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I. LEGISLATION NEWS

State Budget 2010

On April 27, 2010 the Verkhovna Rada of Ukraine passed the Law of Ukraine "On State Budget of Ukraine 2010" №2154-VI (hereinafter referred to as the Law on Budget).

The Law on Budget sets:

Minimum living wage for legal persons for 2010: from January 1 – UAH 869, from April 1 – UAH 884, from July 1 – UAH 888, from October 1 – UAH 907, from December 1 – UAH 922;

Minimum wage per month for 2010: from January 1 – UAH 869, from April 1 – UAH 884, from July 1 – UAH 888, from October 1 – UAH 907, from December 1 – UAH 922;

Minimum wage per hour for 2010: from January 1 – UAH 5,2, from April 1 – UAH 5,29, from July 1 – UAH 5,32, from October 1 – UAH 5,43, from December 1 – UAH 5,52.

The Law on Budget cancelled Obligatory State Pension Insurance Duty:

From July 1, 2010 an Obligatory State Pension Insurance Duty will no longer be charged on cashless operations related to the conversion of hryvnia funds into foreign currency;

The Law on Budget envisages payment of obligatory dividends in the following order:

Net income remains at company disposal only after payment of the amount of obligatory dividends;

Payment of dividends is made from the company net income in the reporting year and from retained earnings at the rate of at least 30% and at term not later than 6 months after end of reporting period;

In case of lack or insufficiency of net income in the reporting year and retained earnings of past years, preference dividends payment should be performed by means of company's reserve funds;

Decision on payment of ordinary dividends in the amount of more than 30% is adopted by company general meetings, and the amount of preference dividends of all classes is determined in the company Statute.

The Law on Budget envisages obligatory payment of the part of net income by state unitary enterprises to the State Budget of Ukraine (article 58):

State unitary enterprises and their associations pay to the State Budget of Ukraine a part of net income (revenue) in the amount of 15%;

State unitary enterprises, which are subjects of natural monopolies, and enterprises with net income in current year amounting to more than UAH 50.000 thousands, pay to the State Budget of Ukraine a part of net income (revenue) in the amount of 30%.

The procedure of payment of the part of net income (revenue) is established by the Cabinet of Ministries of Ukraine.

State unitary enterprises and their associations submit a calculation of the part of net income (revenue) together with financial statements, prepared in accordance with regulations (standards) on accounting, to the State Tax bodies in due time, envisaged for submission of corporate profit tax declaration.

In connection with the adoption of the Law on Budget and in order to mobilize the receipts of the part of net income (revenue) in the first quarter 2010, the State Tax Administration of Ukraine updated the Letter No. 7100/7/15-0317 as of 09.04.2010, where it is stated:

The closing day for submission of a Calculation of a part of net income (revenue) for the first quarter 2010 falls within May 11, 2010, and the closing day for the payment of this settlement is May 20 of the current year.

The Law on Budget increased land tax rate:



In 2010 in localities, where monetary value of land is not estimated, applied rates of land tax established by part two article 7 of the Law of Ukraine “On Land Payment” are increased in 3,2 times.

The Law on Budget (article 88) establishes a right to acquire public securities on account of budgetary VAT refund.

Law of Ukraine No. 6337

On May 20, 2010 the Verkhovna Rada of Ukraine adopted in the second reading the Draft Law of Ukraine “On Amending Certain Legislative Acts of Ukraine” No.6337 (hereinafter referred to as the Law No.6337). The Draft Law was submitted for signature to the President of Ukraine.

The Draft Law №6337 envisages changes to certain effective laws of Ukraine, for instance:

The Law of Ukraine “On Value Added Tax”

Paragraph 9.8 article 9 of the Law of Ukraine “On Value Added Tax” envisages new conditions for removal of VAT payers registration;

Sub-paragraph 7.7.2 paragraph 7.7 article 7 of the Law of Ukraine “On Value Added Tax” stipulates changes in order of evaluation and presentation of VAT negative value balance after budgetary refund in VAT declaration.

The Law of Ukraine “On Enterprise Profit Tax”

In 2010 the amount of negative value of the corporate profit tax object as at January 1, 2010 is included to gross expenditure of the taxpayer in the amount of 20% at most per year from the amount of accumulated losses;

In 2011 the amount of negative value of corporate profit tax object, which was not calculated as the part of gross expenditures and negative value of tax object appeared in 2010 should be included to gross expenditures without limitations.

Starting from January 1, 2011 the taxpayer - enterprise, which has profit from operating activity, financial profits, profits from other activity and from extraordinary events under financial statements for preceding year amounts to UAH 100 000 thousands and more, should maintain accounting of temporary and permanent differences in taxes, determined in accordance with the current Law.

