

# International Assignment Services Taxation of International Assignees

## Ukraine



# Country: Ukraine

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Additional Country Folios can be located at the following website: [www.pwc.com/ias/folios](http://www.pwc.com/ias/folios)

## Introduction: International assignees working in Ukraine

This folio was prepared by PricewaterhouseCoopers to provide foreign nationals planning to work in Ukraine with a general background of Ukrainian tax law and other relevant issues. It reflects tax law and practice as of April 2009.

The folio outlines what a Ukrainian assignee has to do before arrival to Ukraine, what to do when he/she arrives here, and what to do before moving out of Ukraine. Familiarity with these issues will make the assignment easier and more enjoyable.

This folio is not intended to be a comprehensive and exhaustive study of Ukrainian tax law, but should be used as a guide as you prepare for your assignment in Ukraine. Ukraine is currently in the process of revising its tax legislation.

This folio will give you the preliminary information 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.

**Last Updated: April 2009**

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## Step 1: Understanding basic principles

### The scope of taxation in Ukraine

1 A foreign national working in Ukraine is subject to Ukrainian taxation. Personal income tax is the main tax, which expatriates are subject to, although social security and other taxes could also apply. Personal income tax is currently governed by the Law of Ukraine "On Personal Income Tax" No. 889 of 22 May 2003.

### The tax year

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

### Determination of residency

3 The tax status of an individual is defined according to their residency status. Residents are individuals who have place of abode in Ukraine. Where an individual has place of abode in other country as well, such individual is deemed to be resident of Ukraine if he/she has a permanent place of abode (domicile) in Ukraine. If an individual has domicile in other country as well, he/she is deemed to be a resident of Ukraine if he/she has a center of vital interests in Ukraine. A sufficient but not exclusive ground for determining country of individual's center of vital interests is place of permanent abode of individual's family members. In the event individual's center of vital interests cannot be determined or individual has no domicile in any country, he/she is deemed to be a resident if he/she stays in Ukraine at least 183 days during the tax year. If residency status cannot be determined based on the above rules, an individual shall be deemed to be resident of Ukraine if he/she is a citizen of Ukraine.

4 Nonresidents are individuals who do not qualify as residents of Ukraine.

5 The Law also provides that "a sufficient ground for determining that the individual is resident in Ukraine is the individual's independent election that his/her main place of abode is the territory of Ukraine according to the procedure established by this law". The Law does not define the procedure for election by an individual's of his/her tax residency status. Nevertheless, based on the Order of the State Tax Administration of Ukraine No. 50 of 29 January 2004 (the Tax Clarification), the individual may apply in writing to the local tax office in area where he/she has place of abode asking to consider him/her tax resident of Ukraine in a given calendar year. Based on the application the tax authorities should issue written confirmation of individual's tax residency for his/her employer.

### Taxable income

6 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;
- Nonresidents are subject to Ukrainian tax in respect of their Ukrainian source income.

7 Income from sources in Ukraine is defined as any income received from any activity performed in the territory of Ukraine. The main items specified in the nonexclusive list of incomes from sources in Ukraine include:

- Income received by a taxpayer from his/her employer (either resident or nonresident) in respect of employment exercised in Ukraine;
- Interest, dividends and royalties paid by residents;

- Investment profits from transactions with securities and corporate rights;
- Income from renting out or disposal of movable and immovable property;
- Prizes (except for prizes from the state lotteries);
- Gifts;
- Charity donations;
- Assets received as inheritance if such assets or source of payment are located in Ukraine;
- Income received by members of Board of Directors or Supervisory Board of Ukrainian companies;
- Income from entrepreneurial or independent professional activity in Ukraine.

8 When calculating the days spent in Ukraine, a foreign national should include all days of his/her physical presence in Ukraine, including days of arrival and departure, Saturdays, Sundays, public holidays, days of vacation, sickness, etc.

