

Taxing personal income: do EAEU Member States ensure fairness and sustainability?

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Introduction

Many countries, including Eurasian Economic Union (EAEU) Member State, have been incorporating the ideas of poverty reduction and decent employment conditions into their domestic policies. According to official statistics, the share of population below national poverty line in 2019 was 12.3% in Russia, 20.1% in Kyrgyz Republic and 27.8% in Armenia; in August 2020 EAEU reported that the unemployment in its Member States quadrupled compared to August 2019 and exceeded 4 million people¹, which further deteriorates the living standards in it.

Many countries introduced some tax measures designed to support the enterprises affected by lockdowns and shrinking economic activities during Covid-19 pandemic, as well as their employees: the exemptions from fringe benefits tax, simplified personal tax accounting rules, wage tax rebate for certain employers, deferral of certain payroll tax obligations, prolonged deadlines for filing tax returns and tax payments etc.

In Russia the President introduced “paid non-working days” from 30 March through 11 May 2020, effectively shifting the burden of people’s support to the employers, which had to pay respective personal income tax (PIT) and social security contributions – and that irrespective of their ability to work and earn. The Government postponed the deadline for submission of tax returns by 3 months, but didn’t delay the tax payments for most businesses. The companies often reported that they ran out of cash during non-working days and had to opt for reduced salaries, leaves of absence, employment termination or bankruptcies – though the latter option was not much used due to the limitations set by the Government².

Following the above controversy in Russia, this research focuses on the review and comparison of national fiscal actions of EAEU Member States in respect of personal income tax and social security contributions (or similar payroll taxes). The goal is to determine such measures and compare their impact on the income retained at the hands of people.

In other words, we aim to analyze, whether the personal income taxation changes in EAEU Member States display fairness – whether they sustain or diminish after-tax revenues at hands of people with lower income. And during that analysis we got to the issue of sustainability – how the tax systems in EAEU contribute to the maintaining of population and people’s living standards by accounting for daily expenses of taxpayers and their children

Thus, the two research questions of this paper are: Are policies of EAEU Member States on personal income taxation designed to ensure fairness and sustainability? And do the special measures introduced to offset the effect of pandemic help to achieve sustainability?

¹ EAEU. *On unemployment in Eurasian Economic Union. August 2020*. URL: <http://www.eurasiancommission.org/>

² Chervonnaia, A. A month of limitations cancelled the major part of business activity. In: *Vedomosti*, 30 April 2020. URL: <https://www.vedomosti.ru/>; Vederina, E. This autumn a wave of bankruptcies may flood Russia. In: *Vedomosti*, 31 Marc 2021. URL: <https://www.vedomosti.ru>

Data and methodology

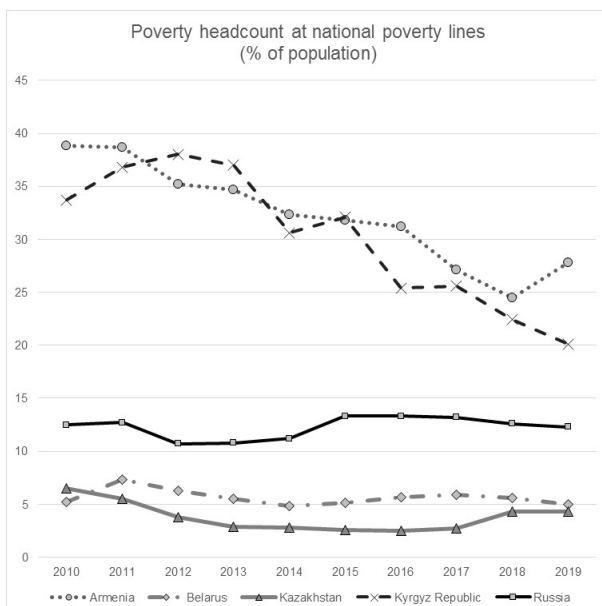
Methodology of this research includes two main approaches.

First, there is an analysis of tax law provisions with focus on those features of PIT (affecting the people's revenues) and social security contributions (or similar payroll taxes; increasing labor cost for the employers) which may result in support of people with lower income by retaining more funds in their hands compared to average situation.

