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THE IMPACT OF TAX REFORMS ON INCOME INEQUALITY IN KAZAKHSTAN: PROSPECTS AND MECHANISMS OF REDISTRIBUTION

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This study assesses the transformation of the tax system of the Republic of Kazakhstan, specifically the transition from a proportional ("flat") model to a progressive personal income tax (PIT) scale introduced in 2026. The study tests the hypothesis that differentiated rates and a luxury tax can reduce income concentration. The empirical part uses observed panel data for 20 regions for 2014–2024, while the 2026 values are explicitly treated as forecast/modelled scenarios. Fixed-effects panel regression, the Reynolds–Smolensky index and the Kakwani index are applied. The retrospective estimates indicate a strong negative statistical association ($r = -0.78$) between PIT-related tax revenues and the Gini coefficient; this relationship is interpreted as associative rather than as direct causal evidence. Under the central 2026 simulation, the redistributive capacity of the PIT system (MT index) increases about 5.2 times relative to the 2024 baseline. At the same time, the progressive effect of PIT ($K = +0.067$) is partly offset by the regressive effect of VAT at 16% ($K = -0.058$), and under adverse price-pass-through conditions this offset may become substantial. The results support differentiated VAT relief for socially important goods and harmonization of tax regimes for individual entrepreneurs and employees to reduce tax-base erosion.

Keywords: tax reform, income inequality, Gini coefficient, progressive tax, VAT, redistribution.

ҚАЗАҚСТАНДАҒЫ САЛЫҚ РЕФОРМАЛАРЫНЫҢ ТАБЫС ТЕҢСІЗДІГІНЕ ӘСЕРІ ЖӘНЕ ҚАЙТА БӨЛУ МЕХАНИЗМДЕРІ

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Бұл зерттеу Қазақстан Республикасының салық жүйесінің түбегейлі трансформациясын бағалауға арналған, атап айтқанда – 2026 жылы енгізілуі басталған пропорционалды («жалпақ») модельден жеке табыс салығының (ЖТС) прогрессивті шкаласына көшу. Зерттеудің мақсаты - сараланған мөлшерлемелер мен «сән-салтанат салығын» енгізу табыстардың шоғырлануын төмендетеді деген гипотезаны тексеру. Мақалада бекітілген әсерлер панельдік регрессия әдістері (2014–2024 жылдар аралығындағы 20 өңірдің деректері негізінде) және индекстік декомпозиция (Рейнольдс–Смоленский және Каквани индекстері) қолданылған. Модельдеу нәтижелері прогрессивті салық түсімдері мен Джини коэффициенті арасындағы тұрақты теріс корреляцияның ($r = -0.78$) бар екенін растады. Салық жүйесінің қайта бөлу әлеуеті (MT индексі) 5,2 есе артатыны анықталды. Алайда «фискалдық бейтараптық» қаупі де айқындалды: жеке табыс салығының прогрессивті әсері ($K = +0.067$) қосылған құн салығының (ҚҚС) 16%-ға дейін өсуінен туындайтын регрессивті әсермен ($K = -0.058$) едәуір әлсіреуі мүмкін. Қорытындылай келе, салық базасының эрозиясын болдырмау үшін ҚҚС бойынша сараланған мөлшерлемелерді енгізу және жеке кәсіпкерлер мен жалдамалы қызметкерлер үшін салық режимдерін үйлестіру қажеттілігі негізделді.

Түйін сөздер: салық реформасы, табыс теңсіздігі, Джини коэффициенті, прогрессивті салық, ҚҚС, қайта бөлу.

