

ACCESSION OF UKRAINE

Communication from Ukraine

The following information concerning the taxation system in Ukraine has been received from the Ministry for Foreign Economic Relations and Trade of Ukraine.

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TAXATION SYSTEM IN UKRAINE

What does the very notion of "tax" mean? A tax is an obligatory payment made to the budget by legal persons (enterprises, organizations, agencies) and citizens.

All taxes, fees, other obligatory payments to budgets and contributions to the state special-purpose funds constitute a taxation system.

Imposition and cancellation of taxes, fees, other obligatory payments to budgets and contributions to the state special-purpose funds, as well as of privileges granted to taxpayers, are carried out by the Supreme Council of Ukraine, the Supreme Council of the Autonomous Republic of Crimea and local Councils of people's deputies.

The state tax administration shall register and maintain records of taxpayers. Banks and other lending institutions shall open accounts of payers of taxes and other obligatory payments strictly on condition that such taxpayers present documents that prove their being registered with the state tax administration, and within a three-day period shall notify the state tax administration about it.

Further we shall frequently meet the concept "object of taxation," which makes it necessary to define it.

The object of taxation (on other words, what is being taxed) includes income (profit), the added-value of goods or services, value of specific goods, special use of natural resources, property of juridical and physical persons. There exist other objects of taxation as well.

Types of taxes

Taxes administered in Ukraine can be either state or local taxes.

The state taxes include:

- value added tax;
- excise tax;
- corporate income (profit) tax;
- personal income tax;

- customs duty;
- state duty;
- enterprise property tax;
- personal immovable property tax;
- payment for land;
- tax on owners of transport means and other self-propelled machines and mechanisms;
- self-employment tax;
- payments to compensate for expenses on geological prospecting;
- payments for a special use of natural resources;
- payments (fines) for environment pollution;
- payments and collections for construction, repair and maintenance of automobile roads;
- contributions to the Chernobyl and Social Protection Fund;
- contributions to the Employment Fund of Ukraine;
- payments to the Social Insurance Fund of Ukraine;
- payments to the Pension Fund of Ukraine.

The state taxes and other obligatory payments are imposed by the Supreme Council of Ukraine and administered across the entire territory of Ukraine.

Local taxes and fees include:

- hotel fee;
- automobile parking fee;
- market fee;
- charges for issuance of documents granting right to occupy an apartment;
- resort fee;
- fee charged for participation in horse races;
- fee from individuals taking part in horse race gambling;
- advertisement fees;
- charges for permission to use local signs (symbols);
- charges for permission to shoot motion pictures and TV programs;
- fees for permission to conduct local auctions, competitive sales and lotteries;
- communal tax;
- charges for automobiles that head abroad' crossing the oblasts adjacent to the state border;
- fee for permission to set up trade facilities.

Local taxes and fees and procedures for payment of such shall be established by the organs of local self-government in accordance with the list and maximum rates as established by the effective laws of Ukraine, except for charges for automobiles that head abroad and cross the territory of the oblasts adjacent to the national border, which is to be established by the oblast Councils of people's deputies.

Revenues from local taxes and fees shall be included to the local self-government budgets depending on the place of residence (location) of the taxpayer, unless otherwise is provided in applicable legislative acts of Ukraine.

In addition to that, taxes can be distinguished as direct and indirect.

Direct taxes are taxes collected immediately from taxpayer's property or income. Such taxes include a corporate profit tax and personal income tax.

Indirect taxes are taxes collected in the form of extra price and paid by consumers. Such taxes include, in particular, a value added tax and excise tax.

## TYPES OF TAXES, FEES AND OTHER OBLIGATORY PAYMENTS

### Value added tax

The value added tax is an indirect tax paid to the state budget at the every stage of manufacturing goods, performing services, importing goods or at the time of customs clearance.

The payers of VAT are entrepreneurial entities located on the territory of Ukraine, international associations and foreign juridical persons who carry on their own behalf manufacturing or other business activities in the territory of Ukraine, and citizens of Ukraine, foreign citizens and individuals without citizenship who import (ship) goods (items) to the customs territory of Ukraine.

The objects of taxation include:

- proceeds from the sale of goods or performance of services, except from the sale for foreign currency;
- proceeds from the sale of goods or performance of services whether produced by the seller or given for further processing or purchased;
- proceeds from the sale of goods or performance of services paid in part, or the turnover from the transfer of goods (performance of services) without any payment made for their value, within the enterprise for purposes of inner consumption, provided that expenses on such goods (services) are not included in production costs, and turnover from goods (services) provided for the enterprise's employees;
- proceeds from the exchange of goods (services) for other goods (services) without payments made;
- proceeds from the transfer of goods (services) to other enterprises or citizens without or with partial payment for them;
- proceeds from the sale of the collateral, including transfer of the collateral in the case the liability secured by this collateral is not met.

In the case of citizens who engage in entrepreneurial activities and whose proceeds from sales of goods (services) have exceeded 100 minimum wages, the object of taxation shall be the difference between their gross income from sales of goods (services) and expenses (including VAT paid) directly related to the production of said goods (performance of said services).

The taxable turnover shall not include:

- proceeds from the supply of goods (services) by certain structural units of the enterprise for purposes of production to other structural units of the same enterprise, provided that such units do not have their separate bank accounts, are held on the balance sheet of this enterprise and do not carry on any production or commercial activities on their own behalf;
- sales, exchange, free transfer of fixed assets acquired before 1.6.93;
- value of returnable (multiple-use) packaging;
- proceeds from the provision of gambling services by casinos, gambling machines providing win in the form of money, winnings from horse races bets.

The rate of the VAT is established in the amount of 20 per cent and is to be applied to the taxable turnover that does not include VAT.