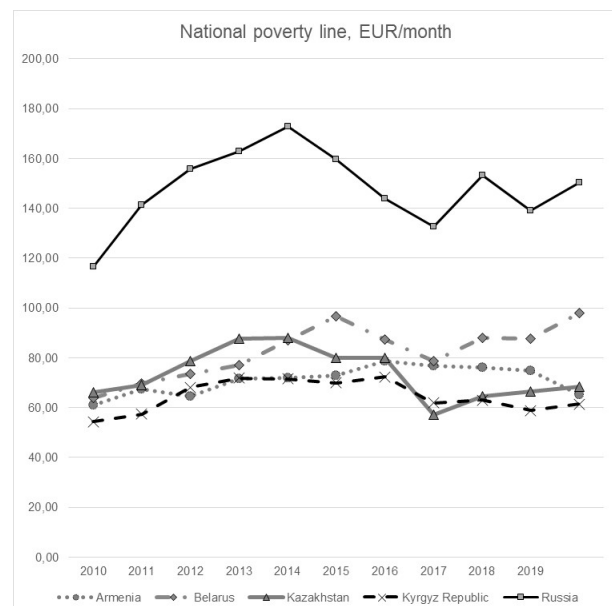
Therefore, the second approach is the analysis of empirical statistics on respective amounts withheld from or retained at the hands of people. Baseline is an employed person with an average income for the respective country, his PIT and social security contributions, and income in excess over minimum subsistence level retained by that person. Next, we introduce variations considering organizations and/or people covered by anti-Covid-19 tax measures and determine effect of respective delay or abolishment of taxes and contributions (and reimbursements, if any) in each of EAEU Member States.

Social and economic background in EAEU Member States³

Figure 1 shows the dynamics of share of EAEU Member States population below national poverty lines (equal to subsistence level, covering basic food and utilities expenses), while Figure 2 presents the national poverty lines themselves, estimated on per month basis and expressed in EUR using average annual exchange rates. While Russian poverty line is 1.5 to 2.4 times higher than that in other EAEU Member States, it still means that by 2019 12.3% of the Russian population lived off EUR 5.0 per day or less. The situation in Armenia and Kyrgyz Republic is tougher, with 27.8% and 20.1% of people live off EUR 2.2 and EUR 2.0 per day, respectively. These figures suggest the necessity of extensive social support system, whether run by state or by NGOs. The state support system may take the form of subsidies (which, indeed, exist in the region) or the form of tax deductions, reviewed by the current paper.



Source: Developed by the author based on World Development Indicators (BY, KG, RU) and national statistical yearbook (AM, KZ)



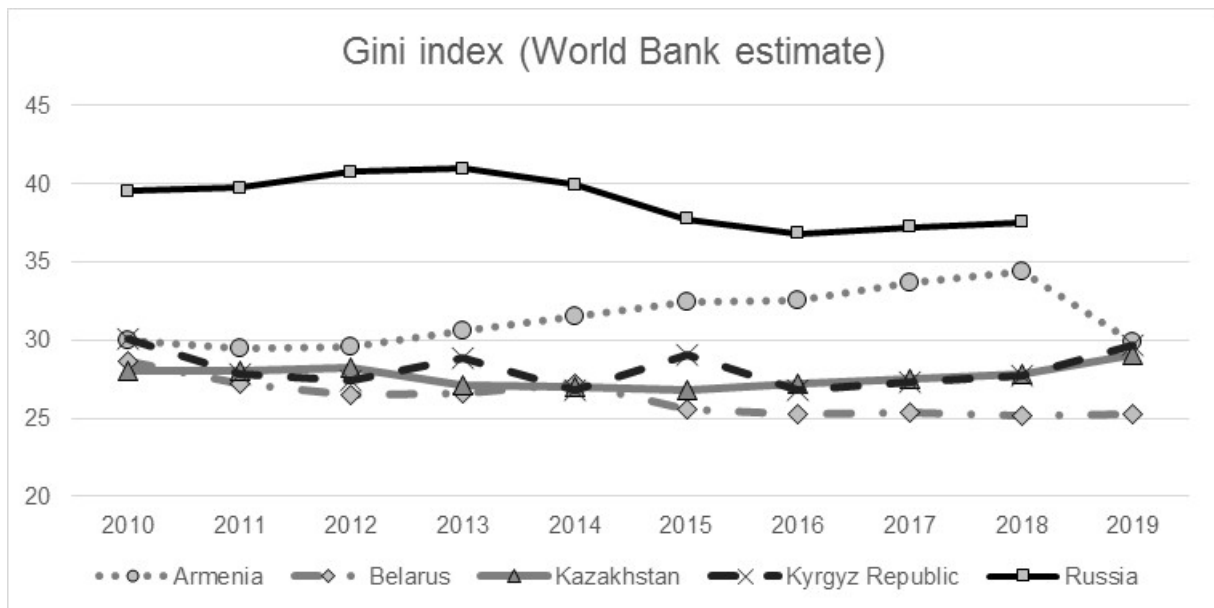
Source: Developed by the author based on EAEU Statistical Yearbooks. URL: <https://eec.eaeunion.org/>

