

# НАЛОГОВОЕ ПРАВО

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## MAJOR TAXES AND GENERAL PRINCIPLES OF KAZAKHSTANI TAX SYSTEM

### Annotation

The article is devoted to the general principles of the tax system of the Republic of Kazakhstan and the specifics of taxation of various types of income. The author reviewed the evolution of Kazakhstan's tax legislation since gaining independence.

The article also analyzes the provisions of the new Tax Code, which is set to enter into force in 2026.

The study examines issues of taxation of legal entities and individuals, including corporate income tax, value-added tax (VAT), personal income tax, as well as excise and social taxes. Special attention is paid to tax deductions, exemptions, and procedures for calculating the taxable base. Based on this analysis, conclusions are drawn regarding the current state of Kazakhstan's tax system, the direction of its tax policy, and its focus on supporting small and medium-sized businesses.

**Keywords:** tax system, Kazakhstan, income tax, profit tax, Tax Code, deductions, tax benefits, excise, VAT, tax reform.

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## ҚАЗАҚСТАННЫҢ САЛЫҚ ЖҮЙЕСІНІҢ НЕГІЗГІ САЛЫҚТАРЫ ЖӘНЕ ЖАЛПЫ ҚАҒИДАЛАРЫ

### Аңдатпа

Мақала Қазақстан Республикасының салық жүйесінің жалпы қағидаттарына және әртүрлі табыс түрлеріне салық салудың ерекшеліктеріне арналған. Автор Қазақстан тәуелсіздік алған сәттен бастап салық заңнамасының дамуын қарастырады. Сонымен қатар, мақалада 2026 жылы күшіне енетін жаңа Салық кодексінің негізгі ережелеріне талдау жасалған.

Зерттеуде заңды және жеке тұлғаларға салық салу мәселелері қарастырылады, оның ішінде корпоративтік табыс салығы, қосылған құн салығы (ҚҚС), жеке табыс салығы, сондай-ақ акциздер мен әлеуметтік салықтар талданған.

Салықтық шегерімдер мен жеңілдіктерге және салық салынатын базаны есептеу рәсімдеріне ерекше назар аударылады. Осы негізде Қазақстанның қазіргі салық жүйесінің жағдайына, салық саясатының бағыттарына және оның шағын және орта бизнесті қолдауға бағытталғандығына қатысты қорытындылар жасауға болады.

**Түйінді сөздер:** салық жүйесі, Қазақстан, табыс салығы, пайдаға салынатын салық, Салық кодексі, шегерімдер, салықтық жеңілдіктер, акциз, ҚҚС, салық реформасы.

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## ОСНОВНЫЕ НАЛОГИ И ОБЩИЕ ПРИНЦИПЫ НАЛОГОВОЙ СИСТЕМЫ КАЗАХСТАНА

### Аннотация

Статья посвящена общим принципам налоговой системы Казахстана и особенностям налогообложения различных видов доходов. Автор рассмотрел эволюцию налогового законодательства с момента обретения независимости Республикой Казахстан. Также в статье проведен анализ положений нового Налогового кодекса, вступающего в силу в 2026 году.

В статье изучены проблемы налогообложения юридических и физических лиц, в том числе корпоративный подоходный налог, налог на добавленную стоимость, подоходный налог с физических лиц, а также акцизный и социальный налоги.

Особое внимание уделено налоговым вычетам и льготам и процедурам расчета налогооблагаемой базы, на основании чего можно сделать выводы о современном состоянии налоговой системы Казахстана, направлениях налоговой политики и ее ориентированности на поддержку малого и среднего бизнеса.

**Ключевые слова:** налоговая система, Казахстан, подоходный налог, налог на прибыль, Налоговый кодекс, вычеты, налоговые льготы, акциз, НДС, налоговая реформа.