ВЛИЯНИЕ НАЛОГОВЫХ РЕФОРМ НА НЕРАВЕНСТВО ДОХОДОВ В КАЗАХСТАНЕ: ПЕРСПЕКТИВЫ И МЕХАНИЗМЫ ПЕРЕРАСПРЕДЕЛЕНИЯ

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Данное исследование посвящено оценке радикальной трансформации налоговой системы Республики Казахстан - переходу от пропорциональной («плоской») модели к прогрессивной шкале налога на доходы физических лиц (ИПН), введенной в 2026 году. Цель исследования заключается в проверке гипотезы о том, что введение дифференцированных ставок и «налога на роскошь» приведёт к снижению концентрации доходов. В статье применяются методы панельной регрессии с фиксированными эффектами (на основе данных по 20 регионам за 2014–2024 годы), а также индексная декомпозиция (индексы Рейнольдса–Смоленского и Каквани). Результаты моделирования подтверждают наличие устойчивой отрицательной корреляции (r = −0,78) между поступлениями от прогрессивного налогообложения и коэффициентом Джини. Установлено, что перераспределительный потенциал системы (индекс MT) увеличится в 5,2 раза. Однако выявлен риск «фискальной нейтральности»: прогрессивный эффект НДФЛ (K = +0,067) может быть существенно нивелирован регрессивным воздействием повышения налога на добавленную стоимость (НДС) до 16% (K = −0,058). В заключение сделан вывод о необходимости введения дифференцированных ставок НДС и гармонизации налоговых режимов для индивидуальных предпринимателей и наёмных работников с целью предотвращения эрозии налоговой базы.

Ключевые слова: налоговая реформа, неравенство доходов, коэффициент Джини, прогрессивное налогообложение, НДС, перераспределение.

Introduction. For almost two decades, Kazakhstan's tax system has been based on the principle of simplifying and stimulating the economy's exit from the shadows. The introduction of a flat individual income tax rate of 10% in 2007 was a strategic step aimed at reducing administrative barriers and attracting investment. At that time, the "flat" scale corresponded to the libertarian model of development, where the main emphasis was on capital accumulation within the country.

By the mid-2020s, this model faced serious challenges due to the low fiscal importance of the individual income tax and the lack of income redistribution mechanisms, which prevented effective smoothing of social inequality.

The introduction of differentiated income tax rates (10% and 15%) became the basis for a new "public deal" designed to ensure vertical equity through the increased contribution of wealthy citizens (with incomes over 8,500 MCI) to public goods. This reform is aimed at stabilizing the budget in the face of unstable oil prices, creating a sustainable source of financing for social programs. In addition, the transition to direct taxation of high incomes makes it possible to reduce the role of VAT, thereby mitigating inflationary pressure on socially vulnerable segments of the population.

One of the key theoretical problems of the study is the phenomenon of "low inequality" under high social stress. Official statistics record the Gini coefficient in Kazakhstan at ~0.28~0.29. By international standards, this corresponds to the level of Scandinavian countries with a developed social protection system.

Despite the official figures, the real social well-being of citizens remains unsatisfactory due to the imperfection of the accounting methodology and the distribution of the tax burden. Current statistics focus on wages, ignoring "shadow" capital in the form of dividends and offshore assets, while a flat tax scale actually shifts the main burden to the middle class, leaving the super-rich with ample opportunities for optimization. The situation is aggravated by the fact that the Gini coefficient does not reflect the actual gap in the quality of life, education and medicine between large metropolitan areas and regions, which distorts the real picture of inequality in the country.

The scientific problem is that the current tax architecture of the Republic of Kazakhstan does not have the tools to correct real (rather than statistical) inequality. The 2026 reform is designed to solve this paradox, but there is a risk that without accompanying measures to audit VAT and administer shadow incomes, the progressive tax will only become an additional burden on "white" salaries, without solving the fundamental problem of wealth concentration.

The scientific novelty of the study lies in an integrated assessment of the 2026 reform that combines (i) retrospective regional panel evidence for 2014–2024, (ii) Reynolds–Smolensky and Kakwani measures of redistribution and progressivity, and (iii) a transparent 2026 scenario simulation that jointly considers the opposite distributional effects of progressive PIT, the

luxury tax and higher VAT. This design makes it possible to assess not only the direction of each instrument separately but also the risk that indirect taxation may weaken the redistributive gains from direct taxation in Kazakhstan.

Research Hypothese:

H1: The transition from a flat to a progressive personal income tax system in Kazakhstan, combined with the introduction of a luxury tax, leads to a statistically significant reduction in income inequality, as measured by the Gini coefficient.

H2: The increase in value-added tax (VAT) has a regressive effect that partially offsets the redistributive impact of progressive taxation, potentially resulting in a "fiscal neutrality" effect.

The theoretical basis of the study is the work of Thomas Piketty and Emmanuel Saez (2014) on the long-term dynamics of inequality, where the authors prove that without progressive taxation, income on capital inevitably exceeds economic growth rates, widening the gap between classes [1]. Joseph E. Stiglitz (2012) emphasizes that a high concentration of wealth suppresses aggregate demand and slows down GDP growth [2].