³ Hereinafter the amounts in euro are for information purposes. The author used average official exchange rate for respective years.

Figure 1. Share of population below poverty line in EAEU Member States in 2010-2019.

Figure 2. National poverty line in EUR in EAEU Member States in 2010-2019.

Figure 3 presents the dynamics of Gini index in EAEU Member States. While the income inequality in these countries are not among the largest in the world, still, World Bank reports Gini index to be consistently between 36.8 and 40 for Russia (and according to Russian Federal State Statistics Service, never below 0.395 since 2000⁴). In 2018, World Bank cited only 2 countries out of 53 in the region “Europe and Central Asia” with Gini index higher than that – Bulgaria and Turkey (and in 2017, also Georgia and Lithuania), other countries exhibiting lower income inequality⁵. Other EAEU Member states mostly fit between Gini index of 25 and 30, though Armenia exceeded that and almost reached 35 in 2018.



Source: Developed by the author based on World Development Indicators. URL: <https://databank.worldbank.org>

Figure 3. Gini index in EAEU Member States in 2010-2019.

Review of EAEU Member States' actual legislation on personal income taxation⁶

Following the general methodology of this paper we review only the features of PIT and social security contributions pertaining to income from employment and family of a taxpayer.

In **Armenia** the taxable item is most of revenues received under labor or civil law contracts with certain exemptions (reimbursements, per diems, obligatory allowances and alike). There is no tax deductions. The general tax rate in 2020 was 23% (to be gradually lowered from 2021 onwards). Before 2020 the tax rate was progressive (23%-36%) for both residents and non-residents. Some non-employment income are subject to lower tax rates (e.g. 5% for dividends, 10% for royalties, interest and lease of property).

⁴ Rosstat. *Socialnoe polozhenie i uroven' zhizni naselenija Rossii (Social status and living conditions of Russian population)*. 2019: Statistical compendium. Moscow: Rosstat, 2019.

⁵ World Bank. GINI index (World Bank estimate) - OECD members. URL: <https://data.worldbank.org/indicator/SI.POV.GINI?locations=OE>

⁶ This section is based on PWC. *Worldwide Tax Summaries 2021* (URL: <https://taxsummaries.pwc.com/>) and national tax codes.

In addition to PIT, since 1 July 2018 all employees should make pension contributions. In 2020, the pension contributions rate was 2.5% for monthly gross salary under AMD 500,000 (EUR 896), and 10% less AMD 37,500 for monthly gross salary from AMD 500,000 to AMD 1,020,000 (EUR 1,827). This is not deductible for PIT purposes

In **Belarus** PIT has schedular nature. In case of the revenues received under labor or civil law contracts the taxable item is the respective income with certain exemptions (reimbursements, per diems, obligatory allowances, uniform provided by employer and alike); the tax base is the revenue less certain types of deductions, namely standard, social, property and professional ones; and the tax rate is 13%. Other “schedules” are for winnings (taxed at 4%), dividends (taxed at 6%), business income (taxed at 16%) and income from renting out property to other individuals (tax established in fixed amounts).

Standard tax deductions in 2020 included fixed amounts:

- BYN 117 (EUR 42) per month, if a taxpayer’s taxable monthly income were under BYN 709 (EUR 255);
- BYN 165 (EUR 59) per month for Heroes of Republic of Belarus and Soviet Union, WWII veterans, disabled people, those affected by Chernobyl catastrophe etc.;
- for parents or legal guardians of children up to 18 years old (or full-time students above that age) – BYN 34 (EUR 12) per month per parent/guardian for first child, BYN 65 (EUR 23) per month per parent/guardian for second and further children.

