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Special Tax Alert

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Key changes

The aim of this alert is to bring to your attention a brief outline of the recent basic changes in legislation with respect to the taxation of individuals. In particular, below we summarize changes to the Tax Code (related to tax exempt income) and law on provision of pensions (the introduction of obligatory professional pension fund contributions) which took effect from January 1, 2014.

Changes to the Tax Code

Certain amendments have been introduced in relation to personal income tax exemptions.

Specifically, the list of individuals granted the right to exempt income (up to an amount of of 55-times MMS per year as set out in sub-clause 13 of the clause 1 of the article 156 of the Tax Code) was supplemented.

As a consequence of these amendments the following categories of individuals have a right to use the above exemption among others now:

- one of the adoptive parents up to the date when a child comes to age of eighteen years old;
- one of the parents, guardians or trustee of a child with category «disabled child» – up to the date when a child comes to age of eighteen years old;
- one of the parents, guardians or trustee of a disabled child with a category of “the person disabled from childhood” - during life of such person.

According to these changes this exemption is not applicable to employees of administration of educational organizations, medical institutions, organizations of social protection of population who are guardians and trustees of persons who need guardianship and trusteeship by virtue of labor relations with such organizations.

In addition to the above amendments, clause 1 of the article 156 was also supplemented to include: income in form of employer’s expenses on maternity leave, leave of employees adopted a newborn child. Such employer’s expenses are not taxable within the limit of minimum monthly salary effective as of the date of accrual of such income. The above exemptions are applicable only in case the payment is envisioned by conditions of an employment and (or) a collective agreement, an act of the employer.

This exemption is considered for the purpose of calculating compulsory pension fund contributions and social tax. However, to date, the Government has not yet announced any corresponding amendments to the rules governing the calculation of obligatory social contributions (approved by Resolution of the Government of Kazakhstan No. 683 on June 21, 2004) and current legislation does not provide for an equivalent of the above exemption on obligatory social contributions. In the event that any such amendments are subsequently approved, we will issue a supplementary alert with a related notification of such amendments.

Changes in Law on Provision of Pensions

Compulsory Professional Pension Contributions (CPPC) are enacted effective as of January 1, 2014.

CPPC are established in an amount of 5 % from employees' monthly income (except persons of retirement age, disabled persons of I and II group).

CPPC must be paid by an employer at their own cost in favor of employees whose professions fall in the list of productions, works, professions of workers, defined by Government of the Republic of Kazakhstan (please, see the Appendix 1).

Taxable base for the purpose of calculation of CPPC is employment income of an employee delivered in cash and excluding the following income:

1) compensatory payments due to working schedule and work conditions:

   payments in accordance with legislation on social protection of individuals suffered from ecological disaster or nuclear tests at testing area;

   field allowances of employees engaged in exploration, topographic-geodesic at field conditions within the limits established by the respective legislation;

   commuting allowances within the limits established by the respective legislation;

2) compensations for unused vacation;

3) termination payments due to liquidation of the organization or cease of activities of the employer or staff reduction.

Filing and payment deadlines for CPPC are as follows:

Monthly payment – no later than 25th of the month following the reporting month;

Quarterly tax report – no later than 15th of the second month following the reporting quarter.

How to contact us

Should you have any questions about the information in this issue of our Tax Alert or any other questions regarding business operations in Kazakhstan, please do not hesitate to contact any of our team members.

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