9 Income received in foreign currency is to be translated 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.

Last Updated: April 2009

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## Step 2: Understanding the Ukrainian tax system

### Employment income

10 All income received from employment in monetary or in-kind during a calendar year is subject to personal income tax. This includes all basic pay, overtime pay, supplement pay, awards and bonuses, compensation for unused vacation, all other monetary amounts, and additional benefits granted by employers to employees, including the following main items:

- Tangible or intangible assets provided for employee's use free-of-charge except for certain items specifically exempt from tax (see Tax exempt income, paragraph 16 below);
- Value of goods and food provided to employees free-of-charge, except for value of special clothing, uniforms and food provided to employees within the norms established by the Cabinet of Ministers of Ukraine;
- Amounts of reimbursement of employee's expenses or losses, except for items specifically exempt from tax;
- Financial assistance granted to employee including debts cancelled by a creditor;
- Value of goods, services provided free-of-charge and value of discounts in respect of goods, services sold to employees at a price lower than market price.

### Income from entrepreneurial activities

11 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.

12 Current legislation establishes several options ("tax regimes") for taxing personal income of individuals (including foreign nationals) registered as private entrepreneurs. The most common are the ordinary taxation regime and the "single (unified) tax" regime.

13 In general, under the ordinary tax regime the taxable income is computed by deducting from gross income the expenses incurred in the course of business activity. The deductibility of expenses is determined based on the rules established by the Corporate Profits Tax Law. If the actual expenses cannot be documented then a standard deduction may be applied (rates ranging from 5% to 60%, depending on the type of activity). Private entrepreneurs are also subject to social security taxes, VAT (with some exceptions) and other taxes and duties.

14 The "single (unified) tax" regime may be used by private entrepreneurs who employ up to 10 employees and whose annual cash proceeds from the sale of goods and/or rendering of services is not more than UAH 500,000 (approximately US\$ 62,000). Monthly "single (unified) tax" is fixed by local authorities and may range from UAH 20 to UAH 200 (approximately US\$ 2.5 – US\$ 25), depending on the type of activity. Payment of "single (unified) tax" relieves a private entrepreneur from certain other taxes and duties, including personal income tax, VAT, social security taxes, and land tax, but with respect to the entrepreneurial activities only.

## Capital gains and investment income

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

- Interest income from deposits placed with banks and non-banking financial institutions and from saving certificates (applicable starting from 1 January 2010);
- Income from disposal of movable property;
- Income from disposal of immovable property;
- Dividends on shares and other financial assets;
- Investment profits from transactions with shares and corporate rights;
- Royalties in respect of intellectual property rights.

## Tax exempt income

16 There are several types of tax-exempt income. The main items are:

- Accommodation provided by an employer to an employee free-of-charge is not taxable where such free-of-charge provision is a condition for performing of labor functions by the employee or is provided by an employment contract or legislation within limits specified therein;
- Benefit in form of use of vehicles does not constitute taxable income if this benefit is granted by a resident employer who qualifies as corporate profits tax payer;
- Income from investments in securities issued by the Ministry of Finance and prizes from state lotteries;
- Alimony received from residents;
- Shares received from capitalization of undistributed profits provided that allocation of shares between shareholders remains unchanged;
- Premiums paid by employer in respect of long-term life insurance or non-state pension insurance of its employees within the limit equal to 15% of employee's monthly salary but maximum 1.4 times the subsistence minimum (starting from 1 January 2009 this limit will constitute UAH 940, the subsistence minimum being equal to UAH 669) per month;
- Amounts received from employers in respect of certain types of medical treatment and services. Income from sale of car, motorbike, yacht or boat with engine provided the seller pays the state (stamp) duty upon sale;
- Amounts paid by employers to educational institutions for training/re-training of employees within limits of 1.4 times the subsistence minimum (UAH 940) per month of education. If the employee terminates employment during education or prior to the end of the second calendar year following the year when education was completed the cost of education should be taxed as additional benefit;
- Social security contributions made by the employer in accordance with Ukrainian legislation are not included in the taxable income of the employee.