Control over the payment of VAT on imported goods at the moment of their moving across the customs border of Ukraine shall be a responsibility of customs organs, with all other issues, including transactions involving imported goods, being under control of the tax service of Ukraine.

Excise tax

The excise tax is an indirect tax which is imposed on highly profitable and monopolistic goods (products) and included in prices on such goods (products).

The list of goods (products) subject to excise tax and rates of this tax are subject to approval by the Supreme Council of Ukraine.

Payers of excise tax are entrepreneurial entities - producers or customers of goods (products) subject to excise tax, including those who import such goods (products); citizens who carry on entrepreneurial activities without establishing a juridical person; citizens of Ukraine, foreign citizens and persons without a citizenship who import (ship) goods (products) subject to excise tax to the customs territory of Ukraine.

The object of taxation includes:

- turnover from the sales of excisable goods (products) produced in Ukraine, their exchange for other goods (products, services), free or partially paid transfers of such goods (products);
- turnover from the realization (transfers) of goods (products) for own consumption, processing, and for own employees;
- customs value of goods (products) imported in Ukraine with customs duties and fees taken into account, and with such goods (products) having been paid for in foreign currency or received for free;
- work compensations provided in the form of physical goods;
- proceeds from the sales of confiscated, inherited, lost property, treasures and purchased valuables;
- natural measurement units (1 litre, 1 kilogram, engine volume) in the case of particular excisable goods (alcohol, tobacco, automobiles);
- turnovers from the sale of the collateral, including transfer of the collateral in the case the liability secured by this collateral is not met.

The excise tax is also imposed on proceeds from the sales of excisable goods (products) that were purchased before 1 January 1992 and that at the time of sale are included in the enterprise balance.

Law of Ukraine of 9.15.95 "On excise tax on alcoholic beverages and tobacco products" specified procedures for computation and payment of excise tax imposed on alcoholic beverages and tobacco products whether produced by Ukrainian manufacturers or imported to Ukraine. The Law introduced the mechanism for administration of excise taxes imposed on alcoholic beverages and tobacco products whether produced by Ukrainian manufacturers or imported in Ukraine, which is based on use of excise stamps. Excise stamps stuck to the said goods serve as a permit to sell such goods to consumers, bring them to the customs territory of Ukraine and as a proof that the excise tax has been paid.

Exemptions from excise tax

Excise tax shall not be imposed in the case of excisable goods (products) that are exported for foreign currency.

Also exempt from excise tax are proceeds from the sales of special-purpose cars for the disabled, which are paid for by social security bodies, as well as special-purpose cars designed for specific agencies and organizations (police, ambulance) the list of which is approved by the Cabinet of Ministers of Ukraine.

### Profit tax

Law of Ukraine “On corporate profit tax” of 28 December 1994 introduced the tax on profits of enterprises, agencies and organizations, effective since 1 January 1995.

The balance profit of the enterprise is the sum of its profits derived from all kinds of activities undertaken during the reporting period in the territory of Ukraine, its continental shelf, exclusive (marine) economic zone, or outside of Ukraine, which is reflected in the enterprise’s balance sheet, and includes profits from the sales of products (performance of services), including those supplied by auxiliary or subsidiary enterprises that do not maintain separate balance sheets and do not have separate fixed assets, intangible assets, valuable papers, foreign currency resources, other financial resources and material assets, and also including profits derived from rent (leasing) transactions, royalties and profits from non-realization transactions.

### Payers of corporate profit tax

Payers of corporate profit tax are:

- entrepreneurial entities, budgetary organizations to the extent to which they operate on the self-financing basis, banks (excluding National Bank of Ukraine and its branches, except those that operate on the basis of self-financing, and penitentiary institutions), which are established as juridical persons in accordance with laws of Ukraine, international organizations that have not been granted immunity and diplomatic privileges and which carry out entrepreneurial activities in Ukraine;
- branches, subsidiaries and other separate divisions of the taxpayers that maintain their separate balance sheets and have separate bank accounts;
- non-residents that carry out entrepreneurial activities in Ukraine through their permanent representations in the territory of Ukraine.

The National Bank of Ukraine and its branches (excluding self-financing ones) pay to the state budget the amount by which their gross incomes exceed their total expenditures made in accordance with their expenditure schedule approved by the Supreme Council of Ukraine.

### Object of taxation

The object of taxation is the taxpayer’s balance profit increased by:

- the sum of money in funds created by the taxpayers at the expense of the costs of products (goods, services) that he used for purposes other than these goods (services) were purchased for;
- the sum of money, including hard currency resources, value of material and immaterial assets, including corporate rights and valuable papers received by the taxpayer from other business entities for his own use for free or as a financial assistance not subject to redemption, or not reflected in the sales account.

For purposes of taxation the balance profit shall be reduced by:

- profit derived from corporate rights ownership (received dividends);
- enterprise property tax paid to the budget as provided by laws of Ukraine;
- tax on land used in agricultural production activities;
- tax on owners of transport means;
- expenditures on maintenance of social and cultural objects financed by the enterprise and kept on its balance sheet;

- money, material and immaterial assets of enterprises that were transferred to non-profit funds, agencies, institutions, public and religious organizations, for purposes of carrying out environmental, health, amateur sports, culture, education, research and charity projects and activities, but not greater than 4 per cent of balance profit;
- profits from the sales by investor of his portion of housing and social and trade and social infrastructure facilities constructed at his expense for army servicemen and their families which under Ukrainian laws are entitled to housing.

When computing profits derived from sales of products (services), the proceeds from the sales must be reduced by the amount of the assessed (paid) value-added tax, excise tax, import duty, customs duty and other mandatory payments and fees administered under effective laws, as well as total production expenses that are included in production cost of sold goods (services.) Such expenditure items are listed in the Regulations on application of Law of Ukraine "On corporate income tax," enacted by the Supreme Council of Ukraine's Resolution #247/95-BP of 27 June 1995.

