

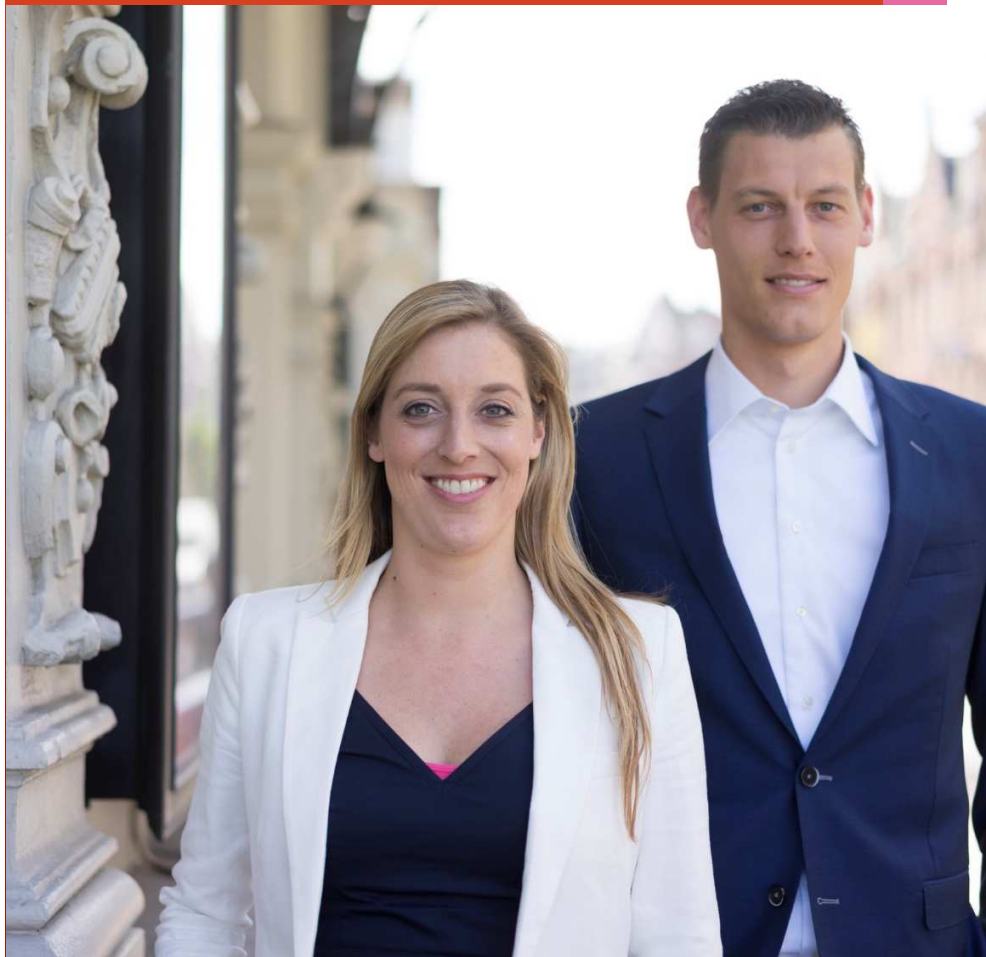
International assignment services

Taxation of international assignees

Country – Ukraine

*Human
Resources Services*

*International
Assignment
Taxation Folio*



Last Updated: June 2015

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

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Additional Country Folios can be located at the following website:
Global Mobility Country Guides.

Introduction:

International assignees working in Ukraine

This folio was prepared by PwC to provide foreign nationals planning to work in Ukraine with a general background of Ukrainian tax laws and other relevant issues. It reflects the tax law and practice as of June 2015.

Given that the Tax Code came in force on 1 January 2011, and that its interpretation by the tax authorities is not consistent, it is not possible to provide definite answers to many specific tax situations which are not

directly addressed by the Tax Code. Taxpayers should seek expert advice wherever possible.

The folio outlines what an assignee has to do before arrival to Ukraine, what to do when one arrives here, and what to do before moving out of Ukraine. Familiarity with these issues will make one's assignment easier and more enjoyable.

This folio is not intended to be a comprehensive or exhaustive study

of the Ukrainian tax law, but should be used as a guide as you prepare for your assignment in Ukraine.

This folio will give you preliminary information that you can use to define the issues that are relevant for your situation.

For further information or assistance, please contact one of the IAS contacts listed at the end of this folio.

Step 1:

Understanding the basic principles

The scope of taxation in Ukraine

1. Foreign nationals working in Ukraine are subject to Ukrainian taxation. Personal income tax is the primary tax faced by expatriates, though social security and other taxes could also apply.

The tax year

2. The tax year in Ukraine corresponds with the calendar year, i.e. from 1 January to 31 December.

Determination of tax residency

3. Tax residents are individuals who have their place of abode in Ukraine.
When an individual has a place of abode in another country as well, such an individual is deemed to be a resident of Ukraine if he/she has a permanent place of abode (domicile) in Ukraine. If the individual has a domicile in another country as well, he/she is deemed to be a resident of Ukraine if

he/she has a centre of vital interests in Ukraine (closer personal or economic connections). A sufficient, but not exclusive, ground for determining the country of an individual's centre of vital interest is the place of permanent abode of the individual's family members.

