This publication is for general guidance only and does not contain comprehensive analyses as to questions described. Professional advice should be sought prior to taking of any actions.

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The tax information contained in this booklet is accurate as at the date of its publication.

For further information please contact us at our offices. The contact details can be found at the back of this booklet.

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Baker Tilly, an independent Ukrainian company, was established in 1999 and is currently a leading audit and business advisory practice in Ukraine. Over 200 specialists in three offices work to provide a full range of professional services including audit, independent valuation, due diligence, business advice, and accounting.

For the benefit of its clients, Baker Tilly deploys extensive and unique expertise in the areas of auditing financial statements including projects related to the companies entering international financial markets, due diligence (both vendor and M&A-oriented), consolidation and adaptation of financial statements for compliance with the international and US reporting standards, as well as cooperation with international financial institutions.

Baker Tilly is an independent member of Baker Tilly International – a network of high-quality, independent accounting and business services firms, all of which are committed to provide the best possible services to their clients in their own marketplaces and across the world.

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- US$ 3.3 billion in revenue
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- 131 countries
- 156 member firms
- 25,667 personnel

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We are a dynamically developing team of professionals focused on timely delivery of the most efficient and high-quality services to our clients. Key aspects of our activity are sustainability, objectivity and deep knowledge of the client's business. Our professional aspirations are based on professional knowledge and broad-ranged yet focused industry expertise.
to make our client’s business more transparent and effective. We act rapidly and take responsibility for the stated professional opinions.

The objectives of our service to the clients are optimization of business processes, enhancement of risk management, improvement of forecasting competence, development of business transparency, and, finally, – increase in confidence to the client’s business from the outside parties (investors, banks, governments).

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• Statutory Audit for companies registered in Ukraine
• Review of financial statements in accordance with the applicable financial reporting framework.
• Preparation of financial statements in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)
• Compilation of financial statements
• Related Audit Services: special purpose audit, agreed-upon procedures engagement
• Outsourcing of internal audit

Tax Advisory services
• Assessment of tax risks with respect to business transactions
• Tax structuring of investments in Ukraine
• Tax returns preparation
• Tax compliance review
• Local and international tax planning and tax optimization

Independent Valuation
• Practical accomplishment of independent valuation
• Advisory activity in property valuation
• Reviewing of valuation reports
• Assessment of business

Corporate services
• Financial and Tax Due Diligence
• Monitoring of Loan Covenants
• Review of Budgeting and Planning System
• Review of Financial Models and Forecasts
• Corporate Governance
• Internal Financial Controls
Accounting services
• Outsourcing of the accounting function
• Accounting services for individuals
• Assistance in drawing up the management accounts
• Assistance in development of the statutory financial statements
• Payroll services

Internal audit services
• Assessment of internal control environment and financial controls
• Internal audit service organizational management
• Independent evaluation of effectiveness of the internal audit function

Training Center
• A wide range of corporate and public training courses in finance, accounting, financial statement analysis, and IFRS.
• A training course for the qualification test in ACCA DiplIFR
• Specialized trainings towards preparation for the CAP/CIPA exam
Since 1991, after Ukraine became independent, the Ukrainian tax system has started its development and is still changing rapidly. In December 2010, a radical tax reform was implemented; this resulted in adoption of a brand-new Tax Code. Most of the provisions of the Tax Code came into force starting from January 1, 2011 but rules with respect to taxes imposed on corporate profit were enacted starting with April 1, 2011. Changes brought by the Tax Code are aimed at eliminating discrepancies between tax and statutory accounting and further incorporation of the globally accepted tax principles into the national legislation.

However, changes to the Tax Code made in 2011-2012 showed that the tax reform did not stop with passing this legislation. From many amendments that were made we would distinguish changes in administration of corporate profits tax, introduction of special rules for taxation of transactions with securities, introduction of the beneficial tax regime for IT companies etc.

Beside this, new transfer pricing rules will be introduced in 2013, which are more comprehensive compared to the currently existing ones.

Ukraine has two-tier tax system and levies taxes on the local and state levels. There are 18 state and 5 local taxes and charges.

Ukraine imposes taxes on its residents on a worldwide basis. The residency of legal entities is determined based on the place of incorporation. As to individuals, the Tax Code provides for a tie-breaker rule (for details please refer to the corresponding section below).

There is an extensive list of double tax treaties amounting to 71 items.

Ukraine is not a member of the OECD, and the OECD Commentaries to the Model Tax Treaty are not binding on the Ukrainian authorities. However, tax authorities tend to use the Commentaries in their interpretation of the Tax Code’s provisions.

The Ukrainian tax system encompasses the so-called general system of taxation applicable to majority of legal entities and individuals, and some special tax regimes, such as available for agricultural companies, small businesses etc.
Corporate Profits Tax

Tax Payers
Legal entities – residents of Ukraine carrying out business operations are obliged to register as tax payers. Residents of Ukraine are required to pay the Corporate Profits Tax (CPT) from their worldwide income.

Non-residents pay Ukrainian CPT with respect to their profits generated in Ukraine.

Permanent establishments (PE) of non-resident companies are required to register as CPT payers and are treated as independent entities for the Ukrainian CPT purposes.

Definition of PE follows mainly the OECD approach but also provides for service PE, in case of provision of services in Ukraine during at least 6 months in a 12-months period.

No group tax assessment is allowed in Ukraine.

Tax Base
The profits subject to tax have been determined as a taxable income less production costs and other expenses being of commercial nature.

Income and deductible expenses are recognizable based on the accounting principles set in the national and international accounting standards unless otherwise expressly provided for in the Tax Code.

Depreciation
Value of tangible and intangible assets is subject to depreciation. The Tax Code provides for 16 groups of tangible and 5 groups of intangible assets, as well as for the minimum term of the useful life and methods for calculation of the amount of depreciation. For more details please see Annex B.

Each item of the tangible and intangible assets is accounted and depreciated individually.

Restrictions on Deduction of Expenses
Pursuant to the Tax Code, some expenses are non-deductible or deduction is limited to certain threshold value.

Non-deductible expenses include, inter alia, the following items:
- Expenses not connected with business activity of the tax payer;
• Expenses not evidenced by the relevant primary accounting documents;
• Dividends;
• Advance payments;
• Penalties and fines.

