

Flash Report

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Taxation of foreign nationals



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Taxation of expatriates' employment income

It appears that the Ukrainian Tax Authorities are becoming significantly more aggressive in respect of the tax rate that should apply to the local employment income of expatriates in Ukraine.

As we have reported in earlier Flash Reports, since mid 2009 a number of individual tax offices have applied the 30% tax rate to the locally paid salaries of expats, unless (and until) the expats have provided their certificate of Ukrainian tax residency to their employers. This has now become the official view of the State Tax Administration.

If the certificate is not available and the employer withholds only 15%, the authorities will apply the additional 15% plus 200% penalties. It is likely this will impact all entities in Ukraine that employ expats and the authorities are likely to assess the additional liabilities for the past three years at least.

The situation is not as straight forward as the authorities imply - PwC does not agree with this interpretation of the legislation. We recommend all employers consider planned actions on a case by case basis for each expatriate employee. This should be undertaken prior to payment of the January 2010 salaries.

For 2010 the best course of action would be for all expatriate employees to obtain their "Tax Resident Certificates" prior to payment of January salaries (if that is possible).

PwC will be organising a forum on this issue in the coming weeks. Please inform Svetlana Korzh (svetlana.korzh@ua.pwc.com) if you would like to add someone from your company to the invitation list.