



**10 November 2014**

**Tax Alert #3  
recent changes in the tax legislation  
(03-07 November 2014)**

## Legislation in force

### **The President has signed [Law #1702-VII "On Prevention and Counteraction to the Legalisation \(Laundering\) of Proceeds from Crime, Terrorist Financing and Financing Proliferation of Weapons of Mass Destruction"](#) dd 14.10.2014**

Pursuant to the mentioned law the national risks assessment of the financial monitoring system has been introduced and the risk-based approach is expected to be improved. The Law provides for the **criteria** on the basis of which the specifically determined reporting entities shall include clients in the **"highly risky"** category. According to the Law the persons that carry out cash operation for over UAH 150 k are excluded from the list of the reporting entities, since such operations are under the mandatory monitoring by bank institutions. The new thing is the monitoring of public persons and officials of international organisations; cancellation of cap for financial monitoring by realtors and notaries. The law will come into effect in 90 days after its publication and it will change Law #249-IV.

### **The President has signed [Law #1690-VII "On Amending the Tax Code of Ukraine on the Improvement of the Investment Activity Taxation"](#) dd 07.10.2014.**

The Law introduces an exact mechanism of taxation under production distribution contracts. It is expected that the Law will encourage private investments in mining industry of Ukraine.

The Law has made editorial amendments to the definition of "investor (operator)"; provided the consistent use of the term; introduced the possibility of entrusting the rights and obligations to pay VAT under a multilateral agreement on each investor and/or operator in the manner specified by the agreement.

This Law has become effective since 8 November 2014, except for par. 14 cl. 3 Section I (where it concerns registration of tax invoices in the Unified Register of tax invoices) and cl. 2 Section II which will come into effective on 1 January 2015.

### **The NBU has cut off the Crimea from Ukraine**

[Resolution of the NBU #699 "On Application of individual provisions of the Currency Legislation during the regime of the temporary occupation on the territory of free economic zone "The Crimea" dd 03.11.2014](#) has come into effect since 05.11.2014

The peculiarities of application of currency laws during the regime of temporary occupation of the territory of free economic zone "The Crimea":

The Regulators equalled legal entities of the peninsula to non-residents. Therefore, the contracts between legal entities of the Crimea and the companies incorporated or registered on the rest of Ukraine, will be considered as foreign economic agreements and relevant settlements shall be made only in national currency or hard currency (I and II groups in the classifier of currencies). According to the Resolution the Ukrainian banks shall stop operations on open accounts of legal entities that are located in the Crimea, and take steps to close those accounts.

The press service of the National Bank explained that this Resolution was issued to consolidate the law on the establishment of the free economic zone "The Crimea". The relevant law was adopted on April 12 and entered into force on September 27. However, the NBU notes that such measures could still be revised depending on the response of the businesses.

### **Resolution of the NBU #712 "On Amendments to Some Legislative Acts of the National Bank of Ukraine" dd 06.11.2014**

For addressing the issues concerning settlements under production distribution contracts, the NBU has introduced a number of amendments to: the Instruction on the Procedure of Control over export, import operations; Regulation on currency control; Regulation on Order and Terms of Foreign Currency Trade; Regulation on the Procedure of Issuance of Individual Licenses to use foreign currency on the territory of Ukraine as a means of payment by the National Bank of Ukraine; Instructions of the Order of Opening, Managing and Closing Bank Accounts in National and Foreign Currency.

## Clarifications of the State Fiscal Service of Ukraine:

- ***payers of single social contribution that have been residing in ATO area since 03.11.2014***

[Section VIII "Final and Transitional Provisions" of Law #2464 has been extended by cl. 93](#) as follows: the payers of single contribution as determined in Article 4 of Law #2464 that are registered with the Tax Service bodies located on the territories that are referred to in Article 2 of the Law of Ukraine "On Temporary Measures for the Period of the Antiterrorist Operation", where the ATO was realised, which started in accordance with Decree #405/2014 shall be relieved of their obligations as defined by Article 6 of Law #2464 for the period from 14 April 2014 until the end of ATO or lift of martial law or state of emergency.

The basis for such relieve may be a statement from a payer of single contribution to be submitted to the Tax Service bodies at the main place of registration or at the place of temporary residence in any format not later than thirty days following the day of ATO ending.

Any liability, penalties or financial sanctions provided for in Articles 25 and 26 of Law #2464 for failure to fulfil the liabilities of the payer of single contribution in the period from 14 April 2014 until ATO ending shall not be applied in respect of such payers.

- ***payment for the licence to produce alcohol and tobacco products since 05.11.2014***

[Article 4 of the Law of Ukraine #481/95-VR "On state regulation of production and turnover of alcohol ethyl, cognac and fruit, alcoholic beverages and tobacco products" dd 19.12.1995, as amended](#), establishes an annual fee for a license to produce alcohol ethyl, cognac, fruit, grape rectified alcohol ethyl, fruit rectified alcohol ethyl, alcoholic beverages, tobacco products, raw grape alcohol, raw fruit alcohol and for primary winemaking enterprises of **UAH 780**.

Licenses are issued for a five-year term, and respective payment is collected annually.

License fees are collected prior to the beginning of production of such products by the body issuing licenses, at the rate established by the Law, and forwarded to the local budgets. It is not allowed to pay for the entire term of the license.

- ***excise and marking of drinks containing 8.5% of pure alcohol and over***

The State Fiscal Service of Ukraine has reminded that starting from 1 November 2014 for alcoholic beverages and medicinal tinctures containing 8.5% or more of pure alcohol (headings (2103 90 30 00, 2103 90 UKT ZED) applies excise duty and relevant marking. For 1l of 100% pure alcohol it must be paid excise tax of UAH 70.53.

## Draft modifications to legislative instruments

### Draft modifications to legislative instruments

The National Bank of Ukraine is considering the introduction of restrictions on cash settlements up to 1,000 euro and a number of other restrictions on cash settlements. In addition, the NBU considers it is necessary to legislate a ban on early withdrawal of term deposits.

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*This Alert issue should not be regarded as a consultation. Its single purpose is to provide update on changes to the legislation.*

*We recommended to apply for professional advising in each individual case.*



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