

5 February 2014

To all our clients and friends

INFORMATION LETTER

regarding amendments to the legislation of the Republic of Kazakhstan on mandatory pension contributions

Starting 1 January 2014, Kazakhstan introduced an additional category of employer's mandatory payments for its employees – mandatory occupational pension contributions (hereinafter, the Contributions).

According to Article 26 of the revised Law on Pension Provision¹, Contributions are payable by employers from their own funds in favor of employees whose occupations are provided for by the special List of Professions² and in case the employee labor conditions are confirmed as harmful (especially harmful) via production facilities attestation with respect to labor conditions (hereinafter, the Attestation).

The Contributions are accrued in the amount of 5% of employee's monthly income, which is taken for pension contributions calculation in accordance with the procedure established by the RK Government³.

The Contributions are to be transferred on a monthly basis before the 25th day of the month following the month of income payment⁴.

Employers are exempted from paying Contributions in respect of certain categories of employees (including persons reaching retirement age; disabled persons of the first and second groups in case the disability is established on a termless basis; and some other persons) and in cases where the Attestation has identified no harmful (especially harmful) labor conditions.

Please note that additional subordinate regulatory acts to govern the Contributions payment issues⁵ are expected to be adopted. No law-application practice with respect to the issues under consideration has been formed yet.

¹ RK Law No. 105-V "On Pension Provision in the Republic of Kazakhstan" dated 21 June 2013, as amended.

² Decree No. 1562 of the RK Government "On Approval of the List of Productions, Work and Professions of Employees in Whose Favor the Payers of Mandatory Occupational Pension Contributions Are to Make from Their Own Funds the Mandatory Occupational Pension Contributions" dated 31 December 2013.

³ Rules and Timeframes for Calculation, Withdrawal (Accrual) and Transfer of Mandatory Pension Contributions and Mandatory Occupational Pension Contributions, approved by the RK Government Decree No. 1116, dated 18 October 2013; Rules for Determining Employee's Monthly Income Taken for Calculation of Mandatory Occupational Pension Contributions, approved by the RK Government Decree No. 849, dated 26 August 2013.

⁴ Accordingly, the very first payments of Contributions – those according to employees' income for January 2014 (payable within the first ten-day period of February 2014) – are to be made by employers before 25 March 2014.

⁵ For example, the Draft Rules for Making Mandatory Occupational Pension Contributions available on the official website of the RK Ministry of Labor and Social Protection of Population (www.enbek.gov.kz) are currently under discussion.



We would be happy to provide more detailed information on the procedure for calculation and payment of Contributions and further legislative developments in this sphere upon your further request.

Best regards,

ÆQUITAS Law Firm