In the event that the individual's centre of vital interests cannot be determined, or if the individual has no domicile in any country, he/she is deemed to be a resident of Ukraine if he/she stays in Ukraine at least 183 days during a tax year (calendar year).

If residency status cannot be determined based on the above rules, an individual shall be deemed to be a resident of Ukraine if he/she is a citizen of Ukraine. Registered freelancers and private entrepreneurs also qualify as Ukrainian tax residents.

4. Tax non-residents are individuals who do not

qualify as residents of Ukraine.

5. The Tax Code also provides that "a sufficient ground for determining that the individual is a resident in Ukraine is the individual's independent election that his/her main place of abode is the territory of Ukraine". Neither the Tax Code nor any other laws define the procedure for election by an individual of his/her tax residency status. So, this norm does not currently work in practice.

6. When calculating the days spent in Ukraine, a foreign national should include all days of his/her physical presence in Ukraine, including the days of arrival and departure (counting days of arrival and departure as full days of stay in Ukraine), Saturdays, Sundays, public holidays, vacation days, sick days, etc.

Step 2:

Understanding the Ukrainian tax system

Taxable income

7. Taxation of an individual's income depends on the individual's tax residency status in Ukraine:
 - Tax residents are subject to Ukrainian taxation on their worldwide income;
 - Non-residents are subject to Ukrainian tax only in respect of their Ukrainian source income.
8. Ukrainian source income is defined as any income received from any activity performed in the territory of Ukraine. The main items specified in the non-exhaustive list of Ukrainian source income include:
 - Income received by a taxpayer from his/her employer (either resident or non-resident) in respect of employment exercised in Ukraine;
 - Income received by members of Board of Directors or

Supervisory Board of Ukrainian companies;

- Interest, dividends and royalties paid by Ukrainian residents;
- Investment profits from transactions with securities and corporate rights;
- Income from renting out, or disposal of, movable or immovable property in Ukraine;
- Gifts, inheritance, prizes;
- Income from entrepreneurial or independent professional activity in Ukraine.

9. Income received in foreign currency is to be converted into Ukrainian Hryvnia (UAH) for reporting and tax calculation purposes at the official exchange rate of the National Bank of Ukraine (NBU) on the date of receipt.

Employment income

10. Almost all types of income received from employment in

monetary form or in-kind during a calendar year are subject to personal income tax. This includes all basic pay, overtime pay, supplementary pay, awards and bonuses, compensation for unused vacation, all other monetary amounts, and additional benefits granted by employers to employees, including the following items:

- Tangible or intangible assets provided to an employee free-of-charge, except for certain items specifically exempt from tax (paragraph 24);
- The value of goods, services and food provided to an employee free-of-charge, except for the value of special clothing, uniforms and food provided to employees within the norms established by the Cabinet of Ministers of Ukraine;
- Reimbursement of an employee's expenses or losses, except for items

- specifically exempt from tax;
- Financial assistance granted to employees;
- Value of discounts in respect of goods and services sold to employees at a price lower than the market price;
- Contributions made by an employer to non-Ukrainian pension and/or social security funds.

11. 15% and 20% tax rates apply to income received as salary and other benefits under employment and civil agreements. Monthly income less than 10 minimum salaries established as of 1 January of the reporting year (for 2015 - UAH 12,180 or approx. USD 500) is subject to a 15% rate. The balance is taxed at 20%.

Income from entrepreneurial activities

12. Foreign entrepreneurs, independent consultants and other self-employed individuals who are not tax residents of Ukraine will nevertheless be taxed in Ukraine on their Ukrainian source income, unless otherwise provided by a relevant double tax treaty.
13. The current legislation establishes several options

("tax regimes") for the taxation of personal income of individuals (including foreign nationals) registered as private entrepreneurs in Ukraine. The most common are the "general tax" regime and the "simplified tax" regime.

14. Under the general tax regime, the taxable income of a private entrepreneur is calculated as the difference between gross income and the documented expenses connected to its activity. Under this tax regime, entrepreneurs may deduct their business expenses, if they are deductible under the Tax Code.

15. Tax rates on income received from entrepreneurial activity under the general tax regime are 15%/20%. Monthly income less than 10 minimum salaries established as of 1 January of the reporting year (for 2015 - UAH 12,180 or approx. USD 500) is subject to a 15% rate. The balance is taxed at 20%.

16. The simplified tax regime may be used by private entrepreneurs whose annual cash proceeds from the sale of goods and/or rendering of services do not exceed UAH 20,000,000 (approx. US\$ 1,000,000). In addition, there are limitations on a number of employees, types of activity, etc.

17. The base for single (unified) tax is revenue of a private

entrepreneur. The rate depends on types of provided activities and could not be higher than 4%.

18. Payment of the single (unified) tax relieves a private entrepreneur from other taxes such as personal income tax, VAT (unless a private entrepreneur prefers to be a VAT payer), and land tax in respect of their income earned from the entrepreneurial activities. But they are still subject to the unified social contribution.

