



Kazakhstan Tax Guide 2012

FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions. This handy reference guide provides clients and professional practitioners with comprehensive tax and business information for 100 countries throughout the world.

As you will appreciate, the production of the WWTG is a huge team effort and I would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication. I would also like to thank Richard Jones, PKF (UK) LLP, Kevin Reilly, PKF Witt Mares, and Kaarji Vaughan, PKF Melbourne for co-ordinating and checking the entries from countries within their regions.

The WWTG continues to expand each year reflecting both the growth of the PKF network and the strength of the tax capability offered by member firms throughout the world.

I hope that the combination of the WWTG and assistance from your local PKF member firm will provide you with the advice you need to make the right decisions for your international business.

Jon Hills

PKF (UK) LLP

Chairman, PKF International Tax Committee

jon.hills@uk.pkf.com

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PREFACE

The PKF Worldwide Tax Guide 2012 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of 100 of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current as of 30 September 2011, while also noting imminent changes where necessary.

On a country-by-country basis, each summary addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

In addition to the printed version of the WWTG, individual country taxation guides are available in PDF format which can be downloaded from the PKF website at www.pkf.com

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PKF International Limited (PKFI) administers the PKF network of legally independent member firms. There are around 300 member firms and correspondents in 440 locations in around 125 countries providing accounting and business advisory services. PKFI member firms employ around 2,200 partners and more than 21,400 staff.

PKFI is the 10th largest global accountancy network and its member firms have \$2.6 billion aggregate fee income (year end June 2011). The network is a member of the Forum of Firms, an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide.

Services provided by member firms include:

- Assurance & Advisory
- Corporate Finance
- Financial Planning
- Forensic Accounting
- Hotel Consultancy
- Insolvency – Corporate & Personal
- IT Consultancy
- Management Consultancy
- Taxation

PKF member firms are organised into five geographical regions covering Africa; Latin America; Asia Pacific; Europe, the Middle East & India (EMEI); and North America & the Caribbean. Each region elects representatives to the board of PKF International Limited which administers the network. While the member firms remain separate and independent, international tax, corporate finance, professional standards, audit, hotel consultancy, insolvency and business development committees work together to improve quality standards, develop initiatives and share knowledge and best practice cross the network.

Please visit **www.pkf.com** for more information.

STRUCTURE OF COUNTRY DESCRIPTIONS

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LOCAL TAXES
OTHER TAXES

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FOREIGN SOURCED INCOME
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I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

INTERNATIONAL TIME ZONES

AT 12 NOON, GREENWICH MEAN TIME, THE STANDARD TIME ELSEWHERE IS:

A

Algeria	1 pm
Angola	1 pm
Argentina	9 am
Australia -	
Melbourne	10 pm
Sydney	10 pm
Adelaide	9.30 pm
Perth	8 pm
Austria	1 pm

B

Bahamas	7 am
Bahrain	3 pm
Belgium	1 pm
Belize	6 am
Bermuda	8 am
Brazil	7 am
British Virgin Islands	8 am

C

Canada -	
Toronto	7 am
Winnipeg	6 am
Calgary	5 am
Vancouver	4 am
Cayman Islands	7 am
Chile	8 am
China - Beijing	10 pm
Colombia	7 am
Croatia	1 pm
Cyprus	2 pm
Czech Republic	1 pm

D

Denmark	1 pm
Dominican Republic	7 am

E

Ecuador	7 am
Egypt	2 pm
El Salvador	6 am
Estonia	2 pm

F

Fiji	12 midnight
Finland	2 pm
France	1 pm

G

Gambia (The)	12 noon
Georgia	3 pm
Germany	1 pm
Ghana	12 noon
Greece	2 pm
Grenada	8 am
Guatemala	6 am

Guernsey	12 noon
Guyana	7 am

H

Hong Kong	8 pm
Hungary	1 pm

I

India	5.30 pm
Indonesia	7 pm
Ireland	12 noon
Isle of Man	12 noon
Israel	2 pm
Italy	1 pm

J

Jamaica	7 am
Japan	9 pm
Jersey	12 noon
Jordan	2 pm

K

Kazakhstan	5 pm
Kenya	3 pm
Korea	9 pm
Kuwait	3 pm

L

Latvia	2 pm
Lebanon	2 pm
Liberia	12 noon
Luxembourg	1 pm

M

Malaysia	8 pm
Malta	1 pm
Mauritius	4 pm
Mexico	6 am
Morocco	12 noon

N

Namibia	2 pm
Netherlands (The)	1 pm
New Zealand	12 midnight
Nigeria	1 pm
Norway	1 pm