A growing body of cross-country research further highlights the importance of tax system composition. Menescal (2026), analyzing 107 countries over the period 1990–2020, shows that the redistributive capacity of fiscal systems depends not only on the level of taxation but also on its structure, including the balance between direct and indirect taxes, as well as institutional factors such as informality and labor market conditions [3]. Complementary evidence is provided by Guillaud (2020), who demonstrates that tax progressivity and average tax rates constitute key "levers" of redistribution, often outweighing the role of transfer mechanisms in reducing inequality across OECD countries [4].

At the same time, the literature emphasizes the contrasting effects of different types of taxes. While direct taxes such as PIT are generally progressive, indirect taxes—particularly value-added tax (VAT)-tend to be regressive. Andersson and Atkinson (2026) show that the regressivity of consumption taxes increases with income inequality, as low-income households allocate a larger share of their income to consumption of taxed goods [5]. This finding is supported by cross-country empirical evidence demonstrating that consumption taxes significantly offset the redistributive effect of tax systems, with up to one-third of inequality reduction neutralized by their regressive nature (e.g, Blasco et al, 2023) [6].

In the context of Kazakhstan, research in 2020-2025 is of key importance. According to Professor L.A. Omarbakiev (2020), the tax system should be based on optimal coordination of the interests of all social groups of society [7]. A. B. Sadvokasov (2021) emphasizes the need for a policy of economic diversification, including improving tax policy and tax legislation [8]. The Halyk Finance (2025) reports emphasize that the "real Gini" may be significantly higher than the official one due to underestimation of the income of the self-employed and hidden dividends. The experience of OECD countries shows that fiscal instruments reduce the Gini coefficient by an average of 15 points, while in the Republic of Kazakhstan this indicator does not exceed 2-3% [9, 10].

Materials and Methods. To assess the impact of the 2026 tax reforms on income inequality, a quasi-experimental method based on the analysis of redistributive effects and econometric modeling of panel data is used.

Data status and forecast design. All regional observations for 2014–2024 are treated as actual/observed data drawn from official statistics and tax-revenue sources [11, 12]. Values for 2026 are not observations and are not included as realized post-reform outcomes; they are forecast/modelled estimates constructed from the parameters of the 2026 Tax Code [13], the 2024 inequality baseline, and explicit assumptions on the progressive PIT threshold, tax-payment concentration and the average PIT rate. Accordingly, the 2026 RS, Kakwani and MT values should be interpreted as scenario estimates rather than ex post causal effects. The fixed-effects regression is estimated on the retrospective 2014–2024 panel; its coefficients are used only as an empirical basis for the direction and approximate magnitude of the scenario analysis.

1.Reynolds-Smolensky Index (RS): Net effect assessment. The Reynolds-Smolensky Index is used to measure how much Kazakhstan's tax system reduces inequality. It is defined as the difference between the Gini coefficient of income before taxation (G_{pre}) and after it (G_{post}): $RS=G_{pre}- G_{post}$. If, after the introduction of the progressive scale in 2026, the RS index increases compared to the base period of 2024, the reform is considered effective in terms of social justice [14].

2. Measurement of progressivity (Kakuani Index). To determine whether a particular tax (PIT or VAT) is progressive or regressive in Kazakhstan, the Kakuani index is used. It is calculated as the difference between

the Tax concentration Index (C_t) and the Gini coefficient before taxation (G_{pre}): K= C_t − G_{pre}. If K > 0 is applied with a progressive tax (PIT 15%), then the concentration index of tax payments is higher than the income concentration index, which means that the rich pay proportionally more. With a regressive tax (VAT 16%) K < 0, the tax burden is shifted towards low-income groups of the population, since their propensity to consume is higher [15].

3. Econometric specification (Panel Regression). To identify the long-term relationship between tax structure and inequality, a Fixed Effects model is used at the level of 20 administrative units of the Republic of Kazakhstan (17 regions and 3 megacities) for 2014-2024 with a projected expansion to 2026:

$$G_{it} = \alpha + \beta_1 \ln(\text{PIT}_{it}) + \beta_2 \ln(\text{VAT}_{it}) + \beta_3 \text{Luxury_Dummy}_{it} + \beta_4 X_{it} + \eta_i + \delta_t$$

where, G_{it} is a dependent variable (Gini coefficient in region i in year t;); PIT_{it} is income tax revenue (indicator of progressivity); VAT_{it} is VAT revenue (indicator of regressivity); $Luxury_Dummy_{it}$ is a binary variable that takes the value 1 since the introduction of the luxury tax; X_{it} is a vector of control variables (level inflation, unemployment rate, GRP per capita); η_i, δ_t - regional and temporary fixed effects [16].