Capital gains and investment profit

19. There is no separate capital gains tax. Instead, gains from the disposal of property and assets are generally subject to personal income tax (with certain exceptions). The following types of income are generally taxable in Ukraine:

- Gains on the sale of shares, derivatives and corporate rights;
- Income from the disposal of immovable property (paragraphs 38 - 40);
- Income from the disposal of movable property (paragraphs 41 - 43);
- Dividends on shares and other financial assets;

<ul style="list-style-type: none"> – Royalties in respect of intellectual property rights; – Interest income from deposits placed with banks and non-banking financial institutions and from saving certificates (applicable starting from August 2014). 	<p>(other than collective investment arrangements) are subject to 5%.</p>	<ul style="list-style-type: none"> – Amounts received from employers in respect of certain types of medical treatment and services;
<p>20. Ukrainian shares received from capitalization of undistributed profits, provided that allocation of ownership between shareholders remains unchanged are exempt from taxation.</p> <p>21. Interest income from current bank accounts, which are used solely for the receipt of salaries, scholarships, pensions, social aids and other social payments received by individuals, interest from securities issued by the Ministry of Finance of Ukraine and from bonds issued by the National Bank of Ukraine are not subject to tax.</p> <p>22. 20% tax rate applies to passive income, which includes interest (other than mentioned in paragraph 21), investment income, dividends (other than mentioned in paragraph 23) and royalties.</p> <p>23. Dividends received from Ukrainian legal entities – payer of Corporate Profit Tax</p>	<p><i>Tax exempt income</i></p> <p>24. There are several types of tax-exempt income. The main items are:</p> <ul style="list-style-type: none"> – Accommodations, which belongs to the employer and provided to an employee free-of-charge, are not taxable where its provision is an essential condition for the performance of an employee's labor function according to the employment contract, or if it is approved by a "collective agreement" (an agreement between personnel and employer), or if it is established by the law within specified limits; – Alimony received from residents; – Premiums paid by an employer in respect of non-state pension insurance of its employees within a limit equal to 15% of the employee's monthly salary, but not more than five minimal salary per month (currently, this limit is UAH 6,090 or approx. USD 250); 	<ul style="list-style-type: none"> – Income from the sale of one apartment/house, one car/motorbike per year (subject to certain conditions, paragraphs 38 - 43); – Amounts paid by employers to certain Ukrainian educational institutions for employee training/retraining, subject to specific limits and conditions. The maximum monthly exemption is 1.4 times the subsistence minimum valid on 1 January of a reporting year (for 2015, the maximum is UAH 1,710 or approx. USD 75). If the employee terminates employment during the education, or prior to the end of the third calendar year following the year when education was completed, the cost of education should be taxed as an additional benefit; – Unified Social contributions made by the employer in

accordance with the Ukrainian legislation.

Tax deductions

25. No major deductions are available to either Ukrainian nationals or expatriates.
26. Taxpayers can claim a deduction for the following documented expenses incurred during a reporting year from their annual taxable income:
 - A limited amount of interest on a qualified mortgage, provided it is used to finance the acquisition of a taxpayer's "main place of residence", i.e. the apartment/house where the taxpayer is registered;
 - Secondary or higher education of a taxpayer or his/her dependent family members (spouse, parents, children) if they do not receive salary. For 2015, the deductible amount is limited to UAH 1,710 or approx. USD 75 per month for education;
 - Certain types of medical treatment for a taxpayer or his/her family members. This deduction will be available in the year following the year

when the law on mandatory medical insurance is introduced;

- Contributions to voluntary long-term life insurance or non-state pension insurance. For 2015, the limit is UAH 1,710, or approx. USD 75, per month of the insured period in case of self-insurance, and 1/2 of this amount in case of insurance of a taxpayer's family members (spouse, parents, children);
 - Donations to charity and not-for-profit organizations limited to 4% of an individual's taxable income.
27. The total amount of deductions cannot exceed the amount of taxable income received in the form of salaries (in practice, salary received from Ukrainian tax agents). Deductions not claimed in the reporting year cannot be carried forward.
 28. Employee unified social contributions are deductible from employment income subject to tax.
 29. Low-income individuals (i.e. individuals with a monthly income of less than 1.4 times the amount of the subsistence minimum for able-bodied individuals – currently

UAH 1,710 or approx. USD 75) can claim a Social Tax Allowance, i.e. a deduction from taxable income. Currently, the allowance is UAH 609 – 1,218, or approx. USD 25 - 50.

Special rules for taxation on certain types of income

30. The Tax Code provides special rules for taxation of certain types of income:
 - Income from renting out real estate;
 - Income from the disposal of real estate;
 - Income from the disposal of movable assets;
 - Inheritance and gifts;
 - Insurance; and
 - Prizes.
31. In addition to personal income tax, a stamp duty, duty to the Pension Fund of Ukraine are payable by individuals, both Ukrainian and foreign nationals, on transfers of certain properties (e.g. real estate, cars) located/registered in Ukraine.

