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TAX POTENTIAL OF THE TERRITORY OF THE REPUBLIC OF KAZAKHSTAN

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Abstract: This article presents a complete analysis of the tax potential of the Republic of Kazakhstan, focusing on the distribution and formation of tax revenues. It reviews the structure of the tax base and its key factors affecting dynamics, including the level of production industry development, the role of the oil and gas sector, and the economic profile of regions. Special attention was paid to regional imbalances in tax receipts and their reasons, such as differences in investment attraction and levels of business activity. Recommendations were formulated based on this analysis, designed to increase the tax potential of the Republic of Kazakhstan, encourage economic diversification and improve tax administration. The conclusion of the study can be used in the development of tax policy and territorial development strategy.

Key words: Tax potential, tax revenues, regions of the Republic of Kazakhstan, fiscal policy, oil and gas sector, interbudgetary relations, tax base

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Түйін:Бұл мақалада Қазақстан Республикасының салық әлеуетіне кешенді талдау жасалған, салық түсімдерінің бөлінуі мен қалыптасуына баса назар аударылған. Онда салық базасының құрылымы және оның динамикасына әсер ететін негізгі факторлар, соның ішінде өңдеу өнеркәсібінің даму деңгейі және мұнай-газ секторының рөлі, сондай-ақ аймақтардың экономикалық бейіні қарастырылған. Салық түсімдеріндегі аймақтық айырмашылықтарға және олардың себептеріне, мысалы, инвестициялық тартымдылықтың әртектілігіне, іскерлік белсенділік деңгейлеріндегі айырмашылықтарға ерекше назар аударылған. Бұл талдау негізінде Қазақстан Республикасының салық әлеуетін нығайту, салық әкімшілігін жетілдіру, сондай-ақ экономикалық әртараптандыруды ынталандыру бойынша ұсыныстар жасалды. Бұл зерттеудің нәтижелері салық саясаты шараларын және аумақтық даму стратегияларын әзірлеуде пайдаланылуы мүмкін. Сонымен, мақалада салықтық ынталандыру тетіктерін оңтайландырудың маңызы атап өтіледі. Ұсынылған тәсілдер ұзақ мерзімді тұрақты экономикалық өсуді қамтамасыз етуге бағытталған.

Кілт сөздер: салық әлеуеті, салық түсімдері, Қазақстан Республикасының аймақтары, фискалдық саясат, мұнай-газ секторы, бюджетаралық қатынастар, салық базасы

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НАЛОГОВЫЙ ПОТЕНЦИАЛ
НА ТЕРИИТОРИИ РЕСПУБЛИКИ КАЗАХСТАН

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Аннотация: В данной статье проведен комплексный анализ налогового потенциала территории Республики Казахстан с акцентом на особенности распределения и формирования налоговых поступлений. В статье рассматривается структура налоговой базы, также ее ключевые факторы, оказывающие влияние на динамику, включая уровень развития производственных отраслей и роль нефтегазового сектора, также экономический профиль регионов. Особое внимание было уделено региональным диспропорциям в объемах налоговых поступлений и их причинам, таким как неоднородность инвестиционной привлекательности, различия в уровнях деловой активности. На основе проведения данного анализа были сформулированы рекомендации, направленные на укрепление налогового потенциала территории Республики Казахстан, повышение и улучшение администрирования налогов, стимулирование диверсификации экономики. Полученные заключения исследования могут быть использованы при разработке мер налоговой политики, а также стратегий территориального развития.

Ключевые слова: налоговый потенциал, налоговые доходы, регионы Республики Казахстан, фискальная политика, нефтегазовый сектор, межбюджетные отношения, налоговая база.

Introduction

Regional tax potential refers to the combined manifestation of economic, demographic and institutional factors that determine a jurisdiction's ability to generate tax revenues. For Kazakhstan, where a large portion of the revenue base is linked to the raw materials sector, studying regional tax potential is particularly important. The purpose of this document is to assess the tax potential of Kazakhstan's regions using data from 2024 as an example, identify the main sources of revenue, and offer recommendations for improving the sustainable capacity to mobilize tax resources.

