

**LAW OF UKRAINE  
ON THE VALUE ADDED TAX**

**No. 168/97-VR**

**of 3 April 1997**

as amended and supplemented by Laws of Ukraine

of 27 June 1997 under No. 403/97- ,

of 16 July 1997 under No. 460/97- ,

of 19 September 1997 under No. 535/97- ,

of 26 September 1997 under No. 550/97- ,

of 15 October 1997 under No. 573/97- ,

of 19 November 1997 under No. 644/97- ,

of 5 December 1997 under No. 698/97- ,

of 23 December 1997 under No. 770/97- ,

of 30 December 1997 under No. 794/97- ,

of 30 December 1997 under No. 799/97- ,

of 15 January 1998 under No. 25/98- ,

of 4 March 1998 under No. 169/98- ,

of 24 March 1998 under No. 208/98- ,

of 6 October 1998 under No. 163-XIV,

of 20 November 1998 under No. 277-XIV,

of 1 December 1998 under No. 285-XIV,

of 11 December 1998 under No. 309-XIV,

of 24 December 1998 under No. 362-XIV,

of 25 December 1998 under No. 368-XIV,

of 15 January 1999 under No. 403-XIV,

of 18 February 1999 under No. 442-XIV,

of 18 March 1999 under No. 515-XIV,

of 19 March 1999, No. 522-XIV,

of 6 May 1999 under No. 624-XIV,

of 13 May 1999 under No. 645-XIV,

of 2 June 1999 under No. 714-XIV,

of 3 June 1999, No. 722-XIV,

of 7 July 1999 under No. 854-XIV,

of 14 July 1999 under No. 932-XIV,

of 14 July 1999 under No. 934-XIV

(amendments introduced by Law of Ukraine No. 934-XIV, dated 14 July 1999,

had been in effect until January 1, 2002),

of 14 July 1999 under No. 942-XIV,

of 14 July 1999 under No. 943-XIV,

of 15 July 1999 under No. 971-XIV,

of 15 July 1999 under No. 946-XIV,

of 15 July 1999 under No. 973-XIV,

of 15 July 1999 under No. 977-XIV

(amendments introduced by Law of Ukraine No. 977-XIV, dated 15 July 1999, are applied by taxpayers in the course of determination of tax obligations based on results of the accounting (tax) period that falls on the date of the entry into force by the said Law),

of 16 July 1999 under No. 991-XIV  
(taking account of the amendments introduced by Law of Ukraine No. 3333-IV, dated 12 January 2006),  
of 20 October 1999 under No. 1172-XIV,  
of 18 November 1999 under No. 1242-XIV,  
of 3 December 1999 under No. 1274-XIV,  
of 3 December 1999 under No. 1278-XIV,  
of 14 December 1999 under No. 1288-XIV,  
of 21 December 1999 under No. 1330-XIV,  
of 13 January 2000 under No. 1375-XIV,  
of 17 February 2000 under No. 1460-III,  
of 2 March 2000 under No. 1523-III,  
of 16 March 2000 under No. 1559-III,  
of 16 March 2000 under No. 1561-III,  
of 23 March 2000 under No. 1606-III,  
of 23 March 2000 under No. 1608-III,  
of 11 May 2000 under No. 1712-III,  
of 11 May 2000 under No. 1715-III,  
of 1 June 2000 under No. 1749-III,  
of 1 June 2000 under No. 1783-III,  
of 8 June 2000 under No. 1807-III,

entered into force as from the 1<sup>st</sup> of January 2003),  
(amendments to this Law contemplated by Law of Ukraine No. 40-IV, dated 4 July 2002,  
were suspended for 2003 in connection with suspending the effect of Clause 3 in Section VII of Law of  
Ukraine No. 40-IV, dated 4 July 2002,  
pursuant to Law of Ukraine No. 380-IV, dated 26 December 2002,  
for 2004 - pursuant to Law of Ukraine No. 1344-IV, dated 27 November 2003,  
for 2005 - pursuant to Law of Ukraine No. 2285-IV, dated 23 December 2004),  
of 24 December 2002 under No. 346-IV,  
of 26 December 2002 under No. 380-IV,  
of 16 January 2003 under No. 440-IV,  
of 16 January 2003 under No. 469-IV,  
of 6 March 2003 under No. 601-IV,  
of 22 May 2003 under No. 856-IV,  
of 22 May 2003 under No. 857-IV,  
of 9 July 2003 under No. 1028-IV,  
of 2 October 2003 under No. 1218-IV,  
of 23 October 2003 under No. 1240-IV  
(amendments introduced by Law of Ukraine No. 1240-IV, dated 23 October 2003,  
were in effect prior to the 1<sup>st</sup> of July 2004),  
of 20 November 2003 under No. 1300-IV,  
of 27 November 2003 under No. 1344-IV,  
of 28 November 2003 under No. 1352-IV,  
of 4 March 2004 under No. 1595-IV,  
of 11 May 2004 under No. 1701-IV,  
of 11 May 2004 under No. 1702-IV,  
of 15 June 2004 under No. 1766-IV,  
of 15 June 2004 under No. 1779-IV,

(amendments introduced by sub-clause 8 in Clause 1 of Section I as are introduced by Law of Ukraine No. 2642-IV, dated 3 June 2005, entered into force as from the 1<sup>st</sup> of September 2005),  
of 23 June 2005 under No. 2711-IV,  
of 7 July 2005 under No. 2771-IV,  
of 7 July 2005 under No. 2772-IV,  
of 6 October 2005 under No. 2960-IV,  
of 18 October 2005 under No. 2987-IV,  
of 19 January 2006 under No. 3370-IV,  
of 19 October 2006 under No. 273-V,  
of 30 November 2006 under No. 398-V,  
of 14 December 2006 under No. 463-V,  
of 19 December 2006 under No. 489-V

(Pursuant to Clause 13 in Section 2 of Law of Ukraine No. 2505-IV, dated 25 March 2005, a moratorium on granting new benefits and expending the existing benefits has been introduced as from the date of the entry into force by this Law for 5 years)

The term “transfer”, which is used in the wording “operations involving the transfer of land plots underlying real estate or land plots with no constructions thereon” in sub-clause 5.1.17 of Clause 5.1 in Article 5 of this Law, has been officially interpreted

(Pursuant to Resolution No. 2- /2004 of the Constitutional Court of Ukraine dated 5 February 2004)

(The words “tax authority” in all cases have been replaced with the words “authority of the State Tax Service” in applicable cases pursuant to Law of Ukraine No. 1955-III, dated 14 September 2000, throughout the text of the Law)

(In the text of the Law, the words “sale” and “rendering” have been replaced with the word “supply”, the words “services (works)” and “services (results of works)” have been replaced with the word “services” in applicable cases pursuant to Law of Ukraine No. 1782-IV, dated 15 June 2004)

the tax voucher, and shall lay down procedures for accounting, reporting and payment of the value added tax to the budget.

