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Newsletter

Ukraine Adopts 2010 Budget

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Dear accace client,

Let us take the opportunity and inform you that the Ukrainian Parliament adopted the 2010 State Budget Law which includes the significant changes for businesses. Moreover it has been already signed by the President of Ukraine.

Please find the list of some important provisions related to all Ukrainian companies below:

1. **State Budget Law – 2010** curbed the powers of the general meeting of joint-stock companies. All public and private joint-stock companies are required to **pay dividends representing at least 30% of their accumulated retained earnings or net profits earned in 2010**. This requirement appears aimed at triggering advance corporate income tax that normally applies to dividend distributions;

2. The Article 86 of the Law “On State Budget of Ukraine in 2010” provides for **cancellation of mandatory state pension insurance contribution withheld from non-cash transactions on sell / purchase of foreign currency in 2010** starting from July 1, 2010.

3. The Article 88 provides for the possibility of **compensating VAT declared for 2010 operations by purchasing state securities or objects of state regulation**, as proposed by Agrarian Fund. The order of purchasing of such state securities or objects of state regulation will be set by the Cabinet of Ministers. The Law states also the possibility for **compensating VAT declared prior to May 1, 2010** and approved by tax audits and not compensated as of the date of the Law’s enactment. **All overdue VAT refund claims may be settled by means of converting the VAT indebtedness into treasury bills** with a 5-year maturity term.

4. The **Article 53** of the Law on 2010 State Budget sets the minimal wage for 2010:

in monthly rate: from January 1 – 869 UAH, from April 1 – 884, from July 1 – 888 UAH, from October 1 - 907 UAH, from December 1 - 922 UAH;

in hourly rate: from January 1 - 5,2 UAH, from April 1 - 5,29 UAH, from July 1 - 5,32 UAH, from October 1 - 5,43 UAH, from December 1 - 5,52 UAH.

The of employers to the fact that **this change is not the basis for working time reduction**, and the rise of its rate is Cabinet of Ministers defined the valid minimal salary **in hourly rate**. The authors of the document provide for the description of algorithm of its setting and pay attention not the basis for hourly rate increase.

5. Due to the Article 62 in 2010, the **enacted land tax rates shall be multiplied by 3.2** as far as **non-appraised land located in residential areas** is concerned.

6. **The Parliament made** the corresponding **changes** into the Article 12 of **the Law of Ukraine “On medicines”** regarding the marking of medicines with the Braille letters. The Laws states that the name of medicine, dose of reactant and dosage form has to be stated on the outer side of pack marked with the Braille letters. Moreover, the Ministry of Health provides with the list of medicines, the package of which is not needed to be marked with the Braille letters. In this case only the name of medicines is marked with the Braille letters. The Law comes into effect after its publishing and is applied to marking of medicines registered (reregistered) in Ukraine after the Law came into effect.

7. The Tax Office informed about the change of the algorithm of liabilities transfer on income tax from tax returns to the cards of personal tax payers accounts. Starting from the 1st Quarter 2010 the charged amount on income tax for the basic accounting (tax period) is calculated as the difference between line 14 of the current tax return and the same line of tax return for the previous period.

Also the Tax Office states that the renting of Ukrainian property that is the ownership of non-resident is possible only through resident legal entity that plays the role of tax agent. Meanwhile the double rate of income tax of natural persons is imposed on such income of non-resident.

8. The Parliament of Ukraine adopted the draft # 6122 as the Law cancelling mandatory registration of foreign investments and early foreign loan repayments. Please find the main points of the Law below:

- monetary foreign investments are **no longer required** to be contributed by foreign investors **through special investment accounts** opened by them in Ukrainian banks;
- foreign investments can now be contributed in foreign currency instead of UAH;
- the National Bank of Ukraine (the "NBU") is no longer responsible for registration of foreign investments;
- loan arrangements between Ukrainian borrowers and foreign lenders can be amended to enable early repayment of loans and accrued interest, and the NBU can now register such changes;
- Ukrainian companies and individuals are allowed to proceed with early repayment of loans and accrued interest.

In the course of the above mentioned changes we are glad to inform you that **the procedure of company registration in Ukraine becomes easier** due to the cancellation of mandatory registration of foreign investments in the National Bank of Ukraine. And due to the fact that **mandatory state pension insurance contribution withheld from non-cash transactions on sell / purchase of foreign currency in 2010 will be cancelled from July 1, 2010**, we would like to offer you the services of **company establishment and registration** this summer.

Our corporate services department will be happy to provide you with labour consultancy services in connection with the setting of minimal salary **in hourly rate**.

In case you're interested in further details concerning the above mentioned important provisions or in accace services mentioned above, feel free to contact us.

Your accace team.