## Tax deductions

17 No major deductions are available to either Ukrainian nationals or expatriates.

18 Taxpayer can claim a limited deduction from his/her annual taxable income for the amount of documented expenses incurred in the reporting year in respect of:

- Interest (certain portion) on mortgage. This deduction is available starting from 1 January 2005;
- Secondary professional or higher education of taxpayer or his/her family members (spouse, parents, parents-in-law, children). Deduction is limited to the amount of up to 1.4 times the subsistence minimum (UAH 940) per month of education;
- Certain types of medical treatment of 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;
- Premiums on voluntary long-term life insurance or non-state pension insurance. Deduction is limited by the amount of up to 1.4 of subsistence minimum per month of the insured period in case of self insurance and ½ of this amount in case of insurance of taxpayer's family members. Deduction for expenses on non-state pension insurance is available starting from 1 January 2005;
- Donations to charity and not-for-profit organizations in the amount from 2% to 5% of individual's taxable income.

19 Total amounts of deductions cannot exceed amount of taxable income received in the form of salary. Amounts not deducted from income of the reporting year cannot be carried forward.

20 Employees' pension and social security contributions are deductible from employment income subject to tax.

## Payroll withholding tax

### Personal allowances

21 Low-income individuals (with monthly income of less than 1.4 times the amount of subsistence minimum for able-bodied individuals – for tax year 2009 - UAH 940) can claim a Social Tax Allowance (STA). Amount of STA equals the statutory minimum wage for ordinary taxpayers and 150% - 200% of minimum wage for some privileged categories. For 2009 the amount of STA will be UAH 302.5 (that constitutes 50% of the minimum salary that will amount to UAH 605 from 1 January 2009).

### Social security taxes

22 Employers (including representative offices of foreign companies in Ukraine) are required to pay the following social security taxes in respect of their employees based on gross salary:

- Pension Fund — 33.2%;
- Social Security Fund — 1.4%;
- Unemployment Insurance Fund — 1.6%;
- Accidents at Work Insurance Fund — from 0.56% to 13.5%. (The rate should be determined by the Fund's authorities specifically for each entity and depends on the level of accident risk of the entity's industry sector).

23 Employees' contributions (withholding requirement applies) are as follows:

- State Pension Fund — 2%;

- Social Security Fund — 1% (0.5% if the monthly salary is lower than the subsistence minimum (in April 2009 - UAH 669);
- Unemployment Insurance Fund — 0.6%.

24 Social contributions (both employee's and employer's) are not due on the income that is not subject to personal income tax. The taxable base subject to such contributions, both employer's and employee's is currently capped at UAH 10,035 per individual per month.

25 Employee's contributions are deductible for personal income tax purposes.

26 Foreign nationals temporary employed by a Ukrainian entity are subject to unemployment insurance in Ukraine. Therefore, they are required to contribute to the Unemployment Insurance Fund. Also, the employer should pay contributions to the Fund in respect of such employees.

27 Foreign nationals remaining on the foreign payroll are not liable to pay social contributions in Ukraine.

28 Individual entrepreneurs, except for those paying taxes under the "unified tax" regime, must contribute 33.2% of the annual tax base to the Pension Fund. In order to have right to enjoy social security benefits, individual entrepreneurs may contribute voluntarily 1.9 % of the annual tax base to the Social Security Fund and 2.2 % to the Unemployment Insurance Fund. The tax base is determined as gross income less deductions. The tax base is currently capped at UAH 10,035 per month.

Last Updated: April 2009

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## Step 3: What to do before you arrive in Ukraine

### Entry formalities

29 Entry of foreign nationals to Ukraine requires a valid passport and a visa except for nationals of countries which have visa free agreements with Ukraine.

- Citizens of countries that have signed special free-entry agreements with Ukraine do not require visas to enter Ukraine (e.g., CIS countries and some Eastern European countries).
- Citizens of EU countries, the Swiss Confederation, Turkey, Canada, the USA, Japan 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.

