

Improving the Tax System of the Republic of Kazakhstan: An Analysis of Challenges and Reform Priorities, 2009-2019

Dinara Sydykova¹

¹Independent Researcher, New York, United States

Publication Date: 2026/10/10

Abstract: This article examines the development, structural challenges, and reform priorities of the tax system of the Republic of Kazakhstan during the 2009-2019 study period. The study is a retrospective policy and document analysis derived from research completed in 2019. Its source base consists of normative legal acts on taxation, economic literature, periodical materials, and administrative and statistical materials used in the original study. The analysis focuses on the fiscal, regulatory, redistributive, and control functions of taxation; legislative stability; the tax burden and economic incentives; tax administration; fiscal discipline; and the relationship between state revenue needs and taxpayer interests. The study identifies recurring concerns involving instability and complexity of tax rules, compliance and collection difficulties, the economic effects of taxation, and the need for clearer and more predictable administration. It concludes that improvement of the tax system requires a coherent reform strategy combining legislative stability, simpler accounting and payment mechanisms, balanced tax burdens, accessible taxpayer information, stronger administrative safeguards, and continued technical modernization.

Keywords: Kazakhstan, Tax System, Tax Reform, Fiscal Policy, Tax Administration, Tax Burden, Economic Development.

How to Cite: Dinara Sydykova (2026) Improving the Tax System of the Republic of Kazakhstan: An Analysis of Challenges and Reform Priorities, 2009-2019. *International Journal of Innovative Science and Research Technology*, 11(10), 196-199. <https://doi.org/10.38124/ijisrt/26oct243>

I. INTRODUCTION

Taxes are a fundamental component of public finance and an important instrument of economic policy. They provide resources for the performance of state functions while influencing production, investment, consumption, employment, and income distribution. In a market economy, the effectiveness of taxation therefore depends not only on the amount of revenue collected but also on the quality, stability, and economic consequences of the rules through which revenue is raised [1], [4], [8].

Kazakhstan's transition toward a market economy required the construction and repeated modernization of national tax institutions. Tax legislation was used to support macroeconomic stabilization, public revenue formation, entrepreneurship, and broader social and economic objectives. At the same time, repeated changes in rules and administrative procedures created a continuing need to evaluate whether the tax system was sufficiently predictable, equitable, understandable, and compatible with economic development [2], [5], [9].

The purpose of this article is to present a condensed academic analysis of the tax system of the Republic of Kazakhstan for the 2009-2019 study period. The objectives

are to explain the economic role and functions of taxation, examine the institutional and administrative challenges identified during the period, and formulate priorities for improvement. The article intentionally preserves the historical scope of the research completed in 2019 and does not present post-2019 developments as part of its empirical analysis.

➤ Conceptual Basis of the Tax System

The economic essence of taxation arises from the transfer of a portion of income and economic resources to the state for the financing of public functions. Taxation is therefore connected with the broader system of financial relations between the state, enterprises, and individuals [4], [12]. The design of this relationship affects both fiscal capacity and the incentives faced by economic actors.

Four functions are particularly relevant to the analysis. The fiscal function provides resources for the state budget. The redistributive function reallocates part of income through public finance. The regulatory function permits the state to influence economic behavior through tax rates, exemptions, payment rules, and other mechanisms. The control function supports the verification and timely payment of tax obligations [6], [12], [13].

A sound tax system also depends on principles of equity, simplicity, certainty, economic acceptability, and comparability. Equity concerns the distribution of the tax burden. Simplicity and certainty reduce compliance costs and make obligations easier to understand. Economic acceptability requires that the system raise necessary public revenue without unnecessarily weakening productive activity or investment. These principles become especially important when tax legislation is frequently amended or when taxpayers face multiple and potentially inconsistent instructions.

II. METHODOLOGY

This study uses a qualitative, descriptive, and retrospective policy-analysis approach. The methodological basis of the original 2019 research consisted of normative legal acts concerning taxes and taxation, monographs and publications by domestic and foreign economists, materials from periodical and specialized publications, and administrative and statistical materials relating to the tax system. The research examined tax functions, institutional development, selected tax mechanisms, public-revenue issues, and reform proposals.

For the present article, the original research has been reorganized into four analytical themes: institutional development; tax burden and economic incentives; legislative stability and tax administration; and reform priorities. The article does not introduce new empirical observations after 2019. Its purpose is to present the findings and policy conclusions of the 2009-2019 study in a concise scholarly format.

➤ *Tax-System Development In Kazakhstan*

The development of Kazakhstan's tax system was closely connected with the country's broader institutional transition. The formation of a national taxation framework required the establishment of legal rules governing the relationship between taxpayers and the state, the structure of taxes and obligatory payments, tax administration, and mechanisms for enforcement and collection [5], [9], [10].

