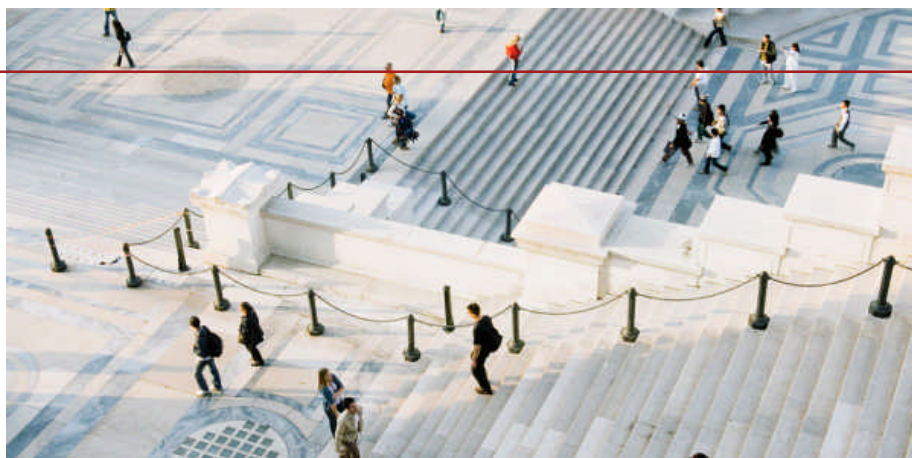


Flash Report

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Transfer pricing changes



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Changes in Transfer Pricing legislation

Today, Parliament passed changes* to the Tax Code of Ukraine in respect of transfer pricing (further – “TP”) regulations.

The main changes are the following:

- The threshold for controlled transactions has been increased to UAH 5 mln. with one counterparty (provided the total annual revenue of the taxpayer exceeds UAH 50 mln.);
- The criteria for recognition of controlled transactions have been removed for VAT purposes;
- The list of financial indicators used to provide conformity with the arm's length principle is reinstated;
- The provision with regard to controlled transactions performed with the involvement of intermediaries (non-related parties) is specified;
- Penalties for non-provision (late provision) of the report on controlled transactions have been changed to 300 minimum wages and for non-inclusion of controlled transactions into the TP report (1% of the amount of the undeclared controlled transactions but should not exceed 300 times the minimum wage);
- The provision on the necessity to file an annex to the corporate profit tax return if the volume of controlled transactions with one counterparty does not exceed UAH 5 mln. was removed;
- The provision which stated that the submission of a report on controlled transactions is considered a ground for performing an audit to verify the conformity of the terms of controlled transactions with the arm's length principle, was removed;
- A report on controlled transactions and TP documentation in respect of controlled transactions, performed in 2015, should be prepared in accordance with the provisions of the Law*.

The Law enters into force on the day, following the day when it's published.

We will keep you updated on further changes to the TP legislation.

* The Draft law “On Changes to the Tax Code of Ukraine in respect of improvement of the tax control on transfer pricing” № 1861 dated 27 January 2015.