There is a limitation on deductibility of royalties and fees for engineering, consultancy, and marketing and advertisement services if paid to non-residents.

Royalties and fees for consultancy, marketing and advertisement services paid to non-residents are deductible within the threshold amounted to 4% of the proceeds from sales received in the preceding reporting year. These expenses cannot be deducted at all if paid to non-residents with offshore status.¹

In addition to the above, royalties paid to non-residents are not deductible if:

a. Recipient of income is not a beneficial owner of the proceeds;
b. Objects of intellectual property were originally registered in Ukraine;
c. Royalties are not taxable in the country of residence of the receiving entity.

Expenses on engineering services paid to non-resident entities (except for those operating in Ukraine through PE) are deductible within cap of 5% of customs value of the imported equipment. The recipient of payments should be a beneficiary of the proceeds and should not be a non-resident entity with offshore status.

Any payments to non-residents having an offshore status are deductible at 85% of their gross amount except of the payments mentioned above which are not deductible in their full amount.

**Thin Capitalization Rule**

There is no thin capitalization rule in Ukraine in its commonly accepted meaning. However, there is a limit for deduction of interest if paid to non-residents. This limit is applicable if receiving non-resident entity meets the following criteria:

• Non-resident entity holds at least 50% of the statutory fund of the Ukrainian entity, or
• non-resident is a related party to the non-resident entity mentioned above.

¹The Cabinet of Ministry of Ukraine sets out a list of the countries which are considered «offshore» for the Ukrainian tax purposes. The currently effective list includes, inter alia, such European countries as Andorra, Gibraltar and Monaco.
The rule stipulates that the interest paid is deductible within limit of interest income obtained by the resident entity, plus 50% of its taxable income received from other sources.

In case the interests paid exceed the above threshold, the amount of excess can be deductible in the future tax periods within the limit.

**Transfer Pricing Rules**

Transfer pricing (TP) rules apply to transactions with:
- related parties,
- non-resident entities
- entities paying tax at a zero or reduced rate
- those paying tax in accordance to the special tax regimes.

The TP rules are also used for assessing incomes and expenses incurred due to the barter transactions.

The contractual price is deemed to be conforming to the transfer pricing rules unless contrary is proven. The burden of proof lies with tax authorities. Tax Code allows 20% difference between the contractual price and the fair market price.

The Tax Code provides for five methods for determination of the arm's-length price following the OECD approach.

The taxpayers who are considered as large ones may arrange for the advance pricing agreements with the tax authorities.

**Losses Carry Forwards and Losses Carry Backs**

Generally, losses are carried forward without limit.

However, according to the amendments made in 2012, losses accumulated as at 31 December 2011 may be recognized as expenses in equal parts at the rate of 25% a year during 2012-2015.

It can be expected that further restrictions may be imposed in certain years.

Declaring of the tax loss for 4 subsequent tax periods (calendar quarters) may result in an unscheduled tax audit.

There are certain restrictions for carrying forward of the losses incurred due to transactions with securities. For details please refer
to the section «Special Rules to Taxation of Income Derived from Transactions with Securities» below.

Losses carry back is not permitted.

**Tax Rates**

Main CPT rates are as follows:
- 19% – starting with January 1, 2013;
- 16% – starting with January 1, 2014 and onwards.

Some entities enjoy a zero tax rate.

Tax Code stipulates that income of taxpayers operating in certain industries is exempt from CPT for a 10-year period starting from January 1, 2011. Those industries are as follows (the list is not comprehensive):
- 3, 4 and 5-star hotels
- Light industry (except entities operating under toll conditions)
- Power plants selling energy, produced from renewable sources;
- Shipbuilding industry;
- Aircraft construction;
- Construction of machinery for agriculture.

**Incentives for designated investment projects**

Starting from 01 January 2013 and 10 years onwards certain investment projects meeting a range of criterions will enjoy the reduced rates of CPT: starting from 1.01.2013 till 31.12.2017 the rate will be 0%, from 01.01.2018 till 31.12.2022 the rate will be 8% and after 1 January 2023 the rate will be 16%.

The eligibility criteria include requirements as regards amount of the investment, number of workplaces created, amount of salaries etc.

There is a requirement that profits saved due to application of the reduced rates shall be used for renovation of the machinery and equipment, enlargement of production capacity, implementation of new technologies etc.

**Taxation of dividends**

Dividends are been paid based on the accounting profits, not the one computed in accordance with the tax accounting.

Dividends paid are not deductible.
Dividend payment requires that paying entity remits to the state the advance corporate profits tax. The advanced corporate profits tax is charged at standard rate on income distributed as dividends and can be set off against CPT due in the period of payment of the advance tax. If the advance payment exceeds the tax itself, the remaining amount can be set off against the tax liabilities in future periods. The Tax Code provides for some exceptions from this rule.

Where the resident entity receives the dividends from other Ukrainian companies, the amount received is not taxable. If received from non-residents, the dividends are subject to tax at the general rate. However, if the paying non-resident entity is under control of the Ukrainian entity, the dividend income is not taxable in Ukraine.

Control is defined as ownership over at least 20% of the corporate rights of the paying entity, direct or indirect influence on the business of the paying entity through having a right allowing for a decisive impact on decisions taken by the board of the paying entity etc.

**Reporting and Payments**

Starting from 01.01.2013, the new rules for reporting and payments of the tax are enacted. The new rules introduce advance monthly tax payments and annual reporting instead of quarterly payments based on the quarterly returns:

- The taxpayers with income exceeding UAH 10 m per annum pay tax monthly in ¹/₁₂th of the tax due for the preceding year;
- The newly established entities and those with annual income is less than UAH 10 m submit the tax return and pay the tax annually;
- Where the entity paying monthly advance payments does not make profits or makes losses in 1Q of the reporting year it may pay the tax in accordance to the quarterly returns without remitting the advance payments.
- Where the entity makes no profits or makes a loss in a preceding year, it is required to file the tax return and pay the tax on quarterly bases.

The deadlines for submission of the tax returns and payments of the tax are as follows:

- The monthly advance payments must be remitted to the state within 10 calendar days of the next month.
- The quarterly tax returns should be filed within 40 calendar days after the end of the reporting quarter; the annual return should be submitted within 60 calendar days.
- The deadline for payments of the tax is set to 10 calendar days following the deadline for the return submission.
Special Rules to Taxation of Income Derived from Transactions with Securities

For purposes of taxation of corporate profits securities are divided to those quoted on stock exchange and those that are not quoted.

