

## Ukraine

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### Long-awaited State Budget 2010



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**O**n April 30 2010 the Law on the State Budget 2010 took effect.

The tax-related changes were minor and were expected.

The law strives to tackle the VAT refund problem, providing for the issuance of five-year VAT bonds and the use of state securities. The mechanisms for this second solution await development. Deferring tax settlements is prohibited (as before, this could result in a ban on issuing VAT promissory notes upon import of goods).

Among other things, pension fund contributions on the non-cash purchase of foreign currency will be abolished from July 1 2010. Resource taxes will see minor amendments.

There are several law drafts in the pipeline which are expected to introduce much more drastic changes to the tax rules in the near future.

#### Taxation of dividends: participation exemption?

On April 27 the parliament also passed a Bill changing the tax treatment of dividends for Ukrainian companies (the president has yet to sign it).

Dividends received from non-residents controlled by the taxpayer will be exempt from corporate profit tax (this rule does not cover dividends from tax havens). Furthermore, the so-called advance tax on dividends will not be levied on dividends received from legal entities controlled by the entity making the onward dividend distribution. However, the law may be viewed as denying the tax exemption for dividends received by local minority shareholders (whose stake does not meet the qualifying criteria).

#### Abolition of currency control restrictions

Another April Bill has also reached the president's desk. It suggests abolishing certain currency control restrictions introduced in November 2009. These restrictions posed barriers to investment. They include mandatory registration of foreign investment, mandatory use of investment accounts and a ban on early repayment of foreign currency loans to non-residents.

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