



GLOBAL
EMPLOYER
GUIDE

KAZAKHSTAN





Basic Country Facts

Full Name

- The Republic of Kazakhstan

Capital

- Nur-Sultan

Main Languages

- Kazakh
- Russian

Population

- 18.28 million

Monetary Unit

- Kazakhstani Tenge

Internet Domain

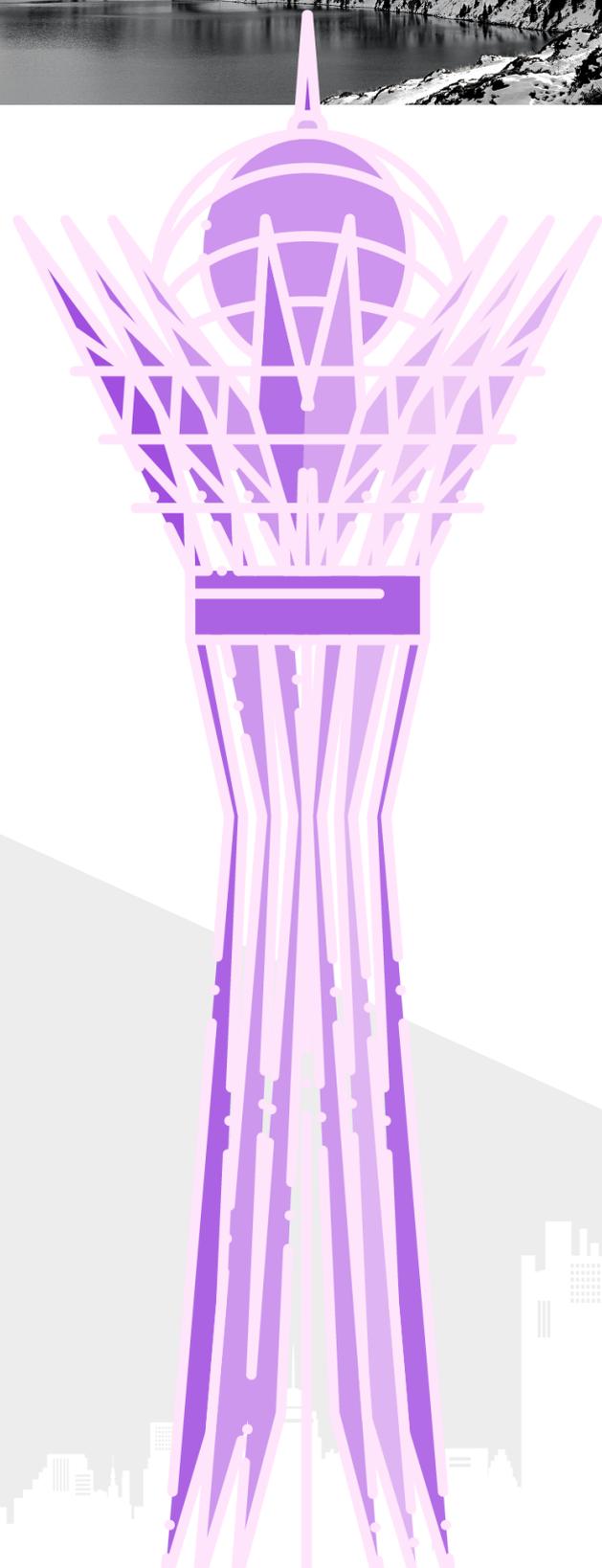
- .kz

International Dialing Code

- +77

Currency

- Kazakhstani Tenge



STATUTORY LABOR REQUIREMENTS

Probation Period

- The probation period must be established in the contract and must not exceed three months.

Annual Leave

- Employees are generally entitled to a minimum of 18 days of paid annual leave and should be paid at least 3 days before the employee goes on leave.