Social tax deductions in 2020 included include the following:

- actual expenses on the education of taxpayer himself (herself) and his (her) close relatives in Belarusian education facilities – only in case of first professional education of every kind (including interest, if said education has been financed via a loan);
- expenses on the premiums to Belarusian voluntary life insurance, additional pension contributions or voluntary medical insurance.

In addition to PIT, Belarusian employers must withhold and pay social insurance contributions at 1% of gross salary, which is not deductible for PIT purposes. There are also social insurance contributions paid by employers at their expense (general pension insurance, social insurance, mandatory insurance against accidents at work and professional diseases, at a total rate of 34.6%; remuneration of certain groups of employees are also subject to professional pension insurance).

PIT in **Kazakhstan** is imposed on global income of residents and local income of non-residents. This tax has schedular nature, as Tax Code differentiates income taxed at source, income taxed by declaration, as well as income subject to different rates and deductions. There is an extensive list of exempt income, generally in line with that of other EAEU Member States (reimbursements, per diems, obligatory allowances, protective clothing provided by employer, obligatory and voluntary pension contributions by employer, education expenses by employer etc.). The tax base is the revenue less certain types of deductions: for mandatory pension and medical insurance, for voluntary pension insurance, for medical expenses, for mortgage interest and the standard ones. The general tax rate is 10%, but dividends are taxed at 5%. The income of non-residents is taxed at 5% (freight income), 10% (salary income), 15% (gross passive income) or 20% (general rate).

Standard tax deductions currently include amounts fixed in minimum monthly salaries or monthly calculation indices (annual law on budget updates their amounts in KZT):

- general one equals to one minimum monthly salary per month (in 2020 KZT 42,500, or EUR 90) and up to 12 such amounts per year;

- 882-fold monthly calculation index (in 2020 KZT 2,450,196, or EUR 5,197) for military veterans, disabled people, parents or legal guardians of disabled children up to 18 years old, and for adopting parents.

The deduction for medical expenses does not cover cosmetics treatment; its annual limit equals 94-fold monthly calculation index (in 2020 KZT 261,132, or EUR 554).

In addition to PIT, Kazakhstani employers must withhold and pay to the Pension fund the obligatory pension contributions at 10% of gross salary and contributions to the Social Medical Insurance Fund at 1% of gross salary (2% from 1 January 2020), both being deductible for PIT purposes. There are also social tax (9.5%), social insurance contributions (3.5%), obligatory medical insurance contributions (2%) and pension contributions for employees engaged in dangerous works (5%) paid by employers at their expense (contribution base is remuneration of employees).

In **Kyrgyz Republic** PIT is imposed on global income of residents and local income of non-residents. There is an extensive list of exempt income, generally in line with that of other EAEU Member States (reimbursements, per diems, obligatory allowances, protective clothing provided by employer, obligatory insurance premiums paid by employer and resulting insurance payments, if any, etc.). The tax base is the revenue less certain types of deductions, namely standard, social and property ones; and the tax rate is 10% (flat).

Standard tax deductions currently include amounts fixed in calculation indices (equal to KGS 100 since 2006):

- personal tax deduction of 6.5 calculation indices per month (KGS 650, or EUR 7.36);
- dependents' tax deduction of 1 calculation index per month (KGS 100, or EUR 1.13);
- deduction of state social insurance contributions;
- deduction of contributions to non-state pension fund of up to 8% of tax base.

The social deductions cover expenses on taxpayer's own education or education of his(her) dependents – generally up to 10% of PIT base, and up to 25% of PIT base if taxpayer has three or more dependents. This is limited to Kyrgyz licensed education facilities providing pre-school, primary, secondary or tertiary professional education.

In addition to PIT, Kyrgyz employers must withhold and pay the contributions to the State cumulative pension fund (2%) and obligatory pension contributions (8% of gross salary), not deductible for PIT purposes. The employers also pay at their own expense social insurance contributions (2%), contributions to employees' health fund (0.25%) and pension contributions (15%).