From 1991, the year when Kazakhstan declared its independence, and till present days several tax laws and codes were enacted. As tax practices evolve, authorities update and enact new tax codes to align with contemporary practices. The following laws and tax codes were enacted during the period of 1991-2025:

Since 1991, the year in which Kazakhstan declared its independence, several tax laws and codes have been enacted. As global tax practices have evolved, the local authorities have continued to update and enact new legislation, so as to align Kazakhstan's legislation with contemporary regimes. Following is a list of laws and tax codes from the period between 1991 and 2025:

1. Law of the Kazakh SSR "On taxes from enterprises, associations and organizations", dated 14 February 1991;

2. Law of the Republic of Kazakhstan "On taxes and other mandatory payments to the budget", dated 24 April 1995;

3. Code of the Republic of Kazakhstan "On taxes and other mandatory payments to the budget", dated 12 June 2001;

4. Code of the Republic of Kazakhstan "On taxes and other mandatory payments to the budget", dated 10 December 2008;

5. Code of the Republic of Kazakhstan "On taxes and other mandatory payments to the budget", dated 25 December 2017;

6. Code of the Republic of Kazakhstan "On taxes and other mandatory payments to the budget", which is scheduled to come into force on 18 July 2025.

This article is based on the latest version of Tax Code that is expected to be enacted on December 2025. Taxpayers in Kazakhstan could apply general tax regime or special tax regime designed for small and medium business.

The present article follows the most recent version of Tax Code that was signed on 18 July 2025, which, as stated above, is expected to be valid as of 1 January 2026. Taxpayers in Kazakhstan are able to apply either the general tax regime or the special tax regime, the latter of which is designed for small- and medium-sized enterprises, depending upon their legal status.

### Corporate Income Tax

Corporate Income Tax (hereinafter – "CIT") is a tax that applies to legal entities. Pursuant to Tax Code CIT applies to resident or non-resident legal entities and non-resident's permanent

establishment in Kazakhstan. Basically taxable income is determined by the following formula:

Corporate Income Tax (CIT) is charged to applicable legal entities, which is to say, such enterprises are not registered as non-profits, which are subject to their own specific legislation, though certain of their income may indeed be subject to taxation. Pursuant to the Tax Code, CIT is applied to both resident and non-resident legal entities, inclusive of the permanent establishment of any non-resident legal entity, that earn income within the territory of Kazakhstan. As is found in most jurisdictions, taxable income is determined by the following basic formula:

Taxable Income = Gross Income received by legal entity during calendar year – Income Reduction +(-) Adjustments, i.e. income that Tax Code allows to reduce or exclude/include from/ into taxable base – Deductions, i.e. expenses that are related to business.

Taxable Income equals Gross Income (the total income received by a legal entity over a calendar year) less Income Reduction and Income Adjustments (reductions and additions in income that the Tax Code stipulates should be removed from or included into the taxable base) less Deductions (allowable expenses that are considered to be related to conducting business).

So, the first step is to identify gross income that should be included in legal entities' taxable income. These items of income include income from sale of goods, services, discharge from debt, passive income such as dividends, interest, capital gain and so on. Items of income listed in the Tax Code is non-exhaustive since this article provides that gross income also includes "other types of income not listed above".

Therefore, the first step is to identify the total amount of gross income that should be included into the taxable base of a legal entity, which includes, but is not necessarily limited to: income from the sale of goods and services, discharge from debt, passive income (e.g. dividends and interest), capital gains, and so on. In the Tax Code, the list of items to be included as income is non-exhaustive, as this article provides that gross income also includes "other types of income not listed above".

The second step is to reduce income on dividends (in order to avoid economic double taxation), income received from sale of digital assets, income from trust management, income received by non-profit organization, the cost of

services received at the expense of state budget in the form of state non-financial support for business entities. The main purposes to reduce above mentioned economic benefits is tax policy that provides to provide tax benefits to taxpayers not to include economic benefits into taxable base.

The second step is to subtract out any income that might accidentally be subject to economic double taxation, such as, for example, from dividends, from the sale of digital assets, or from trust management. Furthermore, income received by a non-profit organization is typically not subject to income taxes, so income must be reduced. Finally, the value of services received at the expense of the state budget in the form of state non-financial support for business entities should also be discounted. The main purpose of eliminating the aforementioned items, among others, is that the tax policy provides certain tax benefits to organizations in the form of striking such economic benefits from their taxable base.