This study is based on a descriptive and comparative analysis of official data from the National Revenue Committee and the National Statistics Agency of the Republic of Kazakhstan, as well as analytical reports from the World Bank, the Organization for Economic Co-operation and Development, and independent economic institutions. The basic methodologies used include: content analysis of official reports, comparison of regional tax revenue shares, and calculation of absolute money values for 2024.

Research methods

In the research of the tax potential of the territory, several methods were used that provide reliability and fullness of the results. First of all, statistical analysis was used to summarize data on tax revenues and determine their dynamics over a certain period.

Comparative analysis was used to compare tax indicators between regions, which helped to identify territories with low and high tax returns. The structural analysis was also used to determine the share of the main types of taxes in the total revenue and to identify the leading sources of the tax base.

In addition, factors analysis was used to determine the impact of economic, social, and

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sectoral characteristics of regions on their tax potential.

Official statistical data from government departments, materials from ministries, analytical reports, and regulatory documents were used as the information base. This method allowed for a complex and objective assessment of tax potential.

Theoretical analysis

When creating a strong budget system, the tax potential of a territory is of considerable importance for providing social and economic development. Recently, problems related to regional and territorial imbalances, tax loads, and the growth of the shadow economy have become particularly prominent.

The following figure shows the government budget income for 2023. In total, around 24.9 trillion tenge was collected this year, which is 23.1% more than in 2022. In 2023, the largest proportion of income came from tax receipts, which amounted to 18.9 trillion tenge, an increase of 27.4% over the year. The share of tax receipts for this period was already approximately 75.9% which is the largest proportion of tax receipts in recent years [1].

Figure – 1. State budget for 2023

The largest part of tax revenues for 2023 was exactly domestic taxes on goods, works, services, which amounted to 7.7 trillion tenge, which is 33.6% more compared to 2022. Income taxes accounted for the second largest share, amounting to 7 trillion tenge, a 28.9% increase over the year. But despite this significant increase, the SAC (Supreme Audit Chamber) said that in 2023 tax revenues fell short of the target by 1.4 trillion tenge.

The following table shows the dynamic changes in tax revenues and payments made by the State Revenue Department of Almaty, Astana, Shymkent, Almaty region, Atyrau region between 2020-2024.

In 2024, the city of Almaty made the largest deposit to the National Tax Administration, amounting to 5 492 905 020 tenge. Astana came in second with 3 280 391 370 tenge. The Atyrau region ranked third with 2 601 102 678 tenge. The Almaty region deposited 1 017 595 325 tenge in taxes, and the city of Shymkent deposited 617 920 700 tenge.

Compared to 2020, the following regional increases were noted:
- Almaty city: 138% increase in tax revenues;
- Astana city: 127% increase in tax revenues;
- Atyrau region: 109% growth;

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- Almaty region: 80% growth;
- Shymkent city: 156% growth.

This growth in revenue and the corresponding contributions to the national budget of the RK (Republic of Kazakhstan) indicate increased administrative performance and active economic activity in these territories [2].