In **Russia** PIT follows the schedular model: until 2020 the Tax Code differentiated income subject to different rates and deductions, and from 1 January 2021 it specifies nine separate tax bases. Labor income in Russia is subject to general PIT regime. There is an extensive list of exempt income, generally in line with that of other EAEU Member States (reimbursements, per diems, obligatory allowances, education and medical expenses by employer, obligatory and voluntary pension contributions by employer, but also part of monetary support for employees etc.). The tax base is the revenue less certain types of deductions, namely standard, social, property, professional and investment ones. The general tax rate is 13%; there is also 35% rate for winnings in advertising campaigns and certain interest income, 30% rate for gross income of non-residents and 5% rate for dividend income of non-residents from "international holding companies". From 1 January 2021 certain types of income exceeding RUB 5,000,000 a year (EUR 55,070) are taxed at 15%.

Standard tax deductions currently include fixed amounts:

- for two categories of taxpayers:

- RUB 3,000 (EUR 36.6) per month for those affected by radioactive catastrophes or atomic tests and for disabled veterans;
- RUB 500 (EUR 6) per month for Heroes of Russian Federation and Soviet Union, military veterans, disabled people and some further categories;
- for parents or legal guardians of children up to 18 years old, available from 1 January of each year until the month when income of such parent/guardian reaches RUB 350,000 (EUR 4,266). This deduction is doubled for single parents and prolonged in case of full-time student children until they are 24 years old:
 - RUB 1,400 (EUR 17) per month per parent/guardian for first and second children;
 - RUB 3,000 (EUR 36.6) per month per parent/guardian for third and further children.

Social tax deductions currently include the following:

- donations for charities, religious or non-commercial organizations - up to 25% of total personal income;
- expenses on own education, full-time education of siblings (up to 24 years old), medical expenses (own and close family), voluntary pension contributions or premiums for voluntary life insurance - up to RUB 120,000 (EUR 1,463) per taxpayer per year;
- expenses on education of children (up to 24 years old if own or adopted, up to 18 years old if under guardianship) - up to RUB 50,000 (EUR 609) per child per year.

In addition, the employers must pay social security contributions on gross accrued remunerations at a combined rate of 30% and mandatory insurance against accidents at work and professional diseases at the rates from 0.6% to 8.5%. There is no social security contributions withholding from employees' salaries.

Comparing PIT burden in EAEU Member States

Following the national PIT regulations reviewed in the previous section the author assessed the labor cost of an employer, paying to an employee the average salary for the respective country (plus relevant social security contributions). However, this estimate does not include payments for annual leave, established by the national labor legislation. Still, these are based on average employee's income for previous year, so we may use an average monthly salary instead.

Table 1 provides estimates for a single person, who uses only standard PIT deductions, if any. All amounts are expressed in EUR using average annual exchange rates, except for percentages.

Table 1. Annual income for a single employee in EAEU Member States, as in 2020

	Armenia	Belarus	Kazakhstan	Kyrgyz Republic	Russia
Total annual labor cost for employer (salary and social contributions by employer)	4 077.72	7 268.40	6 224.23	2 944.40	9 764.64
Gross annual income	4 077.72	5 400.00	5 412.37	2 511.21	7 511.26
Standard tax deduction	0.00	0.00	1 081.79	88.27	0.00
Social tax deduction	0.00	0.00	0.00	0.00	0.00
Social contributions by employee	101.94	54.00	595.36	251.12	0.00
PIT base	4 077.72	5 400.00	3 735.22	2 422.95	7 511.26
PIT rate	23%	13%	10%	10%	13%

PIT amount	937.88	702.00	373.52	242.29	976.46
Net annual income (gross annual income less PIT and social contributions by employee)	3 037.90	4 644.00	4 443.49	2 017.80	6 534.80
Net annual income as percentage of total annual labor cost for employer	74.5%	63.9%	71.4%	68.5%	66.9%
Net annual income, in % of subsistence level	403.2%	469.8%	594.9%	309.2%	410.3%

Source: Developed by the author based on EAEU Statistical Yearbooks and national legislation.

