

Ukrainian New Tax Rules and Tax Reporting obligations / Tax Amnesty Law

Dear Client,

With this letter we would like to inform you, that on the 23rd of May 2020, a new "Tax Law" has been introduced in Ukraine. Such law is primarily aimed at preventing and avoiding the shifting of profits from Ukraine to "low-tax" foreign Countries and Jurisdictions; furthermore it establishes "**new tax reporting procedures**" (so called "Anti-BEPS, base erosion, profit shifting Law").

In particular, the law has introduced, for the first time in the domestic tax regulations in Ukraine, new rules concerning the "**Controlled Foreign Companies**" (CFC rules).

A "CFC" is either (1) any legal person registered in a foreign Country or Territory, or (2) any foreign entity without the status of a legal person (partnerships, trusts, funds, foundations) controlled by an individual or a legal person resident in Ukraine. A foreign legal person or entity shall be deemed to be a controlled foreign company in Ukraine if an individual or a legal person resident in Ukraine (directly or indirectly):

- A. owns more than 50% shareholding in the foreign legal person (entity); or
- B. owns more than 10% (25% until 2023 inclusive) shareholding in the foreign legal person (entity), provided several individuals and/or legal persons resident in Ukraine jointly hold at least a 50% shareholding in that foreign legal person; or
- C. independently or jointly with other related parties resident in Ukraine exercises a control over the foreign legal person or entity (meant as of exerting significant or decisive influence on the decisions referred to concluding transactions and assets and profits management).

Individuals who are Ukrainian residents and own or control a "CFC", shall submit a "CFC tax Report" to the Tax Authorities together with an annual declaration on the property status and income (annual tax return); the legal persons resident in Ukraine that own or control a "CFC" shall submit a "CFC" report together with a corporate income tax return for the relevant calendar year.

The above mentioned new tax rules will come into force on 1st of January 2022.

In the taxation year of 2023, it will be therefore compulsory to fulfill the first tax report and pay any applicable taxes.

Due to the important tax and legal consequences in Ukraine and also for the complexity of such new tax rules and reporting obligations, we recommend and kindly ask you, to turn to an Ukrainian Tax Advisor or Tax Lawyer in order to examine in depth the new tax reporting obligations.

Tax Amnesty Law

We would like to take this opportunity to also inform you that the Ukrainian Parliament has recently approved a Tax Amnesty Law to facilitate the regularization of unreported income and assets.

Under Law 1539-IX, which came into force on 21st July 2021 with effect from 1st September 2021, the voluntary disclosure of certain (undeclared) domestic or foreign assets up to 1st September 2022 will benefit from a form of tax amnesty.

In the light of the above information, should the new Tax Amnesty Law be relevant for you, we invite you to contact a tax advisor in Ukraine in order to take the necessary steps to regularize your tax situation.

Your relationship manager remains at your disposal for any further information

Sincerely,

Cornèr Banca SA
(Valevole senza firma)