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Analysis of reforming the tax system of the Republic of Kazakhstan in conditions of integration into the EEU

The article considers the theoretical and practical aspects of the calculation of taxes in Kazakhstan and other countries of the Eurasian Economic Union. It provides an assessment of the current state of the system of taxation in Kazakhstan. Discrepancies and problems in the calculation of such taxes as value added tax, income tax, excise tax are revealed. The analysis of some aspects of recent and forthcoming reforms on the main taxes in the Republic of Kazakhstan is done. Particular attention is paid to the problem of harmonization of some taxes when moving goods, services, capital and labor force from one country to another one.

Key words: EEU, taxes, taxation, value added tax, income tax, tax system, tax rates, harmonization.

With the development of the market economy, the tax system of Kazakhstan has become one of the primary economic regulators, an important instrument for ensuring the development of the state. An effective tax system in the country will affect the effective functioning of the national economy as a whole and its individual sectors under the conditions of increasing competition in the integration space.

At present, the tax system of the Republic of Kazakhstan contains all the main types of taxes used in developed countries, is constantly being improved and supplemented. Taking into account the latest developments in the global economy, reformation of the tax system of Kazakhstan is a necessary measure to maintain the state budget and the country's competitiveness.

From January 1, 2015, Kazakhstan has become a member of the Eurasian Economic Union, which today operates under the conditions of economic instability and crisis: the decline in oil prices, mutual sanctions of Europe and Russia, the depreciation of ruble, and later that of our tenge. Difficulties associated with the sanctions and currency fluctuations have not inflicted significant damage to the Eurasian integration yet. Moreover, they open up before the EEU states new opportunities associated with import substitution, development of domestic industry and domestic market. At this stage, they consider the future strategy aimed at conducting coordinated tax policies that encourage the development of national economies, including the improvement of tax legislation and administration.

In recent years, radical changes occurred in tax systems of all the EEU participating countries. Tax policy of Kazakhstan provides for a gradual reduction in the tax burden for non-resource sectors of the economy, especially for small and medium-sized businesses. From the experience of the neighboring countries, Kazakhstan has introduced a new tax — the tax on mineral extraction (MET), similar to the one, which operates in the Russian Federation, to replace the existing rent tax. The tax is levied on any production, regardless of the mode of use: whether it is the production sharing agreement or the license agreement. The size depends on the volume of extraction of raw materials and their cost in the world markets.

In recent years, Belarus is pursuing the policy of reducing the tax burden on the economy, which is often at odds with the fiscal interests of the treasury. According to the new tax rules, effective since 2015, some of the personal debts are now subjected to taxation. First of all, it refers to people, who have received a loan or a credit from other people, foreign organizations, which do not have representative offices in Belarus, or from foreign entrepreneurs. Secondly, the new rules are applied only in cases, when citizens have bought something expensive (for example, real estate), but their personal incomes do not cover the costs. If the declaration indicates that the purchase is made with borrowed funds, it will be liable to income tax except for loans from Belarusian organizations (banks and other financial institutions) and individual entrepreneurs. The tax does not apply to money borrowed from relatives.

Taxation of income in the EEU countries has its own distinctive features. The standard rate of income tax in Republic of Belarus makes 18 %. The organizations which are carrying out production of laser and optical equipment at which the share of this equipment in value terms in the total amount of their production makes not less than 50 % pay income tax at the rate of 10 %. The rate of income tax according to dividends is established of 12 %. Scientific and technological parks, the centers of a transfer of technologies, residents

of scientific and technological parks pay income tax at the rate of 10 % (except for the income tax estimated, withheld and listed at fulfillment of duties of the tax agent). Along with the lowered rates on income tax, privileges in the form of release from income tax are applied.

In Russia since January 1, 2014 the changes made to the Tax Code of the Russian Federation regarding stimulation of implementation of regional investment projects in certain territories of Russia have come into force. The separate, stimulating investments mechanism is the right of subjects of the Russian Federation for decrease in a rate of income tax in the part enlisted in the budget of the subject from 18 to 13,5 %. In a number of subjects of the Russian Federation the tax rate is lowered for the organizations which are carrying out significant investment projects.

