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Legal aspects of taxing foreign digital companies in the Republic of Kazakhstan

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Abstract. The article examines the legal regulation of taxation of foreign digital companies in the Republic of Kazakhstan in the context of the digital economy. The relevance of the study is determined by the rapid growth of cross-border digital services and the need to adapt national tax legislation to new business models that operate without a physical presence in the state where services are consumed. The purpose of the research is to analyze Kazakhstan's current legislation governing the taxation of foreign digital companies, identify existing regulatory challenges, and develop proposals for improvement based on international experience. The study employs comparative legal, systemic, and formal-logical methods, as well as an analysis of international approaches to digital taxation.

The scientific novelty of the research lies in the comprehensive assessment of Kazakhstan's digital taxation framework in light of the new Tax Code of 2025 and international initiatives such as BEPS, Pillar One, and Pillar Two. The findings reveal challenges related to the identification of non-resident taxpayers, transparency of digital transactions, and cross-border exchange of tax information. The study concludes that Kazakhstan should establish a legal definition of digital services, improve tax administration, and harmonize national legislation with international standards. The findings may contribute to the development of tax policy and the further improvement of Kazakhstan's digital taxation framework.

Keywords: digital economy, international taxation, foreign digital companies, digital services tax, e-commerce, value added tax.

Қазақстан Республикасында шетелдік цифрлық компанияларға салық салудың құқықтық аспектілері

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Аңдатпа. Мақалада Қазақстан Республикасындағы шетелдік цифрлық компаниялардың қызметіне салық салудың құқықтық тәртібі және оны реттеудегі негізгі мәселелер қарастырылған. Авторлар цифрлық экономиканың қарқынды дамуы жағдайында дәстүрлі салық тетіктерінің шетелдік цифрлық компаниялардың қызметін реттеудегі жеткіліксіздігін атап көрсетеді. Қазіргі цифрлық модельдер қызмет көрсетілетін мемлекетте шетелдік цифрлық компаниялардың физикалық түрде қатысуын талап етпейді. Зерттеуде 2022 жылдан бастап енгізілген «Google салығы» деп аталатын салық салудың жаңа қағидаларына, сондай-ақ 2025 жылғы жаңа Салық кодексіндегі өзгерістерге ерекше назар аударылған. Еуропалық одақ, Франция, Үндістан және Қытайдың тәжірибесі назарға алынды. Зерттеудің мақсаты Қазақстан Республикасының қолданыстағы заңнамадағы салық заңнамасын кешенді талдау және олқылықтарды анықтау, халықаралық стандарттар негізінде нақты жетілдіру бағыттарын ұсыну. Зерттеу барысында салыстырмалы-құқықтық талдау, жүйелік және формальды-логикалық әдістер құрылымдық-функционалдық және әлеуметтік-мәдени әдістер, сондай-ақ халықаралық тәжірибені талдау қолданылды. Сонымен қатар, шетелдік юрисдикциялардың аталған мәселені реттеу үлгілері қарастырылды. Зерттеу нәтижесінде бейрезиденттерді сәйкестендіру, транзакциялардың ашықтығы және мемлекетаралық ақпарат алмасу бойынша реттеудің тиімсіздігі бюджет кірісінің толық есептелмеуіне алып келетіндігі анықталды. Бұл жергілікті бизнестің бәсекелік жағдайына да, ұлттық валюта балансына да теріс әсер етеді. Авторлар «цифрлық қызметтер» ұғымын Салық кодексінде ашып көрсету және ұлттық реттеуді BEPS, Pillar one, Pillar two халықаралық стандарттарымен үйлестіру қажеттілігін тұжырымдайды. Нәтижелерді мемлекеттік салық саясатын әзірлеуде және цифрлық қызметтерді реттейтін нормативтік актілерді жетілдіруде пайдалануға болады.

Кілт сөздер: цифрлық экономика, халықаралық салық салу, шетелдік цифрлық компаниялар, цифрлық қызметтерге салық, электрондық сауда, қосымша құн салығы.

