International Fiscal Association

Tax Brief
IFA Ukraine

December 08, 2009 www.ifa-ukraine.org

The List of the Ukraine's Conventions on Avoidance of Double Taxation Further Extends

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Recently Verkhovna Rada (the Parliament) of Ukraine by its laws has made effective 3 Conventions on Avoidance of Double Taxation earlier signed and waiting for their ratification. Amongst these Conventions particularly are:

■ The Convention on Avoidance of Double Taxation and Prevention of Tax Avoidance in Respect of Income Taxes with Singapore signed on 26th of January 2007 ratified by the Law No.1677-17 of October 22, 2009 ("the Convention with Singapore"),

■ The Convention on Avoidance of Double Taxation and Prevention of Tax Avoidance in Respect of Income Taxes with Great Socialist People's Libyan Arab Jamahiriya signed on 4th of November 2008 ratified by the Law No.1731-17 of November 18, 2009 (" the Convention with Libya"), and

■ The Convention on Avoidance of Double Taxation and Prevention of Tax Avoidance in Respect of Income Taxes with Islamic Republic of Pakistan signed on 23rd of December 2008 ratified by the Law No.1732-17 of November 18, 2009 ("the Convention with Pakistan").

In brief the basic provisions of the above documents are the following.

I. The Convention with Singapore provides for:

■ Taxation of dividend at a source paid from Ukraine to Singapore at the level of 5% provided the beneficial owner of the dividend directly holds a stake of at least 20% in the share capital of the dividend payer. Otherwise the dividend shall be taxed at 15% rate;

■ Taxation of interest at a source paid from Ukraine to Singapore at the maximum 10% rate;

■ Taxation of royalty at a source paid from Ukraine to Singapore at the maximum 7.5% rate.

II. The Convention with Libya establishes that:

■ Dividend paid from Ukraine to Libya shall be taxable at a source at 5% rate if the beneficial owner receiving the dividend has at least 25% in the share capital of the dividend payer. In other cases the divided is taxable at 15% rate;

■ Interest from Ukraine to Libya shall be taxable at a source at the rate which shall not exceed 10%;

■ Royalty paid from sources in Ukraine to Libya shall be taxable at the rate which shall not exceed 10%.

III. According to the Convention with Pakistan:

■ Dividend paid from Ukraine to Pakistan shall be subject to 10% rate of withholding tax if the beneficial owner receiving the dividend has at least 25% in the share capital of the dividend payer. In all other cases the divided is taxable at 15% rate;

■ Interest paid from Ukraine to Pakistan shall be taxable at a source at the rate which shall not exceed 10%;

■ Royalty paid from Ukraine to Pakistan shall be taxable at a source at the rate which shall not exceed 10%.

As regards definition of 'permanent establishment', in particular, that criteria which deals with 'building site', it could be mentioned that the Convention with Libya provides for the shortest period of duration i.e. 3 months for the building site to qualify as a permanent establishment, while the Convention with Singapore provides for the standard 12 months duration period. The Convention with Pakistan establishes 6 months period for the building site to qualify as a permanent establishment.