

ANNOUNCEMENT

From January 1, 2026, pension benefits from UAPF will be exempt from IIT

On July 18, 2025, the head of state signed a new Tax Code, which provides for the exemption from January 1, 2026 of income in the form of pension payments, lump sum pension benefit payments for housing/treatment (LSPBP) from UAPF from individual income tax (IIT), with the exception of pension benefits from UAPF made to non-residents of the Republic of Kazakhstan .

How is it now?

According to the current Tax Code, pension payments, LSPBP from UAPF are considered income subject to IIT at a rate of 10% at source. That is, pension contributions are transferred to individual pension savings accounts before taxation. IIT is withheld upon payments. IIT is withheld collectively for all types of pension benefits formed from compulsory pension contributions (CPC), compulsory occupational pension contributions (COPC), voluntary pension contributions (VPC). In this case, the amounts of adjustments and tax deductions are taken into account.

When using lump-sum pension benefit payments for housing/medical treatment, IIT is also withheld. In this case, there are two ways to withhold it at the beneficiary's choice: immediately upon receipt of LSPBP or with a delay until retirement.

Until January 1, 2026, the calculation, withholding and payment of IIT from pension payments and LSPBP from UAPF will be carried out in the current mode.

What will happen from January 1, 2026?

IIT will not be withheld from all types of pension benefits, except in cases where the beneficiary is a non-resident of the Republic of Kazakhstan, and will not be withheld from the LSPBP.

The changes also include the cancellation of accrued obligations to pay IIT from the LSPBP for housing/medical treatment deferred until retirement from January 1, 2026, but do not imply a refund of taxes previously paid to the budget.

What else will change?

The changes include the abolition of tax deductions on voluntary pension contributions made in one's own favor, from January 1, 2026, applied in the amounts established by the Tax Code to income subject to taxation at the source of payment.

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)