Public Holidays

- New Year's Day (1st January)
- Orthodox Christmas Day (7th January)
- International Women's Day (9th March)
- Nowruz (21st to 25th March)
- Unity Day (1st May)
- Defender of the Fatherland Day (7th May)
- Victory Day (11th May)
- Day of the Capital (6th July)
- Eid al-Adha
- Constitution Day (31st August)
- Day of the First President of the Republic of Kazakhstan (1st December)
- Kazakhstan Independence Day (16th to 17th December)

Maternity Leave

- Female employees are generally entitled to 70 calendar days of employer paid leave before the birth and 56 days after the birth, or 70 days for a multiple birth.

Paternity Leave

- Fathers are generally entitled to unpaid paternity leave.



Sick Leave

- Sick leave is calculated on the basis of the average monthly remuneration rate.
- The amount of sick leave allowance is computed at the average wage rate, but the maximum required payment is 10 monthly payment indicators, or 8,230 KZT or approximately USD 54.

Work Hours

- Normal working hours should not exceed 40 hours per week

Overtime

- Overtime should not exceed 2 hours in one day.
- Payment for overtime work must be at least 1.5 times the regular payment (Article 76 of the LL).
- Payment for work on holidays or days off must be at least twice the regular payment.
- Payment for night work (between 10:00 pm and 6:00 am) must be at least 1.5 times the regular payment.

Notice Period

- The employee must be notified in writing and must be given at least one month's notice.
- With the written consent of the employee, the employment contract may be cancelled before expiry of the notice period.

Severance

- A one-time compensation equivalent to the monthly wage is to be paid to the employee.

13th Month

- 13th month pay is not mandatory in Kazakhstan



Income Tax

- Residents are taxed on their worldwide income.
- Nonresidents are taxed on Kazakhstan-source income only, regardless of where it is paid.
- Income is deemed to be from a Kazakhstan source if it is derived from work performed in Kazakhstan.
- Kazakhstan-source income also includes, but is not limited to, interest income from residents and nonresidents having a permanent establishment in Kazakhstan and dividends from resident legal entities.
- Tax is levied on an individual's annual business income, which consists of gross income (less adjustments and deductions) less expenses incurred in earning such income.
- A single flat rate of 10% (in some cases 20%) is applicable to most types of personal income; 5% is applicable only for dividends received in Kazakhstan.

Income Tax

Flat Rate

10%

Note: - 20% applies to any other Kazakhstan-source income paid to nonresidents that is not received from a tax agent (local legal entity)



Social Security

Social Tax

- Social tax is payable by employers in respect of employees (both locals and expatriates) at 9.5% on top of the employee's gross remuneration.

Obligatory social insurance contributions

- Obligatory social insurance contributions are payable by employers at the rate of 3.5% to the State Pension Centre of Pension Payments.
- Obligatory social insurance contributions are capped at 3.5% of ten times the minimum monthly wage (approximately 30 United States dollars [USD]) per month, and are deductible from social tax.
- Only Kazakhstan citizens, foreigners holding a residence permit in Kazakhstan, and citizens of member countries (i.e. Russia, Belarus, Armenia, and Kyrgyzstan) of the Eurasian Economic Union (EAEU or EEU), who have a local employment agreement are subject to obligatory social insurance.

Obligatory medical insurance contributions (OMIC)

- Starting from 1 January 2020, employer's OMIC are increased to the rate of 2%.
- All employers, including branches and representative offices, should pay OMIC for all their employees, including Kazakhstan citizens and foreigners holding Kazakhstan residence permit, or citizens of member countries of the Eurasian Economic Union.

- The monthly income accepted for calculating deductions and contributions should not exceed ten times the minimum monthly wage (in 2019, the calculation of income is not more than KZT 425,000). Until 2019, the maximum limit was 15 times the minimum monthly wage.