## **Article 1. Definitions**

The terms used in this Law shall have the following meanings:

1.1. “Tax, taxation, taxpayer, taxable operation (in applicable cases)” shall mean the value added tax, VAT taxation, a payer of the value added tax, an operation subject to taxation with VAT.

(Clause 1.1 of Article 1 as restated by the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

1.2. “Person” shall mean any of the persons listed below, irrespective of whether such person is a [Ukrainian] resident or not:

a business entity, including an enterprise with foreign investments, irrespective of the form of such investments and the time when they were made;

(Paragraph 2 in Clause 1.2 of Article 1 as amended pursuant to the Law of Ukraine, dated 20 December 2001, under No. 2899-III)

any other legal entity that is not a business entity;

a natural person (a [Ukrainian] citizen, a foreign national or a stateless person), who is engaged in activities as are classified as business activities in accordance with law, or in imports of goods into the customs territory of Ukraine;

a representative office of a foreign resident that has no “legal entity” status.

(Clause 1.2 of Article 1 is supplemented with paragraph 5 pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

For purposes of taxation, two or more persons, who are engaged in joint (common) activities without establishing a legal entity, shall be regarded as a separate person within such activities.

(Clause 1.2 of Article 1 is supplemented with paragraph 6 pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

Records of results of joint (common) activities shall be maintained by the taxpayer authorized to do so by the other parties pursuant to terms and conditions of the agree

For purposes of taxation, business relationships between participants of joint (common) activities shall be regarded as relationships on the basis of separate civil-law agreements.

(Clause 1.2 of Article 1 is supplemented with paragraph 8 pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

Procedures applicable to tax records of and reporting on results of joint (common) activities shall be laid down by the central tax agency.

(Clause 1.2 of Article 1 is supplemented with paragraph 9 pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

1.3. “Taxpayer” shall mean a person, who under this Law is required to withhold and transfer to the budget the tax paid by a purchaser, or a person, who imports goods into the customs territory of Ukraine.

1.4. “Supply of goods” shall mean any operations carried out pursuant to sale-purchase agreements, exchange agreements, supply agreements and other civil-law agreements that contemplate a transfer of rights of ownership to such goods for compensation, irrespective of terms within which such compensation has been provided, as well as operations involving a supply of goods (results of works) on a free-of-charge basis and operations involving a transfer of property by a lessor onto the books of a lessee pursuant to a financial lease or a supply of property pursuant to any other agreements whose terms and conditions contemplate a deferral of payment and a transfer of the right of ownership to such property not later than on the date of the last payment.

(Paragraph 1 of Clause 1.4 in Article 1 as amended pursuant to the Law

or via other methods of transferring a right to a patent, copyright, a trademark and other intellectual property rights, including industrial property rights.

(Paragraph 3 of Clause 1.4 in Article 1 as restated by the Law of Ukraine, dated 25 March 2005, under No. 2505-IV, as amended pursuant to the Law of Ukraine, dated 7 July 2005, under No. 2771-IV)

(Clause 1.4 in Article 1 as restated by the Law of Ukraine, dated 26 September 1997, under No. 550/97- )

1.5. “Accounting (tax) period” shall mean a period, for which a taxpayer is required to assess and pay the tax into the budget.

1.6. “Tax obligation” shall mean a total amount of the tax received (assessed) by the taxpayer during the accounting (tax) period, which amount has been determined pursuant to this Law.

1.7. “Tax credit” shall mean an amount, by which a taxpayer has a right to reduce the tax obligation for the accounting period, which amount has been determined pursuant to this Law.

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and licensing of activities concerned with retail sale of goods (services related to such sale), including excisable goods.

(Article 1 is supplemented with new Clause 1.12 pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

1.13. Clause 1.13 in Article 1 is deleted

(Pursuant to the Law of Ukraine, dated 3 June 2005, under No. 2642-IV)

1.13.1. Sub-clause 1.13.1 of Clause 1.13 in Article 1 is deleted

(Pursuant to the Law of Ukraine, dated 3 June 2005, under No. 2642-IV)

1.13.2. Sub-clause 1.13.2 of Clause 1.13 in Article 1 is deleted

(Pursuant to the Law of Ukraine, dated 3 June 2005, under No. 2642-IV)

1.13.3. Sub-clause 1.13.3 of Clause 1.13 in Article 1 is deleted

(Pursuant to the Law of Ukraine, dated 3 June 2005, under No. 2642-IV)

1.13.4. Sub-clause 1.13.4 of Clause 1.13 in Article 1 is deleted

(Pursuant to the Law of Ukraine, dated 3 June 2005, under No. 2642-IV)

1.13.5. Sub-clause 1.13.5 of Clause 1.13 in Article 1 is deleted

(Pursuant to the Law of Ukraine, dated 3 June 2005, under No. 2642-IV)

(Article 1 is supplemented with new Clause 1.13 pursuant to the Law of



1.15. Other terms shall have the meanings defined by tax laws or other laws to the extent they are not inconsistent with this Law and other tax laws.

(Article 1 is supplemented with new Clause 1.15 pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

1.16. “Tax promissory note” shall mean a written unconditional monetary obligation of a taxpayer to pay into the budget a relevant amount of funds pursuant to procedures and within time periods specified by this Law, which obligation is confirmed by commercial banks through avals, with a promissory note being issued by the taxpayer for deferring of payment of the value added tax that is collected at the time of importation of goods into the customs territory of Ukraine.

The tax promissory note shall not be protested, the amount specified in an outstanding promissory note unpaid shall be regarded as tax arrears that shall be covered pursuant to the procedures specified by law for payment of tax debt.

(Article 1 is supplemented with new Clause 1.16 pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV, in connection with which Clauses 1.11 and 1.12 shall be regarded as Clauses 1.17 and 1.18, respectively)

1.17. Such terms as “corporate rights, related party,

c) imports goods (related services) in volumes that are subject to VAT taxation pursuant to rules set forth in this Article.