Income from renting out real estate

32. If a lessee is a business entity, it is obliged to withhold tax from rent payments to a

- lessor – an individual who is not registered as a private entrepreneur.
33. Individuals (who are not registered as private entrepreneurs) renting their apartments/houses to other individuals are required to pay personal income tax on a quarterly basis and file annual tax returns.
34. A rental agreement has to be in writing. If the term of a rental agreement exceeds 3 years, it has to be notarized. Notaries are obliged to report about rental agreements to the tax authorities. Real estate agencies supporting deals are required to report about signed agreements as well.
35. A lessee, who is not a resident of Ukraine, is permitted to rent out his/her real estate via a Ukrainian legal entity or a private entrepreneur only; otherwise such transactions will be considered as tax evasion.
36. Income from renting out real estate is determined based on a contractual fee (i.e. no deductions are allowed), but should not be lower than a minimum rental fee determined according to the methodology established by the Cabinet of Ministers of Ukraine.
37. The applicable tax rates are 15%/20%. Monthly income less than 10 minimum salaries established as of 1 January of the reporting year
- (for 2015 - UAH 12,180 or approx. USD 500) is subject to a 15% rate. The balance is taxed at 20%.
- Income from the disposal of real estate***
38. Income from the sale of real estate is subject to tax at 0% with respect to proceeds received from disposal of a house, a flat or a share of such house/flat/cottage if it is the first disposal during a calendar (tax) year, and the asset was in the individual's possession for more than three years. The three year limit does not apply to sales of inherited property.
39. Subsequent sales of immovable property, or first sales of assets different from those specified in paragraph 38, during the calendar year is subject to 5% tax if the individual is a tax resident, and 15%/20% tax if the individual is a tax non-resident.
40. Taxable income is the price indicated in the sale agreement, but cannot be lower than the property's value calculated by an authorized institution. The tax must be paid before notarization of the sale-purchase agreement.
- Income from the disposal of movable assets***
41. Income received from the first sale of a motor car, motorcycle or a scooter during a calendar (tax) year is non-taxable.
42. A 5% rate applies to additional sales made by tax residents, 15%/20% rates applies if the property was sold by tax non-residents.
43. The tax base is the price indicated in the sale agreement, but cannot be lower than the assets' value calculated by an authorized institution. The tax must be paid before notarization of the sale-purchase agreement.
- Inheritance and gifts***
44. The value of property inherited by/from spouse, children or parents is taxed at a zero rate.
45. A 5% rate applies if the inheritance is received from resident testators other than those stated above.
46. Tax rates of 15%/20% apply to inheritance if received from or by a non-resident testator, irrespective of the relation with such testator.
47. Rules for the taxation of inheritance also apply to gifts.
- Insurance***
48. Amounts paid by an employer in favour of an employee under any voluntary insurance constitute taxable income for such employee. Exemption is available for premiums under non-state pension insurance

- within the limits established by the Tax Code.
49. Payments from insurance companies are exempt from tax provided that:
- In the case of life/health insurance, the fact of an insured event is duly confirmed by the appropriate documents. In the case of death of an insured individual, payment to the beneficiary is taxed similarly as inheritance;
 - In the case of property insurance, the amount of reimbursement does not exceed the market value of the insured property on the date of the insurance agreement is signed (increased by insurance payments).
50. Insurance premiums received under long-term life insurance or non-state pension insurance are taxed at 15%/20% rates. Taxable base could vary from 60% to 100% of the premium. In certain cases it could be exempt from taxation, e.g. payments to individuals who are over 70 years old, or where an insurance event results in a first category disablement of the insured individual
- Prizes**
51. The law provides for taxation of prizes or other winnings at 15%, 20% or 30% rate based on a grossed-up value of the prize depending on the type of the prize (winning).

Step 3:

What to do before you arrive to Ukraine

Entry formalities

52. Entry of foreign nationals into Ukraine requires a valid passport and a visa, except for nationals of countries which have visa free agreements with Ukraine (including almost all CIS countries).
53. Citizens of Russia and CIS countries will only be allowed to stay in Ukraine for up to 90 days in any 180 day period.
54. Citizens of EU countries, the Swiss Confederation, Norway, Canada, the USA, Japan, Israel, Korea and some other European countries do not need visas to enter or transit through the territory of Ukraine if the duration of their stay does not exceed 90 days cumulatively during each 180-day period. For citizens of Turkey, the same rule is applied for the stay which does not exceed 60 days.
55. The main types of visas for entering Ukraine are:
 - Short term visa (type C) – single/double/multiple entry visa – issued to individuals entering Ukraine for a short term (up to 90 days within a 180-day period) business or private visits to Ukraine;
 - Long term visa (type D) – a single entry visa, valid for 45 days (for stay over 90 days) – issued to individuals who will be temporarily employed by a Ukrainian entity or employees of representative offices (RO) and ROs of foreign banks in Ukraine. This type of visa will also be issued to spouses and family members of the primary visa holder and some other categories of applicants.
56. A personal visit to an Embassy of Ukraine is required to obtain a Ukrainian visa.
57. The period begins on the date of first entry to Ukraine. If a person overstays his/her limit in the territory of Ukraine, the State Border Guard Service may bar entry into Ukraine and impose administrative charges.
58. Passports of foreign nationals are registered by the Ukrainian border authorities at the time of crossing the border of Ukraine. There is a system calculating days of presence in the territory of Ukraine and notifying about violation of the immigration legislation.
59. If a foreign national has a necessity to stay in Ukraine longer than allowed, the individual's visa (passport) must be registered with the local State Migration Service office.
60. Registration is not required for certain categories of foreign nationals, e.g., children under the age of 16, etc.