Table – 1. Dynamics of tax revenues and payments to the State Revenue Department

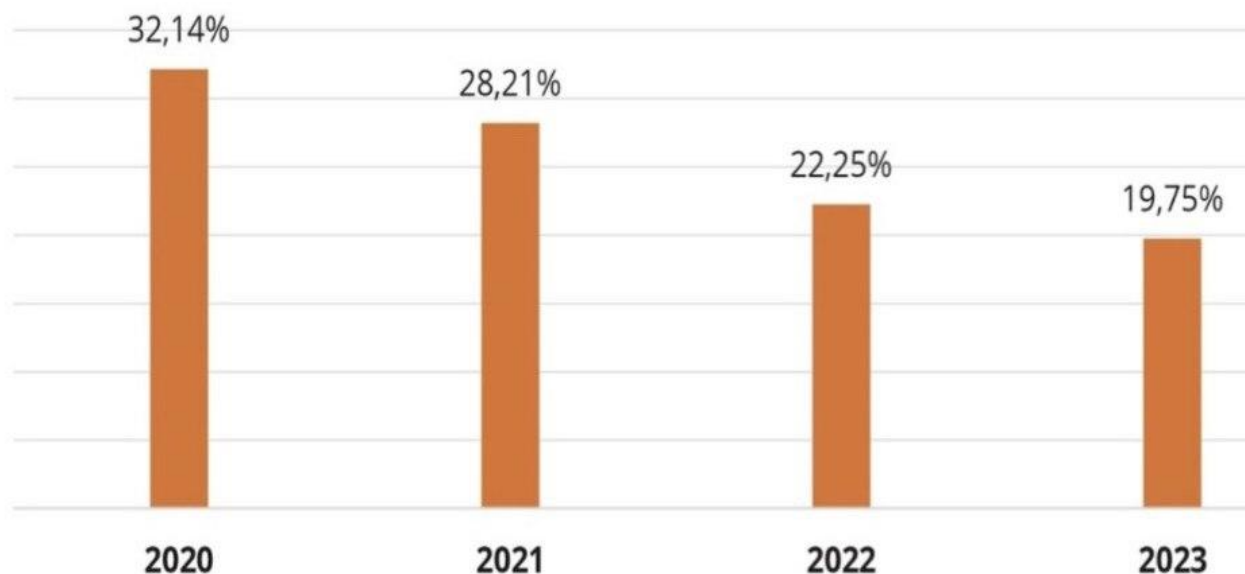| SRD	2020	2021	2022	2023	2024
SRD of Almaty	2 290 049 005	2 913 443 805	4 141 163 902	5 425 480 262	5 492 905 020
SRD of Astana	1 422 910 238	1 441 361 206	2 100 755 736	2 531 594 421	3 280 391 370
SRD of Atyrau region	1 243 520 011	1 528 845 972	2 347 953 789	2 637 672 872	2 601 102 678
SRD of Almaty region	561 879 385	773 751 340	930 082 549	874 537 516	1 017 595 325
SRD of Shymkent	241 475 307	291 351 854	441 584 639	515 994 236	617 920 700

For Kazakhstan, considering the significant regional differences in economic development, it is important to review the potential for tax revenues. In 2024, tax inflows to the state budget of Kazakhstan totaled over 20.4 trillion tenge, which is an increase of approximately 8% compared to 2023 (18.9 trillion tenge).

The main tax paying regions were the city of Almaty, Astana and the Atyrau region, which together accounted for more than 45% of total tax revenues.

The research methods were comparative analysis of the regional structure of tax revenues using data from the National Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan and the National Agency for Statistics, as well ass analytical materials from the Organization for Economic Co-operation and Development and the International Monetary Fund.

To assess regional differences, a tax potential classification index was used, which represents the share of the three main regions in total revenue [3].

In Kazakhstan, almost 20% of the economy operates in the shadow sector, which also affects the level of potential tax revenues. The most significant growth in the shadow economy is in the transport and trade sectors. However, Kazakhstan's economy is decreasing. According to available data, in 2023 the shadow economy accounted for 19,75% of Kazakhstan's economy. In 2022, this figure was 22,5% and in 2021 28.21%. The corresponding trend is illustrated in the next figure 2 [4].

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Figure – 2. Share of the informal economy in GDP

In 2024, Kazakhstan's tax load amounted to 11.8% of GDP. Value added tax 31-32%, corporate income tax 26-27%, mineral extraction tax 19% remained the main sources of revenue. The regional distribution of tax revenues is summarized in the following table:

Table – 2. Tax revenues of the Republic of Kazakhstan for 2024

Region	Share of tax revenues, %	Volume, trillion tenge	Comment
Almaty	23.5	4.80	Largest taxpayer, business center
Astana	12.1	2.47	Capital, financial and IT sectors
Atyrau region	10.9	2.22	Oil and gas region
Karaganda region	5.7	1.16	Industrial center
Shymkent	4.4	0.90	Developing metropolis, medium-sized and small businesses and construction
Other region	43.4	8.95	A total of 11 regions RK

The results of the study demonstrate that Kazakhstan's tax revenue potential remains concentrated in a few central economically developed regions. Almaty, Astana and the Atyrau region account for almost half of the country's total tax revenue. In Shymkent in 2024 tax revenues increased by 12% thanks to the expansion of the construction sectors and the service [5].