2.2. Any person, who has registered at his/its discretion as a taxpayer.

(Clause 2.2 in Article 2 as amended pursuant to the Law of Ukraine, dated 3 June 2005, under No. 2642-IV)

2.3. A person must be obligatorily registered as a taxpayer in the event that:

2.3.1. the total amount of proceeds from operations undertaken to supply goods (services), including with the use of a local or global computer network, which are subject to taxation under this Law, that has been calculated for (paid, transferred to) such a person or in payment of obligations to third parties during the last 12 calendar months, exceeds in aggregate UAH 300,000 (excluding the value added tax).

(Sub-clause 2.3.1 of Clause 2.3 in Article 2 as amended pursuant to the Law of Ukraine, dated 3 June 2005, under No. 2642-IV)

2.3.2. A person, who is authorized to pay consolidated tax assessable on objects of taxation that arise as a result of supply of services by railway enterprises in connection with their principal business and by communications enterprises subordinated to the taxpayer pursuant to the procedures specified by the Cabinet of Ministers of Ukraine.

2.3.3. A person, who supplies goods (services) within the customs territory of Ukraine with the use of the global or local computer networks, in which case a non-resident person may carry on such activity only through its permanent establishment registered in the territory of Ukraine.

2.3.4. A person, who carries out operations involving sales of seized property, irrespective of whether or not such person achieves the total amount of operations involving the supply of goods (services) as is indicated in Sub-clause 2.3.1 in Clause 2.3 of this Article, as well as irrespective of which regime of taxation is used by such a person pursuant to law.

(Article 2 as amended by the Law of Ukraine, dated 26 September 1997, under No. 550/97- , dated 15 January 1998, under No. 25/98- , dated 20 November 1998, under No. 277-XIV, dated 14 September 2000, under No. 1955-III, as restated by the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

### **Article 3. Objects of Taxation and Operations not subject to Taxation**

contemplate a transfer of the right of ownership to such goods (property) or contemplate their exchange for corporate rights or securities, including cases when such exportation is in connection with termination of the said of agreements;

supply of goods (related services) from the customs territory of Ukraine into the territory of duty-free stores;

transfer of goods cleared under the customs regime of exportation into the customs regime of a customs

interest paid shall be determined, for taxation purposes, in Ukrainian hryvnias pursuant to the exchange rate set by the National Bank on the date of the payment;

transfer of property into a pledge (mortgage) to the lender (creditor) and/or as security for another actual claim of the creditor, returning of such property from the pledge (mortgage) to its owner upon the lapse of the term of the respective agreement, if the place of such transfer (return) is within the customs territory of Ukraine;

repayment in cash of the principal amount of a consolidated mortgage debt and payment of interest calculated thereon, combination and/or purchasing (selling) of a consolidated mortgage debt, replacement of one part of the consolidated mortgage debt for another part of the consolidated mortgage debt, or returning (buy-back) of such consolidated mortgage debt by the resident or for the resident's benefit pursuant to law;

(Sub-clause 3.2.2 of Clause 3.2 in Article 3, as amended pursuant to the Law of Ukraine, dated 16 January 2003, under No. 469-IV, as restated by the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

3.2.3. rendering of insurance, co-insurance and re-insurance services by entities that have licenses to carry out insurance activities pursuant to law, as well as insurance-related services of insurance (re-insurance) brokers and insurance agents;

rendering of mandatory social and pension insurance services, non-pension benefit services, services concerned with attraction and servicing of pension deposits;

(Sub-clause 3.2.3 of Clause 3.2 in Article 3, as restated by the

(Paragraph 1 of Sub-clause 3.2.5 in Article 3, as amended pursuant to the Law of Ukraine, dated 26 September 1997, under No. 550/97- , as restated by the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

trading in debt for cash or securities, except for operations involving collection of debts and factoring operations, except for factoring operations if the subject matter of a debt is foreign currency valuables, securities, including compensation documents (certificates), investment certificates, mortgage certificates with fixed returns, housing cheques, land bonds and derivatives;

(Paragraph 2 in Sub-clause 3.2.5 of Clause 3.2 in Article 3, as amended pursuant to the Laws of Ukraine, dated 15 July 99, under No. 977-XIV, dated 25 March 2005, under No. 2505-IV)

importation of property as technical or charitable (humanitarian) assistance pursuant to the rules of international agreements of Ukraine, to whose binding force the Supreme Rada of Ukraine granted its consent, or pursuant to law;

(Sub-clause 3.2.5 of Clause 3.2 in Article 3 is supplemented with paragraph 3 pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

3.2.6. payment of the cost of State paid services that are provided to natural persons or legal entities by agencies of executive power and bodies of local self-government, with the requirement for receiving (supplying) such services being laid down by law, including fees for registration, licenses (permits) issued, certificates in the form of charges, State duties etc.;



operations involving a free-of-charge transfer of non-privatized housing (including common-use space and buildings and structures adjacent to housing), as well as objects of social infrastructure (including objects whose construction is not completed) from the books of a taxpayer to the books of a legal entity, whose property is in Stat



(The effect of Sub-clause 3.2.11 in Clause 3.2 in Article 3 was suspended for 2004 pursuant to the Law of Ukraine, dated 27 November 2003, under No. 1344-IV)

(Sub-clause 3.2.11 of Clause 3.2 in Article 3, as restated by the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

3.2.12. payment of an arbitration fee and reimbursement for other expenses relating to resolution of a dispute by arbitration pursuant to law;

(Clause 3.2 in Article 3 is supplemented with sub-clause 3.2.12 pursuant to the Law of Ukraine, dated 11 May 2004, under No. 1701-IV)

3.2.13. Sub-clause 3.2.13 of Clause 3.2 in Article 3 is deleted

(Clause 3.2 in Article 3 is supplemented with sub-clause 3.2.13 pursuant to the Law of Ukraine, dated 3 June 2005, under

(The effect of Clause 4.1 of Article 4 was suspended for 2005 pursuant to the Law of Ukraine, dated 23 December 2004, under No. 2285-IV)

(Clause 4.1 of Article 4 as restated by the Laws of Ukraine, dated 25 March 2005, under No. 2505-IV, dated 7 July 2005, under No. 2771-IV)

4.2. In the event of supply of goods (works, services) without payment or with partial payment of their cost in cash as part of barter (commodity exchange) operations, performance of operations involving a free-of-charge transfer of goods (works, services), payments in kind as remuneration of labor to natural persons, who are employed by the taxpayer, a transfer of goods (works, services) within the balance sheet of the taxpayer for non-production use, expenses for which use are not deducted as gross expenses and are not subject to depreciation, as well as to a person related to the seller or a business entity, which is not registered as a taxpayer, the base of taxation shall be determined on the basis of the actual price of the operation, but not lower than a usual price.