Правовые аспекты налогообложения иностранных цифровых компаний в Республике Казахстан

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Аннотация. В статье рассматриваются правовые аспекты налогообложения иностранных цифровых компаний в Республике Казахстан в условиях развития цифровой экономики. Актуальность темы обусловлена ростом трансграничных цифровых услуг и необходимостью адаптации национального налогового законодательства к новым бизнес-моделям, не требующим физического присутствия компании в государстве потребления услуг. Цель исследования заключается в комплексном анализе действующего законодательства Республики Казахстан в сфере налогообложения иностранных цифровых компаний, выявлении существующих проблем правового регулирования и разработке предложений по его совершенствованию с учетом международного опыта. В работе использованы сравнительно-правовой, формально-логический, системный методы исследования, а также анализ международной практики и нормативных правовых актов.

Научная новизна исследования состоит в комплексной оценке механизма налогообложения цифровых услуг в Казахстане с учетом положений нового Налогового кодекса Республики Казахстан 2025 года, а также международных инициатив BEPS, Pillar One и Pillar Two. В результате исследования установлено, что существующие механизмы налогового администрирования не обеспечивают в полной мере идентификацию нерезидентов, прозрачность цифровых транзакций и эффективный международный обмен налоговой информацией. Проведенный анализ опыта Европейского союза, Франции, Индии и Китая позволил выявить наиболее эффективные инструменты регулирования цифровых услуг. Сделан вывод о необходимости законодательного закрепления понятия «цифровые услуги», совершенствования налогового администрирования и гармонизации национального законодательства с международными стандартами цифрового налогообложения. Полученные результаты могут быть использованы при совершенствовании налоговой политики Республики Казахстан.

Ключевые слова: цифровая экономика, международное налогообложение, иностранные цифровые компании, налог на цифровые услуги, электронная торговля, налог на добавленную стоимость.

Introduction

The rapid development of the digital economy has fundamentally changed traditional models of international trade and service delivery. Digital platforms, cloud services, online marketplaces, streaming services, and other types of electronic services are increasingly operating across national borders without establishing a physical presence in the countries where their consumers are located. These changes create serious challenges for national tax systems, especially when it comes to collecting value-added tax (VAT) from foreign suppliers of digital services.

As President Kassym-Jomart Tokayev noted at the 6th meeting of the National Public Trust Council: 'Digitalization must not slow down under any circumstances; it must encompass all spheres of life' [1]. As Sarsembaev and other authors point out, in global rankings that assess countries' digital competitiveness, Kazakhstan also shows good results, and for more effective measures to develop the digital economy, it is necessary, in particular, to prioritize policies aimed at improving digital literacy and expanding broadband infrastructure to support and accelerate economic growth [2]. This course also requires the tax system to adapt to the new forms of digital business.

The Republic of Kazakhstan is increasingly recognized as a regional leader in digital development, particularly in such domains as financial technology (fintech), information technology exports, digitalization of public services, and artificial intelligence [3]. Nevertheless, the rapid integration of digital technologies into the economy necessitates a corresponding and timely revision of tax policy. Given the distinctive characteristics of digital services, the tax system must evolve in response to contemporary demands. This requirement is especially pertinent in the case of foreign digital enterprises, as it is essential to establish a tax regime that is adaptable, transparent, and equitable with respect to emerging business models.

International practice demonstrates a variety of approaches to taxing digital services, with models predominantly adopting the principle of taxation in the jurisdiction of consumption. The European Union, France, India and China have introduced specific mechanisms to ensure the transparency of digital transactions and to bring non-resident entities into the tax reporting system. These models contribute to the development of global standards under the Base Erosion and Profit Shifting (BEPS) initiatives, as well as to the creation of multilateral instruments such as Pillar One and Pillar Two.

The primary challenge for Kazakhstan is to ensure the fair taxation of foreign digital companies while maintaining a competitive environment and the stability of the national tax system. Despite the application of value-added tax (VAT) rules to electronic services, several issues remain unresolved, including the identification of non-residents, disclosure of transaction-related information, coordination with international tax authorities, and the integration of digital technologies into tax control processes.

In this context, a comprehensive analysis of the legal regulation governing the taxation of digital services, a comparison of the Kazakhstani model with foreign approaches and an assessment of its alignment with global trends in the development of the digital economy have become objective necessities. Such an analysis helps identify priorities for legislative modernization and improve the effectiveness of national tax policy.