The role of income tax has special value in system of redistribution of means between branches of economy for their proportional development, and also activation of investment policy. At the same time the greatest effect of development of investment policy is reached not by reduction of tax rates, and by means of application of target tax benefits. It is possible to refer the accelerated depreciation, the tax credit and other measures applied for economic incentives of investment activity to them.

In the Republic of Kazakhstan, income tax of organizations is called «corporate income tax». The object of taxation is taxable income, income taxable at the source of payment, as well as the net income of a legal entity — non-resident carrying on business in the Republic of Kazakhstan through a permanent establishment. The object of taxation in the Republic of Belarus is the gross profit as well as dividends and similar income accrued by the organizations in Belarus. The object of taxation in the Republic of Kyrgyzstan is the economic activity, which resulted in an income; in the Republic of Armenia — taxable income, which is the positive margin between the tax payer's gross revenue and deductions. In the Russian Federation, the object of taxation for income tax for resident organizations is income minus expenses, stipulated by the legislation, and for non-residents — it is income derived from sources within the state [1].

The role of income tax is of particular importance in the system of redistribution of funds between the sectors of the economy for their proportional development, as well as for the activation of investment policy. Analyzing data on the rates of income tax some similarities are marked: for example, the rate in the Republic of Kazakhstan, Armenia and the Russian Federation is 20 %, in Belarus the rate is 18 %. In Kyrgyzstan, the basic rate for this tax is the lowest and is 10 %.

Another important tax in the tax system in many countries is the value-added tax on goods (works, services); it plays the leading role among the indirect taxes. Revenues from VAT are significant in the revenue part of the budget of our country. Figure clearly shows the impact of reducing tax rates on receipt of value added tax to the revenue of the state budget of Kazakhstan. In the past 10 years, VAT rates often changed to the downside. In 2005–2006, it was 15 %, in 2007 — 14 %, in 2008 — 13 %, in 2009–2015, the VAT rate is 12 %.

Analyzing this phenomenon, it can be noted that the changes being made to the tax legislation create the conditions for the preservation of the balanced budget for the state and additional sources of funding for the acquisition and modernization of fixed assets, thereby allowing expanding their investment opportunities.

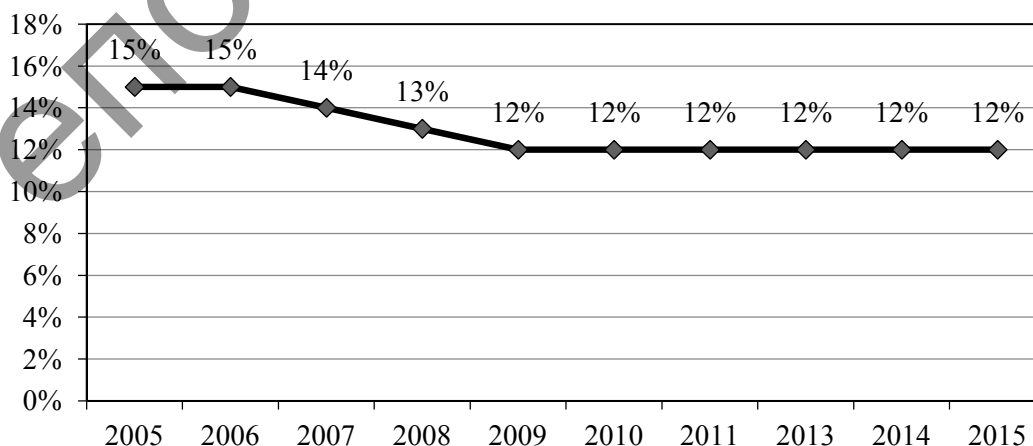


Figure. Dynamics of changing tax rates on the value added tax in the Republic of Kazakhstan in the period from 2005 to 2015

If to consider peculiarities of calculation of VAT in the EEU countries, it should be noted that the lowest VAT rate is established in the Republic of Kazakhstan and Kyrgyzstan. It should also be noted that the rate of value added tax on goods (works, services) in Russia is less than in the Republic of Belarus and the Republic of Armenia. The similarity in the VAT determination is that all countries apply zero rates when exporting goods. According to the data of Table 1, it is evident that VAT rates are set at 12–20 %.