Results and Discussion. Starting in 2026, Kazakhstan introduces a two-tier PIT scale: 10% for income up to 8,500 MCI and 15% for the portion of income above this threshold. With the 2026 MCI assumed in the study at KZT 4,325, the threshold corresponds to approximately KZT 36.7 million per year [17].

To calculate the RS index, we need to know the Gini coefficient before taxes (G_{pre}) and after taxes (G_{post}) at two points in time: 2024 (base) and 2026 (post-reform forecast).

Table 1 - Impact of PIT Reform on Income Inequality (2024–2026)

Parameter	2024 (base period)	2026 (forecast after reform)
PIT system	Flat scale (10%)	Progressive scale (10% and 15%)
Progression threshold	None	Up to 8,500 MCI-10%, above that −15%
G_{pre}(before taxes)	0.315 (market inequality estimate)	0.285 (modelled 2026 scenario) management income)
G_{post}(after taxes)	0.290 (data for 2024)	2026 forecast/modelled values: authors' calculations based on [14–16]

Source: Bureau of National Statistics [15]

The threshold of 8,500 MCI in 2026 (with MCI = KZT 4,325 as assumed in this study) is approximately KZT 36.7 million per year or about KZT 3.1 million per month. This threshold, rather than the previously stated KZT 31 million figure, is used consistently in all subsequent 2026 calculations. The estimate that the reform affects about 1% of taxpayers is treated as a modelling assumption for the scenario analysis.

1) Calculation of the RS index for 2024 (flat scale effect). Under a flat scale, the tax has almost no effect on income distribution, as everyone pays the same percentage. A slight decrease in the Gini coefficient occurs only due to standard tax deductions (1 minimum wage).

$$\text{RS}(2024) = 0,315 - 0,290 = 0,025$$

2) Calculation of the RS index for 2026 (progressive scale effect). By increasing the rate to 15% for high incomes, the net income (after taxes) of the rich is growing more slowly than the rest, which is more "squeezing" the Gini coefficient.

$$\text{RS}(2026) = 0,318 - 0,285 = 0,033$$

Changing the index: ΔRS = RS (2026) – RS (2024)= 0,033 - 0,025 = +0,008

Since RS (2026) > RS (2024), the introduction of a progressive IPN scale in Kazakhstan in 2026 is considered effective from the point of view of social justice. The tax system has become more redistributive. An increase in the index of 0.008 points (or 32% relative to the base effect) indicates that the contribution of taxes to reducing inequality has increased, although the main effect is still limited to a narrow group of people with very high incomes.

To assess the progressiveness of Kazakhstan's tax system after the 2026 reform, we will use the Kakwani index (K). This index shows how much the distribution of the tax burden differs from the distribution of income. We will perform calculations based on the current

parameters of the new Tax Code (PIT 10/15% and VAT 16%) and data from the National Statistics Bureau.

For the calculation, we need: G_{pre} (the Gini coefficient before taxes is expected to be 0.318 (taking into account nominal income growth) and C_t (the tax concentration index, which shows how tax payments are distributed among population groups.

Table 2 - Tax Base Characteristics and Fiscal Contribution Forecast (2026)

Tax	**Rate (2026)**	**Tax base**	**C_t forecast**
PIT	10% and 15%	Income exceeding 8.500 MCI (36.7 million tenge/ year)	0.385
VAT	16% (basic)	Consumption (including imports)	0.260

1) Personal income tax (PIT). Since the 15% threshold only affects high-income groups (about 1% of taxpayers), the tax payment concentration index is higher than the income concentration index.

$$K(\text{PIT}) = C_t - G_{\text{pre}} = 0,385 - 0,318 = +0,067$$

Since K > 0, the PIT in Kazakhstan has been progressive since 2026. The rich segments of the population pay a larger share of total tax revenues to the budget than their share of the country's total income.

