



# Tax changes for 2014



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For everyone, New Year is a time of expectation and change, and this is no different for taxpayers. The traditional annual changes to tax law can be a good thing if they fill the gaps that previously had made taxpayers' lives difficult. However, they do sometimes introduce changes that result in additional tax burdens or a tightening of the tax administration. Unfortunately, this year's set of change seem to have gone the way of increasing the tax burden in 2014.

So, what changes should we expect to the Tax Code this year? First of all, there are a lot of them, both of a clarifying and conceptual nature, which is why I would like to cover only the most significant ones.

For example, the increase in vehicle and property taxes is already widely known.

The increase to **vehicles tax** will affect only those motor cars produced in Kazakhstan or imported into Kazakhstan after 31 December 2013, with engines over 3 litres:

- for cars with 3 - 4 litre engines the tax due will increase from 15 times the monthly calculation index (MCI) to 35 - 66 MCI, depending on the exact engine size. This is a 200% - 400% increase.
- for cars with engines over 4 litres, the tax due will increase from 117 MCI to 130 - 200 MCI, which is just a 10% - 70% growth.

**Property** tax, which is charged by the m2, will double for all real estate owners in Kazakhstan's major cities.

**To reduce the consumption of so-called socially harmful products, manufacturers/importers** of spirits and tobacco products, have not escaped the legislators' attention. Excise duties

on these types of products will be raised gradually. For example, excise duties on spirits will increase from 500 KZT to 1,600 KZT per litre. As for tobacco, excise duties are due to increase from 1,550 KZT to 5,000 KZT for a thousand filter tipped cigarettes. The legislators' objective is to have tripled excise rates for spirits and tobacco products by 2016.

With the creation of the National Chamber of Entrepreneurs, **from 2014 businesses will have to pay** mandatory annual membership fees, which were recently set by the government, based on the business in question's total annual income, as follows:

- for businesses generating total annual income of between 60,000 MCI and 1.5 million MCI - the fee for 2014 will be 160 MCI (296,320 KZT)
- for businesses generating total annual income in excess of 1.5 million MCI - the fee for 2014 will be 4,400 MCI (8,148,800 KZT)

Under the Tax Code membership fees paid to the National Chamber of Entrepreneurs are subject to deduction for corporate income tax purposes, but only up to the limit set by the government.

Another introduction in 2014 is the **mandatory professional pension**

**contribution**, amounting to 5% of the salary fund of anyone employed under harmful and hazardous working conditions. The thinking behind the introduction of mandatory professional pension contributions is to improve employee pension welfare and counter the stagnation of the existing voluntary professional pension system. The list of industries, activities and jobs treated as harmful and hazardous will be approved and reviewed by the government from time to time. Unlike the existing 10% mandatory pension contributions, which are paid by employees, professional contributions will be made at the employer's own expense. Even though the Tax Code allows mandatory professional pension contributions paid by employers within the limits fixed by legislation to be deducted for corporate

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income tax purposes, their introduction will still increase the employer's tax burden on average by 4%.

It seems that the Year of the Horse will keep us on our toes.