O

Oman	4 pm
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P

Panama	7 am
Papua New Guinea	10 pm
Peru	7 am
Philippines	8 pm
Poland	1 pm
Portugal	1 pm
Puerto Rico	8 am

Q

Qatar8 am

R

Romania2 pm

Russia -

 Moscow3 pm

 St Petersburg3 pm

S

Sierra Leone 12 noon

Singapore7 pm

Slovak Republic1 pm

Slovenia1 pm

South Africa2 pm

Spain1 pm

Sweden1 pm

Switzerland1 pm

T

Taiwan8 pm

Thailand8 pm

Tunisia 12 noon

Turkey2 pm

Turks and Caicos Islands7 am

U

Uganda3 pm

Ukraine2 pm

United Arab Emirates4 pm

United Kingdom(GMT) 12 noon

United States of America -

 New York City7 am

 Washington, D.C.7 am

 Chicago6 am

 Houston6 am

 Denver5 am

 Los Angeles4 am

 San Francisco4 am

Uruguay9 am

V

Venezuela8 am

Vietnam7 pm

KAZAKHSTAN

Currency: Tenge
(KZT)

Dial Code To: 727

Dial Code Out: 7

Member Firm:

City:
Almaty

Name:
Dina Akhmetova

Contact Information:
258 59 39
mail@sapa-audit.kz
jurist@sapa-audit.kz

A. TAXES PAYABLE**FEDERAL TAXES AND LEVIES****COMPANY TAX**

Resident companies pay corporate income tax on their worldwide income, whereas non-resident companies pay tax on their income sourced in Kazakhstan.

A company is considered resident if it is established under Kazakhstan law or is a legal entity established in accordance with the laws of a foreign state if its governing body or place of actual management is in Kazakhstan.

Tax is charged on all business income generated in Kazakhstan and abroad (including capital gains) with relief for tax deductible expenses. The standard rate of corporate income tax is 20%. Companies whose main productive asset is land pay tax at a rate of 10% on profits from the direct utilisation of land.

The tax year is the calendar year. Annual income tax returns must be filed by 31 March following the end of the tax year. Companies are required to make advance payments of tax on a monthly basis.

The following categories of tax payers have the right not to assess and make advance payments of corporate income tax:

- taxpayers whose tax adjusted income for the period two years before the one in question does not exceed 325,000 times a monthly calculation index as determined under Kazakhstan tax law each 1 January
- newly-established tax payers – for the tax period in which the company registered with the state justice authorities as well as in the following tax period
- non-resident companies newly registered with the tax authorities as taxpayers operating in Kazakhstan via a permanent establishment and not via a branch or representative office – in the tax period in which the company was registered with the tax authorities as well as in the following tax period.

CAPITAL GAINS TAX

Income from the sale of assets (fixed assets) is included in the taxable income of the company and not subject to separate taxation.

TAX PROFITS OF PERMANENT ESTABLISHMENTS OF NON-RESIDENT LEGAL ENTITIES

Overseas companies with permanent establishments in Kazakhstan are required to pay corporate income tax on the profits generated by their permanent establishments. In addition, the overseas company is subject to a branch profits tax of 15% on its net (after tax) income. This rate may be reduced under the terms of international tax treaties.

SALES TAXES / VALUE ADDED TAX (VAT)

VAT is charged on the realisation of goods and services and the importation of goods. The current rate of VAT is 12%. The following transactions are subject to a zero rate:

- Export of goods
- Turnover from production under subsurface management contracts providing for VAT exemption for imported goods
- International transport services.

The following are exempt from VAT:

- the realisation of residential land and buildings
- financial services including security transactions, banking and other transactions performed by banks and institutions authorised under their license to perform particular banking transactions and transactions performed by other non-licensed entities under the legislative acts of Kazakhstan
- Financial leasing of assets provided that certain requirements are met
- Medical and veterinary goods and services as per the list of goods and services set by the Government of Kazakhstan

- Services and works in the area of culture, science and education
- The services of lawyers and public notaries.

VAT is also payable on services and works provided or performed by non-residents, if performed in the Republic of Kazakhstan

The tax period for Value Added Tax is the calendar quarter. VAT payers are required to submit their VAT returns to the local tax authorities for each tax period not later than the 15th day of the second month following the tax period.

VAT for each tax period must be paid no later than 25th of the second month following the tax period.

EXCISE TAX

This is payable by individuals and entities that produce or import excisable products, including gasoline and diesel fuel.

The tax period is a calendar month. The tax is payable not later than 20th of the month following the tax reporting period.