Following the results of 2010, a tax payer, except for banks and other financial establishments, which receives profit from any activity amounting to UAH 100 000 thousands, should submit its financial statements at address of a tax body in filing period, established by the legislation for submission of such statements.

The Law of Ukraine “On State Tax Service in Ukraine”

Tax police bodies are given the right to conduct unscheduled tax inspections of tax payers without advance notice in cases when tax police bodies receive information about avoidance of tax payments by a tax payer;

A decision of tax body on conduction of unscheduled tax inspections of tax payers should be documented in writing, sealed and signed by a head of a tax body and handed to a tax payer before starting of inspection.

The continuance (timing) of inspections of tax payers by tax bodies envisaged in article 11 of the Law “On State Tax Service in Ukraine” is increased.

Other developments in legislation

VAT refund

The Cabinet of Ministers of Ukraine resolved (**Resolution No. 368 as of 12.05.2010**) to issue sovereign bonds for VAT refund, if VAT declared for refund before May 1, 2010, confirmed by tax inspections and not refunded as of effective date of the Law on State Budget.



Bonds issuer is the Ministry of Finance of Ukraine;

VAT bonds maturity is five years;

Nominal value of a VAT bond is UAH 1000;

Bonds yield rate is 5,5% per year.

The Resolution is effective from the day of its official publication.

Simplified tax, accounting and reporting system

A Draft Law “On Simplified System of Taxation, Accounting and Reporting for Small Business Enterprises” (registration No.4112) has been submitted for approval of the Verkhovna Rada of Ukraine. The Draft Law envisages changes of tax conditions for simplified system subjects. For instance, the Draft Law envisages new tax rates and increase of revenue level, etc.

II. CLARIFICATIONS

Personal income tax

The State Tax Administration of Ukraine yet again raised the issue concerning determination of residency status for personal income tax purposes by the Letter No.9094/7/17-0717 as of 11.05.2010.

Corporate profit tax

In the Letter No.7163/7/15-0317 as of 12.04.2010 the State Tax Administration of Ukraine informed about changes in algorithm of corporate profit tax liabilities’ transfer from declaration to cards of tax payers personal accounts.

Value Added Tax

Letter of the State Tax Administration of Ukraine No. 7466/7/16-1517-04 as of 15.04.2010 “Concerning possibility of inclusion to budgetary refund VAT amounts on non-resident’s services”.

Reporting

By Letter of the State Tax Administration of Ukraine No. 9199/7/15-0317 as of 12.05.2010, the calculation of the part of net income was supplemented with corresponding rates.

Work and salary

The Ministry of Labour disclosed its view on situation concerning application of minimum wage amount (Letter No.470/13/84-10 as of 20.05.2010).

Transport

The State Tax Administration of Ukraine recalled a number of Letters on transport tax. The detailed list is presented in the Letter No.9068/7/17-0117 as of 07.05.2010.

External Economic Activity

National Bank of Ukraine has adopted a decision to terminate registration of foreign investments (Letter No.13-214/2594-8235 as of 17.05.2010).

The National Bank of Ukraine has cancelled temporary set limitations concerning prior fulfilment of contracts on attraction of foreign currency loans from non-residents Besides by the letter No. 13-210/2663-8473 as of 20.05.2010.



Control and liability

State Tax Administration of Ukraine has approved a Summarized Tax Explanation concerning application of tax decisions (regulations) appeals by Order No. 341 as of 17.05.2010.

By Letter No.8247/7/10-1017/1441 as of 26.04.2010 the State Tax Administration of Ukraine made instructions regarding providing of tax explanations.

III. PUBLICATIONS

Commentary of Olena Makeiva, Director General of Audit Company “Aksonova & Associates”, concerning dumping in audit services market for the newspaper “Pravovyi Tyzhden” No.14 (192), April 6, 2010. In order to learn more, please visit section “Publications” of the company [web-site](#).

IV. UPCOMING EVENTS

17.06.2010 | Kyiv | Olena Makeieva will deliver a speech on nuances of non-residents income taxation at the seminar-workshop “Non-resident companies in tax planning and assets protection. Practical solutions for successful international business dealing”

In order to learn more about seminar-workshop please visit our [web-site](#).

30.06.2010 | Kyiv | Seminar-workshop “Due Diligence Review for purchase and sale of enterprises”

In order to learn more about seminar-workshop please visit our [web-site](#).

01.07.2010 | Kyiv | Audit Company “Aksonova & Associates” will be a partner of the round table “Prevention of Fraud and Financial Abuses”

In order to learn more about the round table please visit our [web-site](#).