The purpose of this study is to analyze the legal regulation of taxation of foreign digital companies in the Republic of Kazakhstan, identify existing legal and administrative challenges, and develop proposals for improving national legislation based on international standards and foreign experience.

The objectives of the study are:

– to examine the current legal framework governing the taxation of foreign digital companies in the Republic of Kazakhstan;

– to analyse international approaches to the taxation of digital services, including the experience of the European Union, France, India and China;

– to identify existing problems in tax administration and the regulation of digital services;

As of today, a comprehensive assessment of Kazakhstan's legal framework regarding VAT on foreign digital services is both timely and necessary. Such an assessment helps evaluate the effectiveness of existing regulatory mechanisms, compare national approaches with international practices, identify remaining legal and administrative gaps, and formulate recommendations for improving tax regulation amid ongoing digital transformation.

Methods and materials

In this study, a comparative-legal analysis method was employed. It enabled a comparison of the national tax legislation of the Republic of Kazakhstan with the approaches to taxing digital services implemented in France, China, India and the member states of the European Union.

For the historical-legal assessment of the study, the provisions of the Tax Code of the Republic of Kazakhstan (2017 edition), which regulate the taxation of electronic services provided by foreign companies, were employed. This approach enabled the identification of the prerequisites and directions for subsequent reform. Special attention is given to the provisions of the Tax Code of the Republic of Kazakhstan, adopted on July 18, 2025, which came into force in 2026 and introduced updated VAT rules for foreign digital service providers. The code does not put these rules in a separate section; rather, it weaves them into the existing value-added tax system for non-residents doing business through the internet. So, the guidelines fit within the broader tax practices for digital transactions.

The study utilized the provisions of existing normative legal acts of foreign states, as well as documents from international organizations that establish digital taxation standards. The study employed a comprehensive combination of content analysis and formal-logical research methods. The study also relied on scientific publications by domestic and foreign scholars, expert commentaries, analytical materials from international organizations and statistical data from the Ministry of Finance of the Republic of Kazakhstan. The comprehensive application of these methods enabled an objective assessment of the current state of taxing digital services, the identification of existing shortcomings, and the determination of prospective directions for further development. To improve the language quality and readability of the manuscript when preparing the final version of the article, AI-based text editing tools were used. These tools were used solely for language enhancement and were not involved in the development, legal analysis of the article, or in formulating the conclusions.

Results

The development of a Kazakhstani model for taxing foreign digital companies. Over the last decade, digital technologies have fundamentally changed the traditional methods of providing goods and services. Intangible digital products, such as subscription services, online learning, cloud computing, have become objects of economic turnover. In this context, the issue of fair taxation for foreign digital companies that generate income within Kazakhstan without a physical presence is of particular importance. The activities of transnational internet corporations such as Google, Apple, Amazon, Meta and Netflix are poorly subject to the classic mechanisms of tax regulation and objectively necessitate a rethinking of traditional fiscal approaches.

Global digitalization has changed the structure of international services trade. In other words, forms of economic activity have emerged that do not fit the taxation model based on the permanent establishment criterion. Foreign online platforms, marketplaces, cloud services and streaming services can provide remote services to Kazakhstani consumers without establishing a legal or physical presence in Kazakhstan. This requires adapting national tax legislation and developing new mechanisms for tax administration aimed at the digital economy.

From a national legislative standpoint, the obligation to pay tax may arise not only for residents but also for non-residents receiving income from sources in the Republic of Kazakhstan. This principle is enshrined in the tax legislation and remains significant even in the context of digitalization. At the same time, the traditional rules based on a company's physical presence are insufficient to effectively regulate digital business models. This refers to major digital platforms such as Google, Apple, Huawei, Netflix, and Aliexpress. Payments for their services are made in foreign currency, and the funds effectively bypass domestic tax mechanisms and are transferred outside the national economy. This situation leads to lower tax revenues and negatively affects the balance of payments and competitiveness of local businesses. Since 1 January 2022, Kazakhstan has applied special VAT rules to foreign companies engaged in electronic trade in goods and in the provision of electronic services to individuals.

