

*Full Length Research Paper*

# **Income tax on individuals in the Republic of Kazakhstan: “Fairness and efficiency” compromise**

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**Individual income tax can be effective for redistribution of income within a country and, therefore, may help to fight inequality. The paper is aimed at the analysis of the changes in Kazakhstan tax system to determine the type of taxation rate that would be the most appropriate in terms of efficiency and maintenance of equity.**

**Key words:** Individual income tax, inequality income, progressive tax rate, flat tax rate, Kazakhstan.

## **INTRODUCTION**

Individual income tax is an integral part of a government tax system that should fulfill both fiscal function and solve the social-economic problems of a country. A tax system should develop the economy and its subjects (entities), balance public and private interests, create an effective system of social guarantees for the population, help to reduce significant gaps between the level of consumption of the richest and the poorest groups, which have been formed over the past two decades.

The report of the Organisation for Economic Co-operation and Development (OECD, «Unequal Growth: Income Distribution and Poverty in OECD Countries» for 2008 (OECD, 2008), shows that in the vast majority of countries income inequality has been growing at least since the mid 1980s. Recently, the sharp rise has been noted in Canada and Germany, and a decline in Mexico, Greece and Britain. In developed countries governments collect more taxes and spent more to compensate the rising trend of inequality. The redistributive effect of public expenditures has weakened the growth of poverty in the decade from the mid 1980s to the mid 1990s, but increased poverty in the subsequent decade, as the benefits became less focused on the poor.

The issues of transition from the flat rate of individual

taxation to the progressive rate have been actively discussed in Kazakhstan recently. Our attempt is to reveal the advantages and disadvantages of introducing the progressive income tax rate of individuals on the basis of studying the evolution of individual taxation in the Republic of Kazakhstan in the period of its independence from 1991 to 2010. The analysis of changes in the taxation system will provide an opportunity to determine what type of taxation rate is mostly appropriate for Kazakhstan today in terms of its efficiency and maintenance of equity. On the basis of statistical data and interviews with taxpayers, we have come to the conclusion that the transition to the flat scale of taxation did not lead to the expected increase in tax collection, and the existing growth in tax revenues to the budget was due to the rise in average salaries in the country. The experts' survey has confirmed the facts of tax evasion in the country. Thus, the introduction of the progressive income tax rates for individuals at the present stage of the development of Kazakhstan's economy seems untimely and ineffective.

## **LITERATURE REVIEW**

Free market economies can often result in increased wealth by individuals and consequently, in income inequality, which can be mitigated by the government in a

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process of redistribution. The advantages and disadvantages of flat and progressive rates of taxation while addressing the challenges of income inequality have been the subject of vivid debates among experts and research community. Alston et al. (1992), Kearl et al. (1979), Ricketts and Shoesmith (1992) believe that progressive taxation coupled with universal guaranteed social security benefits plays a role in income redistribution. However, such a transfer may entail negative effects, the so-called “fairness and efficiency” compromise.

Johnston (2005) argues that progressive scale of taxation is more preferable: richer people with higher income must pay more taxes. Chichelov (2007) conducted a study to reveal the economic grounds for individual income taxation in Russia. The question he was particularly interested in was to which extend Russian taxpayers were factually able to pay. He came to the conclusion that the flat tax rate led to distortion of the nature of tax incentives. A progressive individual tax rate, on the contrary, could mean a taxation system that would be more efficient in terms of its influence on socio-economic development. The issue of poverty in Russia should be addressed through increase of minimum wage so that it was three times more the cost of the consumer basket<sup>1</sup>. This allows us to guarantee the social protection of employees with low income.

Gorodnichenko et al. (2009), conducted a study using a database survey of households in Russia. They concluded that the adoption of a uniform tariff rate of income tax does not lead to significant increase in tax revenues, as originally anticipated, because its impact on productivity, according to the analysis, is relatively small. However, the aforementioned researchers argue that if the economy is plagued by ubiquitous tax evasion, as it was in Russia uniform tariff rate may lead to a significant increase in total tax revenues through increasing voluntary compliance. In addition, in the course of their research they found out that the most significant reduction of tax evasion was among taxpayers who have experienced a significant reduction in tax rates once a flat rate of personal income tax was introduced.