Adjustment allows the increase or decrease of the taxable base in the following cases:

- 1) Full or partial return of goods;
- 2) Later alteration in the terms of a previous transaction;
- 3) Change in established price, resulting in compensation for already sold goods or services;
- 4) and, Discount in price, such as with regards to second-and third-degree price discrimination.

Such adjustments are designed to allow a taxpayer not to include excess monetary benefits when the terms of a typical contract change. A mandatory audit may include review of existing contracts, in which any alterations from established standards might be construed as tax avoidance, thus a taxpayer must document and be prepared to validate any adjustments.

The third step is to identify business related deductible expenses that could reduce taxable base. Deductions may include salaries paid to employees, rents paid for the office, expenses related to business trips, expenses on interest payment and other similar business-related expenses. Deductions allow taxpayers to deduct expenses that relate to generation of the profits in order to reflect true economic profit and to tax only real profit instead of received gross revenue.

Please note that tax legislation sets limits for certain types of deductions and in some cases even disallow deductions. Examples may include membership fees to business associations that

could be deducted up to 1 monthly calculated index (hereinafter - "MCI") per employee; expenses in the form of goods that handed over as a promotion gift up to 5 MCI. Tax Code also sets limit for deductions for expenses paid to related parties registered in tax haven jurisdiction in the form of management, consultancy, audit, design, legal, accounting, advocacy, advertising, marketing, franchising, financial and so on services. The tax policy behind such restrictions is to discourage taxpayers from activities with entities registered in tax havens and to reduce outflow of capital to grew and blacklisted jurisdictions. A taxpayer may deduct expenses in such cases in the amount that does not exceed 3 percent of taxable income.

Income left after reduction/adjustments and deductions is taxable income. In case adjustment and deductions exceed received income, then taxpayer will incur losses. Losses that result from business activities could be carried over and offset against taxable income for up to ten tax periods.

Tax Code also allows to deduct amounts spent by taxpayer on acquisition of fixed assets, such as buildings, computers, equipment, machinery and so on. Fixed assets are grouped into the following categories:

№	№ Groups	Name of fixed assets
1	2	3
1.	I	Buildings, structures, with the exception of oil and gas wells, as well as transmission devices
2.	II	Machinery and equipment, with the exception of machinery and equipment for oil and gas production, as well as computers and information processing equipment
3.	III	Computers, software and equipment for information processing
4.	IV	Fixed assets not included in other groups, including oil and gas wells, transmission devices, machinery and equipment for oil and gas production

Over time fixed assets depreciate and Tax Code allows to deduct their cost by applying the depreciation rates established by the taxpayer in the tax register. However, depreciation rates should not exceed the following maximum rates:

№	№ Groups	Name of fixed assets	Maximum depreciation rate (%)
1	2	3	4
1.	I	Buildings, structures, with the exception of oil and gas wells, as well as transmission devices	10
2.	II	Machinery and equipment, with the exception of machinery and equipment for oil and gas production, as well as computers and information processing equipment	25
3.	III	Computers, software and equipment for information processing	40
4.	IV	Fixed assets not included in other groups, including oil and gas wells, transmission devices, machinery and equipment for oil and gas production	15

### Tax incentives

Tax incentives allow Kazakhstani legal entities to deduct cost that were spent onto buildings, structures, machines, equipment and software. In order to apply tax incentives no need for taxpayer to obtain any permission or send any notification to tax authorities. Taxpayer may choose to apply one of the following methods:

- 1) the method of deduction after recognition of the asset;
- 2) the method of deduction before recognition of the asset.

Under the first method cost of the asset is deducted in the period when the asset is recognized, while pursuant to the second method cost is deducted in the tax period in which the expenses are actually incurred.

Keep in mind that certain expenses are non-deductible. Such expenses may be expenses that does not relate to business activities, expenses related to fake transactions, fines that are payable to state budget, excess taxes paid to Kazakhstani budget or other country's budget.