These rules were introduced by Law of the Republic of Kazakhstan No. 382-VI of 10 December 2020, which supplemented the Tax Code of the Republic of Kazakhstan of 25 December 2017 No. 120-VI with Chapter 90; the new provisions entered into force on 1 January 2022 [4, 5]. Thus, 2017 is the year of adoption of the Tax Code itself, whereas the rules on foreign electronic services became part of it only from 2022. These provisions impose on foreign electronic service providers the obligation to register on a conditional basis and to pay value-added tax at a rate of 12%. The rules take into account the specifics of digital commerce and are aimed at preventing tax evasion: the basic concepts (Article 777), the procedure for registering foreign companies (Article 778), general provisions (Article 779), and the mechanism for calculating and paying value-added tax (Article 780) were defined normatively [4]. These provisions laid the foundation for establishing a national model for taxing digital services and led to significant fiscal results. According to the Ministry of Finance of the Republic of Kazakhstan, approximately 75 billion tenge was collected into the budget in the three years following the implementation of the "Google tax", of which 35 billion tenge was accounted for in the last year alone [6]. According to the State Revenue Committee of the Ministry of Finance, by the end of 2024 98 foreign companies had been registered under this mechanism, including Alibaba, AliExpress, Apple, Google, Huawei, Netflix, Pinduoduo and Temu [7], which testifies to the further expansion of the existing mechanism. All of this demonstrates the need for the continuous improvement of tax policy in the context of economic digitalization.

The new Tax Code of the Republic of Kazakhstan, dated 18 July 2025, marked a systematic phase in the reform of tax policy. It provides for raising the standard rate of value-added tax to 16% and further developing the mechanism for drawing non-residents operating through digital channels and online platforms into the indirect tax system. At the same time, the new Code does not provide a standalone statutory definition of the concept of "digital services"; the relevant provisions are incorporated into the value added tax section of the Code. Conditional registration of a foreign company as a taxpayer is governed by Article 102 (Chapter 7 "Tax registration"), while the specifics of taxation are set out in Chapter 95, which regulates the taxation of foreign companies engaged in electronic trade in goods and in the provision of services in electronic form to individuals. Chapter 95 consists of Article 826 (general provisions: a foreign company registered under Article 102 is recognised as a VAT payer; the place of supply is determined by criteria such as the buyer's place of residence in Kazakhstan, the location of the bank through which payment is made, the network address used for the purchase and the international code of the telephone number), Article 827 (the procedure for calculating and paying VAT at the standard rate established by paragraph 1 of Article 503, i.e. 16%, no later than the 25th day of the second month following the quarter) and Article 828 (transitional provisions) [8]. Unlike the former Chapter 90, which opened with Article 777 on basic concepts, Chapter 95 contains no separate article with definitions. This approach lays the groundwork for taxing the digital economy, but it may also create legal uncertainty when distinguishing between individual types of services.

Analysis of international regulatory practice. To prepare concrete legislative proposals, it is important to study international practices in digital taxation. Today, rules obliging foreign suppliers of digital services to register for and collect VAT/GST in the country of consumption (often referred to as the "Google tax") are applied in more than 110 jurisdictions [9], and the underlying OECD International VAT/GST Guidelines reflect a consensus of more than 100 jurisdictions [10]; separate turnover-based digital services taxes have been introduced by a much narrower group of states.

France was one of the first countries to develop and implement its own model for taxing digital companies. In accordance with Article 299 of the French Tax Code, a tax on digital services (GAFA Tax) was introduced, which applies to two main types of revenue: revenues from digital platforms (marketplaces, social networks) that enable users to interact, and revenues from targeted online advertising based on the processing of user data [11]. The tax is only paid by large companies with an annual global turnover exceeding €750 million, of which at least €25 million is attributable to France; the rate is set at 3% of the tax base as defined in the law [11, 12]. This model places a special

emphasis on taxing the most successful players in the digital market that operate without a physical presence.