The taxpayer is required to maintain separate accounting for incomes derived from sales of each of two types of securities and expenses incurred due to purchases of the securities.

Where income received from sales of the securities exceeds the expenses incurred due to purchase thereof, the profit is taxed at 10% rate.

Where the loss occurs due to the sale of the quoted securities, it may be carried forward to be utilized against future profits from transactions with such securities without restrictions. However, if the loss is incurred as regards transactions with unquoted securities, the loss carry forward is restricted to three years. It is not allowed to utilize losses received as result of transactions with unquoted securities against profits derived from sale of quoted ones and vice versa.

The above rules do not apply to the issuers of the securities as regards placement, buy-out, settlement etc. as regards such securities.

Losses incurred due to transactions with securities accumulated as at 1.01.2013 may not be carried forward.

There is also a special excise tax imposed on sales of the securities. The rates of this tax vary as following:

- 0% on the amount of sale of derivatives on the stock exchange;
- 0.1% on the amount of sale of securities quoted at the stock exchange where the sale is made outside the stock exchange;
- 1.5% on amount of sale of unquoted securities and sale is conducted outside stock exchange;
- UAH 85 for derivative contract concluded outside the stock exchange.
Withholding Tax

The basic rate of the withholding tax (WHT) is 15%. The tax applies to the income payable to non-resident entities that was derived from sources within Ukraine.

For WHT purposes such income includes, inter alia, the following items:
- Interests
- Dividends
- Royalties
- Fright payments
- Lease payments
- Income from sell of immovable properties
- Income from transactions with securities
- Other income, except for the income obtained from sell of goods and provision of services.

The WHT should be withheld from the amount due to be paid to the non-resident entities. Gross-up provisions are prohibited.

The rate of tax may be reduced or the payment may be exempt from taxation under provisions of respective Double Tax Treaty (DTT). In order to be able to apply treaty provisions a resident entity must obtain a residency certificate from a non-resident entity confirming the residency of the latter.

Ukrainian law provides for a beneficial ownership test. Should this test be not met the tax authorities could deny application of the treaty benefits.

According to Ukrainian laws, international legislation is given preference over the domestic laws and regulations.

Ukraine is not an EU member and provisions of EU treaties, including those related to taxes, are not applicable in Ukraine.
Personal Income Tax

Tax Payers
The Personal Income Tax (PIT) is charged in Ukraine in connection with income obtained on the worldwide basis. Residents are liable to pay tax from income received from both Ukrainian and foreign sources. Non-residents pay PIT from their income obtained within the territory of Ukraine. Non-residents are deemed to be the individuals who do not have resident status in Ukraine.

In order to determine the residency status of an individual, the Tax Code provides for a tie-breaker rule, where the criteria for determination of a residence status are as follows:

a. Place of abode;
b. Permanent place of abode;
c. Centre of vital interest;
d. Staying in Ukraine for not less than 183 calendar days within a tax (calendar) year.

Tax Rates
There are two principle PIT rates: 15 and 17%. The 17% rate is applied to the excess of monthly taxable income over 10 minimum wages as of January 1 of the reporting year (about 1100 EUR in 2013).

Certain types of income are subject to payment of taxes at different rates:

<table>
<thead>
<tr>
<th>Type of Income</th>
<th>Rate, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest*</td>
<td>5</td>
</tr>
<tr>
<td>Royalties</td>
<td>15 (17)</td>
</tr>
<tr>
<td>Dividends</td>
<td>5</td>
</tr>
<tr>
<td>Income from sale of immovable property not more than once a year</td>
<td>Non-taxable</td>
</tr>
<tr>
<td>Income from sale of immovable property more than once in a year period</td>
<td>5</td>
</tr>
<tr>
<td>Income from sale of a motor car, motorcycle or a scooter, not more than once a year</td>
<td>0**</td>
</tr>
<tr>
<td>Income from sale of movable property</td>
<td>5</td>
</tr>
<tr>
<td>Succession obtained from an immediate family member</td>
<td>0</td>
</tr>
<tr>
<td>Other succession</td>
<td>5</td>
</tr>
<tr>
<td>Succession obtained from a non-resident testator</td>
<td>15 (17)</td>
</tr>
</tbody>
</table>
### Reporting and Payments

Entities paying income to individuals are determined as tax agents of such individuals and are liable for accruing and withholding the tax from the gross amount of payment due. Should the income be received not from a tax agent, the individual is obliged to pay tax individually.

The Tax Code imposes an obligation on taxpayers to prepare and submit PIT returns in the following cases:

- The taxpayer receives income not from tax agents;
- The taxpayer receives income from two or more tax agents and the total amount of income received during a reporting year exceeds 120 minimum wages;
- The taxpayer receives income from transactions with investment assets (securities, corporate rights etc.).

The PIT return should be submitted before May 1 of the year immediately following the reporting one. The payment should be made until August 1 after the reporting year.

### Taxation of Profits of Private Entrepreneurs

Taxable profit of private entrepreneurs is their annual gross income less deductible expenses. In order to be eligible for deduction the expenses should be connected to business operations of the entrepreneur and documentarily evidenced. The entrepreneur has to pay advance PIT on a quarterly basis. The advance payments are to be calculated by the entrepreneurs themselves and cannot be less than the amount of tax determined for the previous year. The final payment should be made according to the PIT return taking into account advance payments. Private entrepreneurs submit annual PIT return within 40 calendar days after the end of reporting year. The tax should be paid within 10 calendar days after the deadline set up for submission of the return.

Private entrepreneurs’ income may be also subject to the Single Tax (for information of that tax please see the respective section below).
Value Added Tax

Registration of Tax Payers
Legal entities as well as individual entrepreneurs who carried out any transactions subject to VAT within previous 12 month exceeding UAH 300 thousand (about EUR 28k) must register as VAT payers.

The Tax Code grants a right to an entity to get registered on voluntarily basis by filing an application to the tax office.

VAT Rates
The standard VAT rate is 20%. Export of goods and some other limited transactions are taxable at a zero rate.

Starting from January 1, 2014, the standard VAT rate will be reduced to 17%.