Work permit

61. All foreign nationals who intend to work in Ukraine on the basis of a direct employment contract with a Ukrainian company or assigned to Ukraine by a foreign employer to perform a specific scope of work (services) must obtain a work permit. Strictly speaking, this requirement also applies to

short-term assignments. An exemption is currently granted to foreign nationals who are working for representative offices of foreign companies or banks in Ukraine, who have to obtain accreditation (service) cards instead of the work permit, as well as to foreign nationals registered as private entrepreneurs under Ukrainian legislation.

62. In general, work permits are initially valid for a one-year period and are renewable for additional one-year periods. Work permits issued for intra-corporate cessionaries can be valid for up to three years and are renewable for two years. The overall time of employment in Ukraine is not limited.
63. It is the obligation of the Ukrainian company to ensure that a work permit is obtained prior to start of the actual work of a foreign national. The employer must notify the employment authorities within three working days of the commencement of the foreign national's work and submit the copy of his/her employment agreement.
64. To apply for a work permit, a number of documents must be submitted to the employment authority. For instance, documents submitted on behalf of a foreign national should confirm his/her higher education, the absence of a

criminal record, medical certificates, etc.

65. Before applying for a work permit, a company should conduct a review of the local labor market in order to provide local specialists with the opportunity to apply for the position.
66. The labor authorities must consider an application for a work permit within 15 days after its registration. A fee of four minimum salaries (currently UAH 4,872 or approx. USD 420) is payable by a company at the first time of obtaining the work permit. Prolongation is free of charge.
67. The penalty for noncompliance varies from USD 1,100 to 2,100, borne by the employer. In addition, an administrative penalty in the amount of approx. USD 40 – 250 can be imposed on the foreign national with potential deportation from Ukraine.
68. Accreditation (service) cards, which are valid for up to three years, are required for obtaining visas, temporary residence permits, temporary import of the individual's personal possessions and in certain other cases.

Employment contract

69. If a foreign individual is employed by a Ukrainian entity, his/her employment contract should comply with Ukrainian labor legislation. Basically, the employment

terms and conditions provided by the contract should not be worse than those guaranteed to Ukrainian nationals.

70. Employment agreements may be drawn up for an indefinite period or for a fixed period of time agreed by the parties. If an employee continues to work after the expiry of the fixed term employment agreement and neither party insists on its termination, such an agreement shall be deemed to be extended for an indefinite period. Employment may be terminated only on the statutory basis directly envisaged by the Ukrainian Labor Code. Employees are typically allowed to unilaterally withdraw from indefinite term employment agreements subject to at least 2-weeks prior written notice to the employer.

Importing personal possessions

71. Personal belongings (i.e., items designed exclusively for personal usage during travel) must be declared to customs orally (or in writing upon special request of the customs authorities) and are not subject to import duty and VAT. The list of goods which are treated as personal belongings is established by the Customs Code of Ukraine.
72. Import of goods (excluding excisable goods) into Ukraine by individuals is exempt from

customs duty and VAT, provided that the following conditions are met:

- the value of the goods is below EUR 1,000 - where the goods are imported by individuals travelling by air transport;
- the value of the goods is below EUR 500 and weight does not exceed 50 kg - where the goods are imported by individuals travelling by road, railway or sea transport;
- the value of the goods does not exceed EUR 150 - where the goods are imported to the individual's address by international mail and couriers (e.g., UPS, DHL, ordinary mail etc.).

Otherwise, when the goods' value does not exceed EUR 10,000, the individual has to pay customs duty at a 10% rate and import VAT. The import of such goods must be

declared in writing. Goods with a customs value exceeding EUR 10,000 must be cleared under the procedures applicable to legal entities with submission of the customs cargo declaration (duty rates are defined as per the Customs Tariff of Ukraine).

73. If an individual plans to temporarily import goods, value and weight which exceed the limits mentioned above, he/she must make a monetary deposit in the amount of duties and taxes due. Import of such goods must be declared in writing. If these goods will be exported in the future, the deposit will be returned to the individual. There is no need to make a deposit, when the goods (which have signs of wear and are intended for personal use only) are imported by the individual arriving within a long-term business trip confirmed by an official invitation.

Importing your car

74. Non-residents are also allowed to import cars for

personal needs for a period of up to one year, provided the car is registered outside Ukraine. Upon expiration of temporary import, the car should be re-exported or imported permanently after paying all applicable import taxes.

75. No specific registration is needed if the vehicles are temporarily imported into the territory of Ukraine for personal use for less than two months. If this period exceeds two months, such vehicles are subject to temporary state registration in the local traffic inspection/police (DAI). The period of temporary state registration shall not exceed one year.
76. Temporarily imported vehicles cannot be transferred into possession of, or used by the residents of Ukraine.

