



Tax Law

Madi Kenzhaliyev, LL.M

Terms & Translations

- ▣ **PIT** (Personal Income Tax) – ИПН (Индивидуальный Подоходный Налог);
- ▣ **MS** (Minimum Salary) – Минимальная Заработная Плата;
- ▣ **Pension** - ОПВ (Обязательные Пенсионные Взносы);
- ▣ **Revenue** (Income) – Доход
- ▣ **Total Personal Revenue** – Совокупный личный ДОХОД
- ▣ **Net Income** – ЧИСТЫЙ ДОХОД



Goal

- Tax Burden under Employment Contract;
- Tax Burden under Civil Contract;
- Tax Burden of Individual Entrepreneurs;



Governing Laws

- Tax Legislation is based on the:
 1. Constitution;
 2. Code of the RK on Taxes and other Obligatory Payments to Revenue (Tax Code);
 3. and other Normative Legal Acts.



Tax Law

- Tax Law regulate the government-directed relations associated with establishing, introduction and the procedure for the payment of taxes and other obligatory payments to the budget as well as relations between the state and the taxpayer.



Tax Law

- **Sub-par.34 par.1 art.1 TC**
- Taxes - obligatory monetary payments to the budget as established by the state through legislation in a unilateral procedure, except for the cases specified in this Code, which are paid in certain amounts, which are irrevocable and non-refundable;



Subject of the Tax Law

- Subject of the tax law – taxpayer who obliged to pay taxes.
- Taxpayers divided into physical persons and legal entities; as well they could be divided into residents and non-residents.



Tax Law

- **Article 27. A Taxable Item and (or) Item Related to Taxation**
- The taxable item and (or) item related to taxation shall be assets and actions, with the existence of which and on the basis of which the tax liability arises with the taxpayer;




Subject of the Tax Law

- **Principle of Personal Law** – attraction of national (local) physical persons and legal entities;
- **Principle of Territorial Law** – obligation to pay taxes regardless of nationality;
- **Principle of Residence** – divide into residents and non-residents, later to pay taxes from revenues derived from sources in the country of taxation.



Types of Taxes

- | | |
|-------------------------------------|--|
| 1. Corporate Income Tax | 2. Personal Income Tax |
| 3. VAT | 4. Excise Duty |
| 5. Export Rent Tax | 6. Special Payments and Taxes of Subsurface Users |
| 7. Social Tax | 8. Tax on Transport Vehicles |
| 9. Land Tax | 10. Property Tax |
| 11. Tax on Gambling Business | 12. Fixed Tax |
| 13. Uniform Land Tax | |
- 

VAT

□ **VAT**, taxable items:

1. taxable turnovers (selling goods, works and services in the RK);

2. taxable import.

□ VAT – equals to 12%;

□ The minimum turnover shall be 30 000 MCI.



Excise Duty

□ Excisable Products:

1. Alcohol;
 2. Tobacco;
 3. Gasoline;
 4. Diesel;
 5. Crude Oil;
 6. Gas Condensate;
- Subjects – producers/importers of excisable products.



Export Rent Tax

□ **Export Rent Tax:**

1. Crude Oil;
 2. Gas Condensate;
 3. Coal
- Subjects – exporters;



Subsurface Users

- **Special Payments and Taxes of Subsurface Users:**

1. Hydrocarbon Resources;
2. Solid Minerals;
3. Common Minerals.



Subsurface Users

- **Property Tax:**

- Paid by the owners of the Real-Estate;



Tax Law

□ **Article 26. Tax Liability**

- The tax liability the taxpayer's obligation to be registered by the tax authority, identify taxable items and (or) items related to taxation, assess taxes and other obligatory payments to the budget, make tax forms, present tax forms, except for tax registers, to the tax authority within the established time, and pay taxes and other obligatory payments to the budget;