The primary challenges are the continued intra-regional imbalance and dependence on taxes on the commodities.

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Differences in tax revenues between regions of Kazakhstan mainly depend on the level of industrialization, the availability of large taxpayers (particularly in the oil and gas sector), the pace of urbanization, and the intensity of medium-sized and small companies.

The main risks include:
- the dependence on oil revenues and fluctuations in commodity prices;
- tax differences between the regions;
- tax avoidance and under-collection;
- and the pressing need to consolidate local tax bases and payment transfer mechanisms.

Tax administrations face serious challenges due to widespread tax evasion, the growth of informal employment and the lack of transparency in capital flows. The improvement of tax tracking systems and the introduction of electronic tax returns could significantly reduce the size of the shadow economy and increase tax revenues [6].

Kazakhstan has a much smaller level of shadow economic activity compared to other CIS countries. The Association of Certified Accountants says that the shadow economy in Russia is 38%, in Azerbaijan it's about 68%, and in Ukraine it's about 45%.

international experience in combating the shadow economy can be introduced in our country, as there are many effective instruments for its destruction. For example, various information technology programmes adopted in Canada could be introduced.

However, it should be noted that each country has its own characteristics and specifics. The need to imitate the direct replication of other countries' methods may be unnecessary. The cultural differences, mentalities, and other factors may make such replication rather unproductive, which may complicate the situation and lead to negative results.

Studying international practices for improving tax collection potential gives important reference points for developing more effective national measures. This means not only studying successful mechanisms, but also adapting them to the economic, social and institutional characteristics of each country. This approach helps build a more sustainable, competitive, and transparent economic system [8].

The creation and development of automated platforms for electronic tax filing is a critical task, as it would considerably reduce the administrative burden, increase the transparency of calculations, and simplify tax procedures.

Results and discussion

To improve tax collection within the territory, efforts should focus on creating an environment that encourages business creation and development, as well as improving mechanisms for attracting business investment. Expanding and creating special economic zones can help attract foreign investment and stimulate industrial development.

Kazakhstan has initiated such measures, an example of which is the Astana-New City special economic zone, which is currently about 7 635 71 hectares in size [9]. Investors in this zone enjoy special tax conditions, which is a key advantage for unlocking the region's tax potential.

Recommendations for improving the tax revenue potential of the Republic of Kazakhstan:
- Achieve regional economic diversification by stimulating non-recourse-based industries and supporting small and medium-sized enterprises;
- Increase the tax base by the digitalization of tax administration and the reduction of tax evasion;
- Correct the mechanism of inter-government transfers to promote the autonomous development of tax bases in all regions;
- Develop the categories of local taxes (property tax, real estate tax) and establish transparent tax rate systems and management mechanisms.

Most authors have based their analysis on foreign experiences in dealing with the unobserved economy, analyzing different aspects of this problem based on the political, social,

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economic situation in each country studied. Their opinions on this topic are presented in the following table 3 [10].

Table – 3. Author's opinions on combating the non-observed economy

№	Authors	Opinions
1	O.V. Fedonina	He believes that an effective way to combat the shadow economy in many countries is through mechanisms and systems for monitoring the proceeds of illegal acquisitions
2	A.A. Shumskikh	He notes that it is necessary to improve the country's political and social spheres, with the implementation of programs aimed at bringing activities out of the shadows
3	S.A. Boranov	In his opinion the tax mechanism, anti-corruption and legislative mechanisms are effective mechanisms developed based on international experience
4	I.V. Nezhenskaya	Increasing the trust of enterprises in government bodies and the fight against corruption, according to the author, is an effective direction of measures to reduce the level of the non-observed economy
5	E.A. Akopyan	The author believes that it's necessary to improve the payment framework. This implementation will stimulate positive results in both developed and developing countries.

Online systems need to be improved to provide automatic tax return completion and tax advisory services. Although the Republic of Kazakhstan has introduced the e-salyq system, the information it provides is incomplete and not very intuitive. For example, the tax advisory function still does not meet the needs of small businesses.

Take Singapore, for example, its online system not only automates tax declaration completion, but also offers personal tax consultation services. This example significantly reduces the return filing load on businesses and increases tax obligation performance [11].

