

***The new Tax Code of the Republic of Kazakhstan
cancels the withholding of individual income tax from pension payments from the UAPF for residents
of the Republic of Kazakhstan***

Current questions about the UAPF

1. What portion of a pension is currently taxed in Kazakhstan and what portion is not?

In Kazakhstan, pension benefits from the state budget are tax-exempt, while benefits from the Unified Accumulative Pension Fund (UAPF) are taxable. According to the current Tax Code, pension benefits from the UAPF are considered income subject to individual income tax (IIT) at a rate of 10% at source. This means that pension contributions are transferred to individual pension savings accounts before tax. IIT is withheld upon payment. IIT is withheld collectively from all types of pension benefits, including compulsory pension contributions (CPC), compulsory occupational pension contributions (COPC), and voluntary pension contributions (VPC). Adjustments and tax deductions are also taken into account.

However, this situation will only last until the end of 2025. As a reminder, the new Tax Code will come into effect on January 1, 2026, and, according to it, IIT will not be withheld from pension benefit payments from the UAPF.

2. What changes have been made to the new Tax Code of the Republic of Kazakhstan regarding individual income tax (IIT) on pension benefits?

According to the new Tax Code of the Republic of Kazakhstan, from 01.01.2026, individual income tax (IIT) will not be withheld from all types of pension payments, as well as from lump-sum pension benefit payments (LSPBP) for housing and/or medical treatment, except for cases when the recipient is not a resident of the Republic of Kazakhstan. The changes also include the cancellation from January 1, 2026 of accrued obligations to pay IIT from LSPBP for housing/treatment, deferred until pension payments are received according to the schedule.

3. Will the IIT withheld before January 1, 2026 be refunded?

The provisions of the **new Tax Code** do not provide for the return of previously withheld IIT.

Let us clarify that according to the **current Tax Code**, when using lump-sum pension benefit payments for housing/treatment, IIT is withheld. At the same time, there are two ways to withhold it at the recipient's choice: immediately upon receipt of the LSPBP or with a deferment until retirement. In connection with the introduction of the new Tax Code from 01.01.2026, if the contributor pays IIT earlier, it will not be returned, and the obligations for the deferred IIT will be written off.

Let us note that until December 31, 2025 inclusive, the calculation, withholding and payment of IIT from pension payments and EPO from UAPF will be carried out in the current mode

4. If the beneficiary has reached retirement age and is paying IIT, will the IIT deduction continue from 1 January 2026?

The provisions of the new Tax Code provide for the exemption from January 1, 2026, of income in the form of pension payments, lump sum pension benefit payments from UAPF from individual income tax, with the exception of pension benefit payments from UAPF made to non-residents of the Republic of Kazakhstan.

5. How will the rules on tax deductions for voluntary pension contributions change?

The changes include the abolition of tax deductions on voluntary pension contributions made in one's own favor from January 1, 2026. However, like other types of payments from the UAPF, pension benefits from the VPC will be exempt from IIT.

At the same time, the rule will remain that voluntary pension contributions transferred by a tax agent to the UAPF in favor of an employee are not an individual's income (and therefore are not subject to IIT), and for the employer, such expenses are deductible when calculating corporate income tax. That is, in this case, both the employee and the employer receive tax benefits.

UAPF was founded on August 22, 2013 on the basis of GNPF APF JSC. The founder and shareholder of the UAPF is the Government of the Republic of Kazakhstan represented by the State Institution Committee of State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan. Trust management of UAPF pension assets is carried out by the National Bank of the Republic of Kazakhstan. In accordance with the pension legislation, the UAPF attracts compulsory pension contributions, employer's compulsory pension contributions, compulsory occupational pension contributions, voluntary pension contributions, as well as carries out enrollment and accounting of voluntary pension contributions formed at the expense of the unclaimed amount of guaranteed compensation for the guaranteed deposit, transferred by the organization carrying out mandatory guarantee of deposits, in accordance with the Law of the Republic of Kazakhstan "On mandatory guarantee of deposits placed in second-tier banks of the Republic of Kazakhstan", ensures the implementation of pension benefits. The Fund also carries out accounting of target assets and target requirements, accounting and crediting of target savings (TS) to target savings accounts, payments of TS to their recipients in bank accounts, accounting for returns of TS in the manner determined by the Government of the Republic of Kazakhstan within the framework of the National Fund for Children program (More details at www.enpf.kz)