Obligatory pension contributions (OPC)

- OPC are withheld at a rate of 10% out of employees' gross income and paid to the State Pension Centre of Pension Payments.
- The gross income subject to OPC is capped at 75 times the minimum monthly wage (approximately USD 8,215) per employee per month.
- Only Kazakhstan citizens and foreigners holding a residence permit in Kazakhstan are subject to OPC.
- In addition, individuals who are working under a service agreement (providing services on a Civil Contract basis) should make OPC to the State Pension Centre in their own favor.
- Besides that, the employer is required to allocate 5% of one's own resources as OPC to the employees engaged in jobs with harmful (especially harmful) work conditions.





Contribution	Employer	Employer
Social Tax	9.5%	
Obligatory social insurance contributions	3.5%	
Obligatory medical insurance contributions (OMIC)	2%	
Obligatory pension contributions (OPC)	5%	10%



Deductible Expenses

Employment Expenses

- Kazakhstan obligatory and voluntary pension contributions are deductible.
- This does not apply to foreign pension/social security contributions.

Personal Deductions

- Insurance premiums payable by individuals in their own favor under accumulative insurance agreements are deductible.
- Expenses for medical services (except cosmetics) capped at 94 times the monthly calculation index (approximately USD 620) are deductible, provided all supporting documents are in place.
- Amounts aimed at repayment of interest on housing loans provided to an individual who is a Kazakhstan resident by housing construction savings banks are deductible.

Personal Allowances

- The most notable allowance is a general deduction based on the minimum monthly wage of KZT 42,500 or KZT 510,000 per annum, which is applicable to Kazakhstan tax residents.

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Immigration

- The employer obtains the Work Permit through the submission of the documents to the local authorities under two main procedures, which are the general regime and intra-corporate transfer.

General Regime

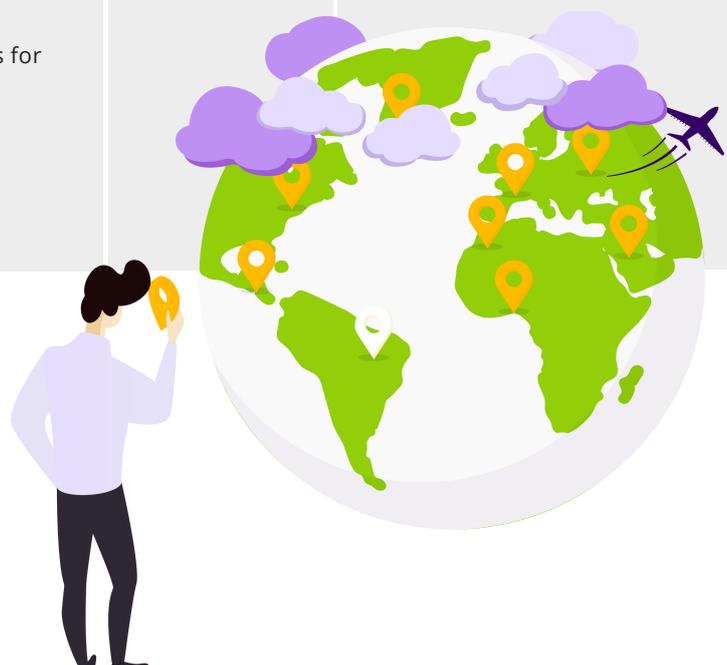
- Work Permit quota.
Work Permits are issued by the local authorities within the quota allocated by the Ministry of Labor and Social Protection on an annual basis.
- For the purpose of obtaining a Work Permit under the general regime, all foreign individuals are classified into the following categories:
 - Category 1: Chief-executive officers (CEOs) and deputy CEOs of companies
 - Category 2: Leaders of business divisions/departments
 - Category 3: Professionals
 - Category 4: Qualified workers
- There is a restriction on the number of foreign employees that can be hired by a Kazakhstan employer/local host entity, which is the so-called "ratio requirement.
- " Currently, the total number of foreign employees of a Kazakhstan employer/local host entity should not exceed the following:
 - 30% of the total number of the Category 1 and Category 2 employees.
 - 10% of the total number of Category 3 and Category 4 employees.
- When obtaining or extending work permits, an employer is charged a state duty for the issuance or extension of the work permit.
- The amount of the duty is established by the government of Kazakhstan and depends on the type of business of the employer and the category of the foreign employee.
- The amount of state duty ranges from approximately USD900 to USD3,500, depending on the sector of the economy, category of the employee and validity period of the Work Permit.