The declaration must be made no later than the 15th of the second month following the tax reporting period.

OTHER TAXES

REAL ESTATE TAX (PROPERTY TAX)

Real estate tax is payable by legal entities and individuals who own:

- 1) buildings and structures regarded as fixed assets or property investments under the international standards of financial reporting and Kazakhstan Law on accounting and financial reporting
- 2) buildings and structures that are the property of the state but which have been transferred temporarily into private ownership for the purposes of improvement.

The standard rate for legal entities is 1.5%. Individual entrepreneurs and legal entities applying the simplified regime are subject to the rate of 0.5%.

Individual persons are subject to a tax of 0.05% to 1% on a progressive scale.

The tax is paid on a quarterly basis, with the exception of individuals, who must pay by 1st October of the tax year in which the tax arose.

Legal entities and individual entrepreneurs provide a declaration not later than 31 March following the tax reporting period.

LAND TAX

This is payable by individuals and entities on land in respect of which they have:

- the right of ownership
- the right of permanent land use
- the right of the primary grant of temporary land use.

Base rates are determined by the Tax Code, although local agencies may reduce or increase these rates within prescribed limits. The tax reporting period is the calendar year.

Legal persons (including sole proprietors) are required to make quarterly advance payments and provide a declaration no later than 31 March following the tax reporting period.

TAX ON VEHICLES

This is payable by individuals and entities who own or lease vehicles which are subject to state registration in Kazakhstan.

Tax rates are determined monthly depending on engine size, capacity and number of seats.

Legal persons must pay current charges by 5 July of the tax period and provide a declaration not later than 31 March following the tax reporting period.

SOCIAL TAX (PAYROLL TAX)

This is payable by all employers at a rate of 11% on salaries etc.

SOCIAL SECURITY CONTRIBUTIONS

This is payable by employers at a rate of 5% on the income of the employee, up to a maximum of ten times the minimum monthly wage.

OTHER TAXES:

1. A tax on the use of mineral resources
2. Gaming tax payable by legal entities and persons carrying on a gambling business based on the tables, machines etc in use
3. A fixed tax payable by legal entities and businesses that provide services using certain types of assets (e.g. skittle alleys, karts and billiard tables).

B. DETERMINATION OF TAXABLE INCOME**DEPRECIATION**

Tax deductions are available for the depreciation of fixed assets including intangible assets and investment properties. The tax code sets out the following depreciation rates:

10%	buildings and structures
25%	machinery and equipment
40%	Computing equipment
15%	Others

SHARES/NET COST

Inventories are dealt with for the purposes of taxation in accordance with international standards of financial reporting and Kazakhstan Laws on accounting and financial reporting.

DIVIDENDS

Dividends received from resident companies are not subject to corporate income tax (similarly, the payment of dividends is not tax deductible).

There is no withholding tax on dividends paid to non-residents or resident individuals providing that the following conditions are met:

- the shares on which the dividends are paid have been held for a period of not less than three years; and
- 50% or more of the share capital equity of the company paying the dividends is not owned by persons carrying on mineral extraction and other sub-soil mining activities in Kazakhstan.

INTEREST DEDUCTION

Interest expenses are generally deductible, although there is a general restriction, where the debt:equity ratio exceeds 4:1 (6:1 from 1 January 2012) or 7:1 for financial institutions (9:1 from 1 January 2012). This restriction applies to interest payable to related parties and persons incorporated in low-tax countries.

LOSSES

Trading and capital losses may be carried forward for up to 10 years. Losses from the sale of shares and securities may be utilised against gains arising from the sale of such assets.

FOREIGN SOURCED INCOME

Overseas income and gains are taxable along with domestic income and gains under normal Kazakhstan tax rules. If a resident of Kazakhstan owns 10% or more of the authorised capital of a non-resident legal entity registered in a State with a preferential taxation regime, a share of the profits share is included in the taxable income of the resident. These rules apply where the overseas company pays tax at less than 10% or where there are confidentiality laws in the relevant foreign jurisdiction.

C. FOREIGN TAX RELIEF

Income taxes paid overseas by resident taxpayers on foreign-sourced income are creditable against corporate or individual income tax in Kazakhstan if the document certifying the payment of tax overseas is made available.

The amount available for offset is the lower of the following:

- 1) the amount of tax actually paid in the foreign state
- 2) the amount of income tax on income from sources outside the Republic of Kazakhstan, calculated in the Republic of Kazakhstan

D. CORPORATE GROUPS

There are no special provisions relating to the taxation of groups of companies in Kazakhstan.