During the study period, the tax system continued to evolve through legislative amendments and changes affecting corporate and individual taxation, value-added taxation, social taxation, special tax regimes, and other obligatory payments. The analysis treats this development as a continuing reform process rather than a single completed event. The central question is whether the tax framework can simultaneously generate reliable public revenue, maintain understandable rules, and preserve incentives for legitimate economic activity.

The underlying research also considered the relationship between taxation, resource revenues, and fiscal sustainability. For an economy in which resource-related revenues have substantial importance, the effectiveness of the broader tax base and the development of non-resource economic activity remain relevant to long-term fiscal stability.

III. KEY CHALLENGES IDENTIFIED IN THE 2009-2019 STUDY

➤ *Legislative Stability and Complexity*

A central concern identified in the study was instability in tax legislation. Frequent amendments, instructions, letters, and explanatory materials can make it difficult for taxpayers to determine their obligations and to plan transactions with confidence. When changes occur during an operating period, businesses may face additional compliance costs and uncertainty concerning contracts, investment, and financial planning.

Legislative stability is therefore an economic issue as well as a legal one. Predictable rules reduce uncertainty and permit taxpayers to incorporate tax consequences into business decisions. Conversely, a system characterized by frequent changes can create risk even when statutory tax rates themselves are not unusually high.

➤ *Tax Burden and Economic Incentives*

The study examined the relationship between the tax burden and incentives for production, investment, and entrepreneurship. Its central position was that taxation should provide sufficient public revenue without creating a structure of obligations that unnecessarily discourages productive activity or encourages concealment of income [3], [7].

The effective tax burden is not determined by a single rate. It is influenced by the interaction of different taxes, accounting rules, payment timing, deductions, exemptions, and administrative requirements. Reform should therefore consider the cumulative economic effect of the tax system rather than focusing only on isolated statutory rates.

➤ *Tax Collection and Fiscal Discipline*

Tax avoidance, delayed payment, and weak fiscal discipline were identified as practical challenges. The original research connected these problems with the complexity of rules, economic conditions, taxpayer incentives, and the effectiveness of administration. Enforcement is necessary, but control measures alone cannot produce durable compliance when taxpayers face unclear or unstable requirements.

A sustainable compliance environment requires reciprocal obligations. Taxpayers must meet their legal duties, while public authorities must provide clear rules, consistent interpretation, accessible information, and meaningful procedural safeguards.

➤ *Accounting and Payment Mechanisms*

The research also considered the interaction between tax calculation, accounting, and payment mechanisms. Unnecessary duplication increases administrative costs, while payment obligations that arise before the receipt of corresponding cash may create liquidity pressure. These concerns support closer coordination between accounting and tax procedures and careful evaluation of payment timing.

The broader implication is that tax administration should be evaluated alongside tax rates. A nominally moderate tax can still create significant compliance burdens if calculation, documentation, or payment procedures are unnecessarily complex.

➤ *Reform Priorities*

The analysis indicates that improvement of the tax system requires coordinated legal, administrative, informational, and economic measures. Reform should not be reduced to repeated isolated amendments. It should be guided by a coherent strategy that recognizes the interests of the state, businesses, and individual taxpayers.

First, legislative stability should be treated as a core objective. Significant changes should be communicated in advance, and disruptive amendments during the tax year should be limited where possible. Second, accounting and tax procedures should be coordinated and simplified so that taxpayers are not required to maintain unnecessary duplicative systems.

Third, the combined tax burden should be assessed in relation to incentives for production and investment. The objective is not simply to minimize taxation, but to identify a sustainable balance between public-revenue requirements and the capacity of the tax base to develop. Fourth, taxpayer information services should provide clear explanations of legislative changes and practical obligations.

Fifth, the rights and responsibilities of taxpayers and tax-service employees should be clearly regulated and consistently applied. Administrative safeguards are important because effective tax administration depends on both enforcement authority and taxpayer confidence in procedures. Finally, continued improvement of information and technical support can strengthen registration, accounting, monitoring, and control.

The original study also proposed reconsideration of certain accounting and payment mechanisms, development of a more coherent system of tax benefits, and stronger limits on subordinate instructions that conflict with the Tax Code. These recommendations reflect the conditions examined in the 2009-2019 period and would require separate evaluation before application to later periods.

IV. DISCUSSION

The findings suggest that tax-system effectiveness cannot be measured solely by revenue collection. A sustainable tax system must also be predictable, understandable, administratively feasible, and compatible with productive economic activity. This creates a continuing policy tension: the state requires adequate resources to finance public functions, while taxpayers require a framework that permits planning, investment, and compliance without excessive uncertainty.

The 2009-2019 analysis indicates that legislative stability, administrative capacity, taxpayer communication,

and economic incentives should be addressed together. Isolated rate changes may have limited effects if the broader institutional environment remains complex or unpredictable. Similarly, stronger enforcement may not produce lasting compliance if taxpayers cannot clearly understand their obligations.

