method
Functional analysis and comparison of transaction terms	<p>To compare transactions, the following are taken into account:</p> <ul style="list-style-type: none"> • the terms of the transaction • the functions, assets, and risks of the parties • the characteristics of the goods or services • the economic circumstances of the parties and the market • the marketing strategies of the parties

Topic	Description
Local file	A local file is to be submitted to the tax authorities by the transaction participant not later than 12 months after the reporting financial year ¹
Master file	A master file is to be submitted within 30 days ² of the tax authorities making a respective request
Period of benchmarking study updates	Annually
Approach to calculating arm's length range	The interquartile range (or minimum and maximum values for fewer than four observations) For profitability (margin), the use of weighted averages or annual values is not explicitly established
Benchmarking study period	Three consecutive calendar years preceding the calendar year in which the analysed transaction occurred ³
Adjustment in the event of a deviation from the market level	To the median value of the range ⁴
Notification of controlled transactions	To be submitted by 15 May of the following year as part of reporting monitoring (reporting forms for the export / import of goods indicating respective methods / arm's length prices) ⁵
Burden of proof on the tax authorities	No
TP reporting forms	Monitoring reporting <ul style="list-style-type: none"> import and export reporting forms (notifications) documentation substantiating prices applied in relevant international business transactions Three-tiered reporting: <ul style="list-style-type: none"> local file master file country-by-country reporting (CbCR) notification on participation in a multinational enterprise (CbCR notification)⁶
Implications if prices are not at arm's length	Depending on whether taxes were underpaid, the following consequences could arise: <ul style="list-style-type: none"> underpaid taxes lead to penalties ranging from 20% to 80% of the underpaid tax, depending on the company's size⁷ any deviation in prices from the arm's length level (irrespective of whether the taxes were underpaid) could lead to a company not being allowed to apply tax/customs incentives in the respective period (if the company had the right to apply such tax/customs incentives)⁸

¹ TP Law. Art. 7-1, Sec. 1

² TP Law. Art. 7-2, Sec. 1. Para. 2

³ TP Law. Art. 17-1, Sec. 3

⁴ TP Law. Art. 10, Sec. 5

⁵ Rules for monitoring transactions in accordance with Order No. 176 of the Kazakhstan Minister of Finance dated 16 March 2015. Registered at the Kazakhstan Ministry of Justice on 17 April 2015 No. 10760. Sec. 3

⁶ TP Law. Art. 5-1, Sec. 1.

⁷ Kazakhstan Code on Administrative Offenses, Article 278 "Understating taxes and other mandatory payments to the federal budget."

⁸ TP Law. Art. 10, Sec. 7

More detailed information on TP rules in Kazakhstan is presented below, and is divided into four sections:

- 1 Implementation of controls and what the Kazakhstan tax authorities expect from taxpayers.
- 2 Price controls as part of transaction monitoring.
- 3 Price controls as part of three-tiered reporting.
- 4 Changes to TP from 2026.

1. Implementation of controls and what the Kazakhstan tax authorities expect from taxpayers

TP control procedures



As part of ensuring compliance with TP Law, the tax authorities monitor prices in transactions subject to control (foreign trade transactions and related transactions – see the table above). TP controls are carried out through the following procedures:⁹

- transaction monitoring
- TP audits
- other procedures established by Kazakh law

Transactions with both related and independent entities are subject to TP control.

In legislation, TP controls are classified as other forms of control (in addition to general tax audits).¹⁰

Taxpayer obligations



Under the TP Law, all transaction participants are subject to a number of obligations.

Obligations of participants to any transaction subject to TP control (all types of procedures):¹¹



- maintain records and documentation confirming the validity of the applied transaction price¹²

- submit transaction monitoring information and reports to the authorised body by 15 May of the following year¹³
- also, at the request of the authorised body, submit documentation confirming the validity of the applied price within 30 days after a request
- furthermore, during audits, provide the economic justification for the applied price, including documents confirming the transaction price and differential; information on the use of one of the methods for determining the market price; and other information confirming the applied price.

In addition, members of a multinational enterprise (hereinafter, MNE) are required to:



- submit to the authorised body a notification on participation in the MNE by 1 September of the following year¹⁴
- maintain a country-by-country report (hereinafter, CbCR), master file, and/or local file if the MNE member is required to submit such reporting¹⁵
- submit a local file within 12 months after the end of the financial year¹⁶
- submit a master file and/or CbCR at the request of the authorised body in accordance

⁹ TP Law. Art. 3, Sec. 2.