E. RELATED PARTY TRANSACTIONS

Certain transactions are subject to transfer pricing rules which impose arm's length pricing for tax purposes. These include the following transactions involving a related party where:

- 1) the other entity is incorporated in a low-tax jurisdiction
- 2) the transaction is a barter transaction
- 3) the other entity has recognised losses according to its tax returns for the two tax periods immediately preceding the year of transaction
- 4) the other party benefits from tax incentives or preferential tax rates
- 5) the transactions involve the off-set of debts
- 6) the transactions are between related parties.

F. WITHHOLDING TAX

All income paid from Kazakhstan sources, is subject to withholding taxes. The relevant rates are as follows:

Dividends	15%
Interest	15%
Royalties	15%
Insurance premiums (payable on insuring risks in Kazakhstan)	20%
Insurance premiums (payable on policies reinsuring risks in Kazakhstan)	5%
International transport services	5%
All other income	20%

G. EXCHANGE CONTROL

Exchange transactions performed in Kazakhstan are regulated by Kazakhstan Law on exchange regulation and control. The basic principles are as follows:

Exchange transactions between residents are unlawful, with the exception of transactions defined in the list, for example:

- fees paid to banks for performing exchange transactions and fines (penalties) paid on contracts for bank services in a foreign currency
- transactions associated with the acquisition, sale and payment of premiums on redemption of securities denominated in a foreign currency
- purchase and sale of fine gold bars
- payment and remission of cash under commission contracts in relation to exports and imports using transferable letters of credit as the mode of payment;
- transactions associated with the payment of taxes and other compulsory payments under Kazakhstan law.

Residents may enter into transactions with non-residents in the national or a foreign currency as agreed between them in accordance with the exchange regulations of Kazakhstan.

Residents may issue promissory notes in a foreign currency on transactions with non-residents.

Non-residents may, without any restrictions, receive and remit dividends, commission fees and other income on deposits, securities, loan and other exchange transactions entered into with residents and performed in accordance with this Law.

Exchange transactions between non-residents are allowed without any restrictions provided they meet set requirements. In particular, payments and remissions on exchange transactions between residents and non-residents must be made through accounts with authorised banks with some exceptions.

Any foreign cash received by resident and non-resident legal entities from transactions performed in Kazakhstan must be credited to an account with an authorised bank.

Residents and non-residents may buy and sell foreign currency with banks authorised to conduct exchange transactions and other authorised organizations in accordance with the procedures set down by the National Bank of Kazakhstan.

Capital flow transactions and opening of accounts are subject to notification or registration requirements.

Payments between residents and non-residents on commercial loans associated with the export or import of goods for a time period exceeding 180 days must be registered by the authorised bank servicing such payments. Payments between residents and non-residents in settlement of exported and imported services must also be registered.

These exchange requirements do not apply to commercial loans associated with export and import transactions where transaction certificates have been drawn up.

Direct investments by non-residents into and by residents outside Kazakhstan are subject to registration. Direct investment is defined as the investment of cash, securities, property, property rights including intellectual property rights and other property as payment for shares of a legal entity if the person investing owns or will own as a result of such investment, 10% or more of the voting shares (10% or more votes of the total number of shareholder votes) of such a legal entity.

Residents are required to notify the National Bank of Kazakhstan of any exchange transactions associated with the acquisition of securities, investing into share capital and exchange transactions involving derivative financial instruments.

Financial loans made by residents to non-residents and by non-residents to residents for a time period exceeding 180 days are subject to registration.

Other capital flow transactions include:

- 1) acquisition of property rights for real estate with the exception of movable property
- 2) acquisition of exclusive intellectual property rights
- 3) assignment of cash and other property for trust management or to fulfill obligations under a joint venture.

Payments made by residents to non-residents (and vice versa) in connection with acquiring real estate and intellectual property rights, as well as through the assignment of cash and other property for trust management are also subject to the notification requirement.

The National Bank of Kazakhstan registers exchange transactions where the following requirements are met:

- 1) the value of the assets acquired or liabilities incurred by a resident of Kazakhstan from or to a non-resident exceeds an equivalent of USD \$500,000
- 2) the value of assets transferred from Kazakhstan to a non-resident exceeds an equivalent of USD \$100,000
- 3) the amount of payment or bank transfer by a resident to a non-resident (or vice versa) on transactions in financial derivative instruments or in connection with settlements on export or import services exceeds an equivalent of USD \$100,000.

H. PERSONAL TAX

Non-resident individual persons pay tax on their income sourced in Kazakhstan.