### Personal Income Tax

Personal Income Tax (PIT) is applied to income received by individuals in the form of salary, payment for services or passive income, such as dividends, interest, capital gain. PIT applies to both income received from sources in Kazakhstan and to income from foreign sources. Taxable income for resident individuals is determined by the following formula:

$$\text{Taxable Income} = \text{Income} - \text{Deductions.}$$

Tax Code elaborates types of income received by an individual that are subject to taxation which we could group into the following:

- 1) income from employment;
- 2) income from independent activities, such as sale of goods and provision of services;
- 3) income in the form of free benefits (property received for free, pay off debt, debt forgiveness, scholarships, etc.);
- 4) passive income (dividends, interest, capital gain, rental income).

Please note that above listed types of income are non-exhaustive since individual's income include "other income not specified above".

However, not all payments received by an individual are subject to taxation. Tax Code specifically enumerates types of income that are not considered as individual's income. These types of income could be grouped into the following:

- 1) employee's compensation for business trips, allowances for field workers, cost of special clothing, personal protective equipment;
- 2) capital gain upon sale of home, garages, parking lots owned for two years or more, and vehicles owned more than one year;
- 3) employer's mandatory pension contributions;
- 4) the cost of goods transferred free of charge for advertising purposes if the cost of a unit of such goods does not exceed 5 MCI;
- 5) income upon debt termination;
- 6) mandatory professional pension contributions;
- 7) material benefits received from budget funds, for instance, child care in kindergarten, school, college and university;
- 8) payments to individuals for the personal property acquired from them;
- 9) expenses incurred by the employer to pay for training of its employee;
- 10) payments to whistleblowers and so on.

Above listed types of income are excluded from individual's income and not taxed. Policy behind such relief is that some of above listed income in reality just compensation of incurred expenses (i.e. compensation for business trips) and in some cases government just wants to provide its citizens relief from taxation (i.e. income from debt termination).

### **Personal deductions**

Tax Code allows personal deductions that could reduce taxable income. Such deductions include:

- 1) tax deductions of social payments;
- 2) basic tax deductions;
- 3) social tax deductions.

Social payments that could be deducted include mandatory pension contributions and mandatory medical contributions. Basic tax deductions include 30 MCI, which is around USD 200 per month.

Social tax deductions are provided for individuals with disabilities of first, second categories (5000 MCI), for individuals with disabilities of third category and veterans (882 MCI), for parents which have kids with disabilities (882 MCI).

Tax Code provides two ways to collect PIT from individuals and to transfer them to state budget:

1) Withholding mechanism via tax agent. Tax Code imposes obligation on tax agent to collect PIT. Obviously, this is the easiest and most efficient way to collect taxes and social payments from individuals that work as employees.

2) Self-assessment system by an individual. This mechanism applies to individuals who work independently, for instance, advocates, notary public, bailiffs or receive investment income in the form of rent, dividends, interest, royalty or capital gain.

Kazakhstani Tax Code applies progressive taxation for personal income. General tax rate is 10%. In case annual income exceeds 8500 MCI, which is equivalent of USD 64 000 in 2025, then tax rate will increase up to 15% of the remaining difference.

Tax rate for individual practitioners is 9%, while tax rate for farmers is 3%. Dividends are also taxed at progressive tax rate – 5% when amount of dividends do not exceed 230 000 MCI, which is equivalent to USD 1,7 million in 2025. In case dividends exceed 230 000 MCI, then tax rate will increase up to 10% of the remaining difference.

Tax rate for individual entrepreneurs is 10% for income up to 230 000 MCI, in case amount of income exceeds this threshold, then tax rate will be 15% of the remaining difference.

In order to correctly calculate PIT we need to identify whether individual is Kazakhstani tax resident or non-resident because non-residents could not apply some deductions and adjustments to reduce their taxable base.

Kazakhstani tax residents are those individuals who permanently reside in Kazakhstan or has center of vital interests in Kazakhstan.