- A Work Permit under the general regime is issued for the following durations:
 - Category 1: for one, two and three years with an annual extension for one, two or three years
 - Category 2: for 12 months, with an annual extension for 12 months, but no more than 3 times
 - Category 3: for 12 months, with an annual extension for 12 months, but no more than 3 times
 - Category 4: for 12 months with no extension

Intra-corporate transfer

- An intra-corporate transfer (ICT) is a temporary transfer of a foreign individual from a legal entity established in the territory of a member state of the World Trade Organization (WTO) other than Kazakhstan to its Kazakhstan branches, subsidiaries or representative offices.
- Work Permits under ICT are issued free of state duties and separately from the quota for foreign labor.
- For the purpose of obtaining a Work Permit under ICT, all foreign individuals are classified into the following:
 - Specialists
 - Managers
 - Executives
- The local authorities issue the work permit under ICT for the transfer period, but for no more than 3 years (36 months) with a right of a one-time extension for 1 year (12 months).
- However, before hiring a foreign specialist to Kazakhstan under ICT, the local host entity should complete a search for suitable candidates on the Kazakhstan labor market and obtain a work permit only if no candidates are found.

Type of Visa	Documentation	Validity	Eligibility
Category 1 work Permit	<ul style="list-style-type: none"> • Passport and translated copy, • CV, • Degree certificate, • Job description, • Employment contract/assignment letter, • Lease contract in Kazakhstan, • Birth and marriage certificates for any family dependents • Employment contract with KZ entity, • Bank guarantee, • Company support letters. 	<ul style="list-style-type: none"> • 1, 2 and 3 years (with annual extension) 	<ul style="list-style-type: none"> • Directors/ CEO's and deputy directors
Category 2 work Permit	<ul style="list-style-type: none"> • Passport and translated copy, • CV, • Degree certificate, • Job description, • Employment contract/assignment letter, • Lease contract in Kazakhstan, • Birth and marriage certificates for any family dependents • Employment contract with KZ entity, • Bank guarantee, • Company support letters. 	<ul style="list-style-type: none"> • 12 months (with an annual extension) 	<ul style="list-style-type: none"> • Managers and supervisors
Category 3 work Permit	<ul style="list-style-type: none"> • Passport and translated copy, • CV, • Degree certificate, • Job description, • Employment contract/assignment letter, • Lease contract in Kazakhstan, • Birth and marriage certificates for any family dependents • Employment contract with KZ entity, • Bank guarantee, • Company support letters. 	<ul style="list-style-type: none"> • 12 months (with an annual extension) 	<ul style="list-style-type: none"> • Specialists



Type of Visa	Documentation	Validity	Eligibility
Category 4 work Permit	<ul style="list-style-type: none"> • Passport and translated copy, • CV, • Degree certificate, • Job description, • Employment contract/assignment letter, • Lease contract in Kazakhstan, • Birth and marriage certificates for any family dependents • Employment contract with KZ entity, • Bank guarantee, • Company support letters. 	<ul style="list-style-type: none"> • 12 months 	<ul style="list-style-type: none"> • Skilled workers
ICT work Permit	<ul style="list-style-type: none"> • Passport and translated copy, • CV, • Degree certificate, • Job description, • Employment contract/assignment letter, • Lease contract in Kazakhstan, • Birth and marriage certificates for any family dependents • Employment contract with KZ entity, • Bank guarantee, • Company support letters. 	Maximum 3 years	<ul style="list-style-type: none"> • An intra-corporate transfer (ICT) is a temporary transfer of a foreign individual from a legal entity established in the territory of a member state of the World Trade Organization (WTO) other than Kazakhstan to its Kazakhstan branches, subsidiaries or representative offices.