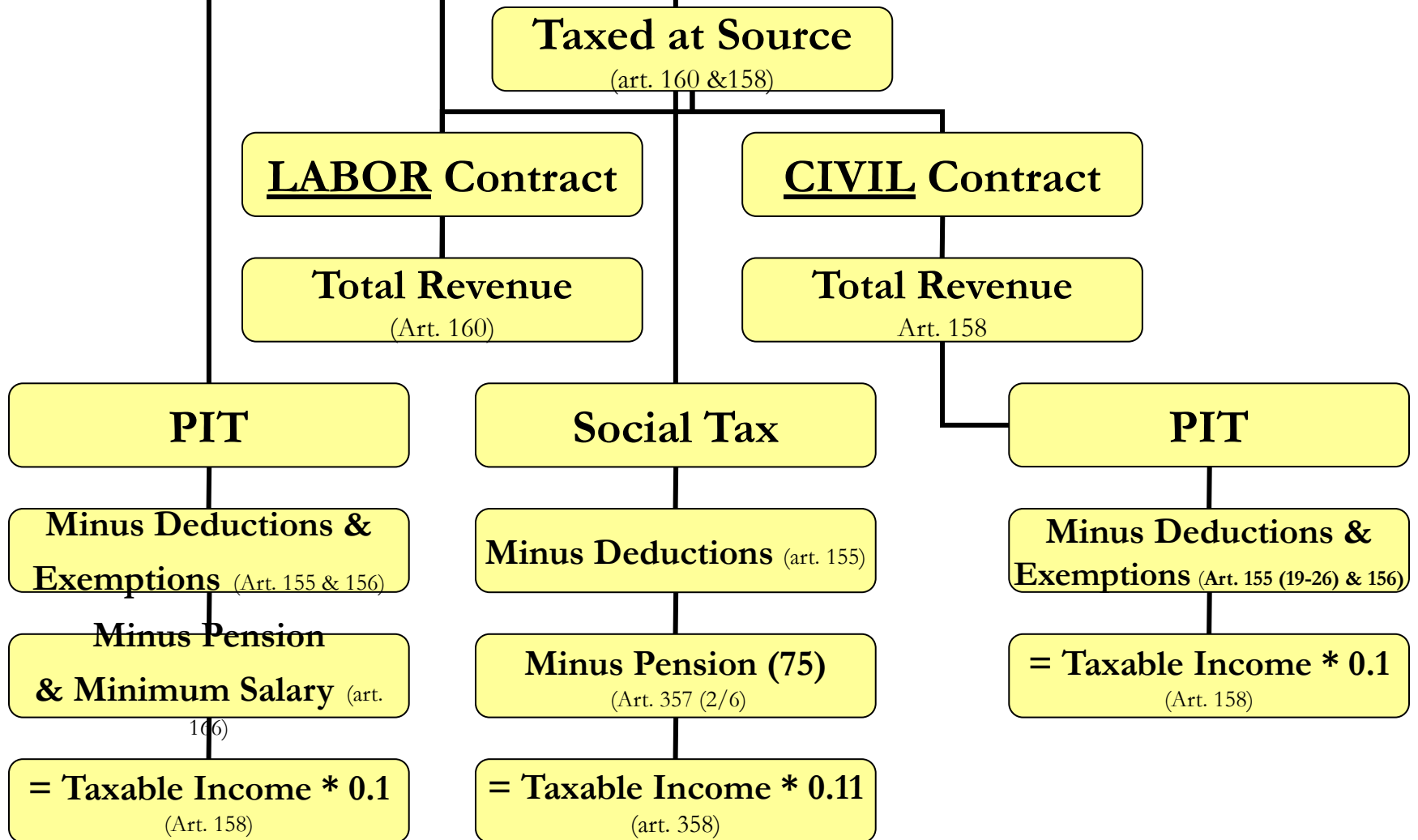
Personal Income Tax

- Who has to pay PIT?

- Subjects of the PIT:
 1. Physical person – resident;
 2. Physical person – non-resident.



PIT and Social Tax



Personal Income Tax

- Object of the PIT:
 1. Revenues taxed at source (i.e. income from: salary, dividends, interest, gains, pensions, scholarships, lump-sum payment);
 2. Revenues not taxed at source (property income, income of IE, lawyers, private notaries, income derived from sources outside of RK).



Personal Income Tax

□ Rates of the PIT:

1. Revenues taxed at source - at the rate of 10%;
2. Income from dividends – at a rate of 5%;
3. Other rates stipulated by the Tax Code.