With limited social security contributions, Armenia allows an employee to receive biggest share of an amount spent by an employer on him – and that despite rather high PIT rate. In Kazakhstan, a person receiving average salary retains the biggest amount compared to national subsistence level – and that despite social security contributions levied on both employer and employee. However, we should remember that the subsistence levels in EAEU Member States are very low (per month: EUR 54 in Kyrgyz Republic, EUR 62 in Armenia and Kazakhstan, EUR 82 in Belarus and EUR 133 in Russia), so while the figures in Table 1 may look good for a single person, the situation changes drastically if that person becomes a single parent.

Table 2 provides estimates for a single parent with one child, who uses both standard PIT deduction and maximum social deduction, if any. All amounts are expressed in EUR using average annual exchange rates, except for percentages.

Table 2. Annual income for a single parent employee in EAEU Member States, as in 2020

	Armenia	Belarus	Kazakhstan	Kyrgyz Republic	Russia
Total annual labor cost for employer (salary and social contributions by employer)	4 077.72	7 268.40	6 224.23	2 944.40	9 764.64
Gross annual income	4 077.72	5 400.00	5 412.37	2 511.21	7 511.26
Standard tax deduction	0.00	146.76	1 081.79	101.84	204.78
Social tax deduction	0.00	0.00	553.90	602.34	2 072.16
Social contributions by employee	101.94	54.00	595.36	251.12	0.00
PIT base	4 077.72	5 253.24	3 181.31	1 807.03	5 234.32
PIT rate	23%	13%	10%	10%	13%
PIT amount	937.88	682.92	318.13	180.70	680.46
Net annual income (gross annual income less PIT and social contributions by employee)	3 037.90	4 663.08	4 498.88	2 079.39	6 830.80
Net annual income as percentage of total annual labor cost for employer	74.5%	64.2%	72.3%	70.6%	67.9%
Net annual income per member of household, in % of subsistence level	201.6%	235.9%	301.2%	159.3%	208.0%

Source: Developed by the author based on EAEU Statistical Yearbooks and national legislation.

Again, Kazakhstan is a leader here, allowing triple subsistence level to be retained by the family. However, that amount includes about EUR 595 tied up in the medical expenses – the only allowed

form of social deductions. Russia provides more opportunities here, allowing deduction of expenses on medical treatment, education and additional pension contributions up to EUR 2,072 per year.

Table 3 provides estimates for a family with two children, where both parents are employees using both standard PIT deduction and maximum social deduction, if any. All amounts are expressed in EUR using average annual exchange rates, except for percentages.

Table 3. Annual income for a family in EAEU Member States, as in 2020

	Armenia	Belarus	Kazakhstan	Kyrgyz Republic	Russia
Total annual labor cost for employers (salary and social contributions by employer)	8 155.44	14 536.80	12 448.45	5 888.80	19 529.28
Gross annual income	8 155.44	10 800.00	10 824.74	5 022.43	15 022.53
Standard tax deduction	0.00	427.34	2 163.58	203.69	204.78
Social tax deduction	0.00	0.00	1 107.81	1 204.68	4 144.32
Social contributions by employees	203.89	108.00	1 190.72	502.24	0.00
PIT base	8 155.44	10 372.66	6 362.63	3 614.05	10 673.43
PIT rate	23%	13%	10%	10%	13%
PIT amount	1 875.75	1 348.45	636.26	361.41	1 387.55
Net annual income (gross annual income less PIT and social contributions by employees)	6 075.81	9 343.55	7 889.95	2 954.10	13 634.98
Net annual income as percentage of total annual labor cost for employers	74.5%	64.3%	63.4%	50.2%	69.8%
Net annual income per member of household, in % of subsistence level	201.6%	236.3%	264.1%	113.2%	214.0%

Source: Developed by the author based on EAEU Statistical Yearbooks and national legislation.

In this last case every household member may utilize only twice the subsistence level – and only one in Kyrgyz Republic. The same amount of standard tax deduction for children in Russia, as in Table 2, is not a mistake: a single parent may enjoy double deduction, while in a family each parent may use only one deduction – and, by the way, only for 6 months in case of an average salary due to restriction on the amount of income.

Thus the tax systems in all five EAEU Member States appear not being tuned for supporting the families. Therefore the tax systems do not contribute to demographic sustainability of the countries – not to fairness of taxation, as families end up in worse conditions than single individuals, while the tax systems do not mitigate this.

