

# Flash Report

Ukraine • Issue 3/2010 • 19 January 2010

## Tax Authorities Reject 2010 Tax Resident Status Applications



### Contacts:

#### Ron Barden

Partner & TLS Leader

E-mail: [ron.j.barden@ua.pwc.com](mailto:ron.j.barden@ua.pwc.com)

#### Marc-Tell Madl

Legal Partner

E-mail: [m.madl@ua.pwc.com](mailto:m.madl@ua.pwc.com)

#### Julia Kadibash

Manager, HR Services and  
Taxation of Individuals

E-mail:

[julia.kadibash@ua.pwc.com](mailto:julia.kadibash@ua.pwc.com)

#### PricewaterhouseCoopers

75 Zhylyanska Street, Kyiv

Tel: +380 44 490 6777

Fax: +380 44 490 6738

[www.pwc.com/ua](http://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.

© 2009 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.

## Tax Authorities Reject 2010 Tax Resident Status Applications

Yesterday we have received the first official rejection of a 2010 tax resident status application. It is clear that the tax authorities are taking the view that the "183 days" rule is the only basis for Ukrainian tax residency and are likely to reject all applications until at least July 2010.

This means that the tax authorities will expect 30% tax rate to apply on expatriates' salaries from January till July-August 2010. If an employer doesn't apply the 30% rate until this certificate is issued, a 200% penalty is likely to be imposed.

There is no clarity as to whether the additionally assessed tax at 30% can be recalculated and returned to the individual after tax resident status notification is obtained, but it is unlikely.

PwC Ukraine does not agree with this interpretation of the legislation. In our opinion many expatriates that are paid locally (if not all) should be entitled to be taxed at the 15% rate.

We strongly recommend all foreign nationals and their employers seek professional advice on this issue prior to payment of January 2010 salary.

PwC will be hosting an open Forum on this very important issue next Monday, 25 January 2010. The invitations will be sent shortly. Please inform Svetlana Korzh ([svetlana.korzh@ua.pwc.com](mailto:svetlana.korzh@ua.pwc.com)), if you would like to add someone from your company to the invitation list.