A foreign person is considered resident if he or she:

- resides permanently in Kazakhstan (i.e. spends at least 183 days there out of a 12-month period ending in the tax year); and
- is a payer of individual income tax at the rate of 10% on all income with the exception of dividends (subject to 5% tax from source).

Individuals generating income from business activities are subject to a tax similar to corporate income tax, although small and medium businesses are subject to a special tax regime.

Capital gains arising on the sale of the following are subject to a 10% tax:

- real estate
- transportation vehicles owned for less than a year by the taxpayer
- securities and shares in a legal entity.

TAX ON ADDITIONAL BENEFITS GRANTED BY EMPLOYER TO EMPLOYEE

Certain benefits granted by an employer to employees in kind or as material benefits are treated as part of the employee's taxable income. These include:

- Providing employees with goods and services at a reduced rate
- Written-off debts
- Cost of property received from the employer without charge. For services provided on a free-of-charge basis the taxable benefit is the expense incurred by the employer in connection with providing such services
- Payment by employer for goods and services provided to the employee by third parties

- Employer's expenses towards payment of insurance premiums under insurance contracts of its employees.

Personal deductions available to all employees include::

- 1) minimum monthly wage
- 2) mandatory pension contributions as prescribed by the legislation of the Republic of Kazakhstan on pensions
- 3) voluntary pension contributions
- 4) premiums paid on endowment policies
- 5) payment of interest on loans received in the housing construction savings banks to conduct activities to improve living conditions in the territory of the Republic of Kazakhstan, in accordance with the laws of the Republic of Kazakhstan on housing construction savings
- 6) expenses for medical services (except cosmetic surgery).

Employment taxes are withheld from an employee's income on a monthly basis. Persons generating income other than employment income are required to file a tax return for each calendar year. This tax return has to be submitted not later than 31 March of the following year. Individuals with business activities must settle any outstanding tax arrears within ten days from filing their tax returns. Employees are required to make retirement contributions of 10% of gross monthly remuneration not exceeding 75,000 times the minimum wage.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The withholding tax rates for non-treaty countries are as follows.

Country	Dividends (1) (%)	Interest (%)	Royalties (%)
Austria	15/5 (1)	10	10
Azerbaijan	10	10	10
Belarus	15	10	15
Belgium	15/5 (1)	10	10
Bulgaria	10	10	10
Canada	15/5 (1)	10	10
China (People's Republic)	10	10	10
Czech Republic	10	10	10
Estonia	15/5 (2)	10	15
Finland	15/5	10	10
France	15/5 (1)	10	10
Georgia	15	10	10
Germany	15/5 (2)	10	10
Hungary	15/5 (2)	10	10
India	10	10	10
Iran	15/5 (3)	10	10
Italy	15/5 (1)	10	10
Japan	15/5	10	10
Korea, Republic of	15/5 (1)	10	10
Kyrgyzstan	10	10	10
Latvia	15/5 (2)	10	10
Lithuania	15/5 (2)	10	10
Malaysia	10	10	10
Moldova	15/10 (2)	10	10
Mongolia	10	10	10
Netherlands	15/5/0 (4)	10	10
Norway	15/5 (1)	10	10
Pakistan	15/12.5 (1)	12.5	15

Country	Dividends (1) (%)	Interest (%)	Royalties (%)
Poland	15/10 (3)	10	10
Romania	10	10	10
Russia	10	10	10
Singapore	10/5 (5)	10	10
Slovak Republic	15/10 (6)	10	10
Spain	15/5	10	10
Sweden	15/5 (1)	10	10
Switzerland	15/5/0 (5)	0/10	10
Tajikistan	15/10 (6)	10	10
Turkey	10	10	10
Turkmenistan	10	10	10
Ukraine	15/5 (2)	10	10
United Kingdom	15/5 (1)	10	10
United States	15/5 (1)	10	10
Uzbekistan	10	10	10

- 1 Unless indicated otherwise, the lower rates in this column apply if the recipient company owns at least 10% of the capital or the voting power of the paying company, as the case may be.
- 2 This rate applies if the recipient company owns at least 25% of the capital or the voting power of the paying company, as the case may be.
- 3 The rate applies if the recipient company owns at least 20% of the capital or the voting power of the paying company, as the case may be.
- 4 The zero rate applies if the recipient company owns 50% of the capital of the paying company and that participation has a value of at least US\$ 1 million, and the head office's state of residence has secured the participation. The 5% rate applies if the recipient company owns at least 10% of the capital of the paying company.
- 5 This rate applies if the recipient company has a direct holding of at least 25% of the capital of the company paying the dividends.
- 6 This rate applies if the recipient holds at least 30% of the capital of the paying company.