India's approach is also noteworthy: digital services are regulated under the Goods and Services Tax (GST). Indian legislation distinguishes a separate category of services known as OIDAR (Online Information and Database Access or Retrieval Services). This includes electronic advertisements, cloud services, access to digital libraries, software, online games and other digital formats [12]. The main characteristic of these services is that they are provided automatically with minimal human involvement. The tax liability arises regardless of the foreign company's physical presence, provided the services are supplied to Indian consumers. Indian case law, in turn, illustrates the limits of traditional income tax concepts when applied to digital business. In the dispute Google India Private Limited v. Deputy Director of Income Tax, the Income Tax Appellate Tribunal (Bangalore), in its order of 23 October 2017, held that the distribution fees paid by Google India to Google Ireland under the AdWords programme constituted “royalty” subject to withholding tax in India [13]. However, in its order of 19 October 2022 the Tribunal reached the opposite conclusion, finding that these payments were neither royalty nor fees for technical services, and this approach was followed in 2024 [14]. The instability of such income tax characterisation explains why India relied on the indirect taxation of digital services (the OIDAR rules under the GST), which link the tax obligation to the place of consumption rather than to the characterisation of the foreign supplier’s income.

In China, digital services are subject to value-added tax through the “Golden Tax System” – the system is in its fourth stage of development [15]. The system replaces paper invoices with electronic ones, enabling tax authorities to better monitor companies' obligations and exchange data with banks. Electronic invoices with unique numbers are issued, delivered and verified; usage limits are set according to credit rating and the nature of the company's activities. This approach enhances the transparency of tax administration. Thus, China is establishing a model that closely links digital taxation with the monitoring of financial flows and cross-border transactions.

The European Union has also introduced important mechanisms for digital taxation. Since 2015, the EU has applied rules requiring companies to charge value-added tax according to the consumer's location, not the seller's [16]. This means that, Digital providers without a physical presence in the EU member states are also obliged to comply with the VAT rules of the relevant member state if they sell digital products to citizens of those countries. According to Council Directive 2006/112/EC and its implementing rules, electronically supplied services include software downloads, mobile applications, streaming services, e-books, online courses and webinars; the sale of physical goods via the internet or the provision of services in person is not covered by these regulations [17]. The Court of Justice of the European Union, in its judgment of 19 December 2019 in Case C-390/18 Airbnb Ireland UC, held that an intermediation service provided through an electronic platform connecting hosts with guests constitutes an “information society service” within the meaning of Directive 2000/31/EC on electronic commerce, and that France could not enforce against Airbnb Ireland the requirements of its legislation on real estate professions (the so-called Hoguet Law), since it had not notified those measures as required by that Directive [18]. It should be emphasised that this is not a tax case: the dispute concerned the legal qualification of the platform’s service under the E-Commerce Directive. Nevertheless, it is relevant to the present study, because the qualification of a digital intermediary’s activity as an information society service is a preliminary legal question that also shapes the classification of platform services for regulatory and, potentially, tax purposes.

In this regard, international practice clearly demonstrates the intention of states to adapt tax regulation to the new conditions of the digital economy. The general trend is a shift from the principle of physical presence to taxing digital services based on the actual place of consumption, which ensures a fairer distribution of the tax burden and protects the interests of the state in the context of cross-border e-commerce.

Current state of legislative regulation in Kazakhstan. As of 1 January 2022, special rules for the taxation of foreign companies providing electronic services to individuals have been introduced in the Republic of Kazakhstan. These companies were required to register for value-added tax under a simplified procedure and to pay it at a rate of 12%. The rules are set out in Chapter 90 of the Tax Code of the Republic of Kazakhstan (2017 edition): key concepts (Article 777), registration procedure (Article 778), general rules (Article 779) and the mechanism for calculating and paying value-added tax (Article 780) were defined [4, 5]. These provisions took into account the specifics of digital trade and were aimed at combating tax evasion.

The adoption of the new Tax Code of the Republic of Kazakhstan on 18 July 2025 marked a shift towards the systematic regulation of tax relations in the context of economic digitalization. The updated rules on value added tax, established in Chapter 95 (Articles 826–828) and Article 102 of the Tax Code of the Republic of Kazakhstan [8], are aimed at expanding the state's tax jurisdiction over cross-border operations carried out through online platforms. Although the Code does not contain a legal definition of the term "digital services", the introduced mechanisms allow for a significant part of the activities of foreign online platforms to be subject to tax regulation.

