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**Faculty of Economics and Management**

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**Abstract of Bachelor Thesis**

**Tax System Analysis in Chosen State**

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## **Summary**

Tax system in the Republic of Kazakhstan has been studied and analyzed for the bachelor's thesis entitled "Tax System Analysis in Chosen State". Theoretical and practical studies of this issue are carried out in the thesis work.

The subject of the research is the tax system of the Republic of Kazakhstan as an important tool for regulating market economy of the state.

The introductory part of the thesis is devoted to the methodology used to analyze the tax mechanism of the Republic of Kazakhstan.

Theoretical part of the thesis describes economic and social essence of taxes. This part also shows a modern condition of the tax mechanism of the Republic of Kazakhstan. The theory of the Laffer curve and its effect in the economy of Kazakhstan is given here as well as examples of main taxes and taxpayers that occur in Kazakhstan.

Practical part deals with the study of tax mechanism of LLP (Limited Liability Partnership) "Rudnenskiy Metalwork Plant - Imstalcon". This enterprise is defined as an object of the thesis.

Final part represents a conclusion about modern tax system of the Republic of Kazakhstan based on the practical analysis of the enterprise as well as on the theoretical part of the thesis.

## **Key words:**

Tax, Republic of Kazakhstan, Laffer Curve, Corporate Income Tax, Personal Income Tax, Enterprise, Value Added Tax, Excise.

## **Introduction**

Taxes have an important place among the economic levers. With the help of this lever any state influences market economy. The application of taxes is one of the economic methods of management and providing link between general state interests and commercial interests of entrepreneurs and enterprises regardless of their departmental subordination, forms of ownership and legal forms.

The tax mechanism also serves as a redistribution of incomes, social protection of lower social classes and regulation of personal income of the population.

Since gaining independence in 1991 Kazakhstan has embarked on serious changes in the political and economic structure of the state. The Government of the Republic of Kazakhstan began to implement a complex of measures to reform the entire socio-economic system, including the tax mechanism of the republic.

Since 1992, the work began on the improvement of the tax policy. The basic list of requirements that meet the Law of the Republic of Kazakhstan dated April 24, 1995 "On taxes

and other obligatory payments to the budget" includes a reduction of a tax burden and an amount of taxes, and also an approach of the tax system of Kazakhstan to world standards.

To further fundamental reform of the country's economy the President Nursultan Nazarbayev proposed to develop a number of programs.

For today, the role and importance of taxes increases sharply as the regulator of the market economy, the promotion and development of priority sectors of the national economy.

### **Aim and objectives**

**The aim of the thesis** is to analyze taxes and tax system of Kazakhstan on the example of the Kazakhstan's enterprise, and to learn the effects of the modern tax system of Kazakhstan on the economic and social development of the state.

**Objectives of the thesis** for achieving this goal are as follows:

- disclosure the essence of tax and fiscal policy of the state and its value,
- the study of tax policy in the system of the state regulation of the economy,
- analysis of results and main directions of the development of the modern tax policy of Kazakhstan;
- the study of taxation mechanism by an example of «Rudnenskii metals plant - Imstalcon» LLP.

**The subject of the research** is the tax system of the Republic of Kazakhstan as an important tool for regulating market economy of the state.

**The object of the research** is the tax mechanism of «Rudnenskii metals plant - Imstalcon» LLP.

### **Methodology**

Both practical and theoretical methods are used in the thesis. These methods are widely used in the research process in various sciences. A practical method allows to capture and describe different phenomena, facts and links between them. Comparison, observation, measurement and description approaches are used in practical method.

Detailed analysis of various facts is performed using a theoretical method. All significant patterns and factual materials like analysis, classification, modeling, system approach and statistical method are systematized under this approach.

Following methods and approaches of theoretical knowledge are used in the thesis: a method of formal logic, a grouping method and a benchmark method, statistical and dynamic analysis.

Comparison and measurement are practical methods of scientific research in the thesis.

## **Discussion and Conclusion**

Taxes and a fiscal policy in all countries are essential instruments for the economic development. The amount of collected taxes is closely related to the size of the tax rates. Economist A. Laffer investigated the dependence of tax revenues from the tax rates. He expressed this relationship in "Laffer curve".

The basic idea of the Laffer curve is that if the tax rate increases, tax revenues will increase up to a certain maximum level, and then will go down, because high taxes inhibit the economic activity of economic entities.

The action of Laffer theory in the Republic of Kazakhstan was considered on the example of the corporate income tax (CIT) for 2005-2013. The reduction of CIT rate led to increase in the amount of income from CIT to Kazakhstan's budget.

If in 2005 by 1% of the CIT rate fell 27.8 billion tenge to state revenues, in 2013 it was already 61.9 billion.

The tax policy of Kazakhstan enterprise "Rudnenskii metals plant - Imstalcon" LLP was analyzed in the thesis. The analysis suggests the following conclusions.

During the analyzed period, the tax burden of the company tended to grow and amounted 3.3% in 2013, which is 0.1% higher than in 2012.

Taking into consideration that the rate of enterprise's revenue growth was 45%, and the rate of enterprise's tax payment growth was 54%, the following conclusion shows that the reason for increase of tax burden in the company was due to less growth in the total income of the company compared to a larger growth in the amount of tax payments of the company.

Thus, tax optimization of the enterprise "Rudnenskiy Metalwork Plant - Imstalcon" is required as well as selection of the best way to manage financial resources of the enterprise and attracting external funding in order to improve an economic development of the company.

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