At the same time, a number of economists, namely Browning and Browning (1985), Thibault (2002) and Karagusova (2011) consider flat rate of taxation to be more effective. The studies made by Browning and Browning (1985) reveal significant advantages of flat rate of taxation. They believe that a simpler and clearer tax rate is more equitable, accessible and efficient as it encourages individuals to pay timely and accurately. Thibault's (2002) studies had rather unexpected

outcomes; a progressive tax rate, he found out, may turn into the brain drain factor as it was when highly qualified specialists left Canada because they believed that the system deprived them of too much money. He argued that significant numbers of Canadian workers did not want to work harder and earn more as the progressive tax rate, which he opposed, meant that the more they earned, the more taxes they would have to pay. Besides, high progressive tax rate might discourage companies from efforts to expand their business. He considered flat income tax rate much more efficient than progressive tax rate and recommended the government of Canada to give up progressive taxation in favor of flat rate in order to increase simplicity, fairness and efficiency of the national tax system.

Duncan and Sabirianova (2008) found that the progressive individual income tax may trigger on income inequality, particularly in the countries with more developed democratic institutions. In countries with weaker law and order, introduction of a progressive tax may reduce public revenues from tax collection because one of its consequences may be bigger tax evasion. Basing on their empirical studies, the authors argue that flat rate tax can reduce the size of shadow economy in developing countries and, therefore, improve distribution of income through direct redistribution. The aforementioned authors see flat tax rate as compromise between efficiency and equity. According Duncan and Sabirianova (2008) this explains why flat tax rate system is relatively more popular in developing world than in developed countries.

At the same time, there are huge debates about the most appropriate mechanisms for distributions of income in economy: how to determine the optimal level of distribution, whether the current level of real redistribution is above or below the optimal level, and which specific redistributive mechanisms are the most effective?

And while in the limelight are primarily questions of increasing inequities in the distribution of labor income, which can be improved through progressive taxation of income, many people say that income inequality is less significant than inequality in capital distribution (Bartels, 2008; Keister, 2000; Smith, 2001; Wolff and Zacharias, 2007). The economic argument that a very high level of wealth and capital inequality can cause the reduction of volume of production is less popular. In accordance with this last argument, in the case of wealth distribution there is no conflict between fairness and efficiency.

In this aspect the point of view of the deputy of Mazhylis of the Parliament of the Republic of Kazakhstan, President of the Finance and Budget Committee, and the Doctor of Economic Sciences, Professor Karagusova (2010) of great interest. She noted the existence of high taxes in Kazakhstan and the absence of deduction system for an individual natural person: «First it is necessary at first to provide a system

<sup>1</sup> Consumer basket is a minimum market basket of food, goods and services to maintain minimum level of living of households. The Academy of Nutrition of the Republic of Kazakhstan defines which foods shall constitute the aforementioned market basket.

of the deductions system for the individual the natural person, in order to create conditions for his/her harmonious development as an educated, healthy and law-abiding citizen of the state». Many Western researchers hold support this point of view as well. James (2010) in his article «Capital Wealth Taxation as a Potential Remedy for Excessive Capital Wealth Inequality» argues, that social services, such as education and health are distributed more equally than income. Thus, when we include education and health into a wider view of economic resources it reduces inequality. However it will lead to insignificant changes in the rating of countries. Consumer taxes extend inequality, but not so much as calculation of social services which narrows it.

### **The history of development taxation on individuals in the Republic of Kazakhstan**

Kazakhstan had its sovereignty after the collapse of the Soviet Union two decades ago. Due to its geo-strategic location between Russia, China, the Middle East and South Asia, vast reserves of hydrocarbons and minerals and relatively well educated labor force. Kazakhstan has been able to behave as a political and economic actor on international arena. The first years of its independent development were quite difficult; gross domestic product (GDP) dropped by more than 40% in the period from 1991 to 1995 and inflation rate was over 1900% in 1994 (Pomfret, 2003, 2005). However, since 2000, Kazakhstan has managed to cope with the crisis. In recent years, Kazakhstan has been seen as the strongest and fastest-growing economy among the states of Central Asia.