#### The corporate profit tax rates

Profits of enterprises, including those of enterprises based on personal property of citizens of Ukraine, shall be taxed at the basic tax rate of 30 per cent. There also have been established the corporate profit tax rates for taxing particular kinds of transactions. Thus, profits derived from intermediary activities, auctions at which material assets have been sold (excluding valuable papers, corporate rights, hard currency assets and other kinds of financial resources), are subject to the 45 per cent corporate profit tax.

Profits derived from lotteries (except those run by the state), casinos, other gambling businesses (places of gambling), gambling machines with winnings in the form of money and other kinds of gambling businesses (including income from rental and other uses of property for the purposes of such businesses) shall be taxed at 60 per cent unless otherwise provided in specific laws concerning taxation of incomes derived from gambling business.

Some specific details concerning determining profits from some activities are set forth in paragraphs 3.3 - 3.9 of the Law of Ukraine "On corporate profit tax" of 28 December 1994.

Profits of enterprises and organizations which belong to the agricultural sector and which supply services related to agricultural production are taxed at the rate of 15 per cent.

Exempt from the corporate profit tax are:

- enterprises, with respect to profits derived from producing agricultural products and products of their further processing at their own processing facilities, including inter-enterprise facilities, and excluding profits derived from growing decorative flowers, producing alcohol, liquors, beer, fur and tobacco products, ingredients for making wine, excluding those sold for further processing;
- fisheries and fishing collective farms, with respect to profits derived from the catch of fish and its further processing at one's own processing facilities;
- veterinary and sanitation factories, with respect to profits earned from collecting and utilizing corpses of dead animals and using them for production of albumin-containing fertilizers serving as additions to the cattle feed;
- construction, design firms and other enterprises, with respect to the profits derived from building in rural areas of housing, public and cultural facilities, trade, health care, fitness and sports, education, communication, road, energy, natural gas and water supplying facilities and systems, cattle barns, engineering and technical complexes for maintenance of tractors and other machineries, and other objects that have a positive effect on social conditions in rural areas.

- The amount of corporate profit tax must be reduced by:
- 20 per cent - for purposes of compensation for enterprise's expenses on reconstruction and modernization of the active part of fixed assets posted in the reporting period, in the case of repeat use for this purpose of depreciation payments and balances of the fund for production development and other similar funds set up from the profits earned in the past reporting periods;
  - 50 per cent - for purposes of compensation for enterprise's expenses on purchasing special equipment and machinery necessary for work of invalids of 1st and 2nd categories that are employed by the enterprise. Enterprises of public organizations of invalids, that are registered in accordance with effective laws, provided that invalids constitute more than 50 per cent of the total employment of such enterprises, provided that profitability rate of said enterprises is no higher than 50 per cent and that they do not carry out transactions relating to exportation or importation (unless such transactions are undertaken to for purposes of producing and selling own products), are exempt from corporate profit tax. The amount of the assessed tax due by the end of the reporting year, after all deductions specified above are made, is to be paid to the budget in accordance with general rules;
  - 100 per cent - for purposes of providing compensation for enterprises and organizations' expenses relating to investing in construction and acquisition of housing for the army servicemen and their families, which are entitled to obtain housing under effective laws of Ukraine.

#### Personal income tax

For the time being the personal income tax is administered in accordance with the Decree of the Cabinet of Ministers #13-92 of 26 December 1992, "On personal income tax," which defined taxable persons and incomes, stipulated procedures for personal income tax payment, exemptions and procedures for granting them.

#### Payers of personal income tax

The payers of personal income tax are citizens of Ukraine, foreign citizens and persons without citizenship whether having or not permanent residence in Ukraine.

Citizens with permanent residence in Ukraine include Ukrainian citizens, foreign citizens and persons without citizenship who reside in Ukraine for no less than 183 days in a calendar year.

In the case of permanent residents of Ukraine the object of taxation is their aggregate taxable income derived during a calendar year (which consists of monthly aggregate taxable incomes) from various sources either in the territory of Ukraine or abroad.

In the case of citizens who do not have permanent residence in Ukraine, subject to personal income tax are incomes derived from sources located in Ukraine. Incomes earned in Ukraine by said persons are subject to personal income tax at the source of payment at the rate of 20 per cent without excluding tax-exempt minimum income and granting tax privileges.

For purposes of determining total personal taxable incomes, both incomes in the form of physical goods and in the form of money (national or foreign currency) must be taken into account.

Personal income tax on incomes earned in foreign currency must be paid in Ukrainian karbovanets based on the National Bank of Ukraine's exchange rate effective on the date of receipt of such income.

Incomes obtained in the form of physical goods must be reflected in the total income for the calendar year based on the fair market price, unless otherwise is provided in this Decree.

In the case when wages are paid in the form of products manufactured by the enterprise, the amount of wages as part of employee's monthly total taxable income must be computed on the basis of prices at which the products were sold to the outside consumers in the respective month. If during the current month such products were not sold, the price at which they were sold in the previous month should be taken as a reference price.

Physical goods produced by enterprises other than one where the taxpayer in question is employed, must be reflected in the income on the basis of the price at which they are purchased.

Total monthly (received during a calendar month) taxable income includes incomes received by citizens in any form and under any circumstances regardless of sources of income, excluding incomes specified as those not subject to personal income tax in article 5 of the Cabinet of ministers of Ukraine's Decree # 13-92 of 26 December 1992, "On personal income tax."

In addition to that, particular categories of citizens are entitled to personal income tax privileges, in accordance with which their total monthly taxable incomes must be reduced by a certain number of tax-exempt minimum incomes.

