

FLASH REPORT

Ukraine • 7
4 April 2008

Contacts:

Ron Barden
Partner, TLS Leader
E-mail:
ron.j.barden@ua.pwc.com

Paul Cooper
Senior Manager, Compliance
Services
E-mail:
paul.cooper@ua.pwc.com

PricewaterhouseCoopers
75 Zhylyanska Street, Kyiv
Tel: + 380 44 490 6777

www.pwc.com/ua

This flash report is produced by
PricewaterhouseCoopers' tax and legal services
department.

Confirmation of tax residency status

Over the past six months, the Ukrainian tax authorities have refused to consider a number of foreign nationals as tax residents of Ukraine on the basis that they did not obtain official confirmation of their tax residency status in Ukraine. This confirmation should be obtained on an annual basis.

As a consequence, their income tax amount may be recalculated **at a double tax rate of 30%** (i.e. the non-resident income tax rate).

There are no strict legislative provisions stipulating this requirement, but the tax authorities' position is becoming more rigorous. We do not agree with the approach. In our view, an individual without the necessary confirmation but meeting the legislative requirements to be considered a tax resident should be able to claim residency status and defend their position, provided they can demonstrate that they meet requirements.

It is important for those individuals who did not apply for their 2007 tax residency confirmation to be prepared to gather supporting documentation (rental agreement, stamps in the individual's passport, etc.), in case they need to appeal the tax authorities' negative position.

To avoid potential challenges in the future, individuals who plan to remain in Ukraine for nearly all of this year are strongly advised to apply for their 2008 tax residency confirmation.

PRICEWATERHOUSECOOPERS 

© 2007 Limited Liability Company

PricewaterhouseCoopers. All rights reserved. PricewaterhouseCoopers" refers to the Ukrainian firm of Limited Liability Company PricewaterhouseCoopers or, as the context requires, the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.