The main types of visas for entering Ukraine are:

- Work visa (type IM-1) – single entry visa – is issued to individuals who will be temporarily employed by a Ukrainian entity;
- Business visa (type Б) – single/multiple entry visa – is issued to individuals entering Ukraine as founders of joint entities or representing foreign companies for controlling the performance of contracts or consultants from foreign companies, as well as for personnel of a foreign company's representative office in Ukraine;
- Private visa (type П-1) – single/multiple entry visa – is required for family members of a foreign national assigned to Ukraine.

30 Any foreign national coming to Ukraine on a business trip must obtain a business visa from the Ukraine's Embassy or Consulate abroad based on an official letter of invitation from the inviting company. The duration of a visa cannot exceed one year.

31 Citizens of EU countries, Swiss Confederation, Turkey, Canada, USA, and Japan may apply for a business visa without an invitation letter.

32 No personal attendance at Embassy is required for obtaining a Ukrainian visa.

33 Passports of foreign nationals must be registered by the Ukrainian authorities at the time of crossing the border of Ukraine.

34 In case of the foreign national's uninterrupted stay in Ukraine for more than 6 months (3 months – if no visa is required), the individual's visa (passport) must be registered with the local agency for internal affairs (police/OVIR).

35 Registration is not required for certain categories of foreign nationals, e.g., those under the age of 18, tourists on a cruise, etc.

### Work permit

36 All foreign nationals who intend to work in Ukraine on the basis of a direct employment contract with the Ukrainian company or seconded to Ukraine by a foreign employer must obtain a work permit. Strictly speaking, this

requirement applies even for short-term assignments. Exemption is currently granted to foreign nationals who are working for representative offices of foreign companies in Ukraine but are employed abroad, as well as to foreign nationals registered as private entrepreneurs under Ukrainian legislation.

37 Work permits are initially valid for a one-year period and are renewable for additional one-year periods. The overall time of employment in Ukraine is not limited.

38 It is the obligation of a Ukrainian company, either an employer of the foreign national or the company to which the foreign national is seconded by the foreign employer, to ensure that he/she obtains such a work permit. The employer must notify the Ministry of Labor within three working days of the commencement of the foreign national's work.

39 To apply for a work permit a number of documents must be submitted to the employment authority, amongst which are:

- The application letter (includes general information about the company, personal data of the foreign national, position and job description);
- The explanation letter on the business reasons for employment of the foreign national by the Ukrainian company, proving that a foreign employee is needed to carry out business activities of the entity because there are no Ukrainian nationals who can perform similar duties;
- Draft employment contract with the Ukrainian company;
- Notarized copies of the Ukrainian company's foundation documents;
- Copies of the documents evidencing foreign national's education or qualifications ; and
- Confirmation from the tax authorities regarding taxes and duties paid by the Ukrainian company.

40 The authorities also take into consideration the number of Ukrainians employed by the company applying for an employment permit. Currently there are no statutory established ratios between foreign and local employees of Ukrainian companies. Thus, the labor authorities have significant leeway in determining what an appropriate ratio is.

41 The labor authorities must consider an application for work permit within 30 days after its registration. A fee of 4 minimum salaries UAH 2,500 (approximately US\$ 315) is payable by a company for each employment permit requested.

42 The penalty for noncompliance is UAH 1,700 – 3,400 (approximately US\$ 210), borne by the illegal employer, plus potential deportation of a foreign national from Ukraine. Besides, an administrative penalty in the amount of UAH 340-680 (approximately US\$ 43 – US\$ 85) can be imposed on the foreign national.

43 Foreign nationals seconded to representative offices of foreign companies in Ukraine may apply to the Ministry of Economy and European Integration of Ukraine for accreditation cards or so-called "green cards". These cards will be required when extending the Ukrainian visa, for temporary import of the individual's personal possessions and in certain other cases.

