

TO: Clients and Friends of the Firm

FR: Frishberg & Partners

RE: Other Taxes

I. Taxation of Cross-Border Transactions

A. Outbound Transactions

Since resident entities are taxable on their worldwide income in Ukraine and may also be taxable by foreign countries on their income derived from sources within that country or from carrying on business in such countries, the same income is potentially subject to double taxation.

In order to avoid this double taxation, Ukraine uses a foreign tax credit method in its double taxation treaties. Under this method, foreign taxes paid by a resident taxpayer on foreign source income may be credited against its Ukrainian tax liabilities on such foreign source income.

Excess foreign tax credit may not be offset against a resident taxpayer's Ukrainian tax liabilities on any domestic source income, nor may it be carried forward or backward.

B. Inbound Transactions and Double Taxation Treaties

Ukraine has a reasonably extensive treaty network and, to date, has concluded double taxation treaties with over 50 countries, which generally follow the OECD Model Income Tax Convention. Ukraine also has become the legal successor to a number of double taxation treaties concluded by the former Soviet Union. Below you will find a table indicating the tax rates for certain countries:

Withholding Tax Rates for Treaty Countries					
Country of Recipient	Dividends			Interest	Royalties
	Major Rate (%)	Minor Rate (%)	Major Holding (%)	(%)	(%)
Armenia	5	15	25	10	-
Austria	5	10	10	2/5	5
Azerbaijan	10	10	-	10	10
Belarus	15	15	-	10	15
Belgium	5	15	20	2/5[10]	0/5[10]

Bulgaria	5	15	25	10	10
Canada	5	15	20	10	10
China (P. Rep. of)	5	10	25	10	10
Croatia	5	10	25	10	10
Cyprus	-	-	-	-	-
Czech Republic	5	15	25	5	10
Denmark	5	15	25	10	10
Egypt	12	12	0	12	12
Estonia	5	15	25	10	10
Finland	5	15	20	5/10	5/10
France	5	15	10/20	2/10	5/10
Georgia	5	10	25	10	10
Germany	5	10	20	2/5	-/5
Greece	5	10		10	10
Hungary	5	15	25	10	5
India	10	15	25	10	10
Indonesia	10	15	20	10	10
Iran	10	10	-	10	10
Italy	5	15	20	10	7
Japan	15	15	-	10	10
Kazakhstan	5	15	25	10	10
Korea	5	15	20	5	5
Kyrgyzstan	5	15	50	10	10
Latvia	5	15	25	10	10
Lithuania	5	15	25	10	10
Macedonia	5	15	25	10	10
Malaysia	15	15	-	15	10/15
Moldova	5	15	25	10	10
Mongolia	10	10	-	10	10
Netherlands	5	15	20	2/10	10
Norway	5	15	25	10	5/10
Poland	5	15	25	10	10
Portugal	10	15	25	10	10
Romania	10	15	25	10	10/15
Russia	5	15	-	10	10
Slovak Republic	10	10	-	10	10
Spain	18 [15]	18 [15]	-	-	5
Sweden	5	10	20/25	10	10
Switzerland	5	15	20	10	10
Turkey	10	15	25	10	10

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