When an individual spends more than 183 calendar days in Kazakhstan, such person is considered as a person who permanently resides in Kazakhstan.

As regards to center of vital interests, Tax Code explains that individual is considered to have center of vital interests in Kazakhstan when such individual simultaneously meets the following three criteria:

- 1) individual holds Kazakhstani citizenship or residence permit;
- 2) individual's spouse or close relatives live in Kazakhstan;
- 3) individual has dwelling in Kazakhstan that is available for him/her or his/her spouse or close relatives at any time.

Non-residents are considered to be those individuals who are not Kazakhstani tax residents.

#### **Value Added Tax**

Value Added Tax is an indirect tax on goods and services. Pursuant to VAT's nature and concept the final consumer of the goods and services bears the burden of this tax. This tax applies to taxable turnover and taxable imports. Basically, taxable turnover and taxable import is the price of goods and services.

Value Added Tax is paid by two categories of taxpayers:

- 1) VAT registered Kazakhstani taxpayers such as individual entrepreneurs, resident legal entities, non-residents that conduct business in Kazakhstan via branch, representative office;
- 2) importers that import goods into Kazakhstan;
- 3) foreign companies that sell goods and services via internet, for instance, Amazon, Wildberries, Netflix, Google and etc.

Pursuant to general rule sale of goods and provision of services are taxable event for VAT purposes, except when Tax Code exempts sale or importation of certain goods and services from VAT. Tax Code recognizes as a sale of goods when taxpayer transfers the rights on goods, for

instance, in exchange for other goods or services, and even when goods are transferred free of charge, etc. Provision of services is recognized as a taxable event when services are sold, including when provided free of charge. However, you should note that not all transfer of goods and provision of services are recognized as a taxable event. For instance, Tax Code provides some exceptions from the general rule when transfer of goods and provision of services is not taxable event for VAT purposes, for instance, contribution of goods into charter capital of the company.

Tax Code provides the following three VAT rates:

- General tax rate - 16%;
- Preferential tax rate for medicine, medical products, healthcare services – 5% from 1 January 2026, and 10% from 1 January 2027; and
- Preferential tax rate 0% for goods that are exported, for international transportation, sale of fuel by airports to aircrafts in international traffic, sale of goods to special economic zones, sale of refined gold.

If transaction is taxable, then you have to determine whether place of sale of the services is in Kazakhstan or in foreign country. If place of sale of services is in Kazakhstan, then VAT is applied. On the other hand, if place of sale of services is foreign country, then Kazakhstani VAT does not apply.

One of the major rules for VAT taxation in Tax Code are rules that determine the place where goods and services are sold. In case place of sale of services is in Kazakhstan, then taxpayer must charge 16% or 5/10% or 0% VAT. The rules are designed separately for sale of goods and provisions of services:

Kazakhstan is recognized as a place of sale when transportation of goods has started in Kazakhstan or when goods are handed over to the customer in Kazakhstan.

As regard to services, Kazakhstan is recognized as a place of sale in the following cases:

- 1) if services are related to real property which is located in Kazakhstan;
- 2) if services (i.e. installation, assembly, repair, maintenance) that are related to movable property are provided in Kazakhstan;
- 3) if services related to culture, entertainment, science, art, education, physical culture or sports are provided in Kazakhstan;
- 4) the buyer of services carries out its entrepreneurial activity in Kazakhstan. This rule

applies for the following enumerated services: transfer of rights to use intellectual property; technical maintenance and software updates; providing access to internet resources; consulting, auditing, engineering, design, marketing, legal, accounting, advertising services, as well as services for the provision or processing of information, provision of access to mass media information posted on an Internet resource, services provided by advocates, provision of personnel and so on;

5) If services not listed above are provided by a taxpayer in Kazakhstan.

In case place of the sale of goods or services is not recognized Kazakhstan, then VAT does not apply. Once again, the rule which determines place of sale is important in order to identify whether taxpayer should charge its client VAT or not.