¹⁰ Kazakhstan Tax Code, Art. 174, Sub-s. 2.

¹¹ TP Law. Art. 5, Sec. 3.

¹² TP Law. Art. 5, Sec. 4.

¹³ Rules for monitoring transactions in accordance with Order No. 176 of the Kazakhstan Minister of Finance dated 16 March 2015. Registered at the Kazakhstan Ministry of Justice on 17 April 2015 No. 10760. Sec. 3.

¹⁴ TP Law. Art. 5-1, Sec. 1.

¹⁵ TP Law. Art. 5, Sec. 3, Sub-s. 6 and Sec. 4, Sub-s. 4.

¹⁶ TP Law. Art. 7-1, Sec. 1.

with TP Law provisions (for more information see the section Three-Tiered Reporting).

Methods for determining arm's length prices



TP Law provides for the use of five generally accepted methods to justify the application of TP. The method with the highest priority is the comparable uncontrolled price method.

If the comparable uncontrolled price method cannot be applied, one of the remaining four methods is used, which, taking into account the actual circumstances and terms of the transaction, enables the most reasonable conclusion to be

2. Transaction monitoring

To prevent losses of state revenue in international business transactions and transactions related to international business transactions, the authorised body of the Republic of Kazakhstan controls such transactions through inspections and a process of transaction monitoring.

Which transactions are subject to monitoring?



Transaction monitoring applies to international transactions and domestic transactions that relate to international activities, or are subject to special conditions (transactions related to production, one party receives tax benefits, or the seller/buyer in the transaction incurred losses in previous years).

Such transactions include, in particular¹⁸:

Transactions involving goods:



- oil/oil products
- solid fuels, including coal
- metals, including ores and concentrates
- chemical products, including fertilisers and inorganic chemicals
- agricultural products, including grain and dairy products

made on the conformity or non-conformity of the transaction price with arm's length prices.¹⁷

To determine the arm's length price of goods (work, services) and other data necessary for applying market pricing methods, information sources are used in the prescribed order, the list of which is approved by the Government of the Republic of Kazakhstan.

Non-commodity transactions:



- loans (issued/received)
- construction work
- equipment installation
- marketing services
- freight forwarding services

Transaction monitoring reporting



Participants in transactions with annual turnover exceeding 250,000 monthly calculation indices (hereinafter, MCI) equalling approx. USD 2 million¹⁹ are subject to monitoring are required to submit transaction monitoring reports by 15 May of the following year.²⁰ This reporting is a specially developed format for presenting information in tabular form, essentially focusing on information about the transaction, the applied TP method, and the source of information, but without any functional analysis.

This reporting must confirm the validity of applied prices and contain:

- information on the method used to determine the arm's length price
- transaction information
- a description of goods (works, services)
- contractual terms
- other data that substantiate the correctness of the applied transaction price and which

¹⁷ TP Law. Art. 12, Sec. 2.

¹⁸ A full list of goods can be found in Order No. 194 of the Kazakhstan Minister of Finance dated 19 March 2015

"On Approving the List of International Business Transactions for Which Transaction Monitoring Reports are Provided".

¹⁹ TP Law. Art. 7-1, Sub-s. 3.

²⁰ Rules for monitoring transactions in accordance with Order No. 176 of the Kazakhstan Minister of Finance dated 16 March 2015. Registered at the Kazakhstan Ministry of Justice on 17 April 2015 No. 10760. Sec. 3.

influence the extent of the transaction price's deviation from the arm's length price

Penalties



Failure by a taxpayer to submit transaction monitoring reports on time or any refusal to submit documents

required for TP controls can result in a fine equating to 100 to 350 MCI²¹, depending on the company size.²²

3. Three-tiered reporting

Responsibility for preparing and submitting three-tiered reporting rests with MNE participants, taking into account a number of specific features.

Three-tiered forms:

- local file
- master file
- CbCR

- a structural subdivision or permanent establishment of an entity specified in one of the three points above, for which separate financial statements are prepared for the purposes of internal control, or financial, tax, or other regulatory reporting of the entity that created such a structural subdivision or permanent establishment

MNE and participants



MNE is a set of enterprises that simultaneously meet the following conditions:

- the group of enterprises include at least one enterprise recognised as a Kazakhstan resident²³
- are related to each other via controls and/or participation
- consolidated financial statements are prepared for them²⁴

An MNE participant is an enterprise that meets one of the following conditions:

- it is the parent company of the MNE
- an entity engaged in business activities for which consolidated financial statements of the Group are prepared, or for which consolidated financial statements will be prepared (if none exist) if the securities of such entity are listed on a stock exchange
- an entity engaged in business activities, whose financial statements are not taken into account during the preparation of the Group's consolidated financial statements, solely due to the size or materiality of such entity's data in accordance with international financial reporting standards or other internationally accepted financial reporting standards adopted by stock exchanges for the admission of securities to trading

Notification of participation in an MNE (CbCR notification)



An MNE member (Kazakhstan resident) must submit to the authorised body a notification on participation in the MNE not later than 1 September of the year following the reporting financial year.