Value Added Tax (VAT)

- An individual who is registered as an individual entrepreneur and has taxable revenues in excess of KZT75,750,000 in any period of 12 consecutive months should register as a VAT payer and pay VAT.
- VAT registration is optional for all other persons.
- The standard VAT rate in 2019 is 12 percent and applies to revenues derived from the sale of goods or services within Kazakhstan and to the import of goods into Kazakhstan.

VAT Rates	
Standard Rate	12%
Zera Rate	0%



Withholding Tax

Dividends

- A 15% withholding tax is levied on dividends paid to nonresidents without a permanent establishment (PE) in Kazakhstan
- A 20% rate applies to dividends paid to nonresidents registered in a tax haven.

Interest

- A 15% withholding tax is levied on interest paid to nonresidents without a PE in Kazakhstan
- Interest paid to nonresidents registered in a tax haven is subject to a 20% rate
- The tax rate may be reduced under an applicable tax treaty

Royalties

- Royalties paid to nonresidents without a PE in Kazakhstan are subject to a 15% withholding tax
- A 20% rate applies to royalties paid to nonresidents registered in a tax haven
- The tax rate may be reduced under an applicable tax treaty.

Technical Service Fee

- Payments for technical services to nonresidents without a PE in Kazakhstan are considered Kazakh-source income, and are subject to a 20% withholding tax.
- Certain technical service fees may be reclassified as royalties' subject to a 15% withholding tax
- A 20% rate applies to technical service fees paid to a nonresidents registered in a tax haven, regardless of the nature of services provided

WHT	
Dividends: -	
Nonresidents	• 15%
Nonresidents in Tax Havens	• 20%
Interest: -	
Nonresidents	• 15%
Nonresidents in Tax Havens	• 20%
Royalties: -	
Nonresidents	• 15%
Nonresidents in Tax Havens	• 20%
Technical Service Fees: -	
Nonresidents	• 20%
Nonresidents in Tax Havens	• 20%





Termination

- An employment contract concluded for a specific period shall be terminated in connection with expiry of its term of validity
- The employer shall serve at least one month's written notice on the employee of cancellation of the employment contract, unless the employment contract or collective bargaining agreement envisaged a longer notice period.
- With the written consent of the employee, the employment contract may be cancelled before expiry of the notice period.
- Cancellation of employment contracts with employees who are members of a trades union shall be carried out in consideration of the reasoned opinion of the trades union of the given organization in the manner envisaged by the collective bargaining agreement.



Statutory Benefits

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, paternity leave, overtime pay, notice period, and severance pay
- Statutory benefits also include social security benefits

Statutory Benefits

Probationary Period

Annual Leave

Public Holidays

Maternity Leave

Paternity Leave

Sick Leave

Overtime Pay

Notice Period

Severance Pay

Social Security Benefits

Payments and Invoicing

- The tax year in Kazakhstan is the calendar year. A tax agent is responsible for withholding and remitting income tax from payments made to resident and nonresident individuals.
- If employment-related, Kazakhstan-source income is paid outside Kazakhstan, the local tax agent is generally still required to run a shadow payroll.
- Income is generally considered to be from a Kazakhstan source if it is paid for work performed in Kazakhstan and, accordingly, regardless of where it is paid, it is subject to tax in Kazakhstan.
- If a tax agent is not available in Kazakhstan, resident and nonresident individuals are responsible for the calculation of personal income tax liabilities and filing a Kazakhstan tax return.
- The filing deadline for a Kazakhstan tax return is 31 March of the year following the reporting year, and the income tax liability, if any, must be settled within 10 calendar days after the filing deadline.
- Individuals who are tax nonresidents of Kazakhstan are not required to file a Kazakhstan tax return if their Kazakhstan source income is subject to withholding in Kazakhstan.
- The law provides for late payment interest for the late payment or nonpayment of tax due on taxable income.



Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Kazakhstan ranked 25th in the World in 2019 in terms of ease of doing business.



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