To such categories, in particular, belong citizens who have children under 16 years of age; citizens who have been afflicted by the Chernobyl disaster; war veterans and citizens to whom the Law of Ukraine "On the status of veterans of war and guarantees of their social protection" applies; persons with inborn disabilities, and invalids of 1st and 2nd categories; citizens who have been taking care of disabled persons from their childhood, provided that such disabled persons need continuous care and live with them in the same apartment (house), and citizens who support (are guardians of) three or more children.

Local self-government bodies are authorized to grant additional tax privileges to particular citizens upon their request, based on financial and property status of such persons, and accordingly reduce their taxable incomes or exempt them from paying personal income tax for entire calendar year.

Personal income tax exemption during a calendar year shall apply to incomes received by citizens at the primary employment place and shall be granted by the tax administration bodies after the annual personal income tax is computed on the basis of income tax returns submitted by citizens.

Personal income tax exemption can not be granted unless there has been issued a document substantiating provision of such exemption.

#### Procedure for taxation of personal incomes

Given that the object of taxation in the case of citizens that have permanent residence in Ukraine is their aggregate income in the calendar year received from different sources, the Decree specifies some details concerning administering personal income tax during a calendar year.

Income tax on aggregate taxable income earned by citizens at their primary place of employment (studying, servicing), is withheld by enterprises, agencies, organizations and physical persons which are entrepreneurial entities, for which the taxpayer works, and must be computed in accordance with the procedure and rates specified in paragraph 1 of Article 7 of the Decree with subsequent amendments and changes taken into account.

Incomes received at the place of primary employment (studying, servicing) are considered incomes received from enterprises, agencies and organizations, physical persons which are entrepreneurial



entities, for which citizens work, where their personal employment certificate is kept and where transfers to the social security fund are made.

The aggregate taxable income earned at the place of primary employment shall include incomes derived from performing one's work duties, that is, incomes paid for citizens' performing particular services in accordance with their qualification, specialty, position, in the amount determined in accordance with the form of remuneration and on the basis of an employment contract, including payments for working part-time or under short-term contracts, incomes in the form of dividends earned on shares, as a result of distribution of the enterprise's income (profit), as well as other incomes that have been generated by means of enterprises, agencies, organizations and physical persons who are entrepreneurial entities' providing their employees with material and social assets in the form of money or physical goods.

Incomes received by citizens from places other than that of primary employment must be taxed at the source of payment at the rate of 20 per cent without deducting tax-exempt minimum income and granting tax privileges established in effective laws for particular categories of citizens.

Citizens who have had during the year such incomes are required to keep records and reflect them in tax return which they must file before 1 March of the year following the reporting one with the tax administration body based on the taxpayer place of residence.

Enterprises, agencies, organizations and physical persons operating as entrepreneurial entities, which disburse payments to part-time employees are required, no later than 30 days after the date of payment, report to a tax administration body at the place of residence of the employee about the remuneration paid and amount of personal income tax withheld.

The tax administration bodies use such reports for examining filed tax returns and for computing the annual personal income tax on the aggregate taxable income for a year, whether or not received at the place of primary employment. While determining the annual personal income tax, the taxable income must be reduced by the minimum tax-exempt personal income established in the laws and effective for the date when the tax is assessed, with personal income tax privileges being granted to citizens in accordance with established procedures.

### State Duty

Payers of the state duties in the territory of Ukraine are physical and juridical persons who pay them for activities performed for their benefit and for the issuance of legal documents by competent bodies.

- The state duty is charged for:
- i. claims, applications, dispute statements, complaints relating to particular cases or decisions concerning religious organizations, appeals of judicial decisions and complaints about decisions that have been put into effect, as well as for the copies of documents provided by the courts;
  - ii. claims and creditors' claims relating to bankruptcy proceedings and submitted to arbitrage courts, applications requesting review of decisions, approvals, resolutions for purposes of supervision or due to new circumstances;
  - iii. provision of notary services by the state notary agencies and executive committees of village, rural, city Councils of people's deputies, as well as for issuance of the copies of the documents certified by the notary;
  - iv. registration of births, marriages and deaths, and repeat issuance of certificates substantiating the said events in connection with changes, additions, amendments and renewal of such certificates;

- v. issuance of documents that give right to travel abroad and issuance of invitations for foreign citizens to visit Ukraine, for extension and amendments of such documents, for registration of national passports of foreign citizens or of documents substituting them; for the issuance or extension of residence permits; for the issuance of visas for foreign citizens allowing them to enter or leave Ukraine, and for applications for obtaining or annulment Ukrainian citizenship;
- vi. issuance of new passports to the citizens of Ukraine, for the issuance of international passports to the citizens of Ukraine, or extension of such passports that give right to travel abroad;
- vii. citizen's place of residence registration;
- viii. licenses to hunt and fish;
- ix. transactions with valuable papers;
- x. transactions performed at commodity and other (except for currency) exchanges;
- xi. conducting auctions;
- xii. services relating to receipt of documents substantiating industrial property rights, verification of their validity and transfer of their holders' rights.

The amount of the state duty may be determined in two ways:

- i. as a percentage of claimed value, contract value, property value;
- ii. as a number of minimum tax-exempt personal incomes effective at the date of payment of the state duty.

#### Procedure for payment of state duties

The state duties are paid before an application is filed or requested activities are performed, and in some instances - at the time when documents are provided.

The state duty is paid through lending institutions in cash or by means of transferring money from the payer's account with the lending institution.

For applications claiming foreign currency assets, for services and transactions in foreign currency the state duty shall be paid in foreign currency.

#### Payment of state duty to the budget

The state duties are paid at the places where documents are reviewed or issued. The state duties are paid to local budgets, except for duties paid for appeals to arbitrage courts, for filing applications requesting review of decisions, approvals and resolutions of arbitrage courts for purposes of supervision, and for services related to issuance or validation of patents on plant varieties, which are paid to the State budget of Ukraine.