VAT-taxable Transactions
The taxable transactions include, unless exemption is specifically provided in the Tax Code, the following:

• Supply of goods and services with place of supply within the territory of Ukraine;
• Transfer of objects of financial lease to the lessee;
• Export of goods and auxiliary services;
• Import of goods and services;
• International transportation services.

Financial, insurance services, trade in securities, interests on financial lease, reorganization of business entities and some others transactions are out of scope of VAT.

Place of Supply

Place of Supply of Goods
Place of supply of goods is determined as the place where goods are located at the moment of supply, except for the cases listed below:

• If goods need to be assembled or installed, the place of such assembly or installation is deemed to be the place of supply;
• If goods are to be transported by the seller to the customer, the place of supply is deemed to be the place of shipment of goods.

There are certain special rules as to the determination of place of supply when supply is been provided on board of transport vehicles.
Place of Supply of Services
As a general rule, place of supply for services is determined as the place of tax registration of provider of services. The following exemptions apply:

• Services related to immovable properties are treated as supplied at the place, where such properties are located
• Place of supply for some services is considered to be the place of VAT registration of the customer. Thus, where the customer is a non-Ukrainian resident, the following services are not subject to the Ukrainian VAT (the below list is not comprehensive):
  - Granting of intellectual property rights or creation of items of IP rights;
  - Advertising services;
  - Professional services (consulting, engineering, audit, accounting services, software development, data processing and other IT services);
  - Lease of movable property except of transport vehicles;
  - Telecommunication services.

VAT Base
Under the general rule set forth in the Tax Code, the tax base has been determined as a contractual value of the supplied goods and services but not less than the fair market price thereof.

In case of import of goods VAT base is determined as the contractual value, but not less than customs value thereof. Imported services are taxed at their contractual value.

Payment and Reporting
VAT payers are entitled to claim an input VAT paid to suppliers in order to purchase goods and services which are to be used in VAT-able transactions, against their output VAT.

Input VAT must be confirmed by VAT invoice issued by the seller of the goods (services).

Should a VAT payer carry on non-taxable transactions (either exempt supplies or transactions out of scope of the tax) input VAT paid to suppliers when purchasing goods and services for such transactions may not be claimed.

Input and output VAT is recognized under the first-event rule:

• Input VAT is recognizable as at the date of payment or as at the date when goods (services) are received whichever occurs first;
• Output VAT must be recognized as at the date when payment is received or as at the date when goods (services) supplied whichever occurs first.
Excess of output VAT on input VAT in the reported period is payable to the State Budget. In case input VAT exceeds output VAT, the excess amount could be set off against future VAT liabilities or claimed to refund from the State. However, the procedure of refund is complicated and time consuming.

The VAT payers should calculate the VAT payable or receivable based on tax period of a calendar month (a period of a calendar quarter may be applicable in case of small entities). The VAT returns are to be submitted to tax body within 20 calendar days after the last calendar day of the reported month. The deadline for payment is within 10 calendar days after the deadline for submission of the return.
Excise Tax

Selling and importing of alcoholic beverages, tobacco products, petroleum products and cars are subject to the Excise Tax.

The tax payers are the producers and importers of excisable goods. The objects to tax are transactions of sales and import of such goods. The tax code envisages ad valorem, specific and combined rates of the tax. The tax base is been defined in accordance to the type of rate. The tax charged at ad-valorem rates is been determined based on the value of goods according to their maximum selling prices (without VAT but including the Excise Duty) set by producers / importers.

Specific rates are mainly set up in UAH and EUR as per physical unit of taxable goods.

In some cases combined rates are set (e.g. there is ad valorem and specific part of the tax).
Land Tax

The taxpayers are the owners and users of land plots. The base for tax is determined as normative valuated cost of land plot or, in case such an assessment has not been made – area of the land plot.

The rates are set depending on designated use of the plot as a percentage of the normative valuated cost or in lump sum per hectare if the assessment is not available. For instance, the rates for agricultural land are as follows:

- For plough, hayfield and pastures – 0.1%;
- For perennial plantations – 0.03%.

The tax period is set as a calendar year. Legal entities calculate the tax for the current year as at January 1 of that year and submit the tax return to the tax office on or before February 20. The tax due for the previous month is to be paid monthly until the 30th day of the immediate following month.
Local Taxes

The Tax Code sets forth four local taxes. Those are as follows:

• Real Estate Tax;
• Charge for car parking;
• Charge for conducting of some kinds of entrepreneurial activity;
• Tourist charge.

The Real Estate Tax (RET) is a new tax for Ukraine imposed starting from 1 January 2013. The RET objects are defined as dwelling properties.

The payers to the tax are legal entities and individuals (both residents and non-residents of Ukraine) which are the owners of such properties.

The rates of the tax are set as per the square meter of the dwelling space of the property (in % from the minimum wage set forth by law as at January 1 of the reporting year).

As for physical persons the tax base shall be calculated by the Ukrainian State Tax Service based on the information in the State registry of rights on immovable properties.

Legal entities are required to determine the tax due by themselves as of January 1 of the reporting year and submit the tax return to the tax office.

The below table provide basic information on the tax.

<table>
<thead>
<tr>
<th>Reporting period</th>
<th>Individuals</th>
<th>Legal entities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of the tax base*:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apartments</td>
<td>120 m²</td>
<td>—</td>
</tr>
<tr>
<td>Dwelling houses</td>
<td>250 m²</td>
<td>—</td>
</tr>
</tbody>
</table>

Tax rates:

- for apartments (S<240 m²) and dwelling houses (S<500 m²) Up to 1% of the monthly minimal wage (UAH 11.47 in 2013)
- for apartments (S>240 m²) and dwelling houses (S>500 m²) Up to 2.7% of the monthly minimal wage

Deadlines for payment of tax

<table>
<thead>
<tr>
<th></th>
<th>Individuals</th>
<th>Legal entities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>60 days after tax notification is received</td>
<td>30th day of the month following the reporting quarter**</td>
</tr>
</tbody>
</table>

* The reduction applies only for one item of the property on the owner’s choice.

