

Flash Report

Ukraine • Issue 14/2011 • 21 April 2011

Tax authorities attacking

Contacts:

Ron Barden

Partner & TLS Leader
ron.j.barden@ua.pwc.com

Marc-Tell Madl

Legal Partner
m.madl@ua.pwc.com

Slava Vlasov

Partner, Tax and Legal Services
slava.vlasov@ua.pwc.com

Julia Kadibash

Senior Manager, HRS Group,
Tax and Legal Services
julia.kadibash@ua.pwc.com

PwC Ukraine

75 Zhylyanska Street, Kyiv, 01032
Tel: +380 44 490 6777
Fax: +380 44 490 6738

www.pwc.com/ua

This flash report is produced by PricewaterhouseCoopers' tax and legal services department. The material contained in this alert is provided for general information purposes only and does not contain a comprehensive analysis of each item described. Before taking (or not taking) any action, readers should seek professional advice specific to their situation. No liability is accepted for acts or omissions taken in reliance upon the contents of this alert.

© 2010 Limited Liability Company "PricewaterhouseCoopers". All rights reserved. In this document "PwC" refers to Limited Liability Company "PricewaterhouseCoopers", which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



Change in authorities approach during tax audits - "benefits in kind"

The tax authorities continue to find new ways of assessing additional taxes and penalties.

It has recently come to our attention that the Ukrainian tax authorities have started to disallow deductibility of consulting fees connected to the preparation of employees' personal income tax returns and other relocation support matters. We disagree with this interpretation of the law. In our view, such costs are clearly connected to the operations of the company.

Moreover, such services are being treated as an additional benefit to the employee and therefore subject to personal income tax (PIT). As a result, the tax authorities may assess additional PIT due by the company and impose a penalty at a rate of 25%-75%.