

Flash Report

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Transfer pricing changes

Contacts:

Slava Vlasov

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

Olga Trifonova

Senior Manager
Tax and Legal Services
olga.trifonova@ua.pwc.com

PwC Ukraine

75 Zhylyanska Street, Kyiv, 01032

Tel: +380 44 354 0404

Fax: +380 44 354 0790

www.pwc.com/ua

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Expected changes in Transfer Pricing legislation

On 23 April 2015 Parliament passed the first reading on the Draft Law* to the Tax Code of Ukraine in respect of transfer pricing (TP) regulations.

The main changes proposed by this Draft Law are the following:

- The ownership share of corporate rights of each party in the next legal entity within the chain is increased from 20% to 50% for the purposes of recognition of the related party.
- The provision with regard to controlled transactions performed with the involvement of intermediaries (non-related parties) is specified.
- The provisions regarding the TP rules for VAT purposes are excluded.
- The threshold for controlled transactions is increased from UAH 1 mln. to 20 mln.
- The list of financial indicators used to provide conformity with the arm's length principle is reinstated in the edition of the Tax Code of Ukraine valid before 1 January 2015.
- Penalties for non-inclusion of controlled transactions into the TP report are decreased (1% of the amount of controlled transactions, but cannot exceed 100 official minimum wages for all undeclared transactions).

We will update you further after the Draft Law* is passed.

*The Draft Law "On changes to the Tax Code of Ukraine (in respect of transfer pricing)" No. 1861 dated 27 January 2015.