Table shows the rates on the value added tax and the income tax of the EEU participating countries.

Table

Rates on the main types of taxes in the EEU countries in 2015

Main taxes	The Republic of Kazakhstan	The Russian Federation	The Republic of Belarus	The Republic of Kyrgyzstan	The Republic of Armenia
Value added tax	12	18	20	12	20
Profits tax (Corporate Income Tax)	20	20	18	10	20

Note. Compiled by the author on tax legislation of the EEU countries.

In general, the value added tax plays a significant role in the economy of these countries, as the appreciable part of budget revenues is made up by VAT.

Excise duties in the EEU countries are quite different; this is the biggest problem today. The EEU participating countries consider the project of the equalization of excise duties rates for the most sensitive excisable goods and the improvement of the system of VAT collection, including the use of information technologies. Terms of excise taxation in the mutual trade of excisable goods are governed by the Treaty on the EEU and the annexes thereto. The collection of excise taxes is carried out by the destination country's principle with regard to the nature of the transaction. Today the practice is the following: for example, when exporting tobacco products from Kazakhstan to Russia the Kazakhstani taxpayer is exempted from the payment of excise duties in Kazakhstan, i.e. in his own country (when providing the tax authority with all the relevant documents). When importing, for example, alcohol products from Belarus to Russia by the taxpayer-producer excise shall be payable at the rate established by the Tax Code of the Russian Federation. As for the citizens of the Union states, when importing alcohol or tobacco products from the territory of one state to the territory of another one within the Union not for purposes of entrepreneurial activity such products are not subject to excise duties. The distinctive feature is that in Belarus and Russia excise tax on excisable goods (alcohol, tobacco) is levied by the customs authorities, in Kazakhstan — by the tax authorities [2; 70].

Today in Kazakhstan in order to enhance the competitiveness of domestic manufacturers of alcohol products, excise taxes approved previously are reduced only for 2016 from 1.600 tenge to 1.380 tenge per 1 liter of 100 percent alcohol, but in comparison with 2015 it is still 15 percent rising. In this case the local budgets will not receive 4 573.0 million tenge. The Ministry of National Economy of the Republic of Kazakhstan suggests considering in 2016 the establishment of excise rates on strong alcoholic beverages for 2017–2019, when developing the bill on the tax legislation reformation. Since 2017 reformation of the system of interbudgetary relations and the further harmonization of excise rates within the EEU is provided [3].

It should be noted that the most important provision of the General Agreement on Tariffs and Trade (GATT) is the principle of non-discrimination of tariff and other measures to control imports and exports [4]. The states-participants of the Treaty on the EEU provide imported goods with the same conditions of promotion in the market, as similar domestic products are provided with. In other words, any state has no right, after the goods have got to its local market, to levy the domestic tax (e.g. sales tax or VAT) at higher rates than those provided for domestic goods. Of particular note is the right of citizens of the participating countries on a non-discriminatory taxation of income when being employed in any state. This point will help create a single market of labor and its free movement.

Incomes of natural persons in the EEU received under employment contracts are taxed at the rate for residents of the state, in which the employment contract is carried out. The tax rates on income of natural persons (PIT), i.e. income tax are different: in Belarus it is 13 %; in Kazakhstan — 10 %; in the Russian Federation — 13 %. In this case, the income received by natural persons under the civil-law contracts is governed by the bilateral Convention for the avoidance of double taxation and prevention of evasion of taxes on

income and capital taxes and is subject to the principle of residency [5]. This eliminates discrimination based on the principle of residency in the taxation of incomes of natural persons, which contributes to the formation of a single market of labor and its free movement.