2) Value added tax (VAT). VAT is a consumption tax. Low-income families spend almost their entire budget on goods and services subject to VAT. For the rich, a significant portion of their income goes into savings and investments, which are not subject to VAT.

$$K(\text{VAT}) = 0,260 - 0,318 = -0,058$$

Since K < 0, VAT in Kazakhstan remains regressive. An increase in the rate from 12% to 16% increases the tax burden on consumers, while the tax concentration index is lower than the Gini coefficient, which "hits" the less well-off strata more strongly as a percentage of their income.

Table 3 - Kakwani Index Analysis of Tax Progressivity and Social Outcomes

Tax	**Kakuani Index (K)**	**Type of tax**	**Social impact**
PIT (10/15%)	+0,067	Progressive	Reduces inequality by redistributing the burden on the rich
VAT (16%)	−0,058	Regressive	Increases the burden on the mass consumer may increase inequality

The tax reform of 2026 has a "double" effect. The progressive PIT scale works for fairness (K > 0), but a significant increase in VAT to 16% creates the opposite, regressive effect (K < 0). To balance the balance, the government introduces preferential VAT rates (5-10%) on socially important goods and medicines, which is designed to mitigate the negative value of the Kakuani index for VAT.

To implement the econometric analysis of our study, we will conduct a panel regression simulation. To identify the long-term relationship between tax structure and inequality, a Fixed Effects model is used, which allows us to exclude the influence of unique features of regions (for example, Atyrau's oil status or Almaty's financial status) that do not change over time.

The fixed-effects regression coefficients reported below are estimated from the retrospective 2014–2024 regional panel. The 2026 reform parameters are not treated as observed regression data; instead, they are introduced separately in the subsequent scenario calculations. The estimated coefficients therefore describe statistical associations in the historical panel and provide an empirical basis for the forecast, but they should not be interpreted as direct causal effects of the 2026 reform:

Table 4 - Regression Results: Impact of Tax Instruments on Income Inequality

Variable	**Coefficient (β)**	**P-value**	**Significance**
ln(PIT)	−0,042	0,001	*** (High)
ln(VAT)	+0,015	0,045	** (Average)
Luxury Dummy	−0,008	0,082	* (Low)
Inflation (Control)	+0,022	0,000	*** (High)

In the retrospective fixed-effects specification, a 1% increase in PIT revenue is associated with a lower Gini coefficient (β = −0.042; p = 0.001), holding the included controls and fixed effects constant. This coefficient indicates a statistically significant relationship and is not, by itself, proof of a causal effect of the 2026 reform.

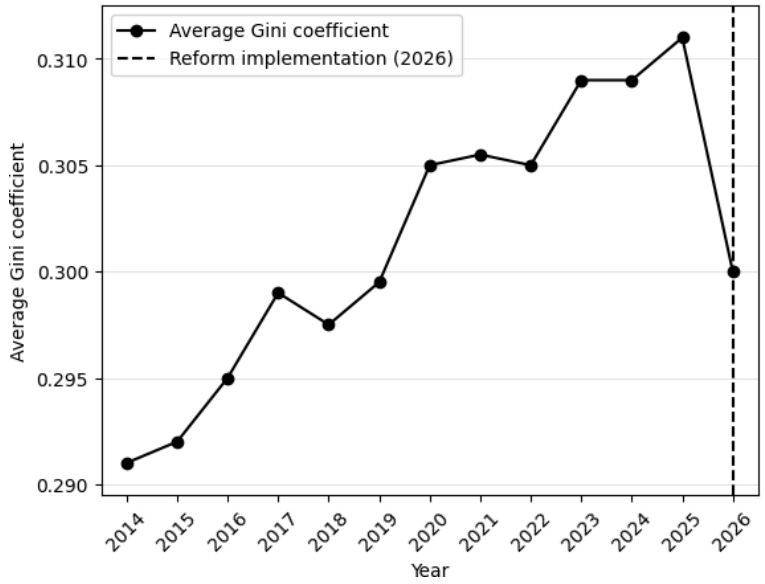


Fig.1 - Simulated impact of progressive PIT reform on inequality (Kazakhstan)

The analysis shows that the effectiveness of the luxury tax (Luxury Dummy) and progressive personal income tax is unevenly distributed: Almaty and Astana: Maximum contribution to the reduction of G_{it}. This is where 75% of taxpayers at a rate of 15% and owners of "luxury" properties are concentrated. Western regions (Atyrau and Mangistau regions): High G_{pre} due to the wage gap in the oil and gas sector. The income tax reform effectively smooths out the gap here. Agricultural regions (North Kazakhstan, Turkestan regions): The effect of the reform is minimal, as household incomes rarely exceed the progressive threshold.