Over the past decade, Kazakhstan has had rapid economic growth (according to the Statistics Agency of Republic of Kazakhstan, GDP per capita at PPP in US dollars grew 3.1fold from 2001 until 2010), however it is mainly due to the extractive industries, namely gas, metals, and oil in particular. In the meantime, there is extremely high disproportion among the regions in their economic development. This is the background for growing socio-economic inequality; the oil-producing regions have the highest poverty rate and highest income gap ratio. If, over the last decade, elsewhere in Kazakhstan there has been a gradual reduction of inequality (according to official statistics, the Gini index declined from 0.307 in 2001 to 0.278 in 2010). However, the issue of income inequality is relevant. Constantly searching for effective tools to reduce disparities among which is reviewed and taxation.

In 2001 the tax legislation in Kazakhstan was changed again; a new tax code was adopted (TCRK, 2001). According to the Tax Code of the Republic of Kazakhstan, a progressive rate of taxation was used from 2001 to January 1, 2007; a taxpayer's income imposed

for the tax year was collected at the rates from 5 to 20% as shown in Table 1.

At the same time the income of employees, taxed at the source of payment that does not exceed 12 times of the minimum wage according to the Law of the Republic of Kazakhstan "On Republican Budget" within one financial year is subject to a tax at the rate of "0%".

Under the condition that the average income of an employee during the quarter does not exceed the minimum wage. The progressive scale of rates on individual income tax was abolished by the Law of the Republic of Kazakhstan "On Adopting Amendments and Additions to Some Legislative Acts of the Republic of Kazakhstan on Issues of Taxation," July 7, 2006 № 177-III ZRK. From January 1, 2007 was replaced by the single flat tax rate at 10% for everybody. Legislators of the tax code also presented such innovation, as the liberalization of the tax legislation in Kazakhstan and its improvement for all taxpayers. In this case, one of the reasons to introduce a flat rate tax was to facilitate the removal of citizens' incomes from the shadow economy. At that time, some large employers criticized the legislators, because it meant an actual tax increase from 5 to 10% for the vast majority of employees Porokhov (2010).

In 2010 there were opinions in Kazakhstan that in order to implement the principle of tax equity it was necessary to return to a progressive rate. The proposed bill has the scale of 10, 15 and 20% (MFPK, 2010). As of today, a decision has been taken to postpone the adoption of the bill until 2013.

### **Analysis of the effectiveness of the introduction of a flat tax**

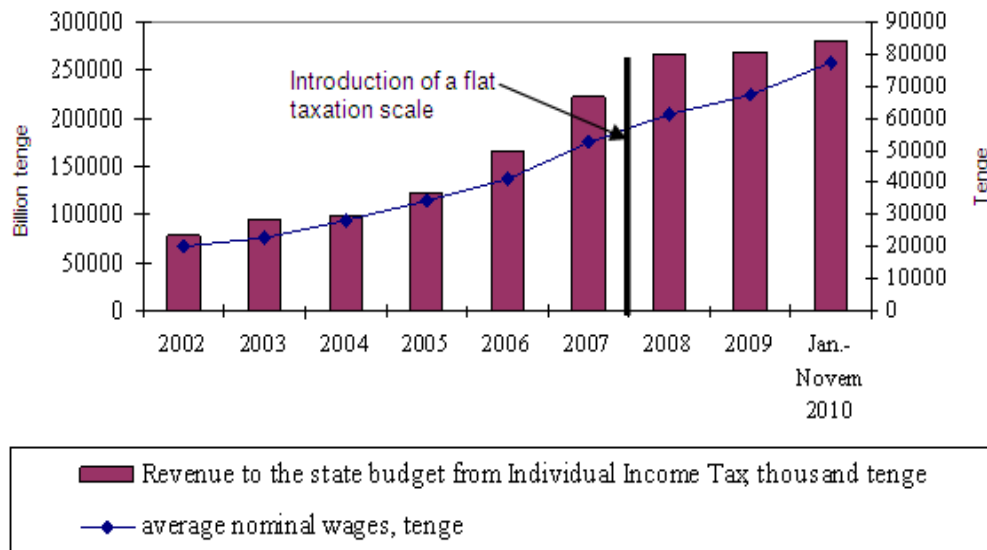
As noted earlier, since January 1, 2007 in Kazakhstan a progressive scale of taxation on individuals has been replaced by the single income flat tax rate of 10%. The question remains if this tax reform has been effective? Our analysis, conducted using data provided by the Tax Committee of the RK (MFRK, 2011), has shown a growth of receipts of revenues from individual tax income during the period from 2002 to 2010. In Figure 1 we can see that since the moment of the introduction of a flat scale of taxation (2007) there was no sharp increase in tax collection. Most likely, the growth was caused by growth of nominal wages in the country. Having correlated two indices, we have found that close direct relation occurs. Pearson's correlation coefficient was  $r = 0.98$  (Figure 2).

