



Obligatory Social Medical Insurance

On 30 June 2017, the President signed Law № 80-VI amending and adding to a number of health care-related legislative acts, including the Law on Obligatory Social Medical Insurance.

Below, we provide a brief overview of the main provisions of the Obligatory Social Medical Insurance Law dealing with corporate employer obligations and those of their employees after the latest amendments

Obligatory Social Medical Insurance

The Law covers Kazakhstan nationals, oralmans, foreign nationals and stateless individuals permanently residing in Kazakhstan (i.e. with a Kazakhstan residence card).

The Obligatory Social Medical Insurance ("OSMI") system is to be financed by:

- contributions, deductions any corresponding late payment interest and investment income;
- other receipts not prohibited by Kazakhstan law.

Payers

Contributions - money payable by employers to the social medical insurance fund using their own funds.

Deductions – money payable by employees and the following payers:

- the state;
- individuals generating income on civil contracts signed with tax agents in accordance with Kazakhstan law;
- individual entrepreneurs; private notaries; private court executives; attorneys; professional mediators and other individuals (including self-employed);
- Kazakhstan nationals residing abroad, except those who have moved to another country for permanent residency in accordance with the prescribed law, and those for whom contributions and (or) deductions are made in Kazakhstan.

Employee deductions are calculated (withheld) and remitted by their employer.

The deductions of individuals generating income from civil contracts are calculated (withheld) and remitted by the relevant tax agents.

Rates of contributions and deductions

Employer contributions

The Law obliges employers to make monthly payments in favor of employees as follows:

| | |
|---------------------|-------------------------------|
| from 1 July 2017 | 1% of the assessment object |
| from 1 January 2018 | 1.5% of the assessment object |
| from 1 January 2020 | 2% of the assessment object |
| from 1 January 2022 | 3% of the assessment object |

Employee deductions

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 |

Important

From 1 July 2017, tax agents are obliged to withhold and remit the deductions of individuals generating income from civil contracts at 5% of the assessment object.

From 1 January 2018, Kazakhstan nationals residing abroad will be obliged to make deductions of 5% of the minimum monthly salary ("MMS") for the relevant financial year.

Object of assessment for contributions and deductions on employee income

The object of assessment for contributions and deductions of employees is income accrued by employer.

Contributions and (or) deductions are not withheld from:

- income not recognised as individuals' income for personal income tax purposes (point 3 of article 155 of the Tax Code);
- income not subject to personal income tax (point 1 of article 156 of the Tax Code, except certain subpoints);
- income referred to in subpoint 13) of point 1 of article 200-1 of the Tax Code;
- income referred to in subpoint 1), 2), and 4) of the second part of point 2 of article 357 of the Tax Code.

Monthly income used to calculate contributions and (or) deductions should not exceed 15 times the MMS for the relevant financial year.

If the object of assessment for contributions and (or) deductions for the calendar month is less than the MMS, contributions and (or) deductions are calculated and remitted from the MMS amount.

The object of assessment for deductions of individuals generating income from civil contracts is income accrued from civil contracts.

The monthly base for assessing deductions should be calculated from an individual's total income. If an employee's monthly income has reached the maximum limit, deductions from other income are not paid provided that a tax agent has issued a certificate confirming the amount of income received and deductions made.

Exemption from OSMI deductions

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

- children;
- persons registered as unemployed;
- unemployed pregnant women, as well as unemployed persons bringing up children up to the age of three;
- persons on maternity leave, leave to adopt a newborn child (children) and bring up a child (children) aged less than three;
- unemployed persons caring for a handicapped child;
- persons receiving pensions, including veterans and those wounded in the Great Patriotic War;
- persons serving punishment according to a court verdict in criminal and correctional institutions (penitentiaries) (except for low security institutions);
- persons held in detention facilities;
- unemployed oralmans;
- 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;
- handicapped people;

- persons in full-time study at secondary, technical and professional, post-secondary and higher education institutions, and in post-graduate study;
- persons who have completed full-time study at secondary, technical and professional, post-secondary and higher education institutions, and post-graduate study for the three calendar months following the month in which education was completed;
- military personnel;
- employees of special state bodies;
- members of the law enforcement authorities.

Employer obligations

Employers should remit contributions and deductions on a monthly basis not later than the 25th of the month following the month in which income was paid, through the "Citizens' Government" state corporation to the social medical insurance fund account.

Tax agents should remit individual's deductions from civil contracts on a monthly basis.

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

Employers are obliged to keep primary records of contributions and (or) deductions withheld and remitted for each employee. The Law obliges employers and tax agents to notify employees and individuals generating income under civil contracts on monthly contributions and deductions made.

Employees should receive information on contributions and (or) deductions withheld and remitted by the 15th of the month following the reporting month.

Administrative responsibility

Administrative measures for failing to make or making incorrect OSMI contributions and (or) deductions prescribed by law vary from a warning to a fine of 50% of the contribution and (or) deduction amount.

Reporting

Contribution and deduction amount should be reflected in employer/tax agent quarterly reports.

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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