** Advance payments are made each quarter in 1/4th of the annual tax liability.
**Single Tax**

In 2011 rules for Single Tax (ST) were substantially amended. New rules were enacted since January 1, 2012. Single tax is designated to reduce tax and administrative burden for small businesses, both legal entities and individuals. Classification of the ST payers, rates of tax and permitted kinds of business activities are described in the table below:

<table>
<thead>
<tr>
<th>Group</th>
<th>Taxpayers</th>
<th>Maximum annual revenue, '000 UAH</th>
<th>Maximum number of employees</th>
<th>Types of permitted activities</th>
<th>Rate, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Individuals</td>
<td>150</td>
<td>0</td>
<td>Retail sales on marketplaces and rendering household services to individuals</td>
<td>1-10 **</td>
</tr>
<tr>
<td>II</td>
<td>Individuals</td>
<td>1,000</td>
<td>10</td>
<td>Production and/or sale of goods, rendering of services to individuals and/or payers of the Single Tax, restaurant business</td>
<td>2-20 **</td>
</tr>
<tr>
<td>III</td>
<td>Individuals</td>
<td>3,000</td>
<td>20</td>
<td>Any kind of activities except for those prohibited to all payers of the single tax *</td>
<td>3/5 ***</td>
</tr>
<tr>
<td>IV</td>
<td>Legal entities</td>
<td>5,000</td>
<td>50</td>
<td>Any kind of activities except for those prohibited to all payers of the single tax *</td>
<td>3/5 ***</td>
</tr>
<tr>
<td>Group</td>
<td>Taxpayers</td>
<td>Maximum annual revenue, '000 UAH</td>
<td>Maximum number of employees</td>
<td>Types of permitted activities</td>
<td>Rate, %</td>
</tr>
<tr>
<td>-------</td>
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<td>-------------------------------</td>
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<td>---------</td>
</tr>
<tr>
<td>V</td>
<td>Individuals</td>
<td>20,000</td>
<td>No limit</td>
<td>Any kind of activities except for those prohibited to all payers of the single tax *</td>
<td>5/7 ***</td>
</tr>
<tr>
<td>VI</td>
<td>Legal entities</td>
<td>20,000</td>
<td>No limit</td>
<td>Any kind of activities except for those prohibited to all payers of the single tax *</td>
<td>5/7 ***</td>
</tr>
</tbody>
</table>

* Payers of the ST are prohibited to conduct the following types of business activities:
  - organization of gambling;
  - exchange of foreign currencies;
  - production, export, import and sale of excisable goods;
  - extraction, production and realization of precious metals and precious gems;
  - extraction and realization of mineral resources;
  - financial intermediation except of insurance;
  - management of enterprises;
  - postal and connection services;
  - sales of pieces of art, antiques.

** Of minimum monthly salary set up as of January 1 of the reporting year

*** 3% (or 5% for groups V and VI) applies if VAT is been paid in accordance to the general rules; 5 (or 7)% is payable if VAT is included in the single tax and is not been paid separately.

Legal entities and individuals paying the Single Tax are exempt from the following taxes:
- Corporate Profits Tax
- Personal Income Tax (on income of individual entrepreneurs only)
- Value-Added Tax (except for ST payers who opt to pay VAT on general basis)
- Land Tax (except for ST payers who opt to pay VAT on general basis)
- Charge for conducting of certain kinds of entrepreneurial activities
- Charge for development of viticulture and hop growing.

Individual entrepreneurs who pay the ST shall pay the Single Social Charge accrued on their income, but not less than the minimum payment (minimum monthly wage multiplied by the rate of the charge).
Fixed Agricultural Tax

Agricultural companies in Ukraine enjoy favorable tax treatment represented in particular by Fixed Agricultural Tax (FAT). Payers of this tax are exempt from the taxes and charges listed below:

a. Corporate Profits Tax
b. Land Tax (except for land plots used not for production of agricultural goods)
c. Charge for special use of water
d. Charge for conducting of certain types of business activities (in relation to trade activities)

The Fixed Agricultural Tax provides for relatively small tax burden due to its rates which are set up in per cent of the normative value of one hectare of land plots as follows (per annum):

a. For plough, hayfield and pastures – 0.15 (for mentioned kinds of land owned by entities specialized in growing plants in hothouses – 1.0)
b. For perennial plantations – 0.09
c. For lands of water fund – 0.45

In case the land is located in mountain areas and Polissya territories (north of Ukraine), the rates are lowered still further:

a. For plough, hayfield and pastures – 0.09
b. For perennial plantations – 0.03.

The entity is considered agricultural and eligible for FAT if specific amount of revenues from selling agricultural goods of own production of that entity is not less than 75% of its total annual revenue.
Special Tax Regime for IT Companies

Starting from 01 January 2013 till 1 January 2023 the entities engaged in the IT industry may apply the reduced 5% CPT rate to their profits derived from IT business.

In order to be eligible to apply the reduced rate, the entities must meet the following criteria:

• The share of income received from IT business must not be less than 70% of the total income;
• The initial value of the fixed assets and intangibles exceeds 50 times minimal monthly wage (i.e. UAH 57 350 in 2013);
• The entity has no tax debts;
• The entity is not a bankrupt.

The income from IT business includes proceeds from the following activities (the list is not comprehensive):

• Development of computer software, including computer games
• Computer programming and all types of activities on creating, modifying, testing of computer software, provision of technical support, development of databases and web-sites;
• Consulting on IT issues, including planning and development of computer systems;
• Management of computer equipment;
• Data processing, placement of information on web-sites.

Supplies of computer software also exempt from VAT for 10 years starting from 1 January 2013. For purposes of exemption from VAT the software includes development of web-sites, online services and encryption-based safeguards of information.
Social Insurance

The mandatory social insurance payment is presented in Ukraine by the Single Social Charge (SSC). The SSC has been charged on the amount of wages, salaries and other payments to employees, income of self-employed individuals and profits of individual entrepreneurs.

Salaries paid by foreign employers are not subject to SSC.

The SSC rates vary from 36.76 to 49.70% depending on the group of risk of accidents and occupational diseases inherent to the respective industry.

The SSC amounts are deductible for CPT purposes.

The SSC is charged on the payments not exceeding the ceiling which is set at the level of 17 subsistence minimums per month.

