The Moscow Times
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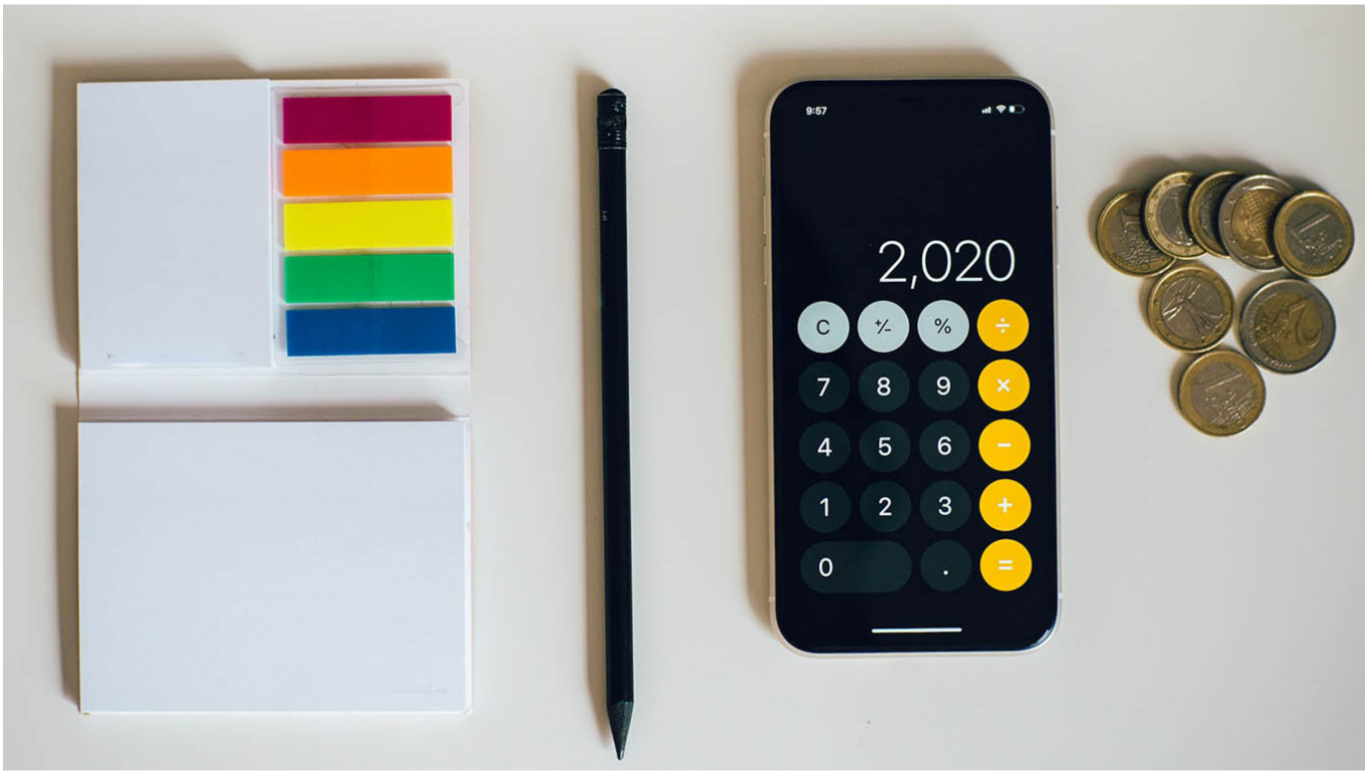
Russia Targets Emigres in Kazakhstan With Back Tax Demands

July 07, 2025



Amol Tyagi / unsplash

Russia has started requiring its citizens living in Kazakhstan to pay back taxes as it grapples with a steep budget deficit and shrinking tax revenues, the Vedomosti business daily reported Monday.

The Federal Tax Service has started issuing notices requiring citizens living in Kazakhstan to pay full individual income taxes for 2022 and 2023, according to Vedomosti.

The demands reportedly affect Russians who were employed by Kazakh companies and paid local taxes under Kazakhstan's tax regime, often between 5 and 20%.

Despite that, Russian tax authorities are treating such employment as remote work performed from Russian territory, meaning the workers could now be liable for Russia's 13% income tax rate, or more if classified as high earners.

"Requests for advice on double taxation of labor income earned in Kazakhstan are becoming widespread," said Ilya Nazarov, managing partner at GidPrava Consulting Group. "This affects regular employees as well as managers who already paid tax locally."

Under Russian law, anyone who spent 183 or more days in Russia during a calendar year is considered a tax resident.

Tax inspectors have concluded that if an individual was a Russian tax resident yet worked for a Kazakh firm, then their work must have been performed remotely from Russia and is therefore subject to Russian taxation, Linda Kurkulite, a lawyer and author of the Telegram channel Tax Consultant's Diary, told Vedomosti.

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Kurkulite said this policy fails to account for many nuances.

Thousands of Russians relocated to Kazakhstan and other neighboring countries in 2022 following the invasion of Ukraine, the Kremlin's fall 2022 mobilization order and tightening political repression. That year, many Russians spent 183 or more days in Russia but lived elsewhere for the remainder of the year while working and earning income abroad, she said.

Under the double taxation treaty that Russia and Kazakhstan have maintained since 1996, taxes on employment income should be paid in the country where the work is physically performed.

If a Russian citizen lived in Kazakhstan and worked there, the income should typically be taxed by Kazakhstan, even if the person remained a Russian tax resident.

Complicating matters further is the requirement under Kazakh law that foreign workers submit tax residency certificates in order to claim treaty benefits.

Many Russians working in Kazakhstan failed to file such documents, meaning their Kazakh income tax payments may not be credited against their Russian liabilities.

"Many expected to only pay the difference — say, 3% if they had already paid 10% in Kazakhstan," said tax advisor Marina Kurlova, the author of the Telegram channel Tax Consultant for Individuals.

Kazakhstan typically withholds a 10% tax on foreign workers automatically, making it difficult for individuals to avoid double taxation without legal assistance or advance planning.

The move comes as Russia faces mounting budgetary pressure due to its costly war in Ukraine, declining energy revenues and ballooning military expenditures.

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