(Clause 4.2 of Article 4 as amended pursuant to the Law of Ukraine, dated 4 March 1998, under No. 169/98- )

4.3. For goods, which are imported into Ukraine's customs territory by taxpayers, the basis of taxation shall be the contractual price of such goods, but not lower than their customs value as is indicated in a import customs declaration, taking account of expenses associated with transportation, loading, unloading, re-loading and insurance up to the point of crossing the customs border of Ukraine, payment of brokerage, agency, commission and other fees related to importation of such goods, payment for use of intellectual property belonging to such goods, excise taxes, import duties, as well as other taxes, charges (mandatory payments), except for the value added tax, which are included into the price of the goods (works, services) pursuant to Ukrainian tax laws. The determined value shall be re-calculated in Ukrainian hryvnias pursuant to the exchange rate of the National Bank of Ukraine in effect at the end of the operating day preceding the day, on which the goods (shipment of goods) were for the first time subjected to the regime of customs control pursuant to customs law.

(Paragraph 1 of Clause 4.3 of Article 4 with amendments introduced pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

For services, which are supplied by residents at the place of rendering of such services within the customs territory of Ukraine, the base of taxation shall be the contractual price of such works (services), taking account of excise taxes as well as other taxes, charges (mandatory payments), except for the value added tax, which are included into the price of the supplied works (services) pursuant to Ukrainian tax laws. The determined value shall be re-calculated in Ukrainian hryvnias pursuant to the exchange rate of the National Bank of Ukraine in effect at the end of the operating day preceding the day, on which a report evidencing the fact of receipt of the services was drawn up.

(Paragraph 2 of Clause 4.3 of Article 4 with amendments introduced pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

4.4. For finished products, which have been made within the territory of Ukraine from give-and-take materials of a non-resident, if such products are supplied into the customs territory of Ukraine, the base of

taxation shall be the contractual price of such products, taking account of an excise tax, import duties, as well as other taxes, charges (mandatory payments), except for the value added tax, which are included into the price of such products pursuant to Ukrainian tax laws. The determined value shall be re-calculated in Ukrainian hryvnias pursuant to the exchange rate of the National Bank of Ukraine in effect on the date of occurrence of tax obligations. In such case, the tax shall be paid into the budget by the purchaser pursuant to the procedures contemplated for taxation of goods being imported, and the liability for payment of the tax by the purchaser of such products shall be born by the domestic processor of such products.

4.5. If following the supply of goods (services) there is any change in the amount of compensation of their value, including a revision of prices upon delivery, any re-calculation in cases of return of goods to the person that provided them, the amounts of tax obligations and tax credit of the supplier and the recipient shall be subject to relevant adjustment.

4.5.1. If as a result of such re-calculation there is a decrease of the amount of compensation for the benefit of the taxpayer that is a supplier, then:

a) the supplier shall accordingly reduce the amount of the tax obligations based on results of the tax period, during which such re-calculation was carried out, and shall send the recipient the calculation of the adjusted figure of the tax;

b) the recipient shall accordingly reduce the amount of tax credit based on results of such tax period in the event that the recipient is registered as a taxpayer on the date, on which such adjustment was carried out, and has increased its tax credit in connection with having received such goods (services).

4.5.2. If as a result of such re-calculation there is an increase of the amount of compensation for the benefit

Cabinet of Ministers of Ukraine, but within time periods not exceeding 12 calendar months from the date, on which returnable tare was received, such tare is not returned to the shipper, the cost of such returnable tare shall be included into the base of taxation of the recipient.

(Clause 4.6 of Article 4 with amendments introduced pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

4.7. If a taxpayer is engaged in the supply of consumable goods (selling under commission arrangements), which are purchased from persons who are not registered as payers of the tax, the base of taxation shall be the commission fee of such a taxpayer. Rules on selling under commission arrangements and on determining commission fees shall be laid down by the Cabinet of Ministers of Ukraine.

(Paragraph 1 of Clause 4.7 of Article 4 with amendments introduced pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

In cases when a taxpayer is engaged in the supply of goods received under commission (consignment)

4.8. In the event that a taxpayer carries out operations involving a supply of goods (services), which are the object of taxation pursuant to Clause 3.1 in Article 3 of this Law, against security of debt obligations of the purchaser provided to such a taxpayer in the form of a promissory note or a bill of exchange or other debt-evidencing instruments (hereinafter referred to, as the “promissory note”) issued by such a purchaser or a third party, the base of taxation shall be the contractual price of such goods (services), but not lower than usual prices, excluding discounts from or other reductions off the nominal value of such a promissory note, and under interest-bearing promissory notes – it shall be the contractual price of such goods (services), but not lower than usual prices as increased by the amount of interest payable or to be paid on the amount of the nominal value of such a promissory note.

In the event that the taxpayer makes a return delivery of goods (services) upon consent of the holder of the promissory note, instead of repayment in cash of the debt amount specified in the promissory note, the base of taxation shall be the contractual price of such goods (services), but not lower than usual prices, excluding discounts from or other reductions off the nominal value of such a promissory note, and under interest-bearing promissory notes – it shall be the contractual price of such goods (services), but not lower than usual prices as increased by the amount of interest payable or to be paid on the amount of the nominal value of such a promissory note.

For purposes of taxation, pursuant to this Law the promissory notes (except for tax promissory notes) issued or received shall not be regarded as a means of payment and shall not change the amount of tax credit or tax obligations for this tax, except for tax promissory notes.

(Article 4 is supplemented with Clause 4.8 pursuant to the Law of Ukraine, dated 15 July 99, under No. 977-XIV, Clause 4.8 of Article 4 as restated by the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

4.9. If fixed production assets or non-production assets are liquidated by an independent resolution of the taxpayer or are transferred on a free-of-charge basis to a person, who is not registered as a taxpayer, as well as in the event that fixed assets are converted to non-production assets, such liquidation, transfer on a free-of-charge basis or conversion shall be regarded for taxation purposes as supply of such fixed production assets or non-production assets at usual prices existing on the date of such supply, and for fixed assets belonging to Group 1 – as supply at usual prices, but not lower than their balance-sheet value.

Rules set forth in this Clause shall not apply to instances when fixed production assets or non-production assets are liquidated in connection with their destruction or ruining as a result of an act of god, in other instances when such liquidation is carried out without the taxpayer’s consent, including in the event of theft of fixed assets, or when the taxpayer gives to the State tax authority a relevant document confirming destruction, disassembly or transformation of a fixed asset by other methods, as a result of which the fixed asset may not be used in the future for its originally designated purpose.