### Employment contract

44 If a foreign individual is employed by a Ukrainian entity his/her employment contract should comply with Ukrainian labor legislation. Ukrainian Labour Code provides for the following main employment terms and conditions:

- The normal working week is 40 hours;

- The minimum period of annual leave is 24 calendar days;
- Amount of wage shall be not less than the official minimum wage (currently UAH 625);
- Normal retirement age is 55 years for women and 60 years for men.

45 An employment agreement may be drawn up for an indefinite period or 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 statutory basis directly envisaged by Ukrainian Labour Code. Employees are typically allowed to unilaterally withdraw from both indefinite and fixed term employment agreement subject to at least 2-week prior written notice to an employer.

### Importing personal possessions

46 Personal belongings (i.e., items designed exclusively for personal needs) must be declared to customs orally or in writing and are not subject to import duties and taxes.

47 Temporary imports of goods must be declared in writing. No taxes will be imposed if the individual will export these goods in the future. Otherwise, where the goods' value does not exceed Euro 1,000 and the total weight does not exceed 100 kg the individual must pay duties and taxes due. Goods with customs value exceeding Euro 1,000 and/or weight exceeding 100 kg must be customs cleared under the procedures applicable to business entities.

### Importing your car

48 Foreign nationals are also allowed to import cars for personal needs for a period of up to one year, provided the car is registered outside Ukraine. Temporary import can be extended by permission of customs authorities. Vehicles imported temporarily for a period of more than two months must be registered with the Ukrainian traffic police (DAI). Upon expiration of temporary import the car should be re-exported or imported permanently after paying all applicable import taxes.

49 If during temporary import evidence of car registration outside Ukraine is not available, import duties and taxes must be paid. Temporarily imported vehicles cannot be transferred into possession of, or used by, other persons.

Last Updated: April 2009

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## Step 4: What to do when you arrive in Ukraine

### Exchanging foreign currency

50 While it is difficult to buy UAH outside Ukraine and the importation of UAH is not allowed unless it was exported earlier, exchanging US\$ and Euros in Ukraine should not be a problem.

51 Foreign currency in cash up to the amount of EUR 10,000 (or an equivalent amount in other foreign currency, calculated at the exchange rate established by the NBU) can be imported into Ukraine without submission of documents showing the source of the funds.

52 It is also possible to obtain local currency using credit cards at automatic cash dispensing machines. In addition, Master Card, Visa, American Express, Cirrus, Maestro, and Diners Club are accepted by many retail outlets, hotels, restaurants, etc.

53 Since 1995 it has been 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 15 April 2009 were as follows:

US\$ 100 = UAH 770.00

Euro 100 = UAH 1,022.25

GBP 100 = UAH 1,146.67

### Foreign exchange

54 Expatriates are allowed to open and operate accounts at Ukrainian banks in both UAH and foreign currency.

55 To open a bank account an individual is required to submit a copy of the notification letter issued by the Ukrainian tax authority evidencing his/her Ukrainian tax ID number (see Tax registration, paragraphs 57-58, below).

56 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, the individual will be required to submit either a Ukrainian work permit or accreditation card (see Work permit, paragraphs 36-43, above) to the Ukrainian bank.

### Tax registration

57 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.

58 This ID number is necessary for various transactions such as registering Ukrainian companies, renting apartments, opening bank accounts, and paying personal income tax. Receiving the ID number is one of the conditions for obtaining the right to claim a deduction in respect of certain expenses incurred by a taxpayer during the reporting year.

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## Step 5: What to do during the tax year and at its end

### Tax payment

59 Employers and other business entities that pay income to individuals are defined as tax agents who are responsible for withholding the tax and state pension and social insurance contributions from income payable and remitting it to the state and appropriate authorities. Tax agents should pay tax to the state at the date of payment of income to individuals. Tax in respect of income that is accrued but not paid to the individuals should be transferred to the state within 20 calendar days following the end of reporting month.

60 If income is paid in-kind, tax agent should remit the tax to the state on the next banking day following the day of payment. Tax agents who failed to withhold tax from income paid to individuals are responsible for payment of tax liability (plus fines and interest) whereas the individual concerned should be free from obligation to settle the tax liability.

