



# Thinking Beyond Borders: Management of Extended Business Travelers - Kazakhstan



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**01**

**Key message**

Tax legislation of the Republic of Kazakhstan consists of the Tax Code and normative Legal Acts and is regulated by International Agreements. Tax legislation is based on the principles of the mandatory nature of payment of taxes and other mandatory payments to revenue, certainty and equity of taxation, unity of the tax system and publicity of tax legislation.

The Tax Code of the Republic of Kazakhstan establishes Kazakhstan taxes, levies, and general tax principles.

Such taxes as corporate income tax, value added tax, personal income tax, and excise taxes account for the largest portion of budget revenues. The tax period for a corporation and an individual is a calendar year.

# 1 Key message

In recent years, the foreign investment climate has undergone considerable change, with the government becoming more assertive with respect to foreign investors.

**02**

# **Income tax and Compliance obligations**

## 2 Income tax and Compliance obligations

### 2.1 Liability for income tax

Tax residency Personal taxation in Kazakhstan depends on an individual's tax residency status. Foreign individuals are regarded as tax residents of Kazakhstan if they spend 183 days or more in Kazakhstan in any consecutive 12-month period, which ends in current tax period. Foreign individuals who are present in Kazakhstan less than the stipulated number of days are regarded as tax non-residents.

Tax residents are subject to income tax in Kazakhstan on their worldwide income. Non-residents are subject to income tax in Kazakhstan only on their Kazakh-source income.

### 2.2 Taxable income

A non-resident's Kazakh-source income with respect to employment income includes all income, whether received in cash or in kind, for work performed in Kazakhstan, regardless of where the income is paid or who pays the income. As a rule, all types of compensation and benefits that an employee receives for employment services constitute taxable income. Certain types of non-employment income are exempt from personal income tax. Tax deductions are minimal, except for the obligatory pension fund contributions that local national employees must make on a monthly basis.

### 2.3 Tax rates

The standard personal income tax rate is a flat 10 percent for both resident and non-resident employees.

Under recent changes to the tax legislation, introduction of progressive personal income tax rate is postponed to undefined dates.

With regards to non-resident individuals, their Kazakh-source income other than employment income is taxable at rates ranging from 10 to 20 percent.

### 2.4 Tax payment and reporting mechanism

Kazakh legal entities and representative offices and branches of foreign legal entities registered in Kazakhstan must withhold personal income tax from all payments they make to employees and secondees, remit the tax, and report these taxes on their payroll tax reports. Non-resident individuals in Kazakhstan must register for tax purposes in Kazakhstan and file annual personal income tax declarations if they have Kazakh-source income that is not taxed at the source of payment in Kazakhstan.

Foreign nationals who are tax residents of Kazakhstan are required to file a tax declaration by 31 March following the reporting year if they receive any Kazakh or foreign-source income from which income tax was not withheld at source in Kazakhstan or if they have a foreign bank account. Any final tax payment is due by 10 April of the year following the reporting year.

There is no joint filing status in Kazakhstan. Instead, each spouse earning income must file a separate tax return.

### 2.5 Foreign tax credit

Kazakh resident taxpayers can receive credit in Kazakhstan for the amount of income tax paid in foreign jurisdictions on income derived from foreign sources. The credit cannot exceed the amount of tax that would have been payable in Kazakhstan on the same income. Income pooling is not allowed, and

taxpayers must compute foreign tax credits for each foreign tax jurisdiction separately. In order to claim a foreign tax credit, the Kazakh tax resident should obtain a document confirming the amount of income earned and taxes paid. Such document must be issued and/or certified by the foreign tax authorities.

## **2.6 Treaty claims procedure**

A non-resident individual's income may be exempt from income tax in Kazakhstan under an applicable tax treaty. If the income is subject to income tax at the source of payment in Kazakhstan, the individual can claim treaty relief by providing the employer in Kazakhstan with a certificate confirming their tax residency in a country/jurisdiction that has a tax treaty with Kazakhstan. The employer is responsible for ensuring that the individual meets the conditions to qualify for treaty relief.

**03**

# **Social security**



# 3 Social security

Social security, social tax and obligatory pension contributions social security contributions.

Employers in Kazakhstan must make contributions to the State Social Security Fund. Contributions are required for local employees as well as for expatriate personnel who have a permit for permanent residence in Kazakhstan. A foreign national without a permanent residence permit is not subject to this contribution requirement.

Contributions are computed at the rate of 3, 5 percent of monthly gross salary up to a maximum monthly income of 7 times minimum monthly salary (70,000 Kazakhstani tenge (KZT)) (approximately 1100 US dollars (USD)).

**04**

# **Other issues**

# 4 Other issues

## 4.1 Social tax

Employers in Kazakhstan, including foreign employers operating in Kazakhstan through a branch or representative office, must pay social tax for their local and expatriate employees and secondees.

Social tax is levied at a flat rate of 9, 5 percent on the gross income of employees, including all fringe benefits, whether received in cash or in kind. There is no maximum threshold for the social tax base. The tax is borne entirely by the employer, and no part is withheld from employee salaries.

## 4.2 Obligatory pension contributions

Kazakh nationals must pay 10 percent of their gross income as obligatory contributions to United National Pension in Kazakhstan. The gross monthly income amount subject to obligatory pension contributions is capped at approximately 50 minimum monthly salary (USD7,800) at the present rate of exchange. Employers of Kazakh nationals must withhold the pension contributions from the amounts due to the individuals and remit these amounts to the United National Pension. Foreign nationals who do not have a permanent residence permit in Kazakhstan are not required to join Kazakh pension plans.

## 4.3 Protection of taxpayer rights

Overall, Kazakhstan's tax legislation establishes a relatively well functioning and straightforward tax collection mechanism. Although the Tax Code provides that a principal obligation of the tax authorities is to observe taxpayer rights, these rights are narrow in scope and largely declarative.

Businesses often complain of frequent inspections by tax authorities and other officials, even though such inspections are limited in number and scope under Kazakhstan legislation. Although the government is taking steps to rein in inspections by overzealous officials, Kazakhstan's tax system continues to suffer from excessive bureaucracy, and more progress is needed for the tax collection system to provide adequate safeguards for taxpayer rights.

With regards to non-resident individuals, their Kazakh-source income other than employment income is taxable at rates ranging from 1 to 20 percent.

## 4.4 Tax payment and reporting mechanism

Kazakh legal entities and representative offices and branches of foreign legal entities registered in Kazakhstan must withhold personal income tax from all payments they make to employees and secondees, remit the tax, and report these taxes on their payroll tax reports. Non-resident individuals in Kazakhstan must register for tax purposes in Kazakhstan and file annual personal income tax declarations if they have Kazakh-source income that is not taxed at the source of payment in Kazakhstan.

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