However, one can also see that if the change of the scheme of taxation effects the collection of taxes and the withdrawal out of shadow of wages fund of Kazakh companies since 2007 to a large extent. It was reasonable to observe growth of tax collection rates. In addition, a multiple regression coefficient equal to 0.96 suggests that the increase in revenue to the state budget

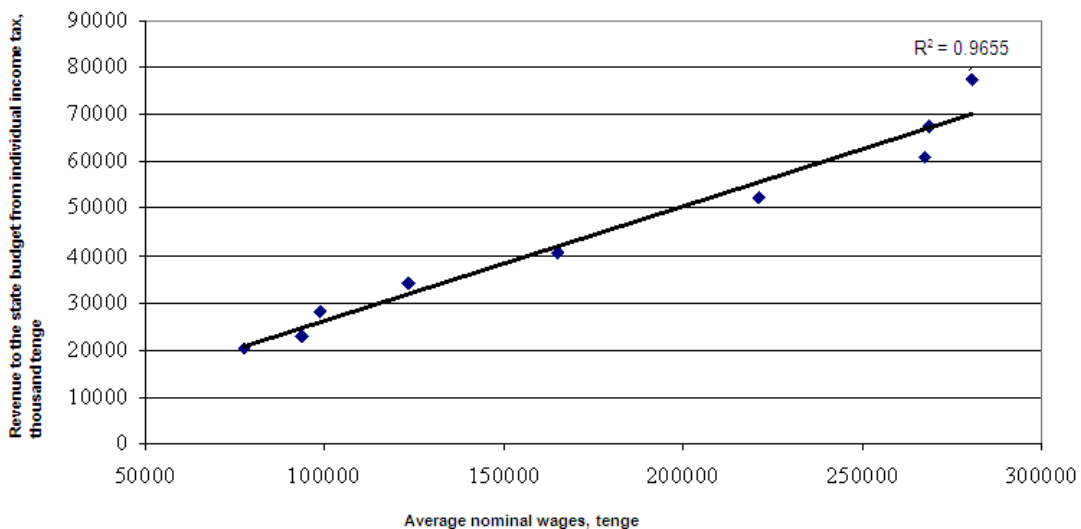
**Table 1.** Rate of individual income tax in the RK for the period from January 1, 2001 to January 1, 2007.

Taxable income	Tax rate
Up to 15 ACI <sup>1</sup>	5% of taxable income
15-40 ACI	5% of 15-times annual calculation index + 8% of the amount exceeding it
40-200 ACI	the amount of tax of 40-times annual calculation index + 13% of the amount exceeding it
200-600 ACI	the amount of tax of 200-times annual calculation index + 15% of the amount exceeding it
from 600 ACI	the amount of tax of 600-times annual calculation index + 20% of the amount exceeding it

