

# Tax & Fiscal Alert

October, 2014

## News on banking and foreign trade affairs in Ukraine

*The National Bank of Ukraine by its Resolution No557 from 09.09.2014 cancelled the ban on foreign currency lending of bank clients – legal entities and individual entrepreneurs to be used at internal market. Further read more about this and other news.*

### Banking

The National Bank of Ukraine cancelled its recent ban on foreign currency lending of business. Legal entities and individual entrepreneurs are allowed to borrow funds in foreign currency as detailed in the Resolution № 557 of the National Bank of Ukraine dated 09.09.2014, amending the Resolution of the National Bank №515 which came into force on September 11, 2014. Thus, the mentioned business entities can get foreign currency loans not only to pay their foreign liabilities, but also use them use within the domestic market.

It is to be recalled that the NBU Board approved the Resolution on restriction of cash payments between individuals to USD 150 thousand from September 1, 2013.

### Foreign economic activity (transfer pricing)

Tax officials have considered two cases of definition of the controlled transactions in relations with such non-standard counterparts, as representative offices and subjects of joint venture agreements.

- If the contractors of operations are the joint venture agreement without establishing legal entity and a person (resident or non-resident), who related to the Party of such a agreement, or a "low-tax" non-resident, then when reaching 50 million criteria such transactions are also recognized as controllable. This explanation is provided in the letter of the Ministry of Revenues of 10.04.2014, № 6481/6 / 99-99-19-03-02-15.
- Transactions one party of which is a representative office and the other party –is a resident shall be recognized as controlled ones as if they were carried out with the very non-resident. Certainly provided that the transactions volume reached 50 million criteria and this non-resident is a related party or registered in "low-tax" jurisdiction as detailed in the letter of the Ministry of Revenues of 15.05.2014, № 8645/6 / 99-99-19-02-02-15.

### Other news

On September 12, 2014 the Law of Ukraine of 08.14.2014 № 1644-VII «On Sanctions" came into force.

Under the said Law the National Security Council of Ukraine gained the opportunity to block the assets, restrict trading transactions, in whole or partly to stop the transit of resources, flights and transportations through the territory of Ukraine, prevent disinvestments, suspend the implementation of economic and financial liabilities, cancel licenses. In addition, they can impose bans or restrictions on entrance of sea-going ships in territorial waters or ports of

Ukraine and aircrafts in the airspace of Ukraine, as well as landing on the territory of Ukraine, termination of trade agreements, joint projects and industrial programs in certain areas, in particular in the sphere of security and defense, etc. Sanctions may also be applied in the field of science, culture, sports, visa regime. The law in total provides 25 types of sanctions.

The National Security Council at the instance of the President, Verkhovna Rada, Cabinet of Ministers, Security Service of Ukraine or the National Bank of Ukraine makes decision to impose sanctions that will come into force by the President's decree.

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