



Human Capital News

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Contents

- ▶ Mandatory Social Security Contributions Rates were changed
- ▶ Fines for using foreign individuals' work without work permits in Ukraine increased significantly
- ▶ Additional document is required for obtaining of work permits for foreign individuals in Ukraine

Mandatory Social Security Contributions Rates were changed

- Income payable to individuals under Labour relations

Under the Law of Ukraine "On Introducing Amendments to certain Ukrainian Laws aimed at decrease of the world crisis impact on the employment sphere" # 799-VI of 25.12.08 the following changes of social security contributions rates both due from the employee and due from the employer came into effect (please refer to the comparative 2008/2009 tables below):

Table 1. Rates of mandatory social security contributions due from an employee

Type of mandatory social security	Rate of contribution, %	
	in 2008	in 2009
Pension	2	2
Unemployment	0.5	0.6
Temporary disability	0.5 - monthly wage up to UAH 647; 1 - monthly wage exceeds UAH 647	0.5 - monthly wage up to UAH 647; 1 - monthly wage exceeds UAH 647
Accident at work	N/A	N/A
TOTAL	3-3.5	3.1-3.6

Table 2. Rates of mandatory social security contributions due from an employer

Type of mandatory social security	Rate of contribution, %	
	in 2008	in 2009
Pension	33.2	33.2
Unemployment	1.3	1.6
Temporary disability	1.5	1.4
Accident at work	0.66-13.6	0.56-13.5
TOTAL	36.66-49.6	36.76-49.70

All the introduced changes resulted into a general increase of total contributions both due from an employee and due from an employer by 0.1%, as it may be seen from the tables above.

– Income payable to individuals under civil law relations

According to the same Law, mandatory contribution to Unemployment Fund at the 2.2% rate was introduced with respect to the income payable to the individuals working under civil-law agreements. From the current wording of the Law it is unclear, whether it goes about accrual on top of income or withholding from such income. Thus, even though currently there are some unofficial clarifications stating that the aforementioned mandatory contribution should be treated as an accrual, there are still some doubts about its application, considering that another article of the same Law envisages a rate of 1.6 % of to be applied as accrual to Unemployment Fund both for income payable to individuals under Labor and Civil-law relations. Bearing in mind such a regulatory conflict, we believe that additional official clarifications are required on this issue.

As a separate note please be kindly reminded that according the Ukrainian legislation, all social security contributions are capped by the amount of a payroll cap, which is a maximum amount of taxable income from which contributions are made to all social security funds. Payroll cap is currently equal to UAH 10,035 (EUR 989 at the current exchange rate of 10.150140 UAH/EUR).

Fines for using foreign individuals' work without work permits in Ukraine increased significantly

New fines for using work of foreign individuals, which do not have valid work permits in Ukraine were introduced effective 1 January 2009.

According to the Article 8 of the Law "On Introducing Amendments to certain Ukrainian Laws aimed at decrease of the world crisis impact on the employment sphere" # 799-VI of 25.12.08, a fine in amount of 20 statutory established minimum salaries will be imposed on the employer, who concludes employment agreement with the foreign individual not having a valid work permit in Ukraine. Currently the level of the minimum salary established by the Law is UAH 605, therefore, the abovementioned fine amounts to UAH 12,100 (EUR 1,192 at the current exchange rate of 10.150140 UAH/EUR).

Additional document is required for obtaining of work permits for foreign individuals in Ukraine

According to the Decree of the Cabinet of Ministers "On amending paragraph 5 of the Order of obtaining work permits for foreign individuals and individuals without citizenship" # 11 of 14.01.09, in addition to the existing list of documents required for obtaining of work permits for foreign individuals and individuals without citizenship, the employer is obliged to provide the Employment Center with the official certificate claiming that the position/job the foreign individual is invited to, does not require Ukrainian citizenship as well as does not require access to state secret.