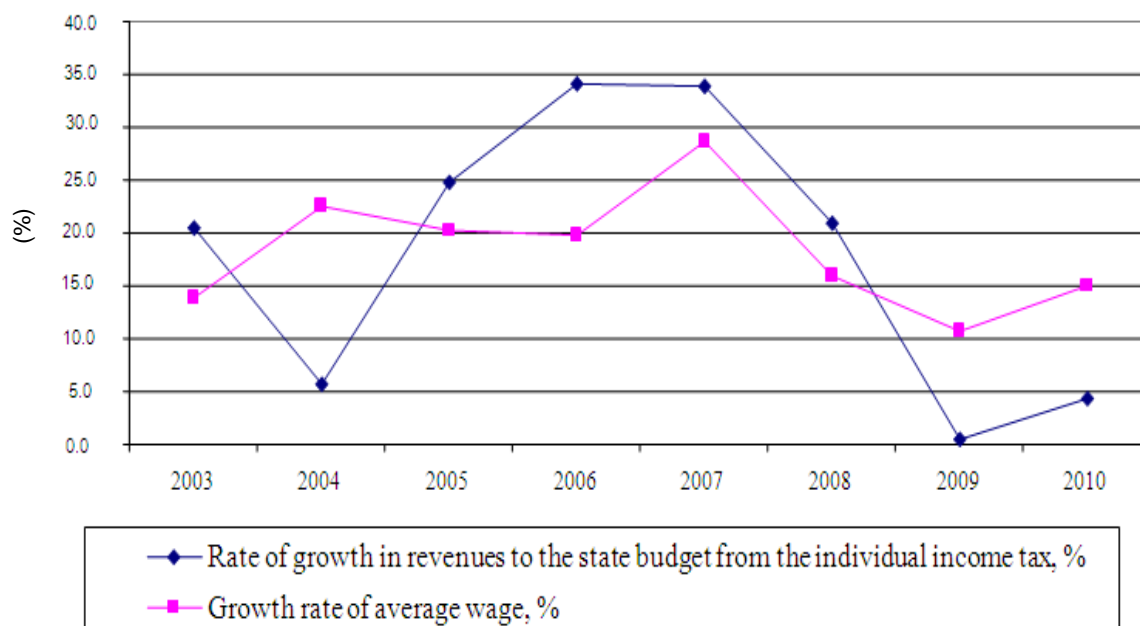
Source: Code of the Republic of Kazakhstan from June 12, 2001 "on taxes and other obligatory payments to the budget" (TCRK, 2001).



**Figure 1.** Dynamics of growth of public revenues from individual income tax and an average nominal wage in 2002 to 2010; \*done by the authors using the data of the Tax Committee of the Ministry of Finance of RK LSK (2011).



**Figure 2.** Relation between state income from Individual Income tax and an average nominal wage; \*done by the authors using the data of Tax Committee of the Ministry of Finance of RK and LSK (2011).



**Figure 3.** Growth rate of revenues from IIT and the average nominal wage in Kazakhstan from 2001 to 2010.

for the period was 96% due to changes in average nominal wages. Figure 3 shows that the index of revenues from the IIT to the state budget (in % for previous year) from 2005 to 2007. This was higher than the growth of wages since 2007. The rate of increase revenue dropped sharply. Such sharp decline is likely due to the economic crisis in the country.

Thus, studying the data provided by the Tax Committee of the Ministry of Finance, we can make a preliminary conclusion that the goal set by the developers of a flat rate of taxation - the increase of income from IIT to the budget and the withdrawal of shadow wages was not achieved.

#### DATA COLLECTION AND SURVEY

The data were collected via the survey (N = 130) conducted in December 2011 and January 2012. There were two stages: the expert poll of entrepreneurs and the in-depth interviews in Almaty (N = 26) as well as the online poll that surveyed taxpayers (n = 130). The poll conducted online covered the respondents aged 16 to 63 (working population). The sample size was 130 people with a confidence level of 95% and confidence interval of  $\pm 8\%$ . The search for respondents was carried out with the help of the so-called "Snowball" sampling among friends, acquaintances, and through various social network sites on the Internet. The main criteria for selection of experts were their competence and credibility. The experts were divided into three conventional groups: (1) entrepreneurs (that is, those who directly pay taxes<sup>2</sup>, (2)

employees of fiscal agencies, and (3) researchers and specialists in the field of taxation.