However, these calculations do not account for various subsidies, existing in the target countries – some of them to be discussed in the following section. They also omit to account for the shadow economy, which is relatively widespread in the countries⁷.

⁷ E.g. for Russia: Kordonsky S., Plusnin J. Archaic Economic Institutions: "Scattered Manufactories" in Russian Towns. In: *Mir Rossii*, 2018, vol. 27, no 4, pp. 6-30 (in Russian). DOI: 10.17323/1811-038X-2018-27-4-6-30

*Measures to counter COVID-19 pandemic and their effect on personal income tax burden*⁸

In **Armenia** Government from 23 March 2020 shut down most businesses and started their assistance programs with subsidized loans to the enterprises to cover salaries and some constant expenses. A few days later they announced lump-sum tax-free payments to certain people who lost job and unemployed pregnant women whose husbands lost their jobs, amounting to AMD 68,000 (official minimum monthly salary, EUR 122). By 9 April 2020 the Government published 9 packages, but again, there were subsidized loans and increased allowances for people who lost job or worked in selected industries. Since our calculations stem from the assumption that the people did not lose their jobs, Tables 4-6 do not show any changed in respect of Armenia.

Belarus, contrary to most other countries, did not introduced lockdown from March 2020, and therefore there have been no specific fiscal measures related in the area of personal income taxation.

For business support purposes, **Kazakhstan** cancelled accrual of PIT and social security for enterprises of all sizes affected by the Covid-19 (a list of affected industries was published by the Government) for April-September 2020, partially prolonged till January 2021. There also have been two lump-sum tax-free payments to the people who lost job, each amounting to KZT 42,500 (official minimum monthly salary, EUR 90). The bonus payments allocated for the medical personnel also worth mentioning. Rather specific measure was reduction of VAT rate for “socially important goods” from 12% to 8% from 30 March through 1 October 2021.

Kyrgyz Republic started anti-pandemic measures with cancellation of export and price control for certain socially important goods. Instead of monetary support, the Government introduced supply of affected people with foodstuff and requested assistance from a variety of sponsors, ranging from local businesses to neighboring countries to International Monetary Fund. On 31 March 2020 the Government announced delays for deadlines for filing tax returns and paying taxes.

Russian President and Government started with a confusing measure by introducing “non-working days, salary to be retained” from 30 March through 3 April 2020, later extended till 11 May. While it was not based on any Russian law, numerous administrative controversies arose immediately, including tax administration and obligation of businesses to continue paying salaries, PIT and social security contributions while majority of them were not being able to continue operation. On the positive side, the President increased children allowances for those parents who lost their job, halved social security contributions for SMEs and introduced tax-free bonus payments for medical personnel (and later lump-sum tax-free payments to the families with children of RUB 10,000 or EUR 122). Further measures included subsidized loans for SMEs and subsidized mortgage for the people, but these measures are beyond current topic. Therefore Tables 4-6 include for Russia reduced social security contributions and net income increased by RUB 10,000 per child – assuming that employer was SME and did not go bankrupt.

Table 4. Annual income for a single employee in EAEU Member States, as in 2020, adjusted for anti-Covid-19 measures

	Armenia	Belarus	Kazakhstan	Kyrgyz Republic	Russia
Total annual labor cost for employer (salary and social contributions by employer)	4 077.72	7 268.40	5 669.46	2 944.40	8 637.95
Gross annual income	4 077.72	5 400.00	5 412.37	2 511.21	7 511.26
Standard tax deduction	0.00	0.00	1 081.79	88.27	0.00

⁸ The measures are described based on national legislation and EAEU. *The monitoring of the measures, adopted by EAEU Member States, aimed at overcoming negative effects of COVID-19 spread*. 2020. URL: <http://www.eurasiancommission.org/>

Social tax deduction	0.00	0.00	0.00	0.00	0.00
Social contributions by employee	101.94	54.00	270.62	251.12	0.00
PIT base	4 077.72	5 400.00	3 735.22	2 422.95	7 511.26
PIT rate	23%	13%	10%	10%	13%
PIT amount	937.88	702.00	203.00	242.29	976.46
Net annual income (gross annual income less PIT and social contributions by employee)	3 037.90	4 644.00	4 938.75	2 017.80	6 534.80
Change in net annual income as percentage of total annual labor cost for employer	0.0%	0.0%	22.0%	0.0%	13.0%
Net annual income change compared to unadjusted figures, in %	0.0%	0.0%	11.1%	0.0%	0.0%

Source: Developed by the author based on EAEU Statistical Yearbooks and national legislation.