In the Republic of Kazakhstan, declarations often difficult to fill out, and checking the data takes a huge amount of time. However, in many countries, artificial intelligence independently calculates taxes and automatically checks their calculation correctly.

South Korea is one example. South Korea uses AI (artificial intelligence) to perform analyses of large amounts of digital data, which also allows it to identify all mistakes and errors in calculations. This introduction can save time and avoid human factors that lead to errors.

Our country doesn't yet have such an advanced system, which is why taxpayers still have problems in completing their tax returns. I propose developing a system based on artificial intelligence that calculates taxes automatically, identifies errors and mistakes, and automatically sends notices to taxpayers if necessary.

Of course, this solution also has its advantages related to technical problems, but despite this, such a method will increase the confidence and increase the speed of processes, reducing the tax administration's load [12].

The introduction of blockchain technology into the tax system of the Republic of Kazakhstan is necessary, as it will significantly help to reduce the level of the non-observed economy and, as a result, increase tax payers access to information. Our country already has some

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similar digital systems, such as Track & Trace, which are designed for illegal goods, but there is still no complete digital technology for all types of financial transactions.

This digital technology will allow financial transactions to be recorded and reflected, which will also eliminate tax evasion. An example of this is Estonia, which is famous for its effective use of blockchain technology to increase the level of transparency of all its tax activities. The introduction of blockchain technology in our country will help to automatically monitor all financial transactions, reducing the risk of tax avoidance [13].

I recommend introducing a program for optional declaration of income that hasn't yet been declared, as this would allow companies and individual taxpayers to correct any errors or defects in their tax declarations without fines or with minimal penalty.

This method is used in many countries, most popularly in Italy. This country has created a program of voluntary declaration in 2015, allowing taxpayers to provide information to tax payers about income hidden from the tax system in order to avoid paying fines and to avoid tax liability.

This system has significantly increased tax payments to the state budget and increased confidence in the tax services, and helping to remove business from the informal economy and, as such, increase the tax potential of the territory.

The tax potential of Kazakhstan's regions remains considerable, although it is unevenly distributed. An analysis for 2023 shows that tax revenues are largely concentrated in big cities and oil-producing regions. To improve budget stability, it is necessary to combine economic diversification and improved tax administration with reforms of budgetary relations.

Conclusion

The tax potential of a territory plays a key role in creating sources of revenue for the state budget and is responsible for the effective socio-economic development of the territory.

The key objective of every country's tax policy is to maximize and increase its tax potential, which includes the total tax opportunities of its territory as a whole. The structure and composition of tax revenues and payments in Kazakhstan show that megacities and production regions are economically active territories and also make the largest contribution to the country's state budget. The economic activity of regions affects their tax potential, as it is developed business and industry, and high levels of revenue from the population that provide a stable tax base.

The main problems of tax and budget policy are considered to be: the dependence of the budget on oil revenues, the limited level of revenues from non-oil sectors, leading to the abolition of ineffective tax incentives. Another problem in Kazakhstan is the large level of the non-observed economy, which significantly reduces the tax potential of the territory.

To increase the tax potential of the territory, special attention should be paid to creating an environment conducive to further development and creation of businesses, as well as to developing investment opportunities.

To improve tax regulations, it is also recommended to establish long-term tax holidays; introduce blockchain technology; create a voluntary declaration system; develop tax systems using AI (artificial intelligence); create tax breaks for each region, taking into account their specific characteristics; and improve online systems for automatically completing tax returns. The introduction and intelligent use of the above recommendations could increase the tax potential of the Republic of Kazakhstan territory considerably. It should also be noted that the estimated tax potential of a territory should be of a complex nature and take into account all prospects for economic development, not just current tax revenue indicators. Improving tax administration mechanisms aimed at reducing excessive levels of bureaucratic inequalities and improve the transparency of the tax system also plays a key role. The development of digital services for recording and monitoring tax transactions and effective interaction between government officials and businesses helps to increase confidence among business owners and encourage voluntary performance of tax obligations. So, increasing the tax potential of a territory is only possible with

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a balanced and integrated approach to economic development and improving the tax policy of the country.

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