A notification may be submitted in hard copy or electronically, and must contain the following information:

- general information about the MNE member
- information about a non-resident MNE member
- information about the material company of the MNE
- information about the authorised MNE member
- liability of the MNE member

CbCR



An MNE is required to submit CbCR for the reporting year if its revenue, as reported in its consolidated financial statements for the financial year preceding the reporting year, equals or is higher than the equivalent of EUR 750 million.²⁵

CbCR for the reporting financial year is submitted to the authorised body no later than 12 months after the reporting financial year:

²¹ MCI= 4325 tenge from 1 January 2026. Law of the Republic of Kazakhstan "On the Republican Budget for 2026-2028". 1 dollar= 522.02 tenge (average dollar exchange rate for 2025).

²² Kazakhstan Code on Administrative Offenses. Article 273.

²³ TP Law. Art. 2, Sub-s. 30-1.

²⁴ TP Law. Art. 2, Sub-s. 30-2.

²⁵ TP Law. Art. 7-3, Sub-s. 4.

- by the parent company of the MNE that is a Kazakhstan resident
- by an authorised participant of the MNE if the parent company of the MNE (that is a Kazakhstan resident) has authorised such participant to submit CbCR
- Also, the tax authorities have the right to request CbCR (in such case, CbCR must be submitted not later than 12 months after the date of the MNE participant receiving a related request):
- from a Kazakhstan resident that is a participant in the MNE and is not the parent company of the MNE or authorised participant in the MNE, provided the parent company of the MNE is not a Kazakhstan resident
- from a non- Kazakhstan resident that is a participant in the MNE and which carries out business activities in the Republic of Kazakhstan via a structural subdivision or permanent establishment, subject to the condition that the parent company of the MNE is not a Kazakhstan resident.

Local file



A local file must be submitted by MNE participants with an annual turnover at least five million times the minimum MCI for material categories of

transactions with related parties, the amount of which is at least 250,000 MCI (USD 2 million).²⁶

A local file for the reporting financial year must be submitted by a transaction participant to the authorised body no later than 12 months after the reporting financial year.²⁷

Master file



The obligation to submit a master file, at the request of the authorised body, rests with the participants in the group that conducted transactions subject to control during the reporting financial year, provided that revenue according to the group's consolidated financial statements for the financial year immediately preceding the reporting financial year is at least the equivalent of EUR 750 million.²⁸

A master file for the reporting financial year is submitted to the authorised body by the participant in the group no earlier than 12 months after the end of the relevant financial year.²⁹

Consequences of violating TP legislation in the Republic of Kazakhstan:

Failure by a participant in a group to submit reports, or the submission of reports containing inaccurate information, entails a fine of up to 500 MCI (USD 4,000).³⁰

4. Changes to TP system to be introduced in 2026

In 2026 certain amendments have been introduced to the TP Law, which focus on clarifying certain details of TP analysis: a more specific procedure for functional analysis and comparison of transactions, analysis of intangible assets, and determining remuneration for actual functions performed (assumed risks). Specifically, the amendments cover the following aspects:

Unification of terminology



- The term “authorised bodies” is replaced by the single term “authorised body”. This affects virtually all articles of the TP Law, and stipulates that control, monitoring, information requests, and inspections related to TP are now centralised in a single body, rather than distributed among several agencies.³¹
- Key terms have been significantly revised and supplemented. The definition has been updated. The “arm's length” principle now explicitly includes margin and profitability as elements of arm's length conditions.
- The TP law provides a detailed concept of an “intangible asset”, with a description of its features and “risk-free interest rate”, which is set separately for the tenge, dollar, euro, and other currencies, based on the base rates of relevant regulators.³²

²⁶ TP Law. Art. 7-1, Sub-s. 3.

²⁷ TP Law. Art. 7-1, Sec. 1.

²⁸ TP Law. Art. 7-1, Sub-s. 3-2.

²⁹ TP Law. Art. 7-2, Sub-s. 1.