61 Tax agents should file quarterly reports on income paid to individuals and amount of tax withheld from such income.

62 Individual entrepreneurs are required to make quarterly advance payments of the estimated personal income tax liability for the year before March 15, May 15, August 15 and November 15.

63 Payments of the "unified tax" by private entrepreneurs are due in advance, generally on a monthly basis.

64 Personal income taxes should be paid in Ukrainian local currency, Hryvnia.

### Tax returns

65 In case an individual received during a reporting year income only from tax agents, who are obliged to file reports on personal income tax, such individual is not obliged to file personal income tax return.

66 If an individual, either resident or nonresident, received any taxable income from entities/sources other than tax agents such individual will be required to file personal income tax return with the local tax authorities (where the individual resides in Ukraine). Besides, tax resident individuals, including those whose income was subject to final taxation at source, also have the right to file a tax return, if he/she wishes to claim tax credit (deduction) in respect of certain expenses incurred during the year and/or claim foreign tax credit in Ukraine. The tax return must be filed by 31 March of the year following the reporting one and the tax due must be paid by 10 April of that year.

67 Each individual is taxed on his/her own income. There is no aggregation of income for spouses (except for spouses jointly involved in the same entrepreneurial activity), and returns are to be filed separately by married persons.

68 If individual is not able to file the tax return by the stipulated deadline due to reasonable circumstances, he/she is allowed to apply for an extension of the tax return filing term within 30 calendar days after termination of these circumstances. Adequate documentation will be required.

## Obtaining foreign tax credit

69 Taxpayers are 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 will be required.

70 Upon request, Ukrainian tax authorities may provide an official certificate (in Ukrainian) confirming the income reported in the individual's tax returns and the Ukrainian income tax paid. It is also possible to obtain from the Ukrainian tax authorities the residence certificate confirming that the individual is a Ukrainian taxpayer and is resident of Ukraine in the meaning of the Double Tax Treaty between Ukraine and respective foreign state.

## Tax rates

### Residents

71 For 2009, the standard tax rate for tax residents is 15%. The standard rate is applicable to most types of incomes, including salary income, dividends, royalties, investment income, and gifts (with certain exceptions).

72 Income in form of prizes (except for prizes from the state lottery in cash) is taxed at double standard rates (i.e. 30%).

73 Effective from 1 January 2010 interest income from deposits placed with banks and non-banking financial institutions and from saving certificates will be taxed at the rate 5%.

### Nonresidents

74 Income earned by nonresidents from sources in Ukraine in form of interest, dividends and royalty is taxed at the same rates as for residents (see *Residents* above).

75 The PIT Law provides that any other income earned by nonresidents from sources in Ukraine is taxed at double standard rate (i.e. 30%). However, the PIT Law is unclear whether standard or double rates apply to salary income earned by nonresidents in Ukraine. In accordance with the tax clarifications issued by the State Tax Administration of Ukraine income paid to nonresident individuals by a Ukrainian employer shall be taxed at standard rate (i.e. 15%). Income paid to nonresidents by foreign employers is taxed at the double standard rate (i.e. 30%).

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## Step 6: What to do when you leave Ukraine

### Filing "departure tax declaration"

76 In case of departure from Ukraine, a tax resident individual must submit a "departure tax declaration" no less than 60 days prior to his/her departure and settle the tax due within one month after receiving the tax assessment issued by the tax authorities. Tax authority will issue confirmation that tax resident individual has paid all taxes due and has no outstanding tax liabilities, which should be submitted to the customs authorities while crossing the customs border.

### Tax repayment

77 Overpaid personal income taxes should be returned to the taxpayer within 60 calendar days from the date of filing the tax return. In case of tax repayment delay the state treasury is obliged to pay to the taxpayer a fine in the amount from 10% to 50% of the amount due, depending on the period of delay.