In addition, the legislation now provides for restricting access to the internet resources of foreign companies that fail to register as VAT payers: on the basis of a decision of the tax authority, the authorised body in the field of mass media issues an order to restrict access under Article 41-1 of the Law "On Communications" [19].In accordance with the introduced regulations, foreign legal entities operating through online platforms and interacting with consumers in Kazakhstan are obliged to submit a confirmation letter to the tax authority within one month from the date of the first payment received from a Kazakhstani buyer, after which they are included in the register of foreign companies (Article 102) [8]. This registration does not require the opening of a representative office or a permanent establishment in Kazakhstan, which is in line with the international trend of moving from the principle of territorial taxation to the principle of taxation at the place of consumption.

Despite all the advantages of the new Code, significant issues remain. Firstly, the lack of a clear definition of the concept of "digital services" in the legislation creates legal uncertainty for foreign providers when determining their tax obligations and their scope. Furthermore, the existing tax administration mechanisms complicate the identification of non-residents, the specifics of cross-border payment operations, the limited level of cross-border tax information exchange, as well as the lack of uniform standards for disclosing data on digital transactions. As a result, although the new Code lays the regulatory foundation for regulating cross-border digital transactions, the existing provisions require further clarification.

Applicability of the Pillar One and Pillar Two initiatives to Kazakhstan. Kazakhstan is a member of the OECD/G20 Inclusive Framework on BEPS and has joined the Two-Pillar Solution to address the tax challenges arising from the digitalisation of the economy [20, 21]. However, the practical significance of the two pillars for Kazakhstan differs considerably, and they cannot be regarded as a direct continuation of the national model: both pillars concern corporate income tax, whereas the Kazakhstani "Google tax" is an indirect tax on consumption.

Pillar One (Amount A) is intended to reallocate to market jurisdictions a share of the profits of the largest and most profitable multinational groups regardless of their physical presence. It applies to groups with global turnover above €20 billion and profitability above 10%; 25% of residual profit, defined as profit in excess of 10% of revenue, is to be allocated to market jurisdictions using a revenue-based allocation key. A special nexus rule allows a market jurisdiction to receive an allocation if the in-scope group derives at least €1 million in revenue from it, while for jurisdictions with GDP below €40 billion this threshold is lowered to €250,000 [20]. Since Kazakhstan's GDP considerably exceeds €40 billion, the general threshold of €1 million would apply to it. In practice, this means that Kazakhstan could qualify as a market jurisdiction for the largest digital groups already registered under the national VAT regime (Google, Apple, Alibaba Group and others), provided that their revenues from Kazakhstani users can be reliably sourced. It is here that the data accumulated through the conditional registration mechanism – the buyer's place of residence, the location of the

bank, the network address and the telephone code – could become the evidentiary basis for revenue sourcing. At the same time, the implementation of Amount A presupposes that participating states withdraw digital services taxes and relevant similar measures and refrain from introducing new ones; the interaction of these commitments with national measures is especially sensitive for Asian market jurisdictions [22]. Because the Kazakhstani regime is a VAT on consumption rather than a turnover-based digital services tax, it is not affected by this commitment; however, a potential introduction of a separate digital services tax in Kazakhstan would be incompatible with Pillar One. The prospects of Amount A entering into force also remain uncertain, particularly after the United States declared in January 2025 that the OECD Global Tax Deal has no force or effect in the United States [23].

Pillar Two (the GloBE rules) establishes a global minimum effective tax rate of 15% for multinational groups with annual consolidated revenue of at least €750 million, implemented through the Income Inclusion Rule, the Undertaxed Profits Rule and qualified domestic minimum top-up taxes [20, 21]. For Kazakhstan, Pillar Two is relevant not as an instrument for taxing foreign digital companies, whose profits are generally taxed in their states of residence, but as a factor affecting Kazakhstani constituent entities of foreign multinational groups: if their effective tax rate falls below 15% (for example, because of investment preferences or special economic zone regimes), the top-up tax may be collected by other jurisdictions [21]. According to the State Revenue Committee, as of October 2024 the Pillar Two rules were still under review in Kazakhstan [24], and the text of the new Tax Code of 2025 does not contain GloBE rules. Therefore, the priority for Kazakhstan is to assess the feasibility of a qualified domestic minimum top-up tax, which would allow the top-up tax on low-taxed Kazakhstani profits to be collected in Kazakhstan rather than abroad.