The study further highlights the role of institutional trust and fiscal discipline. Compliance is a legal requirement, but it is also influenced by the quality of the relationship between taxpayers and the state. Clear legislation, consistent administration, and accountability can strengthen that relationship.

V. LIMITATIONS

This article is based on research completed in 2019 and deliberately retains the 2009-2019 analytical period. It is not an assessment of Kazakhstan's current tax system. Legislative provisions and economic conditions may have changed after the study period. The analysis is primarily qualitative and descriptive rather than econometric. Future research may test the identified priorities using updated administrative data, comparative indicators, and post-2019 legislative developments.

VI. CONCLUSION

The tax system is both a mechanism for mobilizing public revenue and an instrument of economic policy. The analysis of Kazakhstan during 2009-2019 identified interconnected challenges involving legislative instability, administrative complexity, tax collection and fiscal discipline, the relationship between tax burdens and economic incentives, and the need for clearer taxpayer information.

Improvement therefore requires more than changes in individual tax rates. The principal reform priorities identified in the study are greater stability of tax legislation, better coordination of tax and accounting procedures, advance communication of significant changes, clearer protection of the rights and obligations of participants in the tax process, improved taxpayer information, and continued modernization of tax administration.

The central policy objective is balance. The state must obtain sufficient resources to perform its functions, while the tax system should preserve conditions for production, investment, and sustainable development of the tax base. Within the historical scope of this study, a more predictable, transparent, and administratively coherent framework emerges as an important condition for achieving that balance.

DECLARATIONS

➤ *Originality and Source of the Study*

This manuscript is a substantially condensed and academically rewritten article derived from the author's unpublished 2019 graduation research, "Improving Tax

System of the Republic of Kazakhstan,” completed at Girne American University under the supervision of Assoc. Prof. Dr. Alla Mostepaniuk. The original graduation project was not published as a journal article. The present manuscript preserves the 2009-2019 study period and does not add post-2019 empirical findings.

➤ *Funding*

The author received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

➤ *Conflict of Interest*

The author declares no conflict of interest.

➤ *AI-Assisted Editing Disclosure*

Generative artificial intelligence was used to assist with English-language refinement, structural condensation, and manuscript formatting. The research topic, underlying source material, study period, substantive analysis, and conclusions derive from the author’s 2019 graduation research. The author is responsible for reviewing and approving the final manuscript.

REFERENCES

- [1]. N. A. Nazarbayev, “Message of the President of Kazakhstan,” Feb. 6, 2008.
- [2]. A. D. Bayduysenov, “The Tax System of Kazakhstan,” *Karja-Karazhat / Finance of Kazakhstan*, no. 4, pp. 23-31, 2011.
- [3]. E. K. Idrisov, “Tax Regulation of Business Activity in the Sphere of Small and Medium-Sized Businesses,” *Karja-Karazhat / Finance of Kazakhstan*, Almaty, 2000.
- [4]. M. G. Ospanov, *Harmonization of Tax Relations*. Almaty: Faksinfo, 1997.
- [5]. Republic of Kazakhstan, Decree of the President “On Taxes and Other Obligatory Payments to the Budget,” Apr. 24, 1995, No. 2235.
- [6]. G. Karagusova, *Taxes: The Nature and Practice of Use*. Almaty: Karja-Karazhat / Finance of Kazakhstan, 2014.
- [7]. A. Alipov, “Taxation of Small and Medium-Sized Enterprises Needs to Be Improved,” *Karja-Karazhat / Finance of Kazakhstan*, no. 11, 2010.
- [8]. E. E. Temirkhanov, *Harmonization of Tax Relations*. Almaty: Faksinfo, 2010.
- [9]. Republic of Kazakhstan, Law “On Amendments and Additions to Some Legislative Acts of Kazakhstan on Taxation,” July 7, 2016.
- [10]. Republic of Kazakhstan, “On the Republican Budget for 2017-2019,” Dec. 4, 2017.
- [11]. Republic of Kazakhstan, “On Taxes and Other Obligatory Payments to the Budget (Tax Code),” Dec. 10, 2018.
- [12]. F. S. Seydahmetova, *Taxes in Kazakhstan*. Almaty: Lem, 2012.
- [13]. T. F. Yutkina, *Tax: Textbook*. Moscow: INFRA-M, 2011.

- [14]. C. R. McConnell and S. L. Brue, *Economics: Principles, Problems and Policies*, 11th ed. Moscow: The Republic, 1992.
- [15]. D. G. Chernik, A. P. Pochinok, and V. P. Morozov, *Fundamentals of the Tax System: Textbook for Universities*. Moscow: Finance / UNITY, 1998.