### Exporting personal possessions

78 In order to re-export personal possessions imported temporarily to Ukraine (see Importing personal possessions, paragraphs 46-47, above), an individual should request the local customs authority to terminate the registration.

### Exporting your car

79 In order to re-export a car that has been imported under the "temporary import" regime (see Importing your car, paragraphs 48-49, above), an individual must inform the local DAI, which will return his/her home country number plates, and the local customs authority where the car was registered, which will terminate the registration.

### Exchanging Ukrainian currency

80 Currently it is difficult to convert Ukrainian currency into foreign currency outside of Ukraine. Thus, it is recommended to exchange UAH for foreign currency prior to the departure.

81 Foreign nationals may carry up to EUR 10,000 per person without declaring or the equivalent of this amount in other foreign currency, calculated using the exchange rates established by the NBU. Amounts which exceed EUR 10,000 should be declared in a custom statement.

82 Foreign nationals are also allowed to re-export foreign currency which was previously imported into Ukraine (subject to a one-year restriction). The properly registered import customs declaration will be required.

83 Individuals are allowed to export from Ukraine jubilee coins, subject to certain restrictions.

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## Step 7: Other matters requiring consideration

### Special rules for taxation of certain incomes

84 The PIT Law provides for special rules for taxation of certain types of income:

- Income from rent of real estate;
- Income from disposal of real estate;
- Income from disposal of movable assets;
- Inheritance and gifts;
- Insurance; and
- Prizes.

### Income from rent of real estate

85 If lessee is a business entity, it is obliged to withhold from rent payments to a lessor-individual, who is not registered as private entrepreneur, tax at standard rates.

86 The law requires that rental agreements with a lessee-individual who is not registered as private entrepreneur be notarized. Notaries are obliged to report about such rental agreements to the tax authorities.

87 Income from renting out real estate is determined based on contractual fee but not lower than minimum rental fee determined according to the methodology established by the Cabinet of Ministers of Ukraine.

### Income from disposal of real estate

88 With effect from 1 January 2008 income from disposal of real estate will be taxed as follows:

89 Sale of one apartment or house by residents (including attached land) per year is taxed at the rate of 1% for first 100 sq. m of premises and 5% for the portion of income attributable to premises exceeding 100 sq. m based on the property value.

90 Sale during a reporting year of more than one apartment, house, unfinished construction and land plot is subject to tax at 5% rate based on the property value. Tax is calculated based on the price indicated in the sale agreement or the property's value calculated by the authorized state authority, whichever is higher. Tax should be paid before notarization of the sale agreement.

### Income from disposal of movable assets

91 Gross income from disposal of car, motorbike, yacht or boat with engine is subject to tax at standard rates, unless state (stamp) duty has been paid on such income.

### Inheritance and gifts

92 Value of property inherited by/from spouse, son or daughter, parent, parent-in-law, or a spouse's children is taxed at a zero rate.

93 5% rate applies in case of inheritance if received from resident testators other than those stated above.

94 Tax at standard rate (i.e. 15%) applies to inheritance if received from a non-resident testator irrespective of the relations with such testator.

95 Rules for taxation of inheritance also apply to a gift after 1 January 2007.

### Insurance

96 Amounts paid by employer in favor of employee under any voluntary insurance constitute employee's taxable income. Exemption is available for premiums under long-term life insurance or non-state pension insurance within the limit equal to 15% of employee's monthly salary but maximum 1.4 times the subsistence minimum (for tax year 2009 the limit is UAH 940) per month.

97 Tax is levied at standard rate on:

- 60% of the amount received by individuals based on agreement of pension insurance or long-term life insurance. Exemption is available for payments to individuals who are over 70 years old or where insurance event results in first category disablement of the insured individual;
- Redemption amount in case of earlier termination by the insured individual of pension insurance agreement or long-term life insurance agreement.