If as a result of liquidation of the fixed asset there are components, parts, elements or other leftovers that have value, such components, parts, elements or other

4.10. In the event of rendering of services concerned with shipments (carriage) of goods (freight, passengers) in transit through the customs territory of Ukraine, the base of taxation shall be calculated proceeding from the cost of services concerned with such transit shipments (carriage) rendered within the customs territory of Ukraine (taking account of the distance from the point of first crossing the State border of Ukraine to the point of final crossing the State border of Ukraine).

(Article 4 is supplemented with Clause 4.10 pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

4.11. Clause 4.11 of Article 4 is deleted

(Article 4 is supplemented with Clause 4.11 pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV, Clause 4.11 of Article 4 was deleted pursuant to the Law of Ukraine, dated 3 June 2005, under No. 2642-IV)

## **Article 5. Operations exempt from Taxation**

5.1. The following operations shall be exempt from taxation:

5.1.1. supply of domestic products of children's nutrition by "milk kitchen" facilities and specialized stores and points of sale that carry out functions of distribution points pursuant to the procedures and in accordance with the list of products specified by the Cabinet of Ministers of Ukraine;

5.1.2. supply of (subscription for) periodical publications of printed mass media and books, except for erotic publications, student copybooks, textbooks and training manuals of Ukrainian production, "Ukrainian language - foreign language" and "foreign language - Ukrainian language" dictionaries; delivery of periodical publications of printed mass media within the customs territory of Ukraine;

(Sub-clause 5.1.2 of Clause 5.1 as amended pursuant to the Law of Ukraine, dated 17 February 2000, under No. 1460-III)

(The effect of Sub-clause 5.1.2 of Clause 5.1 in Article 5 was suspended for 2004 (except for operations involving supplies of student copybooks, text books and training manuals of domestic production) pursuant to the Law of Ukraine, dated 27 November 2003, under No. 1344-IV)

(The effect of Sub-clause 5.1.2 of Clause 5.1 in Article 5 is renewed in connection with amendments introduced to Clause 49 in Part 1 of Article 80 of the Law of Ukraine, dated 27 November 2003, under No. 1344-IV, pursuant to the Law of Ukraine, dated 17 June 2004, under No. 1801-IV)

(Sub-clause 5.1.2 of Clause 5.1 in Article 5 as restated by the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

5.1.3. supply of services concerned with upbringing and education of children by children's musical and art schools, schools of arts, culture centers; services concerned with pre-school upbringing, rudimentary, secondary, vocational and higher education by institutions that have a special permit (license) to supply such services, irrespective of their organizational and legal status and forms of ownership, pursuant to the list of such services specified by the Cabinet of Ministers of Ukraine, as well as services concerned with accommodation of pupils or students in boarding schools or dormitories;

(Sub-clause 5.1.3 of Clause 5.1 in Article 5 as restated by the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

5.1.4. supply of goods of special designation for disabled persons pursuant to the list prescribed by the Cabinet of Ministers of Ukraine, the authorized agency of State executive power, including cars for disabled persons, with payments for them with monies from the State or local budgets of budgets, as well as operations involving their free of charge transfers to disabled persons in instances specified by law;

(Sub-clause 5.1.4 of Clause 5.1 in Article 5 as restated by the Law of Ukraine, dated 14 December 2006, under No. 463-V)

5.1.5. supply of services concerned with payment and delivery of pensions from the general system of mandatory State pension insurance, non-state pension benefits, insurance payments (including annuities) under long-term life insurance agreements, payments from bank pension accounts, payments under pension deposits, as well as monetary assistance to the population that is granted out of the budget pursuant to approved social programs;

(Sub-clause 5.1.5 of Clause 5.1 in Article 5 as restated by the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

5.1.6. supply of services concerned with registration of civil status acts by State bodies empowered to carry out such registration pursuant to law;

5.1.7. supply (including by pharmacies) of registered medical drugs and items of medical designation permitted for use in Ukraine in accordance with the list that is determined by the Cabinet of Ministers of Ukraine before the 1<sup>st</sup> of September of the year preceding the year of account. If until the above date the list has not been specified, the list for the previous year sha

(The effect of Sub-clause 5.1.8 of Clause 5.1 in Article 5 was suspended for 2004 (except for services concerned with the list that this specified by the Cabinet of Ministers of Ukraine), pursuant to the Law of Ukraine, dated 27 November 2003, under No. 1344-IV)

(Sub-clause 5.1.8 of Clause 5.1 in Article 5 as restated by the Law of Ukraine, dated 7 July 2005, under No. 2772-IV, as amended pursuant to the Law of Ukraine, dated 19 January 2006, under No. 3370-IV)

5.1.9. supply of vouchers for resort and rehabilitation treatment and recreation in the territory of Ukraine of natural persons aged under 18 years;

(Sub-clause 5.1.9 of Clause 5.1 in Article 5 as amended by the Laws of Ukraine, dated 7 July 1999, under No. 854-XIV, dated 2 March 2000, under No. 1523-III, dated 27 November 2003, under No. 1344-IV, dated 17 June 2004, under No. 1801-IV, as restated by the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

5.1.10. supply of the following services to the procedures and within normative limits specified by the Cabinet of Ministers of Ukraine:

keeping of children in pre-school institutions, boarding schools, receiving facilities at institutions of the Ministry of Internal Affairs of Ukraine,

keeping of persons in homes for elderly persons and disabled persons,

nutrition and sleeping accommodation for persons, who have no housing, in places specially d(t)8.7nhousit aou1,



(Sub-clause 5.1.11 of Clause 5.1 in Article 5 is deleted pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

5.1.12. Sub-clause 5.1.12 of Clause 5.1 in Article 5 is deleted

(The effect of Sub-clause 5.1.12 of Clause 5.1 in Article 5 was suspended for 2004 pursuant to the Law of Ukraine, dated 27 November 2003, under No. 1344-IV)

(Sub-clause 5.1.12 of Clause 5.1 in Article 5 is deleted pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

5.1.13. rendering of services concerned with carriage of persons by passenger transport (except for taxis) within boundaries of one town or village, rates for which carriage are governed by the body of local self-government pursuant to its competence defined by law.

This exemption shall not apply to operations involving the renting of passenger transport vehicles;

(Sub-clause 5.1.13 of Clause 5.1 in Article 5 as restated by the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

5.1.14. supply of cult services and supply of items of cult designation (except for excisable goods) by religious organizations under the list specified by the Cabinet of Ministers of Ukraine;

(Sub-clause 5.1.14 of Clause 5.1 in Article 5 with amendments introduced pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

5.1.15. supply of burial services by any taxpayers under the list specified by the Cabinet of Ministers of Ukraine;

(Sub-clause 5.1.15 of Clause 5.1 in Article 5 as amended pursuant to the Law of Ukraine, dated 4 March 1998, under No. 169/98- )

5.1.16. transfer of seized property, found items, treasures or property declared as ownerless into State ownership.