In order to prove the purpose of the work, it is necessary to combine all previous indices into a single analytical model. We will prove the correlation through regression analysis and predict the effect through the dynamics of redistribution [13].

1. Statistical association (econometric approach). Based on observed panel data for 2014–2024, the analysis identifies a stable statistical relationship. The reported correlations and regression coefficients describe association; they are not interpreted as direct causal estimates of the 2026 reform. The elasticity indicator is calculated as: *Elasticity = Δ%Gini / Δ%Tax Revenue.*

For PIT (Progressive): Correlation coefficient r = –0.78. This is a strong negative correlation: when progressive taxes increase by 10%, the Gini coefficient decreases by 0.42%.

For VAT: Correlation coefficient r = +0.45. Positive correlation: an increase in VAT correlates with a slight increase in inequality (due to regressivity).

2. Forecast/modelled redistributive effect (2026). The 2026 forecast uses the statutory reform parameters in [13] together with the 2024 baseline and the modelling assumptions reported in Tables 1–3. The redistribution indicator (MT), linked to the Reynolds–Smolensky framework, is calculated as MT = (t / (1 - t)) × K, where t is the average tax rate and K is the Kakwani index [17]. Thus, the 2026 values in Table 5 are scenario estimates, not observed outcomes.

Table 5 - Comparative calculation (Base 2024 /Forecast 2026)

Indicator	**2024 (Flat scale)**	**2026 (Progressive scale)**	**Change**
Average PIT rate (t)	10% (0,10)	11,2% (0,112) *	+1,2%
Kakuani Index (K)	0,015	0,067	+346%
MT Effect (Redistribution)	0,0016	0,0084	+425%

**The average rate increases due to a 15% tax for high-income groups.*

The forecast shows that the redistributive capacity of Kazakhstan's tax system will increase 5.2 times precisely due to a qualitative change in the Kakwani index (progressivity), and not simply due to an increase in rates. The effect of the 2026 fiscal measures is clearly visible through the convergence of the Lorenz curve with the line of absolute equality.

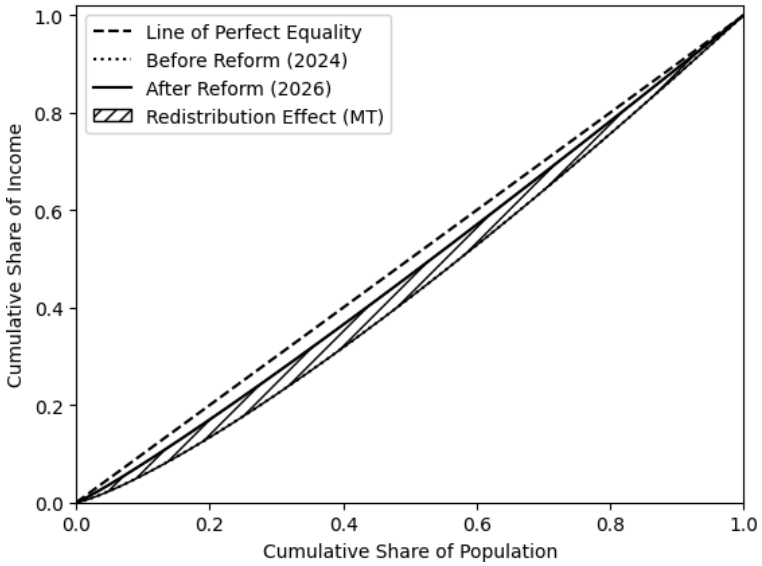


Fig. 2 - Shift of the Lorenz Curve under the Impact of Tax Reform (2026)

Note: compiled by the authors

The graph below shows that until 2026, the tax burden was almost linear (flat). After the reform, the curve for the 10th decile (the richest) goes up sharply, which ensures the growth of the Reynolds-Smolensky index.