Responsibility for collection of state duties lies on the state tax administration bodies and financial organs of Ukraine.

Pursuant to the Resolution of Supreme Council of Ukraine #4048-XII of 25 February, 1994, "On introducing changes and additions to the Resolution of the Cabinet of Ministers "On State Duty," the state duty for the issuance or extension of the passport of the citizen of Ukraine for the purpose of travelling abroad, for re-registration of international passports in 1994 - 1998 shall be paid to the state budget, and used to finance services related to issuance and registration of passports.

## Land Payment

According to the Law of Ukraine of July 3 1992, “On Land Payment,” the use of Land in Ukraine is to be paid for. Land payment is collected in the form of land tax or lease payment assigned depending on the quality and location of the site, based upon the cadastre land evaluation.

Land owners and land users, with the exception of lessees, shall pay land tax.

For the land leased, lease payments have to be made.

Land payments are introduced with the purpose of establishing a source of funds for financing measures as to rational utilization and safeguarding of lands, increasing soil fertility, reimbursement of land owners’ and land users’ expenses related to managing inferior quality lands, and conducting land cadastre.

According to target land apportioning, all lands of Ukraine are divided into:

- lands for agricultural purposes;
- lands occupied by populated areas (cities, towns, and village-type settlements);
- industrial lands, lands used by transportation, communication lines, for defense needs, and other purposes;
- lands used for the purposes of wild nature protection, recreation, and historic and culture sites;
- forest fund lands;
- water fund lands;
- reserve lands.

According to this division of lands, the Law of Ukraine “On land payment” establishes the average rates of land tax, which are subject to change when cadastre land evaluation changes.

The object of land payment is the plot of land which is owned, used, or leased.

The subject of land payment is the land owner, its user, or lessee.

The amount of land tax does not depend on the results of economic activities of land owners or land users and is established according to square unit measure of land per year.

The aforementioned Law provides for a number of privileges on the payment of land tax.

Besides, the Supreme Rada of the Autonomous Republic of Crimea, oblast, Kyiv, and Sevastopol local Radas of people’s deputies also can establish privileges as to land payments: partial exemption for a certain period of time, payment suspension, or lowering rates of land tax.

Juridical persons individually calculate the amount of land tax, according to the format established by the Head of the State Tax Administration of Ukraine, and not later than 15 July submit the data to the appropriate state tax administration annually.

The charges for land tax payments to private persons are presented by state tax administrations that issue the payer a bill on land tax payment prior to July 15 of the current year.

Land payments are recorded into special budget accounts of village, town, or local Radas of people’s deputies within the territory of which the land is located.

For centralization of land works, 30 per cent of the funds, collected as land payments, which were received on special budget accounts of fundamental level Radas of people's deputies, are centralized on a special budget account of Ukraine. 10 per cent is centralized on special budget accounts of the Autonomous Republic of Crimea and regions.

The funds received as land payments are used to finance measures as to rational utilization and safeguarding of lands, conducting land cadastre, extending favourable credits, economic stimulation of land owners, and other privileges.

For untimely payment of land tax, a fine in the amount of 0.2 per cent of the debt balance will be levied for every day of delay.

Control for the accuracy of accounting and collection of land tax is carried out by tax administrations.

#### Tax from owners of vehicles and other self-propelling machines and mechanisms

Tax from owners of vehicles and other self-propelling machines and mechanisms is one of the sources of financing construction, reconstruction, repairs and maintenance of automobile roads of general usage.

Tax payers from among the owners of vehicles and other self-propelling machines and mechanisms are enterprises, associations, and organizations which represent in themselves juridical persons, foreign juridical persons, and also citizens of Ukraine, foreign citizens, and persons without citizenship, who have personal vehicles (cars, motorcycles, motor scooters, tractors, and motor blocks) and other pneumatic, self-propelling machines and mechanisms.

Motorboats (ferries and yachts) and motor sled owners are also tax payers.

The tax is not levied on owners of vehicles and mechanisms on caterpillar track nor grain gathering and special purpose engine combines.

The object of taxation is power of the engine of passenger and freight vehicles, motorcycles, motor scooters, and motor blocks.

The tax is paid according to ratings (partially from the untaxed minimum of citizens' income) based on the engine power:

- for every horsepower;
- for every kilowatt of power.

The tax is paid to the budget of administrative territorial unit of self government, according to the location of enterprises and place of residence of citizens. 90 per cent of this amount is used for the needs of the roads economy, and 10 per cent is received on the account of State Automobile Inspection organs.

- The tax from owners of vehicles and other self-propelling machines and mechanisms is paid:
- by citizens who have personal vehicles - annually before technical inspection, but not later than the first half of the year when the inspection is to be done;
  - by enterprises - annually, but not later than the end of the first half year.

Tax payment is made before registration, re-registration, or annual technical inspection of vehicles.

Tax exemptions are receive by:

- enterprises of general usage vehicles, which include vehicles for passenger transportation, and also enterprises of general usage vehicles for mixed transportation (freight and passenger), which include vehicles for passenger transportation;
- establishments and organizations which are financed from the state budget;
- heroes of the Soviet Union, persons awarded with the order of Slava of three classes, invalids of World War II, or other invalids from among military officers who became invalids as a result of wound, concussion, or another incapacity acquired when defending the USSR or carrying out other military duties; it also applies to those who became invalids as the result of a sickness connected to being on the front line; invalids from among former partisan detachments, and also invalids who were recognized equal, according to their pension allowance, to those military officers mentioned in this paragraph;
- participants of World War II and military officers, who served in the army as part of the limited contingent of the Soviet troops in the Republic of Afghanistan and other countries in which there was a war at the time of their service there;
- invalids who have motor wheelchairs or hand-controlled automobiles;
- enterprises that are located on the territory which suffered from the fallout as a result of the accident on the Chernobyl Nuclear Power Station;
- citizens, included in the categories 1 and 2, who suffered from the results of Chernobyl catastrophe, and also those citizens included in the categories 3 and 4 subject to relocation from the area of guaranteed voluntary evacuation and the area of intensified radio and ecological controls;
- citizens who were evacuated to other areas from areas fallout pollution as a result of Chernobyl catastrophe - during three subsequent years;
- a 50 per cent exemption for fire extinguishing, ambulance vehicles, and passenger buses receive collective farms.

