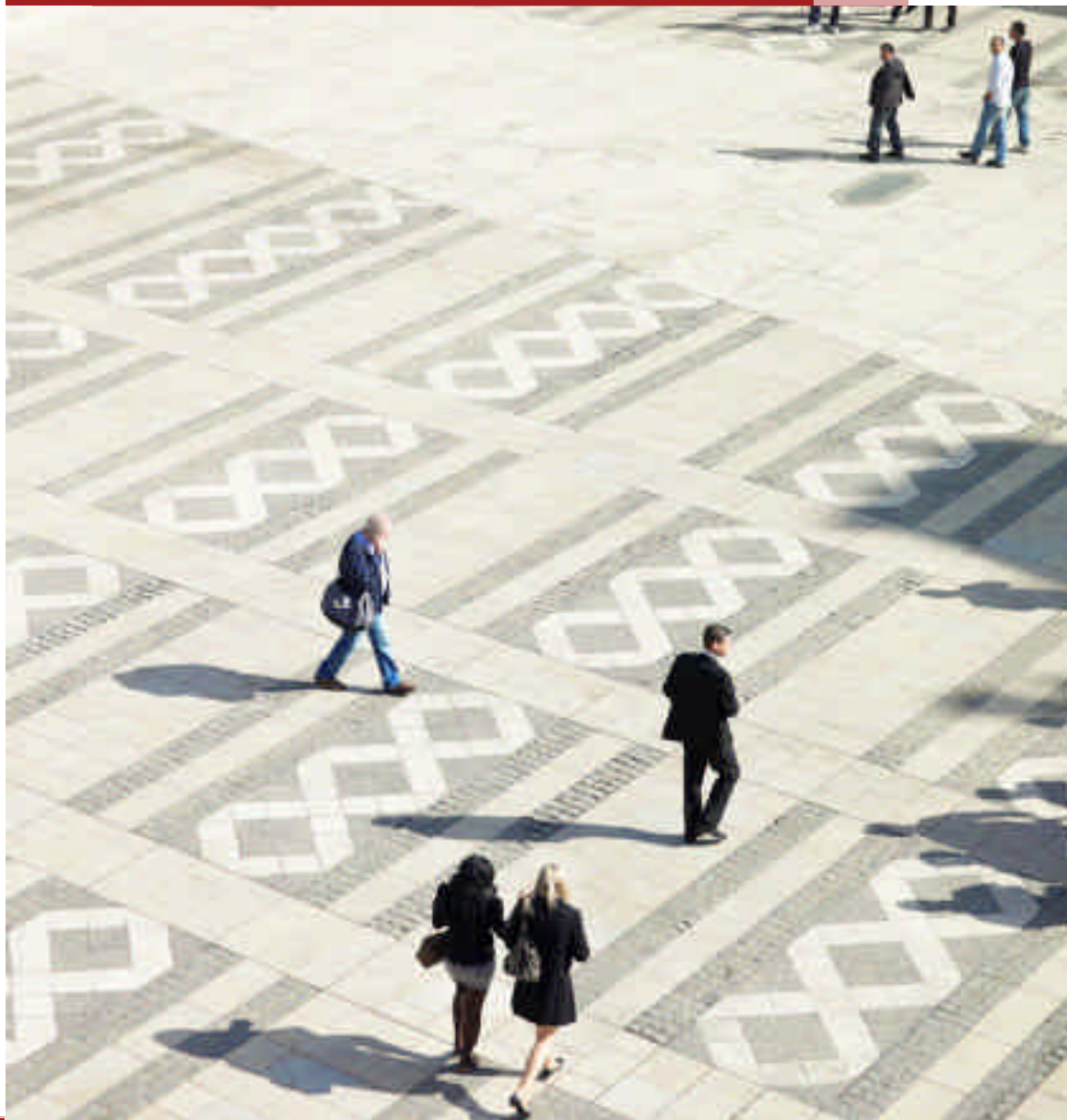


Tax Newsletter

Simplified (unified) tax regime

23 November 2011



Simplified (unified) tax regime

As PwC advised in our Flash report No 54 of 18 November 2011, the amendments to the Tax Code in respect of the Simplified (unified) tax regime have been signed by the President and will be applied from 1 January 2012.

There are a number of major changes that will impact many businesses in Ukraine. We provide the details of these changes in the following pages.



1. From 1 January 2012, payments to payers of the unified tax will be deductible for Corporate Profit Tax purposes, subject to standard deduction rules.

2. All taxpayers (private entrepreneurs and legal entities) that are eligible for the simplified tax regime and wish to move under this regime shall apply to the tax authorities by 25 January 2012. Approval will be based on the results for 2011 (private entrepreneurs who were not previously eligible for the unified regime could be eligible now).

3. There are now three categories for private entrepreneurs and one for legal entities subject to the simplified tax regime.

4. The tax rates and income thresholds have been expanded and the allowed activities have been reconsidered. Please refer to the table on the next page.