³⁰ Kazakhstan Code on Administrative Offenses. Article 273. Subparagraph 4.

³¹ Art. 2, 3, 4, 5, 6, 8, 9, 13 of TP Law.

³² TP Law. Art.2, Sec. 12, 14-1,24-1.

Obligations of transaction participants

- The TP Law strengthens the obligations of transaction participants. Specifically, companies are required to provide information and documents requested by the authorised body within 30 days (previously, 90 days). The law contains more detailed requirements for reporting and disclosing transaction monitoring data. It also clarifies that adjustments can be made not only when a deviation from arm's length prices is identified, but also if there is a difference in conditions in analysed and comparable transactions.³³

Functional analysis

- Changes have been made to the procedure for determining a controlled transaction. This first requires determining the features of a controlled transaction and then comparing them with a similar transaction between independent parties. Such features include the terms of the transaction, the functional profile (result of analysing functions, risks, and assets), including a special emphasis on intangible assets, the features of the subject matter of the transaction, market conditions, and the strategies of the parties to the transaction. Detailed regulations are established regarding which party is entitled to income from intangible assets and financing, taking into account risk controls.³⁴

Consideration of actual functions

- The approach to analysing the actual performance of parties has been clarified. If the terms of a contract do not match the actual performance of the parties, the actual circumstances of the transaction are taken into account for TP purposes. If the transaction is not formally documented, its aspects are determined by the actual functions, assets, and risks of the parties. The law also allows the authorised body to ignore (that is, not recognise) transactions that independent parties would not have entered into under comparable conditions and to replace them with an alternative.³⁵

Penalties

Failure to comply with documentation and reporting requirements (failure to submit TP documentation, monitoring reports, notifications, etc.) will result in fines being levied. If a price deviation from the arm's length price is detected, resulting in an understatement of the taxable base in Kazakhstan, the taxable base is adjusted and additional taxes are assessed. The penalty can be set as a percentage (up to 80%, in practice, of the amount of additional taxes assessed), depending on the type of violation

Type of violation	Types of fines and penalties
Failure to submit transaction monitoring reports. ³⁶	<ul style="list-style-type: none"> Small businesses: 100 MCI³⁷ Medium-sized businesses: 200 MCI Large businesses: 350 MCI
Failure to submit TP reporting documents. ³⁸	<ul style="list-style-type: none"> For medium-sized businesses: 250 MCI For a repeat violation: 500 MCI For a large business: 500 MCI For a repeat violation: 1,000 MCI
Understating taxes in a tax return (including TP adjustments). ³⁹	<ul style="list-style-type: none"> Small businesses: 20% Medium-sized business: 50% Large businesses: 80% of assessed taxes
Any deviation in prices from the arm's length level (regardless of whether the taxes were underpaid) ⁴⁰	Not allowing the company to apply tax/customs incentives in the respective period (if the company had the right to apply such tax/customs incentives)

³³ TP Law. Art.5, Sec.3; Art.9, Sec.1; Art.10, Sec.1.

³⁴ TP Law. Art.10-2.

³⁵ TP Law. Art.10-1, Sec. 10.

³⁶ Kazakhstan Code on Administrative Offenses. Art. 273. Sub-s. 1.

³⁷ As of the beginning of 2026, 100 MCIs were equivalent to approximately 0.8 thousand US dollars: MCI = 4,325 tenge from 1 January 2026. Kazakhstan Law "On the Republican Budget for 2026-

2028". 1 US dollar = 522.02 tenge (average exchange rate of the RK tenge to the US dollar for 2025).

³⁸ Kazakhstan Code on Administrative Offenses. Art. 273. Sub-s. 4 and 5.

³⁹ Kazakhstan Code on Administrative Offenses. Art. 278. Sub-s. 1.

⁴⁰ TP Law. Art. 10, Sec. 7

Limitation Periods



According to Paragraph 1 of Article 65 of the Kazakhstan Tax Code, the limitation period is the period of time during which: the tax authority has the right to assess the amount of taxes and

payments to the federal budget; the taxpayer is required to submit tax returns and has the right to amend and withdraw them; the taxpayer has the right to demand a credit and/or refund of taxes and payments to the federal budget, as well as penalties.

Taxpayer category	Types of penalties and sanctions
Large businesses; activities under a subsoil use contract; in relation to CFCs; VAT payers with respect to imported goods in certain cases.	The limitation period is five years. ⁴¹
Other taxpayers	The limitation period is three years.



⁴¹ Kazakhstan Tax Code. Art. 65, Sec. 2.

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