

NewsFlash

Tax and Legal

December 2018



Dear readers,

This News Flash issue is dedicated to a law¹ introducing amendments to the social security legislation of Kazakhstan (hereinafter - the "Law"). The Law amended five codes and 23 laws. We offer you a brief overview of some of the most significant, in our view, developments related to the adoption of the Law.

Amendments to the Tax Code

From 1 January 2019, 90 percent of the taxable income of an employee will be exempt from personal income tax, if the employee's monthly income does not exceed 25 times the MIF effective on 1 January of the relevant year.

Amendments to the Law on Obligatory Social Insurance

The amendments excluded from the Law on Obligatory Social Insurance the term "self-employed individuals." Instead, the Law specifies all payers of the obligatory social contributions: individual entrepreneurs, private notaries, private officers of the court, attorneys, professional mediators, and farmers.

The Law establishes taxable base for each category of the social contributions payers and specifies that the established taxable threshold refers only to a single social contributions payer.

The amendments also specify that the obligatory social contributions are due monthly and that it is necessary to indicate the reporting month on the payment documents to exclude any lump-sum payments of social contributions with no month indications.

Amendments to Pension Legislation

The amendments to the Law on Pensions obligate individuals earning revenues under service contracts to pay obligatory pension contributions for themselves at the rate of 10 percent of the earned income but not less than 10 percent of the minimum monthly salary. The taxable base is capped by 75 times the minimum monthly salary for the reporting year. The amendments came into effect on 14 July 2018; therefore, individuals were required to pay the obligatory pension contributions from revenues earned under service contracts after this date.

In October 2018 a governmental resolution² introduced the payment procedure and defined the taxable base for the pension contributions under service contracts. According to the approved rules,³ the taxable base includes any income that an individual earns under a service contract. Individuals earning income under service contracts are required to make obligatory pension contributions to the Pension Fund by themselves through second-tier banks by the 25th day of the month following the month in which they earned the income.

¹ Law No. 165-VI On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Social Security Issues, dated 2 July 2018

² Governmental Resolution No. 624 On Amendments and Additions to Certain Governmental Resolutions, dated 9 October 2018

³ Governmental Resolution No. 1116 On Approval of the Rules and Deadlines for the Calculation, Withholding (Accrual) and Transfer of Mandatory Pension Contributions, Mandatory Professional Pension Contributions to the Unified Accumulation Pension Fund and Recoveries thereon, dated 18 October 2013 (as amended on 9 October 2018)

In addition, individuals earning income under service contracts are required to file personal income and social tax declarations reflecting information on the obligatory pension contributions (tax agents declare personal income tax information withheld from service contract fees on the their declarations). The declaration is due by the 15th day of the second month following the reporting quarter. Tax agents are not allowed to withhold or pay obligatory pension contributions from revenues payable to individuals under service contracts.

Other Amendments

The Law introduces other amendments on the social security issues related to:

- Renovation of the state social security policy to address the state social support only to destitute based on the assessment of their real income and living conditions;
- Introduction of legislative norms regulating and encouraging charitable aid to support “small native land”;
- Enhancement of the support to social sphere specialists working in countryside;
- Enhancement of the social protection measures for special state authorities servants; and
- Elimination of the existing legal gaps.

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