(Paragraph 1 of Sub-clause 5.1.16 of Clause 5.1 in Article 5 as amended pursuant to the Law of Ukraine, dated 14 December 2006, under No. 463-V)

(Sub-clause 5.1.16 of Clause 5.1 in Article 5 with amendments introduced pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

The supply of such goods through subsequent operations shall be taxed on general grounds;

(Sub-clause 5.1.16 of Clause 5.1 in Article 5 is supplemented with paragraph 2 pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

5.1.17. supply (selling, transfer) of land plots, land shares, except for those underlying real estate and are included into their cost pursuant to law (taking into account the provisions set forth in Sub-clause 5.1.19 of Clause 5.1 in Article 5 of this Law);

rent payment for land plots in State ownership or a community's ownership, if such rent payment is fully included into relevant budgets;

(The effect of Sub-clause 5.1.17 of Clause 5.1 in Article 5 was suspended for 2004 pursuant to the Law of Ukraine, dated 27 November 2003, under No. 1344-IV)

(Sub-clause 5.1.17 of Clause 5.1 in Article 5 as restated by the Law of Ukraine, dated 15 June 2004, under No. 1782-IV)

(The term "transfer", which is used in the word combination "operations involving a transfer of land plot underlying real estate or land plots having no constructions thereon shall be exempt from taxation" in Sub-clause 5.1.17 of Clause 5.1 in Article 5 of this Law, was officially interpreted by Decision No. 2- /2004 of the Constitutional Court of Ukraine, dated 5 February 2004)

(The effect of Sub-clause 5.1.17 of Clause 5.1 in Article 5 has been restored in connection with the amendments introduced to Clause 49 in Part 1 of Article 80 of the Law of Ukraine, dated 27 November 2003, under No. 1344-IV, in accordance with the Law of Ukraine, dated 17 June 2004, under No. 1801-IV)

5.1.18. transfer on a free-of-charge basis of rolling stock by one railway company or railway enterprise of common use to another railway companies or railway enterprises of common use in State-ownership pursuant to the procedures laid down by the Cabinet of Ministers of Ukraine;

5.1.19. privatization on a free-of-charge basis of housing, including places of common use (including basements and attics) in apartment buildings, land plots underlying houses and land plots pursuant to law, as well as rendering of services, the receipt of which under law is a pre-condition to privatization of housing, land plots underlying houses and land plots;

(Paragraph 1 of Sub-clause 5.1.19 of Clause 5.1 in Article 5 with amendments introduced pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

transfer on a free-of-charge of corporate rights (participation interest, interest, shareholding, share) issued by a processing enterprise to a private agricultural enterprise into ownership pursuant to the Law of Ukraine "On Specifics of Privatization of Property in the Agro-Industrial Complex.

(Clause 5.1 in Article 5 is supplemented with sub-clause 5.1.19 pursuant to the Law of Ukraine, dated 26 September 1997, under No. 550/97- , sub-clause 5.1.19 of Clause 5.1 as amended by the Laws of Ukraine, dated 15 July 99, under No. 977-XIV, dated 2 March 2000, under No. 1523-III, as restated by the Law of Ukraine, dated 15 June 2004, under No. 1782-IV)

(The effect of Sub-clause 5.1.19 of Clause 5.1 in Article 5 was suspended for 2004 (except for privatization of the housing pool on a free-of-charge basis) pursuant to the

purchaser into ownership or if construction of such housing had been commenced against obligations of the purchaser or investor, where the purchaser or investor had made a payment not lower than 30% of the value of the aggregate square space of such housing as determined pursuant to prices existing in effect on the date of such payment) pursuant to Law of Ukraine No. 1344-IV, dated 27 November 2003, taking account of the amendments introduced by Law of Ukraine No. 1801-IV, dated 17 June 2004)

5.1.21. grant of charitable assistance, to wit a free

Operations involving the furnishing of charitable (including humanitarian) assistance in the form of excisable goods (works, services), securities, intangible assets and goods (works, services) designated for use in business activities, including at the time of importation thereof into the customs territory of Ukraine, except for goods, which are covered by international treaties, to whose binding force the Supreme Rada of Ukraine has granted its consent, shall not be exempt from taxation.

(Paragraph 5 of Sub-clause 5.1.21 of Clause 5.1 in Article 5 with

(Clause 5.1 in Article 5 is supplemented with sub-clause 5.1.23 pursuant to the Law of

(Pursuant to the Law of Ukraine,  
dated 2 March 2000, under No. 1523-III)





(The effect of Clause 5.8 in Article 5 was suspended for 2003 in the part relating to providing benefits to organizations of national sports federations for Olympic and Para-Olympic types of sports in connection with partial suspension of the effect of Clause 2

(Article 5 is supplemented with Clause 5.10 pursuant to the Law

violation occurred, by the amount of the value added tax that should have been paid at the time of importation, performance (rendering) of works, services within this territory or assessed on a general basis, as well as to be pay penalties assessed pursuant to law.

(Article 5 is supplemented with Clause 5.13 pursuant to the Law of Ukraine, dated 1 July 2004, under No. 1965-IV)

5.14. Operations involving importation of cultural valuables pursuant to UCG FEA codes 9701 10 00 00, 9701 90 00 00, 9702 00 00 00, 9703 00 00 00, 9704 00 00 00, 9705 00 00 00, 9706 00 00 00, made 50 and more years ago, which valuables are imported with a view of their further transfer to museums, galleries, exhibition centers, archives, culture or educational institutions that are in State or communal ownership, shall be exempt from taxation.

(Paragraph 1 of Clause 5.14 in Article 5 with amendments introduced pursuant to the Law of Ukraine, dated 25 March 2005, under No. 2505-IV)

Operations involving subsequent sales of the said cultural valuables by legal entities and natural persons shall be taxed in accordance with law.

Tax exemptions contemplated in this Clause shall apply to operations with cultural valuables that are

## Article 6. Rates of the tax

6.1. Objects of taxation specified in Article 3 of this Law, except for transactions exempt from taxation and transactions subject to a zero rate pursuant to this Law, shall be taxed at the rate of 20 percent.

6.1.1. The tax shall be equal to 20 percent of the tax base specified in Article 4 of this Law, and shall be included in the price of goods (works, services).