When certain valid reasons are present, village, town, and local Radas of people's deputies have the right to lower the amounts of tax or completely exempt certain payers from paying it.

#### Tax on private trade and manufacturing

Tax payers for private trade and manufacturing are citizens of Ukraine, foreign citizens, and persons without citizenship if they are not registered as entrepreneurial entities and carry out unsystematic (not more often than four times in a calendar year) sales of produced, reproduced, and purchased goods.

The object of taxation is the sum total value of the goods according to the market prices indicated by the citizen in the declaration submitted by him, according to the place of residence, to the regional (municipal) tax administration, and by the citizen that does not have a permanent place of residence - according to the location of selling.

Goods that have been grown on the private farm are not subject to be declared.

The rate of taxation for private trade and manufacturing is established in the amount of 10 per cent of the indicated in the declaration market value of the goods subject to be sold within three days, but not less than one untaxed minimum of citizens' income. In case the term of sale of goods is extended to seven days, the rate of taxation is doubled.

The order of payment of and recording the receipt of tax

The tax on private trade and manufacturing is paid in the form of purchasing a disposable patent for trade, the value of which is determined on the basis of the indicated by the payer sum total value of the goods and the rate of taxation. In case the patent is not used, the amount of tax shall not be returned. The minimum term of a single disposable patent is three days, and the maximum - seven days.

The tax on private trade and manufacturing is recorded in local budgets according to the place of purchase.

Citizens who sell goods shall, on the request of authoritative persons or state tax administration and organs of internal affairs, present their disposable patents.

The measure of payers' accountability

Citizens, who sell their goods without acquiring disposable patents, with patents that are overdue, or who sell goods that are not indicated in the declarations, for them heads of state tax administrations and their deputies shall levy administrative fines ranging from one to ten times the amount of the established by the current legislation untaxed minimum of citizens' monthly income; and for the same actions recurring within one year after levying the administrative fine - from ten to twenty times the amount of the established by the current legislation untaxed minimum of citizens' monthly income.

Protocols on administrative violations are created by authoritative persons of state tax administrations.

Executive committees of Radas of people's deputies inform the general public concerning the order of selling goods under disposable patents, indicate the sites, and create appropriate conditions for its execution.

Control over observing the Decree is laid on state tax inspections and organs of internal affairs.

Payment for special usage of depths while extracting useful minerals

Payment for special usage of depths while extracting useful minerals is introduced on the basis of the Law of Ukraine "On protection of the environment," the Law of Ukraine "On entrepreneurship," the Code of Ukraine on Depths, and resolutions of the Cabinet of Ministers of Ukraine of 4 February 1994, No. 85 "On ratification of the temporary order of making payments for special usage of depths while extracting useful minerals" with the purpose of providing for a rational and integrated depths usage in order to satisfy raw mineral needs, insure depths protection, and guarantee safety of people, property, and the environment when the depths used.

Payers for special usage of depths while extracting useful minerals are entrepreneurial entities independent of their forms of ownership, including foreign investment enterprises which are carrying out extraction of useful minerals.

The object of payment for special usage of depths while extracting useful minerals is the volume of liquidated balancing resources of (for oil, natural gas, peat, and hydro and mineral resources it is the amount of extracted) useful minerals.

Payments for special usage of depths while extracting useful minerals of national and local importance are made by entrepreneurial entities that extract and sell raw minerals, and also by

entrepreneurial entities which, as a part of their structure, have a subdivision (a coal or ore mine, quarry, etc.) that carries out extraction of useful minerals and further transfers them for future processing within its borders.

The amount to be paid for special usage of depths while extracting useful minerals is calculated personally by the payers based on the volume of liquidated (for oil, natural gas, peat, and hydro and mineral resources - on the amount of extracted) balancing resources of useful minerals in the amount of 1 per cent of selling unit price of the raw mineral extracted, without considering the VAT.

For a coal industry enterprise, correcting coefficient of 0.5 is introduced as payment standard.

For an entrepreneurial entity which, as a part of its structure, has a subdivision (a coal or ore mine, quarry, etc.) that carries out extraction of useful minerals and further transfers them for future processing within its borders, instead of prices for raw minerals, the cost of minerals to the subdivision times the correcting coefficient of 1.1 is used during calculations of payments for usage of depths while extracting useful minerals.

Payments are added quarterly, according to the balance accruing from the beginning of the year.

When useful minerals of national and local importance are extracted, payment for special usage of depths is counted over in the amount of 40 per cent to the state budget, and 60 per cent to the budget of the Autonomous Republic of Crimea, oblasts, and cities of Kyiv and Sevastopol to section 16 of income and expense classification of state and local budgets; the code of bank's report to the state budget is 53.

While extracting useful minerals of local importance, payments are counted over to budgets of the Autonomous Republic of Crimea, oblasts, and cities of Kyiv and Sevastopol to section 16 of income and expense classification of the state and local budgets.

Control over observing accuracy of making calculations and timely payments for special usage of depths while extracting useful minerals is done by state tax administrations, according to the location of useful mineral deposit.

#### Payment for special usage of forest resources

Forests of Ukraine are the country's national treasure and according to their purpose and location fulfil chiefly ecological, aesthetic, educational, and other functions; they have a limited usage importance and are subject to state supervision and protection.

All forests of Ukraine are property of the state.