In 2013, the monthly cap applicable will vary as follows:
- UAH 19,499 from 1 of January till 30 November
- UAH 20,706 from 1 December till 31 December

Employees pay contribution at rate of 3.6% of the monthly salary (the abovementioned cap is applicable).
Charge to the State Pension Fund

Besides the charge for mandatory social insurance, there is also a charge to the State Pension Fund imposed on certain transactions. Those are as follows:

<table>
<thead>
<tr>
<th>Payers of the Charge</th>
<th>Base for the Charge</th>
<th>Rate of the Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal entities and private entrepreneurs carrying on sales of jewelry from gold</td>
<td>Value of the jewelries sold</td>
<td>5%</td>
</tr>
<tr>
<td>(except for wedding rings), platinum and precious gems</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal entities and individuals purchasing passenger cars (some exceptions apply)</td>
<td>Purchase value of the car</td>
<td>3% where the purchase value does not exceed 165 time subsistence minimum wage(1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4% where the purchase value is between 165 and 290 subsistence minimum wage(1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5% where the purchase value exceeds 290 subsistence minimum wage(1)</td>
</tr>
<tr>
<td>Legal entities and individuals purchasing immovable properties (some exceptions apply)</td>
<td>Purchase value</td>
<td>1%</td>
</tr>
<tr>
<td>Legal entities and individuals purchasing services of mobile phone connection</td>
<td>Value of the services</td>
<td>7.5%</td>
</tr>
<tr>
<td></td>
<td>purchased</td>
<td></td>
</tr>
</tbody>
</table>

(1) minimum wage on 1 January is set at the level UAH 1147
I. Registration with Tax Authorities
Each taxpayer shall get registered with tax authorities. As a result of such registration a taxpayer receives an individual tax ID. Registration is conducted by local tax authority where the legal entity or individual entrepreneur is registered by the state registrar. Branches of the legal entities (including permanent establishments of the foreign entities) are liable to tax registration as well.

II. Filing and Payments Deadlines
Deadlines for filing tax returns and payments of taxes are set out in the Tax Code as shown in the table below:

<table>
<thead>
<tr>
<th>Tax Period</th>
<th>Filing (number of calendar days following the last day of the reporting period)</th>
<th>Payment (number of calendar days after deadline for submission of tax returns)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Calendar month</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>2. Calendar quarter or calendar half-year</td>
<td>40</td>
<td>10</td>
</tr>
<tr>
<td>3. Calendar year</td>
<td>60</td>
<td>10</td>
</tr>
<tr>
<td>4. Calendar year (for personal income tax)</td>
<td>by May 1 of the year immediately following the reporting one</td>
<td>By August 1 of the year immediately following the reporting one</td>
</tr>
<tr>
<td>5. Calendar year (for personal income tax of private entrepreneurs)</td>
<td>40</td>
<td>10</td>
</tr>
</tbody>
</table>
III. Tax Audits

Tax authorities may perform scheduled and unscheduled audits which may also be conducted without actually visiting a taxpayer’s site i.e. desk audit.

Frequency of the scheduled audits depends on the level of risk assigned to the entity by tax authorities and varies from one audit per three years for low-risky entities to one audit per annum for high-risky ones.

Unscheduled tax audit may be conducted only in the cases envisaged in the Tax Code. Some of these are presented below:

a. Taxpayer fails to submit a tax return in time.

b. Taxpayer files an adjusted tax return for the period already audited by tax authorities.

c. Taxpayer files an appeal to the decision of the tax authority referring to unexamined circumstances which require additional audit.

d. A procedure of reorganization or liquidation of a taxpayer; a bankruptcy or deregistration procedure was initiated.

e. Taxpayer files a VAT return claiming a refund exceeding UAH 100,000 (about EUR 9 k).

f. Tax agent avoids taxation of wages or passive income.

Duration of tax audit should not exceed the maximum duration as shown in the table below (in working days):

<table>
<thead>
<tr>
<th>Tax payers</th>
<th>Maximum duration of audit</th>
<th>Maximum duration of possible extension of audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheduled field tax audit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>Small</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Other</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Unscheduled field tax audit (working days)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Small</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
<td>5</td>
</tr>
</tbody>
</table>
**IV. Penalties for non-compliance with Tax Rules**

In cases of non-compliance, taxpayers may be charged penalties and fines set out in the table below. However, the taxpayer is entitled to objections to decisions by tax authorities through both administrative procedure and in court.

| 1. Non-compliance with registration procedure | - for self-employed individuals: one-time violation – UAH 170, recurrent violation within a year – UAH 340  
- for legal entities: one-time violation – UAH 510, recurrent violation within a year – UAH 1020 |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2. The failure to notify tax authorities about opening / closing bank accounts</td>
<td>UAH 340 for each case</td>
</tr>
<tr>
<td>3. Failure to submit a tax return within the legally prescribed terms</td>
<td>one-time violation – UAH 170, recurrent violation within a year – UAH 1020</td>
</tr>
<tr>
<td>4. Failure to keep the accounting documents within legally required period</td>
<td>one-time violation – UAH 510, recurrent violation within a year – UAH 1020</td>
</tr>
<tr>
<td>5. Failure to timely and proper payment of a single tax</td>
<td>50% of the tax rate</td>
</tr>
<tr>
<td>6. Breach of tax rules triggering additional tax assessments by tax authorities</td>
<td>one-time violation – 25% of the additionally assessed amount, recurrent violation during 1095 days – 50%</td>
</tr>
</tbody>
</table>
| 7. Late payment | Delay of payment for up to 30 calendar days – 10% of the underpaid tax;  
Delay for more than 30 calendar days – 20%. |
| 8. Failure to withhold and remit tax to the state budget by a tax agent | one-time violation – 25% of the accrued tax, second breach within 1095 days – 50% of the accrued tax;  
third and more breach within 1095 days – 75% of the accrued tax |
V. Tax Appeal Procedure

Should the taxpayer disagree with additional tax assessments or other tax-related decisions of tax authorities, such decisions could be challenged under the administrative appeal procedure. The procedure is two-tiered: the first appeal should be submitted to the tax body of the higher instance (level) as compared to that of the tax body, whose decision is been appealed. In case the decision is taken not in favor of the tax payer, the latter may submit the second appeal to the State Tax Service of Ukraine, which represents the highest level of the tax authorities of Ukraine. Decision taken by STSU is not subject to further appeal.