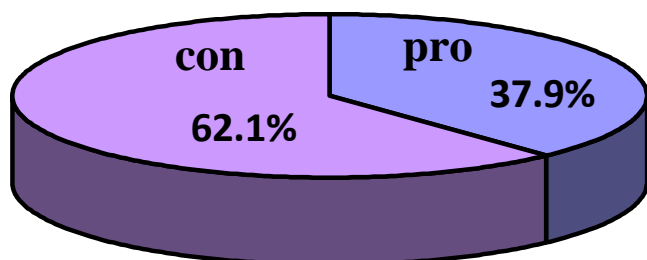
#### SURVEY RESULTS

The respondents were divided in terms of their preferences about the national tax system: 55 respondents, surveyed on-line, were in favor of a progressive tax rate whereas 90 had the opposite position that is 37.9 and 62.1% respectively (Figure 4). Statistically significant differences in responses by gender, age and residence were not observed.

The respondents, who supported a progressive tax rate, thought a taxation system based on income difference to be fairer, besides, it should enable the government to enhance their social policies. All the respondents, regardless their position about the national tax system, emphasized that the main problem was efficient redistribution of public revenues so that the nation would have the education and healthcare of high quality and availability as well as fresh water supply and good roads. This is how ordinary taxpayers would see their money spent and pay their taxes accurately knowing that they would have a substantial social package in return.

Some respondents supported tax deductions on taxable income for those having dependents. Currently, a dependent per household (for example, a child) means that individual taxable income is deducted to a monthly calculation index. In 2011, it was \$123.8 per year. For

<sup>2</sup> In Kazakhstan, the personal tax is calculated in the calculation of wages and employer paid the employee receives a salary is net of income tax.



**Figure 4.** Proportion of supporters and opponents of progressive individual income tax rate in Kazakhstan (N = 155).

comparison, the deductions in the USA in 2011 amounted to \$3,700 per year (IRS, 2011). Obviously, a tax system should take into account the dependent factor. The current deduction however, has no any economic grounds.

Some respondents suggested having the wider scale of 0 to 45% of individual income tax instead of the current 5 to 20%. The opponents of the options being considered by the government said that it would increase the tax burden on the majority of taxpayers. The expert survey was conducted via 26 in-depth interviews with people of various backgrounds. They are government, public administration and tax authorities' officials (N=7), economists, scientists (N=8), businessmen and accountants (N=11). Their views also differed considerably. Those involved in business were more supportive of a flat rate of taxation. In their view, that the transition to the flat rate of taxation in Kazakhstan in 2001 contributed to reducing the extent of tax evasion. Businessmen consider the transition to the flat rate as the reduction of taxes on the salary fund and accordingly, the company's reduced expenditures and production costs. The flat rate of individual income tax is extremely beneficial for companies from the point of simplicity of tax payments. Representatives of business structures expressed the view that companies are interested in a single tax. In percentage terms, everyone pays the same - 10%. This system is fair; it is easily calculated and quite acceptable from the psychological point of view.

Representatives of tax authorities in the course of in-depth interviews acknowledged that their monitoring of enterprises' performance, as well as the results of tax audits indicated that the facts of individual income tax evasion were less common at enterprises. However, the majority of tax authorities' officials consider the progressive tax scale as more equitable in terms of redistribution of income in society.

Most scientists and experts in the field of taxation tended towards the progressive scale, but they noted the following: in order to introduce the progressive scale it is necessary to move towards the universal declaration of

individual income, and to significantly improve the system of tax administration and to develop the efficient system of tax deductions. The views of individual experts are presented in Appendix 1.

We can make a conclusion that the withdrawal of a significant part of the salaries from the shadow economy in Kazakhstan has occurred, but it was most likely not due to the reform of taxation but due to the improvement of tax administration in the country. The introduction of a unified tax rate on individuals in 2007 led to the increased tax burden on the poorest part of the population (since for them the tax was increased from 5 to 10%) and to the decrease of those whose salaries were above 150,000 tenge. This enabled companies to withdraw higher salaries from the "shadow", to simplify financial schemes, and decrease expenses.

