Legal Alert - 26 May 2011

Current Ukrainian Tax rates

CORPORATE INCOME TAX (CIT) (Податок на прибуток підприємств)

- Flat rate 23% in 2011, 21% in 2012, 19% in 2013 and 16% in 2014.
- 0% rate applies to insurance companies' profit from long-term life and retirement insurance activity.
- 0% to 20% rate applies to foreign entities with income sourced from Ukraine, depending on income source type.
- Withholding taxes on income of foreign residents from Ukraine sources: dividends and income from sale of shares, royalties, interests, other income - 15 %, freight
 - 6%, incomes from interest-free bonds 16%, interests charged on public securities – 0%, insurance fees – 0-12%, fees for the production and/or distribution of the resident's advertising – 20% (payable by the resident).
- Unlimited carry forward of losses.
- Fixed assets can be depreciated according to 1 of 5 methods depend on type of fixed assets: straight-line method, reducing balance method, accelerated reducing balance method, cumulative method, productive method.
- Taxation treaties with 50 countries.

VALUE ADDED TAX (VAT)

- Standard rate 20% in 2011-2013, 17% in 2014.
- General VAT payer registration threshold UAH 300,000 (approx EUR 26,860).

SIMPLIFIED TAX SYSTEM

- May be chosen subject to low annual revenues and sufficiently small payrolls, stipulated by the legislation.
- If the requirements are met, one of two uniform tax rates can be chosen: 6% CIT of annual revenues, disregarding excise duties, plus 20% VAT, or 10% CIT of annual revenues, except for excise duties, and without VAT.

PROPERTY TAX (PT)

- Land tax: Tax base is cadastral value of land. Rates vary significantly depending on the functional use of land.
- Real estate tax (on real estate other than land): 1%-2,7% of minimum salary established as of 1 January the tax year subject to living area of real estate (takes effect on 1 January 2012).

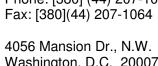


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REAL ESTATE TRANSFER DUTY

• 1 % of transaction value but no less than one minimal tax-free income (if transaction is notarized by a State notary). If transaction is notarized by a private notary – notary fees in the amount of not less than the State duty will be charged.

PERSONAL INCOME TAX

- General flat rate 15%. 17% if an individual's income exceeds 10 minimal wages.
- The same tax rate for residents and non-residents.
- Certain personal income, e.g. royalties, dividends are taxed at 5%.
- 30 % tax is levied on prizes

SOCIAL SECURITY CONTRIBUTIONS

■ Employee rate: 3,6% of gross salary; employer rate: 36,76%-49,7% on top of gross salary depending of type of business activity.

CUSTOMS & EXCISE

Excise duties are imposed on both import and manufacture of a list of goods.
Customs are imposed on import; a limited number of goods are subject to export duties.

ECOLOGICAL TAX AND NATURAL RESOURCES TAX

- Ecological tax is imposed on volume of waste and emissions.
- Natural recourses tax is imposed on volume of used natural resources (oil, gas, coal, peat, ores, etc.).

TAX AUDITS

 Tax audits can be performed going back 3 years from the date tax became payable.

ADVANCE (BINDING) RULINGS POSSIBLE NO CHARGE

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