However, the challenged decision of tax authorities can be appealed in court within 1095 days from the date of the end of administrative appeal (taxpayer may also submit a claim to the court without finishing (or initiating) administrative appeal).
# Annexes

## Annex A

Rates of Withholding Tax According to Double Tax Treaties

<table>
<thead>
<tr>
<th>Country</th>
<th>Dividends (%)</th>
<th>Interest (%)</th>
<th>Royalties (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-portfolio</td>
<td>Portfolio</td>
<td></td>
</tr>
<tr>
<td>Algeria</td>
<td>5</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Armenia</td>
<td>5</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Austria</td>
<td>5</td>
<td>10</td>
<td>2/5¹</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Belarus</td>
<td>15</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Belgium</td>
<td>5</td>
<td>15</td>
<td>2/10¹</td>
</tr>
<tr>
<td>Brazil</td>
<td>10</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>5</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Canada</td>
<td>5</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>China (PRC)</td>
<td>5</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Croatia</td>
<td>5</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Cyprus</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>5</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>Denmark</td>
<td>5</td>
<td>15</td>
<td>0/10⁴</td>
</tr>
<tr>
<td>Egypt</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Estonia</td>
<td>5</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Finland</td>
<td>0/5⁶</td>
<td>15</td>
<td>5/10⁷</td>
</tr>
</tbody>
</table>

¹The lower rate applies to interests incurred (i) due to sales on credit of any industrial, commercial or scientific equipment; (ii) due to credit sales of any goods or services from one legal entity to another; (iii) on loans granted by bank or any other financial institution.

²The higher rate is charged when royalties are paid for use of any copyright of literary or artistic works, including cinematograph films, and film and tapes for radio and television broadcasting.

³The 0% rate is charged in case of royalties payable for the use of or for the right to use of computer software.

⁴The lower rate is charged when (i) percent is paid to Denmark state, National Bank of Denmark, local authority or state institution; (ii) if any industrial, commercial or scientific equipment is sold on credit provided the entities involved are not associated.

⁵The higher rate is charged when royalties are paid for use of any copyright of literary or artistic works including cinematograph films, and film and tapes for radio and television broadcasting, any trademark, patent, design.

⁶The 0% rate applies (i) when the investment is guaranteed by the Finnish Guarantee Board, or (ii) if amount of the capital invested in Ukraine is not less than USD 1 million and the entity entitled to the dividends controls at least 50% of the capital of the dividend payer; other than operating in field of gambling, show business, intermediation business or auctions. The period of application of exemption from the Ukrainian tax is subject to certain conditions.

⁷The lower rate is charged when interests arise due to sale of any goods or industrial, commercial, scientific equipment on credit, except if transactions are made with related persons.
<table>
<thead>
<tr>
<th>Country</th>
<th>Dividends (%)</th>
<th>Interest (%)</th>
<th>Royalties (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-portfolio</td>
<td>Portfolio</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>0/5(^9)</td>
<td>15</td>
<td>2/10(^1)</td>
</tr>
<tr>
<td>Georgia</td>
<td>5</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Germany</td>
<td>5</td>
<td>10</td>
<td>2/5(^1)</td>
</tr>
<tr>
<td>Greece</td>
<td>5</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Hungary</td>
<td>5</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Iceland</td>
<td>5</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>India</td>
<td>10</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Indonesia</td>
<td>10</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Iran</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Israel</td>
<td>5/10(^12)</td>
<td>15</td>
<td>5/10(^13)</td>
</tr>
<tr>
<td>Italy</td>
<td>5</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Japan</td>
<td>15</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Jordan</td>
<td>10</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>5</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Korea (ROK)</td>
<td>5</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>Kuwait</td>
<td>5</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>5</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Latvia</td>
<td>5</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Lebanon</td>
<td>5</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Libya</td>
<td>5</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Lithuania</td>
<td>5</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Macedonia</td>
<td>5</td>
<td>15</td>
<td>10</td>
</tr>
</tbody>
</table>

\(^8\) The 0% rate is charged for the use of any computer software, patent, design or model. The 5% rate is charged when royalties are paid as consideration for the use of, or any right to use, any secret formula or process, or for information concerning industrial, commercial or scientific experience. The 10% rate applies to payments for the use of, or any right to use any copyright of literary, artistic or scientific work, including cinematograph films, any films or tapes for radio or television broadcasting or any trade mark.

\(^9\) The 0% rate applies when investor or investors hold directly or indirectly at least 50% of the capital of the dividend payer, and the total invested capital amounts to at least 5 million French francs, or the investments are guaranteed by the state, its central bank or any other person acting on behalf of the state.

\(^10\) The 0% rate applies if royalties are paid for the use of or any right to use, any software or any patent, trade mark, design or model, secret formula or process.

\(^11\) The 0% rate applies if royalties are paid as remuneration for the use of or any right to use any copyright of scientific work, patent, trade mark, design or model, plan, secret formula or process, or information relating to industrial, commercial or scientific experience.

\(^12\) The lower rate applies if the owner of the dividends controls at least 25% of the capital of the dividend payer.

\(^13\) The lower rate applies when interest incurred due to loan extended by a bank.

\(^14\) The 0% rate applies to payments for the use of, or any right to use any copyright of literary, artistic or scientific work, including cinematograph films, any films or tapes for radio or television broadcasting.
<table>
<thead>
<tr>
<th>Country</th>
<th>Dividends (%) Non-portfolio</th>
<th>Dividends (%) Portfolio</th>
<th>Interest (%)</th>
<th>Royalties (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>10/15</td>
</tr>
<tr>
<td>Mexico</td>
<td>5</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Moldova</td>
<td>5</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Mongolia</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Montenegro</td>
<td>5</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Morocco</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Netherlands</td>
<td>0/5</td>
<td>15</td>
<td>2/10</td>
<td>0/10</td>
</tr>
<tr>
<td>Norway</td>
<td>5</td>
<td>15</td>
<td>0/10</td>
<td>5/10</td>
</tr>
<tr>
<td>Pakistan</td>
<td>10</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Poland</td>
<td>5</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Portugal</td>
<td>10/15</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Romania</td>
<td>10</td>
<td>15</td>
<td>10</td>
<td>10/15</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>5</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>5</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Serbia</td>
<td>5</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Singapore</td>
<td>5</td>
<td>15</td>
<td>10</td>
<td>7,5</td>
</tr>
<tr>
<td>Slovenia</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>South Africa</td>
<td>5</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Spain</td>
<td>15</td>
<td>15</td>
<td>0</td>
<td>0/5</td>
</tr>
</tbody>
</table>