Case

- **Labor Contract:**
- Your Official Salary is KZT 500,000;
- What will be the amount of your PIT?
- What will be your **Net Income**?



Case

- PIT – 10%;
- Social Tax = 11%
- Pension – 10%;
- Minimum Salary – for 2015 is **KZT 21,364**;



PIT

□ Calculation:

1. Monthly pension payments are 10%;
2. Minimum Salary equals to – 21,364 tenge.
Every employee is entitled to a benefit under the PIT, so part of the salary equal to the Minimum Salary (MS) is not subject to 10% PIT;
3. The rest amount is subject for the PIT equal to 10%.




Case

□ Calculation:

1. Salary – Deductions and Exemptions;
2. – Pension;
3. – Minimum Salary;
4. – Personal Income Tax.

□ I.e: $((\text{Salary} - \text{Deductions and Exemptions}) - \text{Pension}) - \text{Minimum Salary}) - \text{Personal Income Tax} = \text{Net Income}.$



Wrong Calculation!!!

□ Calculation:

1. Salary – Pension = $(500,000 * 10\%) = 450,000$;

2. PIT = $(450,000 * 10\%) = 45,000$;

□ **PIT = 45,000 (Wrong)**



Proper Calculation

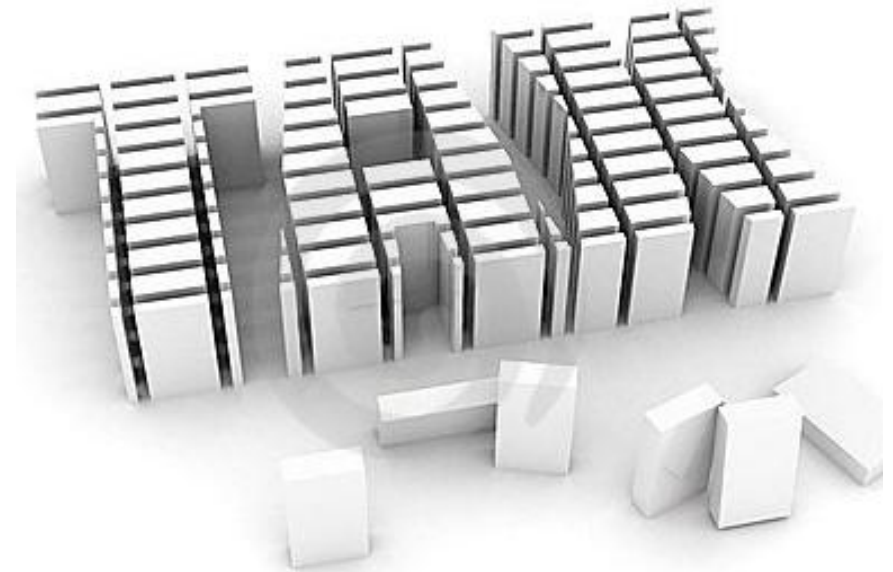
□ Calculation:

1. Salary – Pension = $(500,000 * 10\%) = 450,000$;
2. Salary – Minimum Salary = $(450,000 - 21,364) = 428,636$;
3. PIT = $(428,636 * 10\%)$