Discussion

The comparative analysis demonstrates that Kazakhstan has largely adopted the international trend of taxing digital services according to the place of consumption rather than the place of establishment of the service provider. Nevertheless, the existing regulatory framework remains primarily focused on VAT collection and has not yet developed a comprehensive mechanism capable of ensuring full transparency of cross-border digital transactions. In this regard, Kazakhstan's experience reflects many of the challenges encountered by other jurisdictions during the early stages of digital tax regulation.

The research conducted has made it possible to identify systemic shortcomings in the legal regulation and administration of taxation for foreign companies in the digital sphere. During the analysis, the following key issues were identified:

– the actual scope of digital services provided by non-residents and the difficulty for tax authorities to exercise full oversight of their monetization;

– the practical difficulty of identifying non-residents providing electronic services in the absence of a physical presence in Kazakhstan;

– the insufficient level of interaction between the tax authorities and the payment systems and banks serving the relevant transactions;

– the absence of a mechanism for automated information exchange with foreign tax authorities, which significantly limits the monitoring of tax compliance.

A comparison with foreign legislation shows that such difficulties are not unique to Kazakhstan. For example, in Russia, since 2017 foreign companies providing services in electronic form have been subject to VAT under Article 174.2 of the Tax Code of the Russian Federation, and since 2019 these rules have also covered supplies to business customers; registration of such foreign companies with the tax authorities is mandatory under paragraph 4.6 of Article 83 of the Tax Code of the Russian Federation [25, 26]. The Russian experience is instructive for Kazakhstan in two respects. First, Article 174.2 of the Russian Tax Code contains a detailed list of services recognised as services in electronic form, whereas the Kazakhstani Code, as shown above, lacks such a catalogue. Second, the Russian model makes the foreign intermediary platform that participates in settlements with the buyer liable for VAT, which reduces the number of taxpayers the tax authority has to administer. In Kazakhstan, where about one hundred foreign platforms have already been registered,

clarifying the status of intermediary platforms would reduce the risk of double or omitted taxation in multi-level marketplace schemes.

According to Weiqun Xie and Xin Lin, 'in the context of the rapid development of the global digital economy, tax administration should focus on cross-border transactions. Facing unprecedented challenges due to the transfer of intangible assets and the growing importance of data as a factor of production. To address these challenges, institutional innovations are needed along three interconnected dimensions: standardization, cross-jurisdictional coordination and data compatibility" [27]. The authors propose establishing a multi-level law enforcement mechanism covering regional and global levels: conducting joint investigations, exchanging information on a risk-assessed basis, mutual recognition of compliance, and effective dispute resolution; only in this way can the effectiveness and transparency of transnational oversight be enhanced.

In our view, these three dimensions can be translated directly into the Kazakhstani agenda. Standardisation means, first of all, a statutory definition and an exhaustive list of services in electronic form. Cross-jurisdictional coordination implies for Kazakhstan not so much new multilateral instruments as the effective use of existing ones: the register of conditionally registered foreign companies, information exchange within the Eurasian Economic Union and under international tax agreements. Data compatibility requires linking the register of foreign companies with information from second-tier banks and payment organisations on payments made by individuals in favour of foreign online platforms; without such a link, the tax authority cannot verify whether the amounts declared by foreign companies correspond to the actual volume of payments made by Kazakhstani consumers.

On the one hand, an excessive tax burden could hinder the development of local digital innovations, particularly in relation to intermediary platforms that distribute content. On the other hand, the European Directive 2006/112/EC is aimed at harmonizing tax rules and ensuring a fair method of taxation for digital services, including those provided by non-residents [17, 28].