The Supreme Rada of Ukraine is in charge of forests on behalf of the state.

The Supreme Rada of Ukraine delegates its authority concerning forest supervision to appropriate Radas of people's deputies.

Within their competence, Radas of people's deputies apportion land segments of forest fund for permanent or temporary use.

With the purpose of rational and frugal usage of forest resources, the Forest Code of Ukraine introduces payment for special usage of forests resources.

Forest resources include: technical and medical timber, fodder, food stuffs, and other forest products that are used for satisfying public and production needs.

According to their importance, forest resources are divided into forest resources of national and local importance.

Forest resources of national importance include wood received as a result of major usage and rosin.

Forest resources of local importance include forest resources that are not attributed to resources of national importance.

A woodcutting card (or order) or forest card represent a permission for special usage of national and local importance forest resources.

The woodcutting card is given to allow depositing of rosin, depositing of wood during major usage, woodcutting with the purpose of eliminating forest barriers, woodcutting as a part of forest nurturing, sanitary and other cuttings connected with carrying out forest economy measures and clearing out forest areas connected to building hydrostations, pipelines, highways, etc.

The forest card is given to allow haying, grazing livestock, setting up beehives, gathering wild fruits and berries, mushrooms, wall- and hazelnuts, medical plants and technical raw materials, and reeds; usage of forest areas with scientific and research purposes (without the right to cut trees); temporary usage of forest fund lands for agricultural production, other than agricultural land areas that are included as forest fund lands; and also usage of forest resources for the needs of hunting economy, locating tourist camps, tourist centres, or other similar facilities involving building of no major-type structures for longer than one year.

Payers for special usage of forest resources are all users of forests.

The object of making the indicated payments is wood of forest origination projecting out of a stump, rosin, secondary forest materials, such as stumps, rind, bark, foliage, and secondary forest usage.

Secondary forest usage includes: grazing livestock; setting up beehives; haying; extracting wood juices; gathering and depositing wild fruits, wall- and hazelnuts, mushrooms, berries, medical plants, and technical raw materials etc.

Payments for special usage of forest resources of national importance are made in the amount of 80 per cent to the state budget and 20 per cent to the budget of the Autonomous Republic of Crimea and oblast budgets.

#### Payment for special usage of fresh water resources

Payment for special usage of water resources is introduced by the Decree of the Cabinet of Ministers of Ukraine of 8 February 1994, No. 75 "On Ratification of the order of making payments for special fresh water usage and temporary norms of payment for their special usage.

Payments for special usage of water resources are made by all entrepreneurial entities that use water, independent of their forms of ownership, including hydro-energy and water transportation enterprises.



The amount of payments for special usage of fresh water resources, other than those used by hydro-energy and water transportation enterprises, is established according to temporary norms of payment, volume of water consumption, and limits of its consumption.

For exceeding the limits of fresh water consumption, payment is made in the amount of five times the normal rate.

Indicated payments within the established limits are classified as production expenses, but for any fresh water consumption in excess of the limit payments will be deducted from the revenue (income) left over for personal use of the enterprise.

Certain categories of entrepreneurial entities are assigned privileged coefficients as temporary norms of payment for special usage of fresh water resources.

The amount of payment is calculated individually by payers with consideration of privileged coefficients.

Payments are made by payers quarterly.

Payments for special use of fresh water resources of national importance are counted over in the amount of 80 per cent to the State Budget of Ukraine and 20 per cent to the budget of the Autonomous Republic of Crimea and oblast budgets. Payments for special usage of water resources of local importance are counted over to local budgets of the appropriate Radas of people's deputies. Payments for water usage for the needs of hydro-energy and water transportation are made to the State Budget of Ukraine, budgets of the Autonomous Republic of Crimea, oblasts, and cities of Kyiv and Sevastopol on the conditions providing for making payments for usage of fresh water resources within the limit.

Control over special usage of fresh water resources and evaluation of its volume are laid on appropriate organs of the Ministry of Economic Security of Ukraine. Control over accuracy and timeliness of making payments to budgets is done by state tax administrations.

#### Local taxes and collections

The Decree of the Cabinet of Ministers of Ukraine of 20 May 20 1993 "On local taxes and collections" indicates types of local taxes and collections, their limits, objects of taxation, and sources of payment. A special feature of this Decree is the fact that it provides for introduction of local taxes and collections by the decision of a local self-government organ. This same organ develops and ratifies a provision that established the order of making payments and counting over of taxes and collections to local budget, according to the listing and within the established rate limits.

Organs of local self-government have, within their competence, the right to introduce privileged rates and completely nullify local taxes and collections, or exempt certain categories of payers from paying them and grant an extension of payment of local taxes and payments.

With regards to foreign juridical persons and citizens, they pay local taxes and collections on equal conditions with juridical persons and citizens of Ukraine unless otherwise provided by international agreements and legislation of Ukraine.

*Hotel collection:* Payers are persons who live or stay in hotels. The maximum amount of collection should not exceed 20 per cent of the cost of lodgings (without additional services). Hotel collection is exacted and counted over to budget of the local self-government by the hotel administration.

*Parking collection:* Payers of this collection are juridical persons and citizens who park their vehicles in specially accommodated or allocated lots. The rate of collection is determined for 1 hour of parking. Its maximum amount should not exceed three per cent of untaxed minimum of citizens' income on allocated lots; on specially accommodated lots it should not exceed 1 per cent of minimum citizens' income. Parking collection is paid by drivers on the place of parking.

*Market collection:* This is payment for trade sites on markets, which is collected from juridical persons and citizens who are selling agricultural, industrial, and other types of goods. Market collection is exacted for everyday trading. Its maximum amount should not exceed 20 per cent of the minimum salary for citizens and three minimum salaries for juridical persons. Market collection is exacted by market employees before the beginning of selling goods.