The tax system of Kazakhstan as a whole meets the needs of the country. However, there is a number of obstacles created by the tax system, which inhibit the development of small and medium-sized businesses. There is no differentiated approach to industrial enterprises, which need special state support. This reduces the competitiveness of enterprises in comparison with foreign manufacturers; there is a gradation of small and medium-sized businesses. However, positive characteristics should also be noted. The range of tax services provided in electronic form is significantly expanded: obtaining certificate about the absence of debt, an extract from the personal account, a review of tax reporting, suspension of activities on site control.

Forming the basis of the tax policy, the government of the Republic of Kazakhstan has faced with the necessity of solving an extremely complex problem. At the same time, it is necessary to take into account many circumstances and factors: tax policy should be guaranteed to ensure the revenue part of the republican and local budgets, contribution rates should be minimal in order to stimulate the development of the economy, and taxation mechanism should be maximally easy to pay taxes in a psychologically preferable manner. For example, the harmonization of the excise policy in the framework of the EEU should be, but it should not harm the industry. In the production of alcohol beverages, it is necessary to pursue the national excise policies that tend to draw closer together with the excise policies of other EEU countries, and does not cause changes in the structure of consumption of strong alcohol. In this case it is possible to raise the issue of licensing alcohol products, their certification, labeling. An important point is the exception of the intercountry unfair tax competition, the provision of equal tax obligations of economic entities of the EEU participating countries.

If to focus once again on the main taxes, it should be noted that in recent years income tax rates tend to reduce. It would be justified to take measures to reduce the level of differentiation of the tax rates on organization's incomes, but this leveling should be progressive in nature, so as not to cause damage to the budgets of the countries concerned. The rate of 10 % is unjustifiably low — below the level of taxation of incomes of citizens, which is permissible only under the conditions of global economic crisis.

Thus, a gradual increase in income tax rates and the establishment of a unified tax rate of 20 % in all the EEU participating countries is appropriate. There are specific features of the procedure for calculating advance payments in each of the studied tax systems. Harmonization of tax legislation shall be expediently carried out by simplifying tax procedures. In this connection, it is proposed to establish a uniform procedure for calculating advance payments on the basis of actual profits. It is also advisable to establish a single tax period for the corporate income tax in the form of a calendar year and to recognize quarter, half year and nine months of a calendar year to be the reporting periods. To determine the terms of payment no later than March 31 of the year following the expired tax period, and the terms of advance payments not later than the 25th day of the month following the expired reporting period. These changes do not require large expenditures, but will contribute to the unification of systems of organizations' incomes taxation in these countries, as well as to the simplification of tax administration procedures in the foreign trade operations.

As already noted, the value added tax in Belarus and Armenia is higher than in the Russian Federation, Kazakhstan and Kyrgyzstan, the lowest rate is 12 %. In our opinion, in countries, where the rate is 18–20 %, it is necessary to reduce the basic VAT rate, as imports in these countries is extremely inefficient for the rest of the Union. The main point is the acceleration of reforming taxation, both in terms of rates clarification and tax administration, which will revive the economy as well as significantly lower the level of monopolization of the imported goods and promote export diversification. Reduction of indirect taxes, to some extent, hinders the recession, stimulates the economy and counteracts inflation. Perhaps now it is not the best time, taking into account what has happened and is happening to tax changes, but this is one of the necessary measures to strengthen the country's stable economy.

In recent years many changes have been made to the tax law of Kazakhstan. So, for decrease in tax burden and improvement of tax system the rate of corporate income tax in 2009 is lowered from 30 to 20 %, the order of receiving investment tax preferences is simplified, the term of transfer of losses since 3 to 10 years is increased that fully allows to take advantage of an investment privilege.

On the VAT the rate in 2009 from 13 is also lowered to 12 % that has reduced the VAT of one of the lowest in the world. At the same time since 2009 the provision on return of so-called «debit» balance — excess of the sum of the VAT paid to suppliers over the sum of the VAT paid by buyers is entered. The threshold of the minimum turnover of the VAT at obligatory statement is increased by the registration account from a monthly settlement indicator, 15000-fold to the 30000-fold size, that allows to reduce tax and administrative burden of small business.

