

# *Tax Newsletter*

Changes to Tax Code in respect of individuals' taxation

9 August 2011



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*On 5 August 2011, the law introducing amendments to the Tax Code was published. Below we list the most important changes in the area of personal income tax.*

## **Extension of definition of tax agents**

From 1 January 2012 professional securities traders (including banks) are considered tax agents for individual taxpayers. If professional securities traders (including banks acting in this capacity) provide services related to operations with investment assets to individual taxpayers, such traders are considered tax agents will be required to withhold and remit the personal income tax to the state budget. At this stage these requirements do not affect relevant brokers assisting corporate taxpayers.

## **Taxation of stock options**

Taxable investment income from operations with derivatives (including stock options) is calculated as the positive difference between the proceeds received by the taxpayer from operations with derivatives (including received lump sum or continuous payments prescribed by the contracts), and the (documentary confirmed) amounts paid by the taxpayer to the other party (including lump sum and continuous payments).

## **Tax from income accrued but not paid out, should be transferred to budget by tax agent**

The amendments to the Tax Code reintroduces the requirement for the tax agents (employers, etc.) to remit personal income tax to the state budget within the term set by the Tax Code for the monthly reporting period (20 calendar days



starting from the last day of the month of income accrual) even if the income is accrued but not paid out at that time.

## **Rules of taxation of remuneration under civil agreements changed**

The tax base of remuneration for work performed ("services provided") under civil agreements for the purpose of personal income tax calculation should be reduced by the amount of the mandatory employee's unified social contribution.

## **Exception from obligation to file tax returns**

Income from sale of a real estate asset via concluding a notarized sale agreement, as well as income received as inheritance, taxable at 0% rate does not create for an obligation for an individual to file an annual personal income tax return.

If an individual alienates real estate received as inheritance, the condition of having this real estate in individual's possession for three calendar years does not apply for the purpose of applying the 0% tax rate.

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