#### **Can individual income tax be used as a mechanism for redistribution of income in the Republic of Kazakhstan?**

Nevertheless, the system of taxation of individual income has to stimulate economic activity, which has a direct impact on economic growth in the country. In many countries for these purposes a progressive tax rates of individual income is applied.

While in the West there is a concept of fiscal integrity of a minimum level of income per person needed for a living wage. The essence of such a minimum is to allow each taxpayer to restore adequately their potential and potential members of his or her family from his or her income, and in addition to this amount to oblige him to pay income tax. Government does not claim to such revenue of its citizens. For example, taxpayers with low incomes are free from income tax. In Luxembourg and Austria the zero rate is applied for income up to \$1000 a month, in the USA- up to \$700, in Ireland - up to 600, in France - up to \$ 500 (VKP, 2010).

Director of the Institute of Financial and Tax Law, Doctor of Juridical Science Porokhov (2010) says that Kazakhstan has already overtook and left behind the West by the prices of goods (works, services) of public consumption and by the value of human life (as a process), but it is still lagging behind by social and fiscal guarantees of providing this life.

In Kazakhstan, the taxation is the combination of all individual income (both earned and unearned) and their levying the rate. However, in order to apply the principle of efficiency and fairness, the tax rate should differentiate between sources of income. For example, Prokhorov proposes to differentiate: (1) income taxed at the source of payment; (2) income under an employment contract; (3) property income, and (4) dividend income and income of certain categories of individuals (lawyers, notaries individual entrepreneurs). Considering the issues of

income inequality and redistribution mechanisms, many Western economists suggest that the redistribution of wealth through progressive taxation of property is more effective than the progressive taxation of income from employment (Bartels, 2008; Keister, 2000; Smith, 2001; Wolff, and Zacharias 2007). The economic argument that a very high level of wealth and capital inequality can cause a reduction of volume of production is less popular. In accordance with this last argument, in the case of wealth distribution there is no conflict between fairness and efficiency.

Nevertheless, a system of taxation of individual income has to stimulate economic activity, which has a direct impact on economic growth in the country. In most countries around the world for these purposes a progressive tax rates of individual income is applied.

Also it should be noted that "income of individual occupations (creative, intellectual) requires preliminary long-term investment in advanced education and skills rather than routine monotonous work" (Porokhov, 2010). Therefore, in respect of such professions a special tax clause in fixing rates of taxation of their incomes should be made.

If Kazakhstan wants a professional, well-educated population, it should stimulate citizens' zeal for education and nurture in them respect for science and vocational education, including through taxation. The President of Kazakhstan Nursultan Nazarbayev (2010) in his speeches repeatedly stressed that one of the main objectives of the national "Project Intellectual Nation – 2020" is to bring up a new generation in Kazakhstan and transform Kazakhstan into a country with competitive human capital. Accordingly, the government should create the necessary conditions to support increased human capital through tax policy. A progressive scale of taxation has economic grounding and is applied in many countries. There are few examples of flat scale of taxation, currently about 29 countries in the world use such wealth taxation scheme of individuals' income. These include as examples Russia, Estonia, Lithuania, Latvia, and Romania. Nearly all the countries OECD and countries of Asia apply a progressive scale of taxation or its analogue. For instance, in France taxation is 56%, in the USA 15 to 35%, in Germany 15 to 45%, in China 5 to 45%, Czech Republic – 15 to 32%, and Poland – 19 to 50% (VKP, 2010).

At the same time, economists, tax authorities and government officials mainly favored a progressive tax rate as they believed it would help to fight inequality and narrow the income gap, the value of tax 'losses' would be equal for the poor the rich as well as the benefits they would gain from the government in return. Ermekbaeva (2007) argues that flat rate of individual income tax runs counter the principle of social justice according to which a taxation system should be fair. In other words, under the classical understanding, tax should be levied in

accordance with the physical facilities of taxpayer, when income grows so should the tax rate and vice versa.