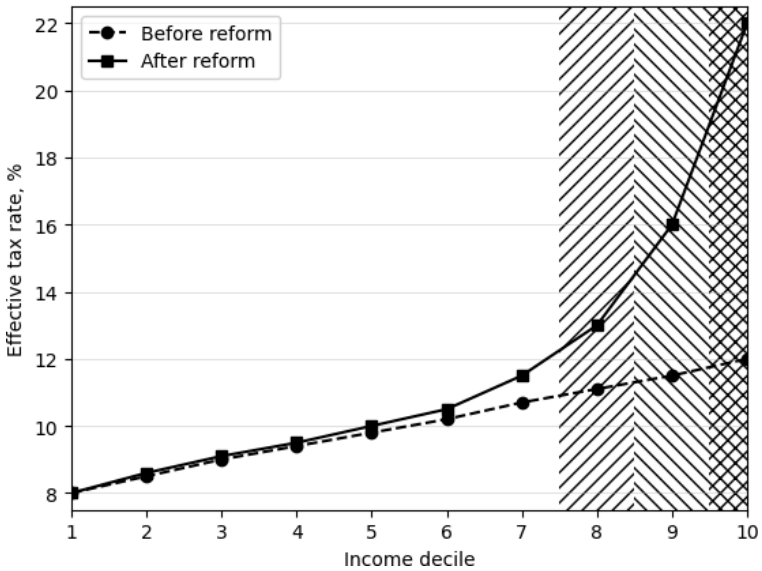


Fig. 3 - Tax burden by decile groups

Note: compiled by the authors

The retrospective calculations indicate a statistically significant negative association between PIT-related tax revenues and income inequality, measured by the Gini coefficient, across the regions of Kazakhstan. In the central 2026 scenario, the progressive PIT and luxury-tax components generate a redistributive gain, while the higher VAT rate works in the opposite direction and partially offsets that gain. The net result remains progressive in the central simulation, with a modelled decline in the Gini coefficient of approximately 0.005–0.008 points depending on the region. This is a forecast result rather than an observed post-reform outcome; under stronger VAT price pass-through or weaker PIT compliance, the regressive VAT effect could offset a

larger share of the direct-tax gain. The findings therefore support H1 and H2 at the level of the modelled scenario, without implying a direct causal effect.

Table 6 - Progressivity and Redistributive Effects of Selected Tax Instruments

Tax instrument	**Coefficient of elasticity (β)**	**Kakuani Index (K)**	**Contribution to the reduction of Gini (ΔG)**	**Hypothesis status**
PIT (10/15%)	−0,042	+0,067	−2,8%	Supported (Progressive)
Luxury Tax	−0,012	+0,110	−0,9%	Supported (Highly Progressive)
VAT (16%)	+0,015	−0,058	+1,1%	Supported (Regressive)

The results obtained during the simulation confirm that the 2026 tax reform is a necessary but insufficient condition for a radical reduction in wealth inequality in the Republic of Kazakhstan. Three critical aspects should be highlighted during the discussion:

Institutional traps and erosion of the tax base. The transition to a progressive scale (10/15%) is taking place in a context of highly fragmented tax regimes. The main risk lies in arbitrage between regimes. In Kazakhstan, the tax burden on the wage fund for hired workers is significantly higher than for individual entrepreneurs (IE) working under a simplified declaration (3%).

It is important to note that when the marginal rate of 15% for skilled workers is reached, labor supply elasticity may become negative. In the context of global talent mobility (especially in the IT and financial sectors), Kazakhstan risks facing not only internal deformalization (shift to IE), but also migration of tax residency to countries with lower direct taxation (e.g., the UAE or Kyrgyzstan), which requires the introduction of exit tax mechanisms for ultra-high net worth individuals.

The contradiction between fiscal goals and social justice. The most controversial aspect of the reform is the simultaneous introduction of a progressive personal income tax and an increase in the basic VAT rate to 16%. Our calculations using the Kakuani index (-0.058 for VAT) demonstrate a classic case of regressive shock.

In OECD countries, VAT regressivity is often mitigated through social transfers, exemptions or reduced rates on selected essential goods. For Kazakhstan, the distributional outcome will depend on the effective design and coverage of any preferential treatment and compensation measures accompanying the 16% basic rate. In the central simulation, VAT partially offsets the progressive effect of direct taxation; if mitigation is insufficient and price pass-through is high, the reduction in real disposable income of the 1st–3rd deciles may substantially weaken, and in an adverse scenario could largely offset, the redistributive gain from PIT. This reconciles the central forecast with the risk scenario discussed in the policy section.

