

How to Properly Pay Pension Contributions for Freelancers

Current questions about UAPF

1) Are freelancers required to pay compulsory pension contributions and how is the amount of their contributions calculated?

According to the norms of the Social Code, compulsory pension contributions (CPC) are paid by CPC payment agents. An agent is an individual or legal entity, including a foreign legal entity, operating in the Republic of Kazakhstan through a permanent establishment, branches, representative offices of foreign legal entities, calculating, withholding (accruing) and transferring CPC, ECPC, COPC, VPC to the UAPF in the manner determined by the legislation of the Republic of Kazakhstan.

The following categories pay **CPC independently**:

- individual entrepreneurs, including heads of peasant or farm households, their members who have reached the age of 18, as well as persons engaged in private practice, for their own benefit;

In this case, the income accepted for calculating the CPC is understood to be the income received by a person, determined by him independently for the payment of social contributions, with the exception of income from which CPC is not paid, but not more than the income determined for tax purposes in accordance with the Code of the Republic of Kazakhstan "On Taxes and Other Mandatory Payments to the Budget" (Tax Code).

At the same time, the income accepted for calculating the CPC per month should not exceed 50 times the minimum wage established for the relevant financial year by the law on the republican budget.

If the income of these persons is less than 1 time the minimum wage established for the relevant financial year by the law on the republican budget, they have the right to pay CPC from 1 time the minimum wage established for the relevant financial year by the law on the republican budget;

- individuals permanently residing in the territory of the Republic of Kazakhstan, receiving income under civil-law contracts, the subject of which is the performance of work (provision of services), concluded with individuals who are not tax agents.

In this case, the income accepted for calculating the CPC is understood to be the income received by a person, determined by him independently for the payment of social contributions, with the exception of income from which CPC is not paid, but not more than the income determined for tax purposes in accordance with the Code of the Republic of Kazakhstan "On Taxes and Other Mandatory Payments to the Budget" (Tax Code).

At the same time, the income accepted for calculating the CPC per month should not exceed 50 times the minimum wage established for the relevant financial year by the law on the republican budget.

In addition, on September 1, 2024, the Social Code of the Republic of Kazakhstan was supplemented with the article "Social security of persons engaged in activities to provide services or perform work using Internet platforms and (or) mobile applications of platform employment."

The operator of Internet platforms and (or) mobile applications withholds compulsory pension contributions (CPC) **from the income of performers who are individual entrepreneurs (IE) applying a special tax regime (STR), using a special mobile application**, and transfers the withheld amounts to the UAPF. **The CPC rate** is determined at the choice of the performer in the **amount of 1%** of the income accepted for calculating the CPC, or in the **amount of 10%** of the income accepted for calculating the CPC. Income accepted for calculating the CPC is understood to be income received by performers for services rendered or work performed.

The operator of the Internet platform is an individual entrepreneur or a legal entity providing technical, organizational, informational and other capabilities using information technologies and systems to establish contacts for the provision of services (including with the involvement of third parties) between performers and customers registered on the Internet platform.

Performer is an individual, individual entrepreneur or legal entity registered on the Internet platform, providing services to customers or performing work using the Internet platform on the basis of a public contract.

The income accepted for calculating the CPC is understood to be the income received by performers who are individual entrepreneurs applying the STR using a special mobile application for services rendered or work performed.

At the same time, the income accepted for calculating the CPC per month should not exceed 50 times the minimum wage established for the relevant financial year by the law on the republican budget.

2) How can freelancers open an account in the UAPF to form pension savings?

Opening of an individual pension savings account (IPSA) in UAPF for recording pension contributions - compulsory pension contributions (CPC), compulsory occupational pension contributions (COPC), voluntary pension contributions (VPC) occurs on the basis of the first contribution received. Identification of an individual in whose favor pension contributions are made occurs thanks to personal data (full name, IIN, date of birth) specified in the electronic format of the payment order when transferring contributions. All necessary information about the details of a valid identity document of an individual, place of permanent residence and other information UAPF receives from the relevant information systems of government agencies. Thus, to open an IPSA, you do not need to go to the UAPF office, since the account for all types of pension contributions is opened automatically.

Information on opening an IPSA and transferring pension contributions is posted on the UAPF website.

3) What online tools or services does UAPF provide to monitor your account and manage your pension savings?

More than 90% of UAPF services are provided automatically, electronically and remotely around the clock (24/7).

For continuous monitoring of your pension account, the most efficient and convenient way is to receive a statement through your personal account on the Fund's website or in a mobile application. The statement provides all the information the contributor needs. In particular, the total amount of savings is separately indicated, including the amount of accumulated funds by type of contribution. From the statement, you can also find out which organization and at what time pension contributions were transferred. You can also see the amount of investment income for the requested period.

In addition to information regarding the status of the pension account in your personal account, you can use such services as making changes and additions to your details, obtaining a certificate of account availability, and submitting an application for the appointment of pension payments.

It is also possible to use the services of a pension calculator and a personal pension plan, which will help you calculate the expected amount of your future pension and draw up an individual pension plan, indicating the amount of pension you want to receive in the future. Information about pension accounts can be obtained not only through the UAPF website, but also through the e-government portal egov.kz or its mobile application eGov mobile. This is convenient for citizens accustomed to receiving government services through single platforms.

4) Why should freelancers make voluntary pension contributions and what are the benefits of these contributions?

If the contributor wishes to increase the size of the pension received in the future, it is necessary to transfer voluntary pension contributions (VPC) to the pension fund on an ongoing basis. VPC have many advantages. For example, the contributor himself determines the size, frequency of VPC and the procedure for receiving pension savings. VPC can be paid through second-tier banks, as well as by submitting an application to the employer.

It is worth noting that not only the contributor, but also any third party - for example, a spouse, parents, relatives, even a minor child - can transfer contributions to a pension account at the expense of VPC.

To open an individual pension savings account (IPSA) for voluntary pension contributions, you do not need to go to the UAPF office. IPSA is opened automatically when the first contribution is transferred.

In Kazakhstan, VPC have tax advantages. For example, VPC that an employer transfers in favor of his employee are not considered as income of an individual. For the employer, such expenses are deductible when calculating corporate income tax. That is, in this case, the employer receives tax benefits.

VPC, like all types of compulsory pension contributions, are invested and generate income for investors. Pension assets are managed by the National Bank of the Republic of Kazakhstan. In addition, pension savings through VPC can be transferred in full to investment portfolio managers (IPM), unlike savings through compulsory and compulsory occupational pension contributions, which are allowed to be transferred up to 50% of the amount.

We note that pension benefits through VPC can be received from the age of 50.

5) Are freelancers' pension savings invested?

Like pension savings of other citizens of Kazakhstan, pension savings of freelancers are invested. The main goal of investing is to obtain real income in the long term. Therefore, for an objective assessment of the results of their management, it is necessary to analyze data for a period of at least 1 year. This period allows you to evaluate the effectiveness of investments in the long term.

The National Bank of Kazakhstan and five management companies are engaged in investing: Jusan Invest JSC, Halyk Global Markets JSC, BCC Invest JSC, Centras Securities JSC, Halyk Finance JSC. You can choose a management company at your discretion.

Information on investment management of UAPF pension assets and on financial instruments in which UAPF pension assets are placed are posted on the official website of UAPF (www.enpf.kz) in the section "Indicators/Investment activities" on a monthly basis.