5. Groups 1-2 and non-VAT payers from the Group 3 are required to record income only. Simplified accounting will be available for Group 4. The Ministry of Finance needs to issue relevant instructions to cover range of issues connected to reporting, as well as to the migration from the simplified tax regime to the standard one.

6. Companies working with Unified tax payers are obliged to submit a breakdown of revenue and expenses in respect of such contractors along with their tax returns.

7. Existing Certificates of Unified tax payers will remain valid until new Certificates are obtained, but not later than 31 May 2012. New Certificates will be issued for an unlimited period of time. Thus, the annual re-registration procedure is no longer required.

8. If either the income threshold or the maximum number of employees is exceeded, the legal entities would be obliged to move to the standard taxpayer regime. The new regime becomes effective the next quarter. Income exceeding the limit shall be taxed at the doubled tax rates in the quarter when it was received.

9. Passive income (dividends, interest, royalties) received by individuals, as well as income from the sale of real estate or transport assets (even it was used for entrepreneurial activity) shall be excluded from income subject to the Unified tax.

10. Previously part of the Unified tax was paid to the Pension Fund and decreased the obligation on the Unified Social Contribution. This split is cancelled resulting into the additional tax burden.

11. In case of unsettled tax liabilities, neither private entrepreneurs nor legal entities would be allowed to apply for the simplified tax regime.

General rules	Group 1	Group 2	Group 3	Group 4
	Private entrepreneurs			Legal entities
Max. income¹ p.a.²	UAH 150k	UAH 1m	UAH 3m	UAH 5m
Max. employees³	nil	10	20	50
Major activities	<ul style="list-style-type: none"> • Trading in markets • Specified consumer services⁴ (complete list is included into the Code) 	<ul style="list-style-type: none"> • Services to payers of Unified tax & specified consumer services⁴ • Manufacturing / Production • Sale of goods • Restaurants 	Any activity, unless specifically excluded	
Reporting period	Calendar year	Quarter		
Tax payment deadline	by the 20 th of each month		10 days after the reporting deadline	
Tax rates				
Income under the Unified tax	1 - 10% of min salary per month ⁵	2 - 20% of min salary per month ⁵	3% of turnover (5%, if not VAT registered)	
Income exceeding the max. limit ² and income from excluded activities	15%			6% of turnover (10%, if not VAT registered)

¹ – Income includes proceeds from the sale of goods / services; in case of agency agreements – agency fees.

² – If the maximum income is exceeded, the 1st Group should chose to move to either the 2nd or 3rd; 2nd Group moves to the 3rd; 3rd and 4th Groups move to the general tax regime. The new regime becomes effective the next quarter. Income exceeding the maximum limit shall be taxed at the higher rates in the quarter when it was received. Reapplication is possible in a year.

³ – At any time, excluding legal entities, for which 50 employees means average per annum.

⁴ – Services to the public, personal services (e.g. cleaning, photo services, TV repair, etc. – 40 types are listed)

⁵ – Tax amount to be established by the local authorities. The minimum salary for 1 January 2012 is not available yet. Based on the minimum salary approved for December 2011, the maximum tax would be approximately UAH 100 (10%) – UAH 200 (20%).

Excluded from Unified tax payers / excluded activities

1. Non-residents. Representative offices.
2. Legal entities, where 25% shares are owned by other legal entities which are not Unified tax payers.
3. Gambling. Currency exchange.
4. Production / sale of excisable goods (excluding beer, certain types of wine and fuel).
5. Exploration / production / sale of precious metals and stones. Extraction and sale of minerals.
6. Intermediary financial services (excluding insurance agents and certain others).
7. Companies management.
8. Post and communication services.
9. Sale of art and antiquarian goods, auctions.
10. Performance arrangements.
11. Individual auditors.
12. Private Entrepreneurs performing technical researches and testing (e.g. transport check-up; measuring the purity of water, etc.).
13. Private Entrepreneurs renting out the land plots exceeding 0.2 hectares; houses /apartments exceeding 100 sq. m.; commercial real estate exceeding 300 sq. m.
14. Insurance brokers, banks, credit unions, pawnshops, leasing companies , insurance companies, investment funds and other financial institutions, securities registrars.

Contacts:

Ron Barden

Partner & TLS Leader
ron.j.barden@ua.pwc.com

Rob Shantz

Legal Partner
rob.shantz@ua.pwc.com

Slava Vlasov

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

Julia Kadibash

Senior Manager
Tax and Legal Services
julia.kadibash@ua.pwc.com

PwC Ukraine

75 Zhylyanska Street, Kyiv, 01032
Tel: +380 44 490 6777
Fax: +380 44 490 6738
www.pwc.com/ua

This Tax Newsletter is produced by PwC Ukraine 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.

© 2011 Limited Liability Company "PricewaterhouseCoopers". All rights reserved. In this document "PwC" and "PwC Ukraine" refers to Limited Liability Company "PricewaterhouseCoopers", which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