In countries of the CIS a progressive scale of taxation was in use prior to the beginning of the 21st century. In 2001 Russia transitioned to a flat scale of taxation; followed by Ukraine, Georgia, Kazakhstan, Kirgizstan and Belorussia. They were then joined by Bulgaria, Rumania, Slovakia, and Chernogoria. It is necessary to stress that a flat scale of taxation is presented in the countries with a lower developed economy and weak administrative taxation. Currently the necessity of progressive taxation is being led by Kazakhstan and Russia. There are numerous reasons for this, but the main argument in favor of progressive individual income tax lies in the principle of social justice. In other words, those who get more income may, to some extent, carry more tax load and be of more use to their society than the one with low income.

In countries of the Commonwealth of Independent States (CIS), a progressive scale of taxation was in use prior to the beginning of the 21st century. In 2001 Russia transitioned to a flat scale of taxation; followed by Ukraine, Georgia, Kazakhstan, Kirgizstan and Belorussia. They were then joined by Bulgaria, Rumania, Slovakia, and Chernogoria. It is necessary to stress that a flat scale of taxation is presented in the countries with a lower developed economy and weak administrative taxation.

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## Conclusion

Disputes on efficiency and fairness of a flat scale of taxation will continue, but it can be argued that the transition to a uniform rate of income tax in 2007 was a process of simplification of the tax system that made it in this area simple, clear and accessible to the majority of tax payers. In such a situation a person can accurately count how much he or she earns and how much he or she will pay in taxes. Under a weak tax administration it is very difficult to state that a progressive scale will lead to increases in tax collection. An open declaration of incomes is rare in Kazakhstan and the reliability and accuracy of tax payment is an extremely difficult and labor-consuming problem. Even now under the current "simple" scheme of individual income and property taxation, part of it remains uncollected. In view of the afore-mentioned, introduction of a progressive individual income tax rate in Kazakhstan is premature and very unlikely to have any positive effect given the current



state of economic development of the country. It will hardly increase public revenues or reduce income inequality. Neither will it be a stimulus for further economic development. Abolishment of the flat tax rate in favor for a progressive one can be an option only when the practice of universal declaration of income is introduced, tax administration quality is enhanced considerably and a fair and effective system of deductions from taxable income is developed. Proper redistribution of public revenues in this case still remains the major concern as, unlike progressive tax scale, it will enable reduction in income inequality in Kazakhstan.

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## Appendix 1.

"As our company produces excisable products, we always show all income legally. Transition to flat rate of taxation for our company resulted in a reduction of taxes, as it is now we have to pay less tax from our salary fund. For example, we employ a technologist, whose market salary is \$1000 (after payment of all taxes and deductions) that is, the costs of the company on this employee will be: \$ 1000 plus 10% income tax plus 10% pension plus all social security tax. Until 2007 a scheme might be  $1000 + 15 (20) \% + 10\% +$  social tax. Naturally the rate has been decreased and the company's costs and the cost of its products have decreased. Now there is no need to hide all sorts of bonuses, etc. The tax changes are of no significance for those enterprises that pay wages under the table that is completely shady. "

Financial director of an industrial company (wine products)

"I think they have to pay even more because of the calculation of IIT has become easier. It has become difficult to "pull out cash" (because of tax audits), so it's easier to pay wages officially. I have not seen a single company over the past 5 years that would pay salaries under the table. Apparently, there are still companies who do not show wages officially, but it is actually easier and cheaper to pay taxes for the majority of them than to pay the salaries under the table, "pull out" cash and still pay a percentage to offices which are cashing money."

Deputy Director General for Economy and Development LLP

"Yes, this scale is much easier to calculate taxes for accountants and employees themselves. In addition, as the percentage of tax burden for the higher income groups has been reduced, it has positively influenced the output of wages from the shadow economy. Companies are interested in a single tax. In percentage terms, everyone pays the same – only 10%. It's fairly easy to calculate and is doable from the psychological point of view. It is easier to pay 10% of salary, rather than 15 or 20%".

General manager of a research firm

"After the introduction of a simplified calculation in our holding, the salary remained hidden and only in 2009, when the risk of cashing the money increased, we were forced to report the salary. Our leaders do not think of the complexity of the calculation, they are interested only in saving money on taxes."

Chief accountant of a large trading company