Driving license

77. An internationally recognized driving license is valid in Ukraine. No local confirmation/validation is required.

Step 4:

What to do when you arrive in Ukraine

Exchanging foreign currency

- 78. Although it is difficult to buy UAH outside of Ukraine, and the importation of UAH is not allowed unless it was exported earlier, exchanging USD and EUR in Ukraine should not be a problem.
- 79. Foreign currency in cash up to an amount of EUR 10,000 (or an equivalent amount in other foreign currency, calculated at the exchange rate established by the National Bank of Ukraine) can be imported into Ukraine without a declaration.
- 80. It is also possible to obtain local currency using credit cards at ATMs. In addition, Master Card, Visa, American Express, etc. are accepted by many retail outlets, hotels, restaurants, etc.
- 81. It is prohibited (with some exceptions, e.g., duty-free shops) to use foreign currency to pay for goods and services in the territory of Ukraine. Exchange rates established by the NBU on 27 July 2015, were as follows:
USD 100 = UAH 2,207.3520
EUR 100 = UAH 2,414.6224
GBP 100 = UAH 3,415.7906

Residence permit/registration with the immigration authorities

- 82. If a foreign national stays in Ukraine for more than 90 days (cumulatively) during a 180-day period, his/her passport must be registered with the State Migration Service (SMS). A written application of the foreign national and the inviting party must be submitted no later than 15 days before the three-month period expires. A registration stamp affixed to the foreign national's passport will be the evidence that extended period of stay is allowed.
- 83. Foreign nationals who have Ukrainian work permits should obtain a temporary residence permit instead of the registration mentioned above. A temporary residence permit is generally issued for up to one year (for the duration of a work permit) with subsequent renewal. Within 10 days of issuing a temporary residence permit, it must be registered with the local department of SMS. The SMS considers application

within 2 weeks of the date of submission.

- 84. Non-compliance with the requirements of the residence permit, or its registration, is subject to penalties, as well as to potential deportation of the foreign national from Ukraine (at the employer's expense).

Foreign exchange

- 85. Expatriates are allowed to open and operate accounts at Ukrainian banks in both UAH and foreign currencies.
- 86. To open a bank account, an individual is required to submit, *inter alia*, a copy of the notification letter issued by the Ukrainian tax authority evidencing his/her Ukrainian tax ID number (see Tax registration, paragraphs 89-90), and a Ukrainian temporary residence permit.
- 87. If an individual takes a position with a Ukrainian company (or a representative office of a foreign company in Ukraine) which gives him/her a right to sign bank payment documents on behalf of the company, the individual will be required to submit either a Ukrainian work permit or accreditation

card (see Work permit, paragraphs 61 - 68) to the Ukrainian bank.

88. Purchasing foreign currency individuals has to pay a compulsory 2% Pension Fund Duty.

Tax registration

89. All taxpayers, including foreign nationals, must register with the State Registry for Individual Taxpayers. After registering, the individual will be assigned a personal tax ID number.

90. This tax ID number is necessary for various transactions, such as registering Ukrainian companies, opening bank accounts, paying personal income tax, etc.



Step 5:

What to do during the tax year and reporting afterwards

Tax payments

91. Employers and other business entities that pay income to individuals are defined as tax agents who are responsible for withholding tax, Unified Social Contribution (paragraphs 125 - 134) and Military Tax (paragraphs 142 - 145) from income payable, and for remitting them to the appropriate authorities. Tax agents should pay tax at the date of payment of income to individuals (or earlier in certain cases).
92. If income is paid in-kind, the tax agent should remit the tax on the next banking day following the day when benefit-in-kind was provided.
93. Tax agents who fail to withhold tax from income paid to individuals are responsible for the payment of the tax liability (plus fines and interest), whereas the individual concerned should be free from the obligation to settle the tax liability.
94. Tax agents should file quarterly reports on income paid to individuals and the

amount of tax withheld from such income.

95. The deadline for tax payment for individuals who have an obligation to file Ukrainian tax returns is 31 July of the year following the reporting one, irrespective whether the filing deadline extension was applied for or not. Tax liabilities additionally assessed by the tax authorities should be paid by the deadline indicated in the tax assessments issued by the tax authorities.
96. Individual entrepreneurs under the general tax regime are required to make quarterly advance payments of the estimated personal income tax liability for the year.
97. Payments of the "single (unified) tax" by private entrepreneurs of the most frequently used "third group" are due on a quarterly basis.
98. Personal income taxes should be paid in the local Ukrainian currency, Hryvnia. There is no mechanism for payment of personal income tax in a foreign currency directly to the Ukrainian budget.

Tax returns

99. In general, an individual is obliged to file a tax return if during the year he/she received taxable income:
 - from sources that do not qualify as tax agents (e.g. income paid by non-Ukrainian entities);
 - simultaneously from two or more tax agents, provided the total annual amount of such income exceeds 120 minimal salaries established as of 1 January of the reporting year (for 2015 – UAH 146,160 or approx. USD 6,000). This rule applies to employment income and income received for provided services.
 - from investment activities or some other cases specified by the legislation.
100. Each individual is taxed on his/her own income. There is

no aggregation of income for spouses, and returns are to be filed separately by married persons.

101. Income tax returns should be filed with the local tax authorities (where the individual resides in Ukraine).
102. Tax resident individuals, including those whose income was subject to final taxation at the source, have the right to file a tax return if he/she wishes to claim a tax credit (deduction) in respect of certain expenses incurred during the reporting year (paragraphs 26 and 27).
103. The tax return must be filed by 30 April of the year following the reporting one.
104. A taxpayer is allowed to apply for a filing extension to 31 December of the year following the reporting one, if the documents from a foreign jurisdiction are not available by the standard/general deadline for claiming a foreign tax credit.
105. Private entrepreneurs under the general tax regime are obliged to file tax returns by 9 February of the year following the reporting one, and should declare all types of income (i.e. from entrepreneurial and non-entrepreneurial activities).
106. Private entrepreneurs registered with the simplified tax regime are obliged to report their income received

from entrepreneurial activity on a quarterly basis.

