

## **PART II. SPECIAL PROVISIONS**

### **DIVISION IV. INCOME TAX ON PHYSICAL PERSONS**

#### **Chapter 15. General Provisions**

##### **Article 111. Taxpayers**

Payers of income tax consist of resident and nonresident physical persons.

##### **Article 112. Object of taxation**

1. The object of taxation for the personal income tax of residents is taxable income, determined as the difference between all income for the tax year, as indicated below in this Division, and the deductions stipulated by this Code for this period.
2. A nonresident taxpayer engaging in activity in the Republic of Taxastan via a permanent establishment is a payer of income tax with regard to taxable income attributable to the permanent establishment, determined as the difference between gross income for the reporting period, , from the Republic of Taxastan sources attributable to the permanent

establishment (Article 27(21)(C)), and the amount of deductions stipulated by this Code with respect to such income for this period.

3. Gross income of a nonresident not described in point 2 of this Article is subject to taxation at the source of payment, if so provided in Article 143, without deductions.

4. A nonresident physical person receiving employment income or income from the sale or transfer of property from a source in the Republic of Taxastan is a payer of income tax with regard to gross income of this type for the calendar year, reduced by the deductions stipulated by this Code and attributable to such income for this period.

### **Article 113. Gross income**

1. Gross income of a resident taxpayer consists of income received by him from sources in the Republic of Taxastan and outside the Republic of Taxastan.

2. Gross income of a nonresident taxpayer consists of income received from sources in the Republic of Taxastan.

3. All types of income, except for income exempt from income tax under this code, form part of gross income, including:

- a. income received in the form of wages;
- b. income from nonemployment economic activity;
- c. any other income.

### **Article 114. Income received in the form of wages**

1. Any payments or gains received from employment of a physical person are considered income received in the form of wages, including income from former employment received as a pension or otherwise or from prospective employment.

2. For the purposes of point 1 of this Article, the value of gains equals the sum indicated below minus any payment by the employee for the received gains:

- a. in the case of an automobile of any type—0.02 percent of the value of a new automobile of that type at the beginning of the tax year for each day during which the automobile is at the disposal of the employee for private use except for travel between home and place of employment for state employees;

- b. in the case of loans at an interest rate that is lower than the market interest rate for loans of that type—an amount equal to the interest to be paid at the market rate;
  - c. in the case of the sale or gratuitous transfer of goods, works, or services by an employer to his employee—the market price of these goods, works, and services;
  - d. in the case of assistance in the education of an employee or his dependents (excluding training programs directly connected with performance of the employee's duties)—the cost to the employer of the education assistance;
  - e. in the event of the reimbursement of expenses to an employee—the amount of reimbursement;
  - f. in the case of forgiveness of an employee's debt or obligation to his employer—the amount of the debt or obligation;
  - g. in case of life and health insurance premiums and other similar amounts paid by an employer—the cost to the employer of the premiums or amounts;
  - h. in any other case, the market price of the gains, in accordance with Article 26.
3. Gross income does not include the reimbursement of actual business trip expenses in accordance with the norms established by the Ministry of Finance of the Republic of Taxastan, or of other kinds of business expenses.
- 3a. Gross income does not include the value of benefits that are so small that it would be impractical to account for them.
4. Gross income does not include any gain received as a result of the employer's incurrance of expenditures described in point 3 of article 126.
5. The values and costs mentioned in point 2 of this Article include excise, value added tax, and any other tax payable by the employer in connection with the transaction to be appraised.
6. Gross income of physical persons does not include social contributions paid under Division IX of this Code.

### **Article 115. Income from nonemployment economic activity**

1. The following belong to income from nonemployment economic activity:

- a. income from entrepreneurial activity, including:
- gain on the sale or transfer of assets used for purposes of entrepreneurial activity;
  - income received for consenting to limit entrepreneurial activity or close an enterprise;
  - amounts received on the sale of fixed assets and included in income in accordance with point 7 of Article 132;
  - compensated deductions and decreases in reserves in accordance with Article 159.
- b. income from nonentrepreneurial economic activity, including:
- interest income;
  - dividends;
  - income from the leasing or hiring of property;
  - royalties;
  - the amount of debt of the taxpayer that is forgiven by the creditor;
  - gain from the supply of assets;
  - any other income reflecting an increase in the net worth of the taxpayer, other than wages.

### **Article 116. Adjustment of gross income**

Dividends and interest, received by physical persons and previously taxed at the source of payment in the Republic of Taxastan in accordance with Article 141 or Article 142, are excluded from gross income.

### **Article 117. Right to personal deductions**

1. A physical person is entitled to a deduction in the amount of one minimum monthly wage, as determined by the President of the Republic of Taxastan, for each month in the course of a tax year. If the physical person is an employee for any portion of a month, the deduction for this month is allowed only against wages at the principal place of employment.

2. A physical person - entrepreneur is entitled to a deduction for social contributions paid in accordance with Chapter 33 of this Code.

### **Article 118. Income tax rates**

1. The taxable income of a physical person is taxed at the following rates:



### **Article 119. Exemptions**

1. The following types of income of physical persons are not subject to income tax:
  - a. official employment income of a diplomatic or consular employee who is not a citizen of the Republic of Taxastan;
  - b. employment income of a person who is not a resident or a citizen of the Republic of Taxastan and who is present on the territory of the Republic of Taxastan for less than 90 days in the tax year, if this income is paid by an employer or in the name of an employer who is not a resident of the Republic of Taxastan and is not paid by a permanent establishment of a nonresident;
  - c. the value of property received in the form of a gift or inheritance, with the exception of income from such property as well as property received as wages;
  - d. state pensions, state stipends, and state allowances, including maternity benefits and allowances and those related to loss of work capability as a result of injury and other health problems, and to loss of a breadwinner;
  - e. alimony;
  - f. one-time payments and material assistance provided from the budget, as well as humanitarian assistance, including in the event of natural disasters;

- g. gains on the supply of immovable property by a physical person that has been the main place of residence of the taxpayer for at least three years;
- h. gains on the supply of tangible movable property by a physical person, except for property that is or has been used by the taxpayer in entrepreneurial activity;
- i. amounts of state prizes of the Republic of Taxastan;
- j. insurance payments received as a result of death of the insured person;
- k. income from sale of household agricultural produce without industrial processing.