6.2. In case of exportation of goods and services, related to such goods, the rate of the tax shall be "0" percent of the tax base:

(Paragraph 1 of Clause 6.2 of Article 6 as restated by the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

6.2.1. Subject to a zero rate shall also be transactions:

(Paragraphs 1 and 2 of sub-clause 6.2.1 of Clause 6.2 of Article 6 are replaced with paragraph 1 pursuant to the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

- of supply of services, which involve works relating to movable property earlier shipped into the customs territory of Ukraine for the purpose of performing such works and shipped outside the customs territory of Ukraine by the taxpayer who performed such works, or by the non-resident recipient.

(sub-clause 6.2.1 of Clause 6.2 of Article 6 has the new paragraph 2 added pursuant to the Law of Ukraine dated 7 July 2005, under No. 2771-IV)

The works relating to movable property include works relating to the processing of goods, which may include processing (treatment) of goods (such as assembling, setting up, mounting or installing) resulting in production of other goods, including performance of works relating to processing of give-and-take raw materials, as well as upgrade and repair of goods, involving performance of a set of processes resulting in complete or partial restoration of productive capacities of an object in question (or its components), as specified in the regulatory and technical documents, the result being the improved conditions of such an object.

(sub-clause 6.2.1 of Clause 6.2 of Article 6 has the new paragraph 3 added pursuant to the Law of Ukraine dated 7 July 2005, under

No. 2771-IV, and thus paragraphs  
2 – 11 shall be paragraphs 4 - 13)



(sub-clause 6.2.5 of Clause 6.2 of Article 6 is deleted pursuant to the Law of Ukraine dated 03.12.99 No. 1274-XIV)

6.2.6. until 1 January 2008, supplies to the processing enterprises of milk and meat (live weight) by agricultural producers of any type of ownership and business;

(Clause 6.2 of Article 6 has the sub-clause 6.2.6 added pursuant to the Law of Ukraine dated 23.12.97, No. 770/97-VR, sub-clause 6.2.6 of Clause 6.2 of Article 6 as amended pursuant to the Law of Ukraine dated 19.10.2006 No. 273-V)

(sub-clause 6.2.6 of Clause 6.2 of Article 6 has been extended until 1 January 2005 pursuant to Law of Ukraine dated 28.11.2003 No. 1352-IV, until 1 January 2006 - pursuant to the Law of Ukraine dated 23.12.2004 No. 2287-IV, until 1 January 2007 - pursuant to the Law of Ukraine dated 18.10.2005 No. 2987-IV)

6.2.7. Sub-clause 6.2.7 of Clause 6.2 of Article 6 is deleted

(Clause 6.2 of Article 6 has sub-clause 6.2.7 added pursuant to the Law of Ukraine dated 30.12.97 No. 799/97-VR)

(sub-clause 6.2.7 of Clause 6.2 of Article 6 is deleted pursuant to the Law of Ukraine dated 03.12.99 No. 1274-XIV)

6.2.8. of supply of goods (except for excisable goods) and of services (except for gambling and lottery businesses and of services of supply of excisable goods, received within the limits of commission (consignment) agreements, authorization, trust, authorized management, other civil-legal agreements, which empower such a commissioner to supply goods on behalf and under instruction of the committent without transfer of the ownership of such goods), which are directly manufactures by enterprises and public organizations of invalids, which are established by public organiVc ā,ma,nd arelin thci

wage fund of such invalids during the accounting period is not less than 25 percent of the total wage costs included in gross production expenses.

Production of goods shall be considered direct if the costs of processing (treatment, other processing) of raw materials, components, parts, other purchased goods used to produce such goods, is not less than 8 percent of the selling price of such produced goods.

Such enterprises and organizations of public organizations of invalids may apply this privilege on condition of registration in the relevant tax body, which is to be administered on the basis of submission of a positive decision of the inter-agency Committee for issues concerning activities of enterprises and organizations of public organizations of invalids and a relevant statement of the taxpayer concerning one's desire to receive such a privilege pursuant to the Law of Ukraine "On the principles of social protection of invalids in Ukraine".

In a case of violations of requirements of this sub-clause by the taxpayer, the tax body shall cancel its registration as a person entitled to the tax privilege, and tax liabilities of such a taxpayer shall be carried over from the tax period, in connection with the results of which the violations were established, pursuant to





6.5. A place of supply of services shall be:

provision of services by consultants, engineers, lawyers, accountants, auditors, actuaries and other similar services, as well as services relating to data processing and provision of information, including such services involving use of computer systems;

issuance of a requirement not to engage in particular types of activities in part or in full;

provision of services by natural persons, who are hired by the supplier, for the benefit of another person;

provision of agent services on behalf of and at the expense of another person, provided that the buyer is provided with services, specified in this sub-clause;

renting movable property (including bank safes);

f) in case of provision of services to the staff servicing sea, air and space objects – the place provision of such services.

(Article 6 has clause 6.5 added pursuant to the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

#### **Article 7. Procedure for assessment and computation of the tax**

(Article 7 has been revoked in part relating to agricultural producers – participants of the experiment involving introduction of the unified (fixed) tax in the territory of Globynsky region of Poltava oblast in relation to all transactions that are objects of taxation, except for transactions of sale of one's own production by such agricultural producers)

(pursuant to Laws of Ukraine dated 15 January 1998, under No. 25/98-VR, dated 20 November 1998, under No. 277-XIV)

c) full or short name, as specified in the statutory documents of a legal entity or full name of the natural person registered as payer of the value-added tax;

(sub-clause " " of sub-clause 7.2.1 of Clause 7.2 of Article 7 as amended pursuant to the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

d) tax number of the taxpayer (seller or buyer);

e) place of location of the legal entity or the place of the tax address of the natural person registered as payer of the value-added tax;

f) description (nomenclature) of goods (works, services) and their quantity (volume, amount);

g) complete or short name specified in statutory documents of the recipient;

(sub-clause "g" of sub-clause 7.2.1 of Clause 7.2 of Article 7 as amended pursuant to the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

h) price of supply exclusive of the tax;

i) rate of the tax and corresponding amount of the tax in the numerical expression;

j) the total amount payable inclusive of the tax.

7.2.2. In case of exemption from taxation in cases specified in Article 5 of this Law, a note "without VAT" shall be made in the tax invoice with a reference to the relevant sub-clause of Clause 5.1 or clause of Article 5.

7.2.3. A tax invoice shall be issued in two copies at the time when the seller's tax obligations arise. The original tax invoice shall be given to the buyer, and the copy shall be retained by the seller of the goods (works, services).