Refund of tax overpayment

107. Overpaid personal income taxes should be refunded to the taxpayer within 60 calendar days from the date of filing the tax return. In practice, the tax authorities are more willing to offset the overpayment against future tax liabilities (upon a taxpayer's written request).

Obtaining a foreign tax credit in Ukraine

108. A resident taxpayer is allowed to credit foreign taxes paid on income received abroad against his/her Ukrainian tax liabilities if so provided under a relevant double tax treaty between Ukraine and the respective foreign state. This credit is limited to the amount of Ukrainian tax that would arise from the equivalent income in Ukraine. An official confirmation issued by the relevant foreign tax authority is required.

Obtaining a tax credit in your home country

109. Upon request, the Ukrainian tax authorities may provide an official certificate confirming the total amount of Ukrainian taxable income and the amount of Ukrainian income tax paid.

Tax residency certificate

110. It is possible to obtain from the Ukrainian tax authorities a certificate confirming that an individual is a Ukrainian tax resident. It should be done only during the calendar year for which such certificate is obtained.

Fines and penalties

111. The penalty for unreported income or applying the wrong tax rate is 25% of the tax additionally assessed by the tax authorities.
112. The tax authorities have the right to levy a fine in the amount of 10% or 20% of the of tax paid late, depending on the period of delay.
113. Late payment interest in the amount of 120% of the National Bank of Ukraine's discount rate (at the current NBU discount rate of 30%, the penalty is approx. 0.1% per day) may be levied for each day of delay in payment.
114. Late reporting or non-reporting triggers a penalty in the amount up to UAH 306 or approx. USD 10.
115. Tax agents have to pay 25% of the tax due for not withholding the tax at source or late payment of the tax to the budget. The penalty will be increased to 50% of the tax due for the second and to 75% for the third violation of this type, if performed during three years from the first violation.

Step 6:

What to do when you leave Ukraine

Filing a “departure tax declaration”

116. When departing from Ukraine, a tax resident individual is required to submit a "departure tax declaration" no less than 60 days prior to his/her departure and settle all taxes due. The tax authority will issue a confirmation that the tax resident has paid all taxes due and has no outstanding tax liabilities; this could be submitted to the customs authorities while crossing the customs border if required. Theoretically, filing a departure tax return does not allow an individual to avoid having to submit an annual tax return.

Exporting personal possessions

117. In order to re-export personal possessions imported temporarily into Ukraine, an individual should present to the customs authority the document (if any) which was

the basis for the temporary import.

Exporting a car

118. In order to re-export a car that has been temporarily imported, an individual must inform the local traffic inspection/police (DAI), which will return his/her home country number plates and terminate the Ukrainian temporary registration.

Exchanging Ukrainian currency

119. It is currently difficult to convert Ukrainian currency into foreign currency outside of Ukraine. Thus, it is recommended to exchange UAH for foreign currency prior to departure, although recently it is difficult as well.
120. Foreign nationals may carry up to EUR 10,000, or its equivalent in another currency, in cash per person as calculated by the exchange rates established by the NBU without a declaration.

Amounts which exceed EUR 10,000 in cash should be declared in a custom declaration.

121. Foreign nationals are also allowed to re-export foreign currency which was previously imported into Ukraine (subject to a one-year restriction). A properly registered import customs declaration will be required.
122. Individuals are allowed to export jubilee coins from Ukraine, subject to certain restrictions.

Immigration requirements

123. Ten days prior to departure from Ukraine, a temporary residence permit should be de-registered with the State Migration Service.
124. Ukrainian employers are required to return work permits to the employment authorities within 3 days from the date of dismissal of a foreign national.

Step 7:

Other matters requiring consideration

Unified Social Contributions (USC)

125. Employers (including representative offices of foreign companies in Ukraine) are required to pay Unified Social Contributions (USC) in respect of their employees based on gross salary. The basic rates currently vary from 36.76% to 49.7% depending on the level of accidents in the entity's industry (67 levels). USC on the remuneration provided to individuals engaged under civil agreements is 34.7%, unless the individual is registered as a Ukrainian private entrepreneur.

126. Basic USC rates for individuals (withholding requirement applies) are as follows:

- 3.6% - for employees
- 2.6% - for individuals engaged under civil agreements (unless the individual is registered as a Ukrainian entrepreneur)

127. In 2015 the employer's USC is reduced by 60% provided all

of the following three conditions are met:

- The monthly USC base per insured person increases by at least 20% compared to the average monthly USC base in 2014.
- The average USC payment per insured person (with the coefficient) is not less than the average monthly USC payment in 2014.
- The number of insured individuals does not exceed 200% of the average number of insured persons in 2014.

The reduction coefficient is calculated monthly as the ratio between the average monthly USC base for 2014 and the current average monthly USC base. It cannot be less than 0.4.

128. From 1 January 2016, the employer's USC rate is reduced by 40% compared to 2014 rates for all employers unconditionally.