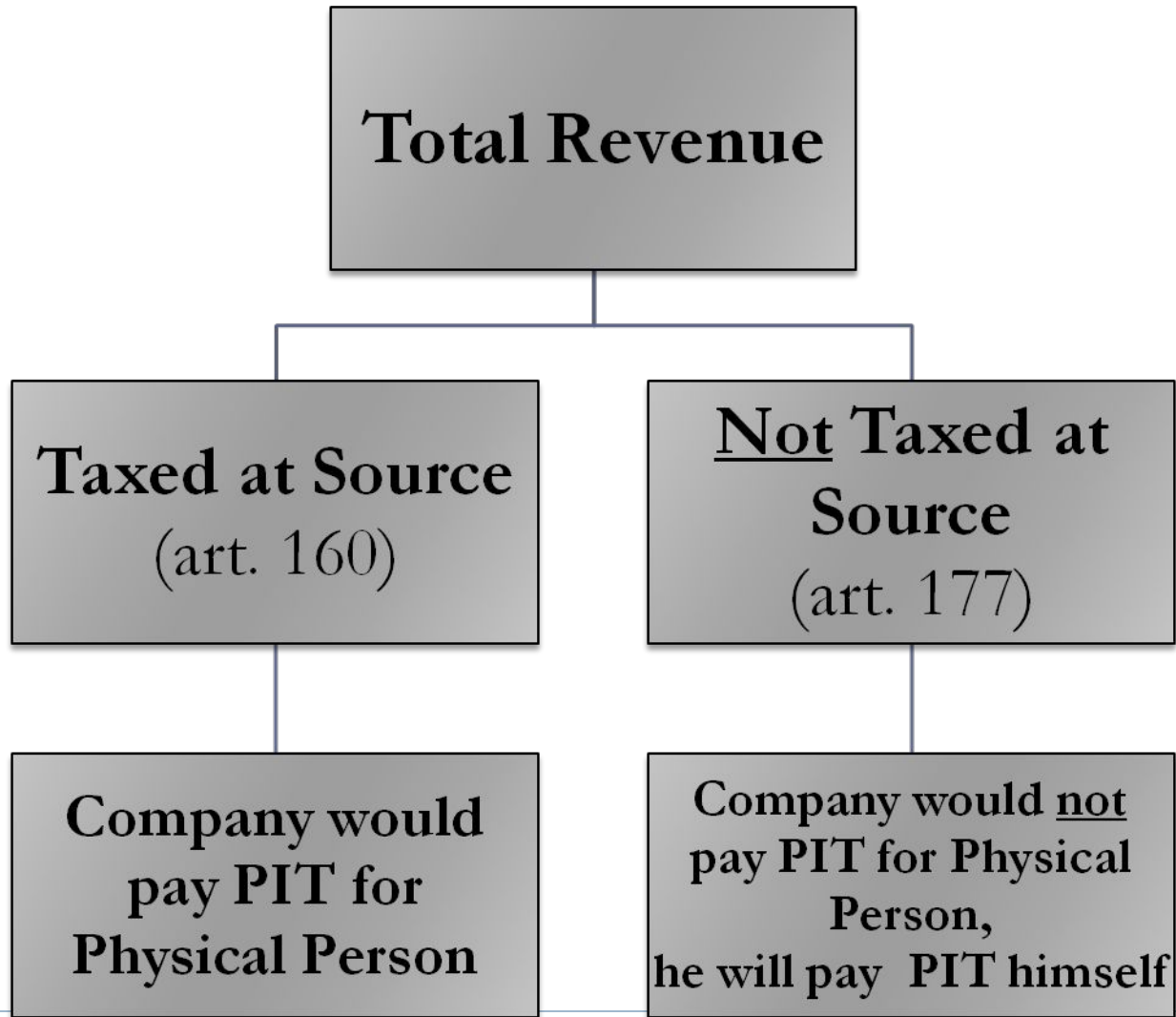
□ **PIT = 42.863.6**




When
COMPANY
(**Tax Agent**)
has to pay
Personal
Income Tax?