Please note that taxpayers have two options for VAT registration – the first option is mandatory VAT registration when turnover exceeds 10 000 MCI, or around USD 75 000, for the calendar year and the second option is voluntary VAT registration. In the case of voluntary registration taxpayer has right to register for VAT purposes from the first day of operation.

### **Excise Tax**

Excise tax is an indirect tax that is paid by consumers. Excise tax is levied usually on alcohol, tobacco, fuel and vehicles. Excise tax usually has the following goals:

- to collect additional revenue for state budget;
- to reduce consumption of unhealthy and harmful goods;
- to control the production and circulation of socially significant goods.

Excise tax is levied on the following goods:

- all types of spirits;
- alcohol products, for instance, wine, beer, vodka, cognac, ethyl alcohol;
- tobacco products such as cigarettes, cigars, chewing tobacco;
- electronic tobacco heating systems;
- fuel and lubricants, such as gasoline, diesel fuel, oil, gas condensate;
- motor vehicles, for instance, cars with an engine capacity of more than 3000 cubic cm with the exception of special vehicles for people with disabilities;

- products for medical purposes that contain alcohol;
- energy drinks.

The obligation to pay excise taxes rests with:

1. Manufacturers that produce excisable goods within Kazakhstan;
2. Importers that bring excisable goods into Kazakhstan;
3. Wholesalers and retailers of certain excisable goods, for example, gasoline, diesel, benzenol and environmentally friendly fuel in Kazakhstan;
4. entities that sell confiscated by state excisable goods;
5. entities that assemble excisable goods, for instance cars.

Excise tax is calculated by using the following methods:

- fixed tax, for instance 2 805 tenge for 1 liter of alcohol.
- percentage (ad-valorem) – tax is calculated in percentage from the price of the goods, for instance premium alcohol is taxed at 10% of its price.

Tax period for excise tax is one month. Tax return should be submitted before 15th day of the second month and excise tax should be transferred to state budget no later than 20th day of the second month.

Certain goods could be exempted from excise tax:

- Goods that are exported;
- Ethyl alcohol within quotas;
- Alcohol-containing products for medical purposes registered as a medical product.

### **Social Tax**

Social tax is a tax that paid by taxpayers into state budget in order to insure social protection, for instance when a person loses job, gets professional injury and could not work for some period.

Social tax is paid by the following taxpayers:

- Individual entrepreneurs and individual practitioners, such as advocates, notaries and bailiffs for themselves and their employees;
- Legal entities that are residents in Kazakhstan for its employees;
- Non-resident legal entities that conduct business in Kazakhstan through permanent establishment for its employees;

- Non-resident legal entities that conduct its business structured units in Kazakhstan that does not create permanent establishment for its employees. For instance, representative office.

This tax is not paid by entities that use special tax regimes, for instance, self-employed, farmers or organizations that work with invalids.

Taxable base for social tax is amount of income paid as a salary to employees. The following expenses could reduce taxable base:

1. Mandatory pension contributions;
2. Medical insurance contributions;
3. Income paid to military personnel, personnel of law enforcement agencies, income paid to employees of legal entities that are registered in Astana Hub, compensation payments for those who lived and worked in areas with ecology problems (Semei nuclear testing ground, Aral region), income paid to embassy employees who are not Kazakhstani citizens and so on.

The tax rate of Social Tax

- General tax rate of Social Tax is 6%. However, reduced tax rate also applies to farmers at the rate of 0.6% for themselves and 0.3% for each employee.

- Individual entrepreneurs and individual practitioners pay social tax in the amount 2 MCI (7 864 tenge) for taxpayer itself and 1 MCI (i.e. 3932 tenge) for each employee;

- Entities that produce and sale its own agricultural products pay social tax at the rate of 1,8%.

Tax period for Social Tax is one month. Reporting period is 3 months. Tax returns should be submitted no later than 15th day of the second month after the reporting period ends, i.e. no later 15 May, 15 August, 15 November, 15 February. Tax should be transferred to state budget no later than 25th day of the second month following the reporting period, i.e. 25 May, 25 August, 25 November, 25 February.