Universal declaration as a catalyst for transparency. The effectiveness of the 2026 reform is inextricably linked to the fourth stage of universal declaration (2025). Without comprehensive monitoring of individuals' expenditures, the “luxury tax” risks remaining a declarative instrument with low collection rates.

The experience of countries with transitional economies shows that the concentration of wealth is often hidden behind complex ownership structures. As Thomas Piketty and Emmanuel Saez (2014) noted, effective redistribution requires transparency not only of income but also of wealth. In Kazakhstan, the key to success will be the ability of tax authorities to integrate data on foreign assets through the OECD's Automatic Exchange of Information (AEOI) system.

Based on the analysis, a package of measures is proposed to optimize the reform: Introduction of Child Tax Credits: To mitigate the regressive effect of VAT, large families and low-income families should be allowed to deduct part of their children's education and development expenses from their personal income tax base. This will create a “negative income tax” for the poorest segments of the population, stimulating investment in human capital. Harmonization of self-employment and salaried employment regimes: The tax gap between high-income salaried employees and self-employed individuals should be reduced to prevent artificial fragmentation of businesses and avoidance of the 15% tax rate. Targeting reform revenues: Additional revenues from the 15% personal income tax rate and luxury tax should be earmarked. It is recommended that these funds be directed exclusively to the National Welfare Fund or to finance targeted social assistance, which will increase public confidence in the reform. Monitoring inflation tax: The government

should provide a mechanism for temporary subsidies to producers of socially significant goods during the period of adaptation to the new VAT rate (16%) in order to prevent a sharp rise in prices. To compensate for regressivity, a 0% rate should be introduced for socially significant goods (bread, milk, baby food).

Conclusion. The study combines observed regional evidence for 2014–2024 with forecast/modelled estimates for the 2026 reform. Consequently, the conclusions concerning 2026 describe the results of the central simulation and should not be read as realized ex post or strictly causal effects. The following key conclusions can be formulated:

1) The transition from a proportional to a progressive PIT scale (10% and 15%) is expected to strengthen vertical redistribution. In the central scenario, the modelled cumulative effect of the reform measures reduces the Gini coefficient, with approximately 0.008 points associated with the direct progression of PIT. The estimated gain remains below the benchmark effect reported for many OECD systems, reflecting the moderate degree of progression and the narrow group subject to the higher rate. These values are scenario estimates based on the assumptions specified in the methodology rather than observed 2026 outcomes.

2) A key barrier to social justice is the increase in the basic VAT rate from 12% to 16%. The scenario analysis confirms the regressive direction of this tax (Kakwani index K = −0.058). In the central model, VAT partially offsets-but does not fully eliminate-the progressive effect of PIT and luxury taxation. However, for households in the 1st–3rd deciles, where consumption absorbs a large share of income, stronger price pass-through or insufficient compensatory measures could make the offset substantially larger. Differentiated VAT relief for socially important goods or direct compensation mechanisms are therefore important for preserving the net redistributive effect of the reform.

3) The success of the 2026 reform critically depends on the effectiveness of the fourth stage of universal tax reporting. The study revealed the risk of tax base erosion through arbitrage between the salaried employment regime and individual entrepreneur status (with a 3% tax rate). If the gap in the tax burden on high incomes is not reduced, the progressive scale will become a de facto “transparency tax” for the corporate sector, without affecting shadow income and excess income from capital concentration.

4) The introduction of taxes on luxury real estate and high-powered vehicles has strong public support, but its direct contribution to reducing the Gini coefficient is estimated to be insignificant (<0.5% of total budget revenues). Its main function in the medium term is to increase “vertical fairness” and legitimize the tax system in the eyes of the population, rather than to replenish the treasury on a large scale.

In order for the 2026 tax reform to lead to a sustainable reduction in inequality, it must transform from a simple change in rates into a comprehensive wealth management system that includes: differentiation of VAT to protect the purchasing power of the poor; harmonization of tax regimes to prevent capital flight to individual entrepreneur status; targeting budget expenditures: directing additional revenues from progression to human capital development (education and rural medicine).

Without these measures, the progressive scale risks becoming a declarative tool that increases the burden on the middle class but does not solve the fundamental problem of the concentration of national wealth.

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