Table 5. Annual income for a single parent employee in EAEU Member States, as in 2020, adjusted for anti-Covid-19 measures

	Armenia	Belarus	Kazakhstan	Kyrgyz Republic	Russia
Total annual labor cost for employer (salary and social contributions by employer)	4 077.72	7 268.40	5 669.46	2 944.40	8 637.95
Gross annual income	4 077.72	5 400.00	5 412.37	2 511.21	7 511.26
Standard tax deduction	0.00	146.76	1 081.79	101.84	204.78
Social tax deduction	0.00	0.00	553.90	602.34	2 072.16
Social contributions by employee	101.94	54.00	270.62	251.12	0.00
PIT base	4 077.72	5 253.24	3 181.31	1 807.03	5 234.32
PIT rate	23%	13%	10%	10%	13%
PIT amount	937.88	682.92	175.30	180.70	680.46
Net annual income (gross annual income less PIT and social contributions by employee)	3 037.90	4 663.08	4 966.45	2 079.39	6 952.69
Change in net annual income as percentage of total annual labor cost for employer	0.0%	0.0%	21.2%	0.0%	15.1%
Net annual income change compared to unadjusted figures, in %	0.0%	0.0%	10.4%	0.0%	1.8%

Source: Developed by the author based on EAEU Statistical Yearbooks and national legislation.

Table 6. Annual income for a family in EAEU Member States, as in 2020, adjusted for anti-Covid-19 measures

	Armenia	Belarus	Kazakhstan	Kyrgyz Republic	Russia
Total annual labor cost for employers (salary and social contributions by employer)	8 155.44	14 536.80	11 338.92	5 888.80	17 275.90
Gross annual income	8 155.44	10 800.00	10 824.74	5 022.43	15 022.53

Standard tax deduction	0.00	427.34	2 163.58	203.69	204.78
Social tax deduction	0.00	0.00	1 107.81	1 204.68	4 144.32
Social contributions by employees	203.89	108.00	541.24	502.24	0.00
PIT base	8 155.44	10 372.66	6 362.63	3 614.05	10 673.43
PIT rate	23%	13%	10%	10%	13%
PIT amount	1 875.75	1 348.45	350.61	361.41	1 387.55
Net annual income (gross annual income less PIT and social contributions by employees)	6 075.81	9 343.55	8 825.09	2 954.10	13 878.76
Change in net annual income as percentage of total annual labor cost for employer	0.0%	0.0%	22.8%	0.0%	15.1%
Net annual income change compared to unadjusted figures, in %	0.0%	0.0%	11.9%	0.0%	1.8%

Source: Developed by the author based on EAEU Statistical Yearbooks and national legislation.

Conclusions

Measures to counteract the effects of Covid-19 pandemic in Armenia, Belarus and Kyrgyz Republic seem not to have any impact on the general regime of PIT and social security contributions. Partially this is because Belarus did not initiate lockdown and therefore business disruptions there were little compared to other countries. As for Armenia and Kyrgyz Republic, Figures 1 and 2 suggest rather low living standards, which may result in insufficient public funds to spend in crisis times. To a certain extent the review of measures aimed at overcoming negative effects of Covid-19 spread corroborates this. Among the earliest decisions of Kyrgyz Republic were appeals to neighboring countries and IMF for support, and instead of monetary allowances the Government began handing out foodstuff. Armenia chose another option and focused on unemployment allowances.

However, Russia, even being the biggest and wealthiest country of the five, introduced only limited changes into the tax system, so the net income of the families only slightly (under 2%) increased due to general anti-Covid-19 measures. True, many businesses ended with 15% lower cost of labor, but in the absence of income during lockdown and difficulties of immediate aftermath that might have been insufficient.

Kazakhstan showed the best changes for the people, who retained almost 12% higher income due to general anti-Covid-19 measures, as well as significant reduction in cost of labor – which potentially mean better influence of its personal taxation on sustainability of people and economy.