The system of the taxation of subsoil users is reformed. Regarding subsurface use replacement of payment of a royalty with a tax on mining (MET) is provided.

Within reforming of a social tax transition from a descending scale of a tax with rates from 13 to 5 % to a flat scale with a rate of 11 % is carried out. The uniform rate on individual income tax is kept at the level of 10 %.

The tax code has provided reforming of property taxes. So, the base of the taxation of property is reduced, rates on expensive property of natural persons worth over 120 million tenges from 0,5 are raised to 1 %, correction coefficients on vehicles when calculating a tax on vehicles are excluded.

Tax administration is brought into accord with realities of time and accurately defined that the Tax code has to be the law of direct action.

At any reforming it is important to provide reliable tax planning which would consider changes in the tax law and it could be adapted to new requirements without essential increase in expenses. In Kazakhstan rates of income tax and a tax on the income of natural persons, rather low on the international standards, work. However the legislation has provided high penalties for failure to pay taxes and understating of obligations in the tax reporting. The main objective of tax planning in Kazakhstan consists in providing the reporting under all types of the taxes which are subject to payment and their payment. Besides, the great value in Kazakhstan is attached by documentation therefore her appropriate maintaining, including preparation of supporting documents, plays an important role.

For continuous improvement of tax system will be brought in the tax law of change still. So today the Republic of Kazakhstan already makes changes to reduce the threshold value of setting on the registration account from 59.4 million tenge to 6.4 million tenge; the extension of the norms until 2022, according to which the VAT payment on the import of goods is made by the offset method. VAT refund accumulated in the course of geological exploration work during five years; reduction of the rate of tax proposed by the Government on the extraction of groundwater for the food industry from 1 MCI to 25 percent of MCI. They also propose to reduce taxes on mineral extraction for off-balance sheet reserves produced at low-margin deposits up to the level of royalties; exclude 10x magnification rates of payment for excess amounts of emission [3].

Thus, these changes in the field of taxation and tax administration of the country are made in order to create a favorable tax climate for increasing the competitive capacity of domestic business. New taxation content under the conditions of integration with neighboring countries, including the issues of harmonization, will be one of the driving elements to activate the integrated business environment of the EEU participating countries.

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Қазақстан Республикасының ЕАЭО бірлесу жағдайларында салық жүйесін реформалауды талдау

Мақалада Қазақстанда және Еуразиялық экономикалық одақтың басқа да елдерінде салықтарды есептеудің теориялық және тәжірибелік сұрақтары қарастырылған. Қазақстанда салық салу жүйесінің қазіргі жағдайына баға берілген. Қосылған құн салығы, пайдаға салынатын салық, акциздер сияқты салықтарды есептеуде сәйкессіздіктер мен мәселелер анықталды. Негізгі салықтар бойынша Қазақстан Республикасындағы соңғы және болашақта болатын реформаларына талдау жүргізілген. Авторлар ерекше назарды бір елден басқа бір елге тауарларды, қызмет, капитал мен жұмыс күшін көшіру кезінде, кейбір салықтың үйлестірім мәселелеріне аударған.

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Анализ реформирования налоговой системы Республики Казахстан в условиях интеграции в ЕАЭС

В статье рассмотрены теоретические и практические вопросы исчисления налогов в Казахстане и в других странах Евразийского экономического союза. Дана оценка современному состоянию системы налогообложения в Казахстане. Выявлены несоответствия и проблемы в исчислении таких налогов, как налог на добавленную стоимость, налог на прибыль, акцизы. Проведен анализ некоторых аспектов последних и предстоящих реформ в Республике Казахстан по основным налогам. Особое внимание уделено проблеме гармонизации некоторых налогов при перемещении товаров, услуг, капитала и рабочей силы из одной страны в другую.

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