Applied to Kazakhstan, this dilemma is not purely theoretical. The increase in the standard VAT rate from 12% to 16% under the new Tax Code automatically applies to foreign electronic services, which raises the final price for consumers and, consequently, the incentives for non-compliance by smaller foreign providers for whom the Kazakhstani market is not significant enough to justify registration. At the same time, an equal rate for residents and non-residents is a precondition for tax neutrality: before the introduction of the “Google tax”, domestic digital companies were placed at a disadvantage compared with foreign platforms that did not charge VAT. Therefore, the key task for Kazakhstan is not to reduce the tax burden but to reduce compliance costs for foreign suppliers – through simplified electronic registration and declaration procedures, clear guidance in English and a predictable list of taxable services – following the logic of the EU One-Stop-Shop.

Some experts advocate the introduction of a universal digital tax that could operate within the framework of international agreements. As Alexandrov notes, digital transformation requires not only updating the tax base but also re-examining the principles of interaction between tax authorities and taxpayers in the areas of personal data protection and simplification of procedures [29].

At the same time, we consider the introduction of a separate digital services tax in Kazakhstan premature. First, such a tax would conflict with the commitments that Kazakhstan may assume under Pillar One. Second, the French experience shows that such taxes are designed for large markets with significant advertising and platform revenues, whereas in Kazakhstan the additional fiscal effect would be limited compared with the already functioning VAT mechanism, which has yielded about 75 billion tenge [6]. Third, a digital services tax creates risks of double taxation and of trade disputes with the states of residence of digital groups. Therefore, the Kazakhstani model should be developed by improving the VAT mechanism and its administration rather than by introducing a new turnover tax.

According to Sultanova and co-authors, "traditional methods of regulation in the digital economy, especially in the field of taxation, lose their effectiveness, this creates the need to develop new tax regulations that take into account the specifics of the technologies being used" [30]. The

analysis carried out in this study confirms this conclusion with respect to Kazakhstan: the most effective foreign models link the tax obligation to the actual place of consumption of the service, use automated systems for recording transactions and ensure advanced interaction between tax authorities and the financial and payment sector. Kazakhstan has already implemented the first of these elements, while the second and third remain the main reserves for improving the national model.

Conclusion

Based on the research conducted, the following key findings were identified:

– systemic gaps in the legal regulation and administration of the taxation of foreign digital companies were identified;

– the need for a comprehensive modernization of tax administration and the further strengthening of international cooperation was confirmed, with a particular focus on developing agreements with foreign states for the exchange of information on digital services within the framework of the BEPS, Pillar One and Pillar Two initiatives;

– risks of lost budget revenues were identified due to the insufficient coverage of the existing mechanism for taxing digital services.

The study conducted confirms that the issue of taxing foreign digital companies remains one of the key challenges in the Republic of Kazakhstan's tax policy system. Despite the significant progress achieved through the introduction of the conditional registration mechanism and a digital value-added tax, the issues of the effectiveness of tax control, international coordination, and the further harmonization of national legislation with international standards remain as pressing as ever.

The effective implementation of digital taxation is not limited to legislative reform but also requires the introduction of modern technological tools for tax administration. The research findings provide the basis for formulating the following practical recommendations:

– to establish the concept of “digital services” with an independent normative definition and an exhaustive list of services in electronic form in the Tax Code of the Republic of Kazakhstan, aligning it with the approaches in EU directives and India's OIDAR system;

– developing effective mechanisms for identifying foreign online providers: legislating for information exchange with banks, strengthening cooperation with payment systems;

– Concluding bilateral and multilateral agreements to automate international tax information exchange under the OECD's CRS standard and BEPS initiatives;

– developing an electronic invoicing system, modelled on China's “Golden Tax System”, to ensure the transparency of cross-border digital transactions;

– assessing the feasibility of a qualified domestic minimum top-up tax under Pillar Two and preparing the revenue-sourcing data needed for Kazakhstan’s participation as a market jurisdiction under Pillar One, while refraining from introducing a separate digital services tax.

The systematic implementation of these measures will pave the way for the improvement of the digital taxation model in Kazakhstan, an increase in budget revenues, the levelling of the competitive position for local businesses, and the country's active participation in international tax cooperation.

Overall, Kazakhstan has created a functional legal framework for taxing VAT on foreign digital services and has made significant progress by introducing conditional registration mechanisms for non-resident suppliers. Nevertheless, the country's economy, in the context of growing digitalization, requires further improvement of tax legislation and its administration to ensure stable government revenue and create more balanced conditions for competition.

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