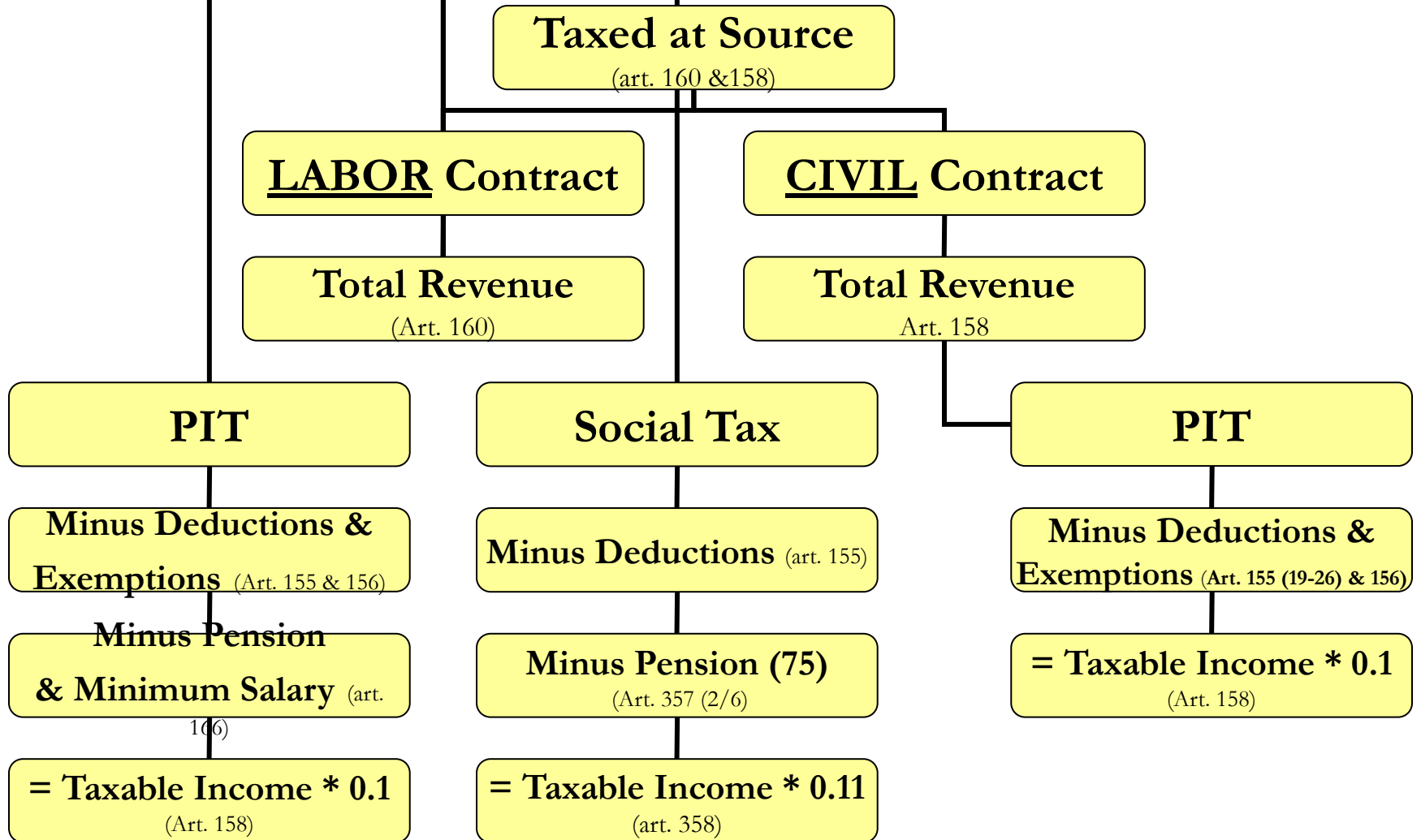
Who pays PIT?



Case

- “**LLP GARANT**” wants to sign a contract for provision of legal services with Arman – the lawyer. Amount of Contract is **KZT 300,000**.
 - Who will pay PIT for Arman, if they sign:
 1. **Labor Contract?**
 2. **Service Contract** assuming that Arman is **not IP?**
 3. **Service Contract** assuming that Arman is **IP?**
-
- 

PIT and Social Tax




Social Tax

□ Calculation:

1. Salary – Deductions and Exemptions;
2. – Pension;
3. – Social Tax.

□ I.e: $((\text{Salary} - \text{Deductions and Exemptions}) - \text{Pension}) - \text{Social Tax}.$



Case

- **LABOR CONTRACT KZT 300,000.**
- **PIT = Taxable Income – Deductions – Pensions – Minimum Salary – PIT = Net Income;**
- **Pension: $300\text{K} - (300\text{K} * 10\%) = 270,000$;**
- **Minimum Salary = $270,000 - 21,364 = 248,636$;**
- **PIT = $248,636 * 10\% = 24,864$.**
- **Social Tax = (Taxable Income – Pensions) * 11% = $(300,000 - 30,000) * 11\% = 29,700$;**
- **Total Taxes = PIT + Social Tax = $24\ 863 + 29\ 700 = \underline{\underline{\text{KZT } 54\ 563}}$**




Case

□ Calculation:

1. Salary – Deductions and Exemptions;
2. – Pension;
3. – Minimum Salary;
4. – Personal Income Tax.

□ I.e: $((\text{Salary} - \text{Deductions and Exemptions}) - \text{Pension}) - \text{Minimum Salary}) - \text{Personal Income Tax} = \text{Net Income}.$



Case

- Amount of Contract is **KZT 300,000**.
- **SERVICE CONTRACT**
- **Arman is not an IE (Individual Entrepreneur)**
- Taxable Income – PIT = Net Income;
- $300,000 - (300,000 * 10\%) = \mathbf{270,000}$.
- **PIT = 30,000 tenge**



Case

- Amount of Contract is **KZT 300,000.**
- **SERVICE CONTRACT**
- **Arman is not an IE (Individual Entrepreneur)**
- Company has to pay = **30,000.**



Case

- Amount of Contract is **KZT 300,000.**
- **SERVICE CONTRACT**
- **Arman is an IE (Individual Entrepreneur)**
- Company doesn't have to pay any taxes for Arman.



Case

- “**LLP GARANT**” wants to sign a contract for provision of legal services with Arman – the lawyer. Amount of Contract is **KZT 300,000**.
- Who will pay PIT for Arman, if they sign:
 - 1. Labor Contract = 54 563 tenge**
 - 2. Service Contract:**
 1. Arman is not IP = 30,000 tenge;
 2. Arman is an **IP** = 0 tenge.



Individual Entrepreneur

- Tax Regimes of the IP:
 1. Generally Established Procedures;
 2. Special Tax Regimes:
 1. On the Basis of Patent;
 2. On the Basis of Simplified Declaration;



Individual Entrepreneur

- Generally Established Procedures:
 1. PIT – 10%;
 2. Social Tax – 2 MS for oneself and 1 MS for each employee of the IP;
 3. Pension: personally identify the income from which pension contributions will be paid. Shall not be less than 10 MS (10* 21,364) and not more than 75 MS (75* 21,364).



Case

- **SERVICE CONTRACT**
- **Arman is an IE: Generally Established Proc.**
- Amount of Contract is **KZT 300,000.**
- Expenses – KZT 50,000;
- Taxable Income – 250,000;
- PIT: $250,000 * 10\% = \mathbf{25,000};$
- Social Taxes – 2 MS = $2 * 21,364 = \mathbf{42,728};$



Individual Entrepreneur

- Special Tax Regime - **Patent:**
 1. PIT – 1%;
 2. Social Tax – 1%
- ***Note:** IP can not hire employees and doesn't have the rights to make deductions from the Taxable Income.



Case

- **SERVICE CONTRACT**
- **Arman is an IE: Patent**
- Amount of Contract is **KZT 300,000.**
- Expenses: KZT 50,000;
- Taxable Income: 300,000;
- PIT: $300,000 * 1\% = \mathbf{3,000};$
- Social Taxes: $300,000 * 1\% = \mathbf{3,000};$



Individual Entrepreneur

- Special Tax Regime – **Simplified Declaration:**
 1. PIT – 1,5%;
 2. Social Tax – 1,5%;
- ***Note:** IP doesn't have the rights to make deductions from the Taxable Income.



Case

- **SERVICE CONTRACT**
- **Arman is an IE: Simplified Declaration**
- Amount of Contract is **KZT 300,000.**
- Expenses – KZT 50,000;
- Taxable Income – 300,000;
- PIT: $300,000 * 1,5\% = 4,500;$
- Social Taxes: $300,000 * 1,5\% = 4,500;$



Types of Taxes

- | | |
|-------------------------------------|---|
| 1. Personal Income Tax | 2. Corporate Income Tax |
| 3. VAT | 4. Social Tax |
| 5. Export Rent Tax | 6. Property Tax |
| 7. Excise Duty | 8. Tax on Transport Vehicles |
| 9. Land Tax | 10. Special Payments and Taxes of Subsurface Users |
| 11. Tax on Gambling Business | 12. Fixed Tax |
| 13. Uniform Land Tax | |



Tax Law

- **For Legal Entities:**
- **Taxable Income** = (Aggregate Annual Income) - (Deductions);
- Aggregate Annual Income of local LE's shall consist of income subject to be received (received) both in the Republic of Kazakhstan and beyond its boundaries during a tax period.

