



Remain Focused on Changes

Obligatory Social Medical Insurance Law

In this issue, we would like to remind you of several interesting and the most important aspects of the Obligatory Social Medical Insurance Law.

Obligatory Social Medical Insurance Law



Dear friends,

On 22 December 2016, the President of Kazakhstan, Nursultan Nazarbayev, signed the Law № 29-VI «On amendments and changes to some legislative acts of the Republic of Kazakhstan regarding issues of obligatory social medical insurance», according to which the introduction of obligatory social medical insurance has been postponed.

The Obligatory Social Medical Insurance (“OSMI”) Law:

The Obligatory Social Medical Insurance (“OSMI”) Law was signed on 16 November 2015 to realize citizens’ constitutional right to health protection.

It covers Kazakhstan nationals, oralmans and foreign nationals and stateless individuals permanently residing in Kazakhstan (i.e. with a Kazakhstan residence card). Thus, foreign nationals and stateless individuals without a Kazakhstan residence card are not covered by OSMI.

OSMI will be financed by:

- payments and contributions
- other receipts not prohibited by Kazakhstan law.

Payments are paid by employers, including foreign legal entities operating in Kazakhstan through a permanent establishment, and branches and representative offices of foreign legal entities.

Contributions are paid by:

- 1) the state;
- 2) *employees*;
- 3) individual entrepreneurs;
- 4) private notaries;
- 5) private court executives;
- 6) attorneys;
- 7) professional mediators;
- 8) *individuals receiving income from civil contracts*.

* *the obligation to withhold and remit deductions lies with the tax agents paying income*

Employer payments

The Law obliges employers to make monthly payments in favour of employees from the assessment object as follows:

- from 1 July 2017 - 2% of the assessment object;

- from 1 January 2018 – 3% of the assessment object;
- from 1 January 2019 – 4% of the assessment object;
- from 1 January 2020 – 5% of the assessment object.

Employee contributions

In addition, from 1 January 2019, employers will be obliged to withhold and transfer employee deductions as follows:

- from 1 January 2019 – 1% of the assessment object;
- from 1 January 2020 – 2% of the assessment object.

Object of assessment for payments and contributions on employee income

Payments and contributions are assessed on employer expenses payable to employees as income.

Monthly income used to calculate payments and (or) contributions should not exceed 15 times the minimum monthly salary (“MMS”) for the relevant financial year.

If the object of assessment for contributions for the calendar month is less than the MMS set by the national budget law and valid as at 1 January of the relevant financial year, contributions are calculated and remitted from the MMS.

Instructions are to be introduced to calculate contributions, and determine income exempt from contributions. The instructions have not yet been adopted.

Contributions of individuals receiving income under civil contracts

The Law establishes that the contributions of individuals receiving income from civil contracts are calculated (withheld) and remitted monthly by tax agents with whom the contracts in question have been concluded.

In this respect, contributions have been set as follows:

- from 1 July 2017 - 2% of the assessment object;
- from 1 January 2018 – 3% of the assessment object;
- from 1 January 2019 – 5% of the assessment object;
- from 1 January 2020 – 7% of the assessment object.

All income accrued under civil contracts is recognised as an object of assessment.

Exemption from payments to the OSMI system

The following categories of citizens are exempt from payments to the OSMI system:

- 1) children;
- 2) mothers of large families awarded the "Altyn Alka" or "Kumys Alka" medals, or holding the "Hero Mother" title, and awarded the Order of the "Glory of Motherhood", levels I and II;
- 3) veterans and those wounded in the Great Patriotic War;
- 4) handicapped people;
- 5) persons registered as unemployed;
- 6) persons studying and receiving an education in boarding style institutions;
- 7) persons in full-time study at secondary, technical and professional, post-secondary and higher education institutions, and in post-graduate study in the form of residency;
- 8) persons on maternity leave until children reach three years of age;
- 9) unemployed pregnant women, and unemployed persons bringing up children up to the age of three;
- 10) pensioners;
- 11) military personnel;
- 12) employees of special state bodies;
- 13) members of the law enforcement authorities;

14) persons serving punishment according to a court verdict in criminal and correctional institutions (penitentiaries) (except for low security institutions);

15) persons held in temporary isolation and in detention facilities.

Payment and reporting deadlines

Contributions should be remitted by employers/tax agents monthly by the 25th of the month following the month in which income is paid, through a state corporation to the OSMI system account.

Overdue contributions are seized by the tax authorities and transferred by the payer to the fund account together with late payment interest of 2.5 times the official National Bank refinancing rate for each day of delay.

Contributions should be reflected in quarterly employer/tax agent reporting.

Other employer/tax agent obligations

The Law stipulates the obligations of employers and tax agents to notify employees and individuals receiving income under civil contracts of monthly contributions and deductions made.

This information should be sent by the 15th of the month following the reporting period.

How Deloitte can help

The Deloitte Team in Kazakhstan will be pleased to provide professional advice on any aspects of the Obligatory Social Medical Insurance Law.

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