*Collection from giving an apartment order:* This collection is paid for services connected to giving a document that granting the right to move into an apartment. The maximum amount of collection should not exceed 30 per cent of untaxed minimum of citizens' income at the time of apartment order registration.

*Resort collection:* Payers of this collection are citizens who arrive to resort areas. The maximum amount of this collection cannot exceed 10 per cent of untaxed minimum of citizens' income. Resort collection is done by: hotel administration and other hotel-type establishments at the time of arriver registration; lodging and intermediary organizations when sending people to be lodged in houses belonging to citizens, according to the right of ownership. From people who stay in citizens' houses without being assigned to those by lodging and intermediary organizations, and also from people who stay in tents, automobiles, etc., collection is exacted in the order provided for by Radas of people's deputies that establish this collection.

Exemption from payment receive:

- children under 16 year old;
- invalids and people that accompany them;
- participants of World War II;
- international warriors;
- participants of liquidation of Chernobyl NPP calamity consequences;
- persons that arrived with a pass to sanatoriums, recreation centres, or holiday hotels;
- persons that arrived to resort location on a business trip, for educational purposes, permanent place of residence, or to visit with parents or relatives;
- men of 60 years of age or older, and women of 55 years of age or older.

*Collections for participation in a horse racetrack:* This collection is exacted from juridical persons and citizens who present their horses to compete in commercial races. The maximum amount of collection for participation in a horse racetrack for each horse should not exceed three untaxed minimums of citizens' income. Collection is exacted by the racetrack administration before the beginning of competition.

*Collections for winning a race:* This collection is exacted by the administration of the racetrack from persons who won in the totalizator game at the racetrack during giving them the amount won. The collection's amount should not exceed 6 per cent of the amount won.

*Collection from persons who participate in the totalizator game on the racetrack:* This collection is exacted in the form of percentage addition to the bet, indicated as a fee for participating in the game. Its maximum amount should not exceed five per cent of the amount of the bet. The amounts of collection are exacted by the racetrack administration when a ticket for participating in the game is bought.

*Advertisement tax:* The object of taxation is the cost of services for placing advertisement. The tax is paid for all types of announcements and information releases that are given with a commercial purpose with the assistance of mass media, billboards, posters, and other technical means in the streets, along highways, on squares, buildings, vehicles, and other places. The maximum amount of the tax should not exceed 0.1 per cent of the cost of services of placing advertisement for an extensive period of time. The tax is paid during paying for services of placing the advertisement.

*Collection for the right to use local symbols:* This collection is exacted from juridical persons and citizens who use these symbols with commercial purpose. The permission for using local symbols (City Emblem; names or representations of architectural or historic sites) is given by appropriate organs of local self-government. The maximum amount of collection should not exceed from juridical persons 0.1 per cent of the cost of goods produced, works accomplished, or services rendered using the local symbols; from citizens that are involved in entrepreneurial activity this amount should not exceed five untaxed minimums of citizens' income.

*Collection for the right to conduct filming:* These collections are exacted from movie and television organizations that conduct filming which requires from local legislative organs additional measures (allocation of a militia squad, securing the filming territory, etc.). The maximum amount of collections should not exceed expenses incurred for conducting the indicated measures.

*Collection for the right to conduct local auctions, competition sales, and lotteries:* Payers of the collection are juridical persons and citizens who have the permission to conduct auctions, competition sales, and lotteries. The object of taxation is the cost of goods declared to be locally auctioned or sold on a competition sale, based upon their starting price or the amount for which lottery is issued. The maximum amount of collection is 0.1 per cent of the cost of goods declared to be locally auctioned or sold on a competition sale, or from the amount for which lottery is issued. The maximum amount for conducting lotteries from every participant of the auction should not exceed three untaxed minimums of citizens' income.

*Communal tax:* This tax is exacted from the legal persons (with the exception of budget establishments), organizations of planning and subsidising and agricultural enterprises.\* Its maximum amount should not exceed 10 per cent of annual labour payment fund, which is calculated based on the untaxed minimum of citizens' income.

*Collection from vehicles going abroad for driving on the territory of border oblasts:* This collections is exacted from juridical persons and citizens of Ukraine in the amount up to 0.5 of the untaxed minimum of citizens' income, depending on the trade name and power of the vehicle, and from juridical persons and citizens of other countries, including subjects of the former Soviet Union, in the amount from 5 to 50 USD. Collection is not exacted from:

- automobiles that conducts transportation abroad of freights by state order and according to state contracts;
- citizens of Ukraine, who are going on a business trip;
- athletes who are departing for international competitions;
- citizens who are departing with the purpose of cultural exchange, for medical treatment, or health recovery.

*Collection for giving permission to place objects of trade:* This is payment for design and giving permissions on trade in specially allocated for this purpose places. This payment is exacted by

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\* (This tax is exacted from juridical persons (with the exception of budget establishments), and organizations of planning and subsidy and agricultural enterprises).

authoritative organs from juridical persons and citizens who sell agricultural, industrial, or other goods. The maximum amount of collections should not exceed 20 untaxed minimums of citizens' income for subjects that constantly conduct trade in specially allocated for this purpose places, and one untaxed minimum of citizens' income per day for one-time trade.

Accountability for accuracy of calculations, timeliness of making local tax payments and collections to the budget of local self-government is laid upon payers, according to the current legislation. The control over making tax payments and collections is done by state tax administrations. Exaction of unpaid taxes and collections within the established time frames is done according to the current legislation.

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*We have considered major provisions of state tax administration activities and taxation system in Ukraine. To those who are interested in taxation policies of our country, we advise to follow up on changes and additions to the current legislation. Press service of the Main State Tax Administration of Ukraine and the magazine Visnyk of Tax Service of Ukraine regularly inform the public concerning those alterations through the mass media.*