

Overview of key provisions of the new Tax code.

Part 3

March 2018

In brief

In this issue, we update you about key amendments of the 2018 tax legislation in relation to personal income taxation (PIT), pensions, social taxes and other contributions.

Significant changes were made to the rates of these taxes and contributions, categories of income included in the tax base or exempt from taxation, as well as deadlines for submission of tax returns.

If not stated otherwise, changes are effective from 1 January 2018.

This alert is not an exhaustive analysis of all provisions of the new Tax Code¹.

In detail

I. Personal income tax

- Expenses of an employer on transporting employees to work and home are not recognized as income of individuals, if such expenses can be confirmed by service agreements (between the employer and service provider) on transportation of the employees.
- Tax deductions should be applied in the order prescribed by Article 342.1.
- An individual is no longer required to be employed for more than 16 calendar days in a month to qualify for the deduction of 1 monthly payment indicator (MPI)² from taxable income.

II. Other taxes and contributions

Significant changes to the rates of certain taxes and deductions, as well as in the categories of income included in / exempt from the tax base have been made.

Detailed information is presented in the table below.

¹ The Code No. 120-VI "On taxes and other obligatory payments to the state budget" dated 25 December 2017 (the "new Tax Code").

² Monthly payment indicator in 2018 is KZT 28 284.

Rates / Categories of income	2017	2018
<i>Social Tax</i>		
Tax rate	11%	9,5%
Employer's expenses on trainings	Exempt	Included in tax base
Compensation for termination of an employment contract by employer	Exempt	Included in tax base
Compensation for unused annual leave	Exempt	Included in tax base
<i>Contributions to the obligatory social medical insurance fund</i>		
Contribution rate	1%	1,5%
Contributions from income received based on civil contracts	5%	Postponed till January 2020
Obligatory Pension Contributions and Obligatory Professional Pension Contributions	Included in the base for calculation	Exempt*
Employer's expenses on training of employees for production purposes	Exempt	Included in assessment base*
Compensation for termination of an employment contract by the employer	Exempt	Exempt*
Compensation for unused annual leave	Exempt	Included in assessment base*
Minimum amount of the assessment base	1 MPI	Absent*
<i>Social insurance contributions</i>		
Contribution rate	5%	3,5%
Compensation for termination of an employment contract by an employer	Exempt	Included in assessment base*
Compensation for unused annual leave	Exempt	Included in assessment base*
<i>Obligatory Pension Contributions and Obligatory Professional Pension Contributions</i>		
Compensation for termination of an employment contract by an employer	Exempt	Included in assessment base*
Compensation for unused annual leave	Exempt	Included in assessment base*

*Rules on assessment and payment of Social Contributions, Obligatory Pension Contributions and Obligatory Professional Pension Contributions are not harmonized with the new Tax Code. Therefore, these provisions could change.

III. Changes to deadlines for submission of tax returns

Liability to file tax returns should be executed by a taxpayer (tax agent) before the end of a tax period. Thus, a taxpayer cannot submit a tax return until a particular quarter / year is over.

The takeaway

Changes in the tax legislation are substantial and could have a significant impact on your business.

We will be pleased to discuss the changes with you.

Tax and Legal Alert

PwC Kazakhstan

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