15 The lower rate applies if royalties are paid as remuneration for the use of or any right to use, any copyright of scientific work, patent, trade mark, design or model, plan, secret formula or process, or information relating to industrial, commercial or scientific experience.
16 The 0% rate applies if the investor owns at least 50% of the capital of the dividend payer, and the investment amounts to at least $300,000, or is guaranteed by the Government or the central bank or any other institution owned or controlled by the Government of the country of residence of the dividend payer.
17 The lower rate applies if interest is incurred due to loans granted by a bank or other financial institution or due to sales on credit of machinery and equipment.
18 The 0% rate applies for the use of or the right to use any copyright of scientific work, any patent, trademark, design or model, plan, secret formula or process or for information relating to industrial, commercial or scientific experience.
19 The 0% rate applies if interest is incurred due to debt to the Contracting State and in some other cases.
20 The lower rate applies if royalties paid for the use of or any right to use any patent, plan, secret formula or process or for information (know-how) concerning industrial, commercial or scientific experience.
21 The lower rate applies if the investor owns at least 25% of share capital of the company paying dividends for the period of 2 years prior to payment of dividends.
22 The lower rate applies if payments are made for the use of or any right to use any patent, trade mark, invention or model, secret formula or process or for information (know-how) concerning industrial, commercial or scientific experience.
<table>
<thead>
<tr>
<th>Country</th>
<th>Dividends (%)</th>
<th>Interest (%)</th>
<th>Royalties (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-portfolio</td>
<td>Portfolio</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>0/5&lt;sup&gt;24&lt;/sup&gt;</td>
<td>10</td>
<td>0/10&lt;sup&gt;25&lt;/sup&gt;</td>
</tr>
<tr>
<td>Switzerland</td>
<td>5</td>
<td>15</td>
<td>0/10&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Syria</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Thailand</td>
<td>10</td>
<td>15</td>
<td>10/15&lt;sup&gt;13&lt;/sup&gt;</td>
</tr>
<tr>
<td>Turkey</td>
<td>10</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>5</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>USA</td>
<td>5</td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Vietnam</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

23 The lower rate applies for the use of or the right to use any copyright of scientific work, any patent, trademark, design or model, plan, secret formula or process or for the use of or the right to use any commercial or scientific equipment, or information relating to industrial, commercial or scientific expertise.

24 The 0% rate applies to dividends if the beneficial owner of the company paying dividends owns at least 25% of the capital of the latter company.

25 The lower rate is charged when particular kind of equipment is sold on credit (except when sales are made between relatives), or when any loan is guaranteed by the government of the state.

26 The 0% rate is charged if royalties are paid for the use of any patent concerning industrial know-how or process, or if payments relating to agriculture, pharmaceutical industry, computer software, construction, secret formula, process or information relating to commercial or industrial expertise.

27 In November 2012 the new Convention was signed. It provides for the following rates of withholding tax:

- **Dividends**: 15% which may be reduced to 5% provided certain conditions are met.
- **Interest**: 2% provided the recipient is a beneficial owner of the interests.
- **Royalties**: 5 or 10% depending on the type of the object of the intellectual property rights. Beneficial ownership requirement applies.

It is expected that the new Convention will enter into force on 1 January 2014.
## Annex B

<table>
<thead>
<tr>
<th>Group of Assets</th>
<th>Minimum useful life, years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tangible Assets</strong></td>
<td></td>
</tr>
<tr>
<td>1. Land plots</td>
<td>—</td>
</tr>
<tr>
<td>2. Capital cost for land improvement</td>
<td>15</td>
</tr>
<tr>
<td>3. Buildings</td>
<td>20</td>
</tr>
<tr>
<td>3.1 Constructions</td>
<td>15</td>
</tr>
<tr>
<td>3.2 Transmission appliances</td>
<td>10</td>
</tr>
<tr>
<td>4. Machinery and equipment</td>
<td>5</td>
</tr>
<tr>
<td>(including computers, printers and some other electronic devices)</td>
<td>2</td>
</tr>
<tr>
<td>5. Transport vehicles</td>
<td>5</td>
</tr>
<tr>
<td>6. Tolls, devices and equipment</td>
<td>4</td>
</tr>
<tr>
<td>7. Animals</td>
<td>6</td>
</tr>
<tr>
<td>8. Perennial plantations</td>
<td>10</td>
</tr>
<tr>
<td>9. Other fixed assets</td>
<td>12</td>
</tr>
<tr>
<td>10. Library funds</td>
<td>—</td>
</tr>
<tr>
<td>11. Low-value tangible fixed assets</td>
<td>—</td>
</tr>
<tr>
<td>12. Temporary installations</td>
<td>5</td>
</tr>
<tr>
<td>13. Nature resources</td>
<td>—</td>
</tr>
<tr>
<td>14. Returnable containers</td>
<td>6</td>
</tr>
<tr>
<td>15. Rental equipment</td>
<td>5</td>
</tr>
<tr>
<td>16. Long term biological resources</td>
<td>7</td>
</tr>
<tr>
<td><strong>Intangible Assets</strong></td>
<td></td>
</tr>
<tr>
<td>1. Right to use nature resources</td>
<td>According to the title document*</td>
</tr>
<tr>
<td>2. Right to use property</td>
<td>According to the title document*</td>
</tr>
<tr>
<td>3. Rights to commercial signs (trade marks, commercial titles) unless expenses for acquisition of which are considered royalties</td>
<td>According to the title document*</td>
</tr>
<tr>
<td>4. Rights to industrial property (inventions, models, know-how etc.) unless expenses for acquisition of which are considered royalties</td>
<td>According to the title document but not less than 5 years</td>
</tr>
</tbody>
</table>
* if the title document does not envisage the term of use of an assets, than such term is considered as 10 years.

<table>
<thead>
<tr>
<th>Group of Assets</th>
<th>Minimum useful life, years</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Copyright (rights to literary, artistic, music works, software etc.) unless expenses for acquisition of which are considered royalties</td>
<td>According to the title document but not less than 2 years</td>
</tr>
<tr>
<td>6. Other intangible assets</td>
<td>According to the title document*</td>
</tr>
</tbody>
</table>
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