98 Payments from insurance companies under other kind of insurance are exempt from tax provided:

- In case of life/health insurance the fact of insurance event is duly confirmed by appropriate documents. In the event of death of an insured individual payment to beneficiary is taxed similarly to inheritance;
- In case of property insurance the amount of reimbursement does not exceed market value of the insured property (increased by insurance payments) and is used for repair or replacement of the damaged or lost property. If lost property is not replaced with similar property within terms established by the law (calendar year following the year of insurance event for movable property and two calendar years following the year of insurance event for immovable property) amount of insurance reimbursement will be subject to tax at standard 15% rate.

### Prizes

99 The law provides for taxation of prizes or other winnings as a result of open drawing of chances or prizes at double rate based on grossed-up value of the prize. The tax base should be determined based on the formula: Tax base = prize value \* 100% / (100% - 30%).

### Tax on owners of motor vehicles

100 All individuals (including foreign nationals) possessing cars are subject to a tax on owners of motor vehicles. The tax rate is calculated based on the cylinder capacity of the car, e.g. for a car with the cylinder capacity of 1,600 cubic centimeters the annual tax is UAH 112 (approximately US\$ 14). The tax is payable before the registration of the car and before the regular technical inspection of the car, which is due every two years.

101 Every car must have a special sticker on the front window as evidence of the technical inspection and the tax payment.

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## Appendix A: Double-taxation agreements

Countries with which Ukraine currently has double-taxation agreements:

Country	Entry into force	Country	Entry into force
Armenia	1996	Kuwait	2003
Austria	1999	Kyrgyzstan	1999
Azerbaijan	2000	Latvia	1996
Belgium	1999	Lebanon	2003
Belarus	1995	Lithuania	1997
Bulgaria	1997	Macedonia	1998
Canada	1996	Moldova	1996
China	1996	Norway	1996
Croatia	1999	Poland	1994
Czech Republic	1999	Portugal	2002
Denmark	1996	Republic of Korea	2002
Egypt	2002	Romania	1997
Estonia	1996	Russian Federation	1999
Federal Rep. of Germany	1996	Serbia and Montenegro	2001
Finland	1998	Slovak Republic	1996
France	1999	Sweden	1996
Georgia	1999	Switzerland	2002
Great Britain	1993	The Netherlands	1996
Greece	2003	Tajikistan	2003
Hungary	1996	Turkey	1998
India	2001	Turkmenistan	1999
Indonesia	1998	USA	2000
Iran	2001	United Arab Emirates	2003
Italy	2003	Uzbekistan	1995
Kazakhstan	1997	Vietnam	1996

Double taxation agreement between Ukraine and Jordan became effective starting from 2009.

Ukraine is still applying agreements concluded between the USSR and the following countries:

Cyprus

Japan

Malaysia

Mongolia

Spain

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## Appendix B: Social security agreements

Countries with which Ukraine has social security agreements:

Country	Entry into force
Armenia	1996
Azerbaijan	1996/1997
Belarus	1996/1997
Belgium	2002
Bulgaria	1999
Canada	1998
China	1997
CIS*	1992/1994
Czech Republic	1997
Estonia	1998
Georgia	1995/1996
Kazakhstan	1995
Latvia	1995/1999
Lithuania	1995
Moldova	1993/1996
Poland	1994
Russia	1993
Slovak Republic	1998/2001
Spain	1998
Vietnam	1998

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

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## Appendix C: Ukraine contacts and offices

### Contacts

#### **Krzysztof Lipka**

Kyiv

Tel: [380] (44) 490 67 77

Fax: [380] (44) 490 67 38

Email: [k.lipka@ua.pwc.com](mailto:k.lipka@ua.pwc.com)

#### **Vasavi Vanama**

Kyiv

Tel: [380] (44) 490 67 77

Fax: [380] (44) 490 67 38

Email: [vasavi.vanama@ua.pwc.com](mailto:vasavi.vanama@ua.pwc.com)

### Offices

Kyiv

75 Zhylyanska Street

01032 Kyiv

Ukraine

Tel: [380] (44) 490 67 77

Fax: [380] (44) 490 67 38

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