129. The amount subject to USC for both companies and individuals is capped. Currently, the cap is UAH 20,706 or approx. USD 1,000 per individual per month. Income exceeding this cap is not subject to USC.

130. Employee's USC is deductible for personal income tax purposes. Employer's USC is not subject to personal income tax.

131. Foreign nationals temporary employed by a Ukrainian entity are subject to pension, social security and unemployment insurance in Ukraine. Therefore, they are required to pay USC. Employers should also pay USC in respect of such employees.

132. Employees remaining on a foreign payroll are not liable for USC from such income, nor are their foreign employers.

133. Arguably, foreign national employees of representative offices of foreign companies in Ukraine (ROs) are not liable for USC, nor are the ROs required to pay USC on remuneration provided to foreign national employees.

134. Individual entrepreneurs, including those registered under the "unified tax" regime, must pay USC themselves.

Initial registration duty on a vehicle

135. All individuals (including foreign nationals) possessing cars are subject to an initial registration duty. The rate is calculated based on the cylinder capacity of the car. The duty is payable before the first registration of the car in Ukraine.

Transport Tax

136. In 2015 transport tax was re-introduced for passenger cars with engine volume exceeding 3,000 cubic centimetres and not older than 5 years.
137. A tax of UAH 25,000 for each car per year shall be paid by the car owner within 60 days

upon receipt of a tax assessment issued by the tax authorities.

Real estate tax

138. A real estate tax applies to both individuals and legal entities owning real estate.
139. The tax is determined based on the size of the total area of real estate assets. The tax base for an individual can be reduced by 60 square meters for an apartment and/or 120 square meters for a house.
140. The tax rate is based on one square meter of an asset. It is 2% of the minimum salary established as of 1 January of the reporting year (for 2015 - UAH 24.36, or approx. USD 1 per sq. m.). However, for 2015 the maximum rate per sq. m. for non-residential property is 1% of the minimum salary (i.e. UAH 12.18 or approx. USD 0.5 per sq. m.)

141. The tax must be paid by individuals within 60 days upon receipt of a tax assessment issued by the tax authorities.

Temporary Military Tax

142. A temporary 1.5% military tax has been introduced in July 2014. This is effective until the reform of the Military Forces is completed.
143. The tax base is basically the same as for personal income tax, including employment income, passive income, etc.
144. Ukrainian employers and other tax agents are responsible for withholding the tax from an individual's income, and then transferring it to the State budget.
145. Tax on income received from non-Ukrainian employers should be paid on a self-assessment basis.

Appendix A:

Double- taxation agreements

Countries with which Ukraine currently has double taxation agreements:

The following basic amounts of taxable income are exempt from tax in 2015/16 (in UK £):

Country	Entry into force	Country	Entry into force
Algeria	2004	Iran	2001
Armenia	1996	Israel	2006
Austria	1999	Italy	2003
Azerbaijan	2000	Jordan	2008
Belgium	1999	Kazakhstan	1997
Belarus	1995	Kuwait	2004
Brazil	2006	Kyrgyzstan	1999
Bulgaria	1997	Latvia	1996
Canada	1996	Lebanon	2003
China (PRC)	1996	Libya	2010
Croatia	1999	Lithuania	1997
Cyprus	2013	Macedonia	1998
Czech Republic	1999	Mexico	2012
Denmark	1996	Mongolia	2006
Egypt	2002	Montenegro	2001
Estonia	1996	Morocco	2009
Finland	1998	Moldova	1996
France	1999	Netherlands	1996
Georgia	1999	Norway	1996
Germany	1996	Pakistan	2011
Great Britain	1993	Poland	1994
Greece	2003	Portugal	2002
Hungary	1996	Republic of Korea	2002

Country	Entry into force	Country	Entry into force
Iceland	2008	Republic of South Africa	2004
India	2001	Romania	1997
Indonesia	1998	Russian Federation	1999
Serbia	2001	Tajikistan	2003
Singapore	2009	Thailand	2004
Slovak Republic	1996	Turkey	1998
Slovenia	2007	Turkmenistan	1999
Sweden	1996	USA	2000
Switzerland	2002	United Arab Emirates	2004
Syria	2004	Uzbekistan	1995
Saudi Arabia	2012	Vietnam	1996

Ukraine still applies agreements concluded between the USSR and the following countries:

Japan	Spain
Malaysia	

Appendix B:

Social security and labour agreements

Countries with which Ukraine has social security and labour agreements:

Country	Entry into force
Armenia	1996
Azerbaijan	1996 and 2007
Belarus	1996 and 1997
Bulgaria	2003
CIS (pension)*	1992
CIS (labour and SS)**	1995 and 1996
Czech Republic	2003
Estonia	1998 and 2012
Georgia	1995
Hungary	1963
Latvia	1995 and 1999
Lithuania	1995 and 2002
Libya	2004
Moldova	1996
Mongolia	1982
Poland	1994
Portugal	2005 and 2011
Romania	1961
Russia	1993
Slovak Republic	2002
Spain	1998 and 2011
Vietnam	1998

*CIS (Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan).

**All CIS countries, except Georgia and Turkmenistan

Appendix C:

Ukrainian contacts and offices

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