

# Flash Report

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## Changes in TP legislation



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### Major changes likely for Transfer Pricing legislation

Today, Parliament passed the first reading on changes to the Tax Code of Ukraine in respect of transfer pricing ("TP") regulations.

The main changes, which are likely to apply from 2015, are the following:

- The arm's length principle has been officially introduced (replacing market price).
- The list of related parties and controlled transactions for the purposes of the TP regulations are expanded.
- The criteria for recognition of controlled transactions have been separated for CPT and VAT purposes.
- The threshold for controlled transactions has been reduced to UAH 1 mln. or 3% of the taxpayer's revenue with one counterparty (provided the total annual revenue of the taxpayer exceeds UAH 20 mln.).
- The duration of a TP audit is increased to 18 months with an extension of 12 months.
- Priority of "official sources" of information will no longer apply.
- New penalties for non-inclusion of controlled transactions into the TP report are introduced (1% of the amount of controlled transactions).
- Penalties for non-provision of TP documentation have been changed (3% of the amount of the controlled transactions).
- If the price or profitability in the controlled transactions does not fall in the arm's length range, TP adjustments will be made to a median level (not the lower / upper limit of the range as currently allowed).

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 improvement of the tax control on transfer pricing" No. 1264-1 dated 22 December 2014*