(Paragraph 1 of sub-clause 7.2.3 of Clause 7.2 of Article 7 as amended pursuant to the Law of Ukraine dated 19.11.97 No. 644/97-VR)

For taxable and tax-exempt transactions different tax invoices shall be issued.

A tax invoice is a reporting tax document and, at the same time, it is a payment document.

A tax invoice shall be issued for a full or partial supply of goods (works, services). If a part of goods (works, services) does not contain separate value, the list (nomenclature) of partially supplied goods shall be specified in an annex to the tax invoice pursuant to the procedures established by the central body of the state tax service of Ukraine, and shall be used for determination of the total tax liability.

Payers of the tax shall be required to keep tax invoices during the period established by the legislation for obligations to pay taxes.

A transit ticket, hotel bill or a bill issued to the taxpayer for communication services, other services, the cost of which is determined based on the meters' readings, including total payment amounts, amount of the tax and the tax number of the seller, except for those where the form is established under international standards;

(Paragraph five of sub-clause 7.2.6 of Clause 7.2 of Article 7 as amended pursuant to the Law of Ukraine dated 03.06.2005 . No. 2642-IV)

cash receipts containing the value of delivered goods (services), the total amount of the assessed tax (specifying the fiscal number, but not specifying the tax number of the supplier). For purposes of such assessment the total value of supplied goods (services) may not exceed 200 hryvnas per day (exclusive of the value-added tax).

(sub-clause 7.2.6 of Clause 7.2 of Article 7 as amended pursuant to the Law of Ukraine dated 19.11.97 No. 644/97-VR, as restated by the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

such a taxpayer. The form and procedures for maintainin

7.3.3. If the supply of goods (works, services) is carried out using credit or debit cards, travel, commercial, personal or other check, the date of increase of tax liabilities shall be either the date of issuance of the tax invoice certifying the fact of the taxpayer's supplying goods (works, services) to the buyer, or the date of issue of the receipt (check), depending on which event took place earlier.

7.3.4. The date of tax liabilities of a lessor in case of financial rent transactions (leasing) shall be the date of the actual transfer of the object of financial rent (leasing) for use by the lessee.

(sub-clause 7.3.4 of Clause 7.3 of Article 7 as restated by the Law of Ukraine dated 16 January 2003, under No. 469-IV)

7.3.5. The date of tax liabilities in case of supply of goods (works, services) where payment is made from the budget funds is the date of receipt of such funds on the current account of the taxpayer or the date of receipt of the compensation in any other form, including reduction of the debt of such a taxpayer based on his liabilities to the budget in question.

(sub-clause 7.3.5 of Clause 7.3 of Article 7 as amended pursuant to the Law of Ukraine dated 10.01.2002 No. 2921-III)

7.3.6. The date of tax liabilities in case of importation is the date of filing a customs declaration specifying the amount of the tax payable. The date of tax liabilities in case of importation of works (services) is the date of the withdrawing of the funds from the account of the taxpayer as a payment for the works (services), or the date of issuance of the document certifying the fact of performance of works (services) by non-resident regardless of which event took place earlier.

(the first sentence of sub-clause 7.3.6 of Clause 7.3 of Article 7 was suspended for 2005 pursuant to the Law of Ukraine dated 23.12.2004 No. 2285-IV)

(sub-clause 7.3.6 of Clause 7.3 of Article 7 as amended pursuant to the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

7.3.7. The date of tax liabilities of the contractor operating under a contract recognized as long-term pursuant to the Law of Ukraine "On the Corporate Profit Tax", is the date of increase in the gross income of the long-term contractor.



(sub-clause 7.3.8 of Clause 7.3 of Article 7 as restated by the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

7.3.9. A person, who over the last twelve calendar months had taxable supplies the value of which does not exceed the amount specified in sub-clause 2.3.1 of Clause 2.3 of Article 2 of this Law (exclusive of this tax), may elect to use a cash method of tax accounting.

If the said election took place at the time of registration of this person as payer of this tax, the cash method shall begin to apply on the date of such registration and may not be changed until the end of the year in which such registration took place.

If this election takes place at any given time after the registration of the person as payer of this tax, the cash method shall begin to apply in the tax period following the tax period, in which this choice was made, and may not be changed during the next twelve monthly (or four quarterly) tax periods.

A decision to elect the cash method shall be submitted to the tax body together with the application for tax registration or tax declaration for the reporting (tax) period, during which such choice was made.

During the period of application of the cash method the taxpayer shall be required to indicate it in his tax declarations for this tax.

A taxpayer who has elected the cash method of accounting may not apply it to:

Import and export transactions;

transactions of supply of excisable goods.

If goods (services) remain unpaid for fully (inclusive of this tax) during three tax months following the month in which they were supplied by the taxpayer which had elected the cash method (during the quarter following the quarter in which they were supplied, for taxpayers which have elected the quarter tax period), and such payer has not commenced a procedure for collection of bad debt pursuant to legislation, then the amount of assessed taxes shall be included in tax liabilities of such a taxpayer based on the results of the next tax period.

Application of the cash method shall be terminated since the tax period following the tax period during which the taxpayer himself made his decision to elect generally applicable rules for determination of the date of tax liabilities and tax credit (accrual method), or reached the volume of taxable transactions specified by sub-clause 2.3.1 of Clause 2.3 of Article 2 of this Law.

A taxpayer may himself discontinue using the cash method by way of sending a relevant application to the address of the tax body at the place of his tax registration.

If volumes of taxable transactions based on the results of the accounting period shall exceed the amount specified in sub-clause 2.3.1 of Clause 2.3 of Article 2 of this Law, the taxpayer shall be required to discontinue to use the cash method by way of sending the relevant application to the address of the tax body in which he is registered as payer of this tax, together with filing the tax declaration for respective reporting period. In this case the taxpayer applies general rules of taxation starting with the next tax period. If a

taxpayer failed to file such an application within the established in this sub-clause period, the tax body shall be required to reassess the amount of tax liabilities and tax credit of such taxpayer starting with the tax period within which falls the final date for submission of his application for discontinuing the cash method, and the taxpayer shall not be allowed to use the cash method during the next 36 tax months.

From the beginning of the application of the cash method on the grounds specified in this Law, the amounts of tax liabilities and tax credits incurred prior to the application of the cash method shall not be reassessed in connection with the beginning of such application.

In case of discontinuation of the use of the cash method on any grounds and application of the general system of taxation by this law:

the amount of tax obligations of the taxpayer shall be increased by the amount assessed on the value of goods (services) supplied by the taxpayer, but not paid for in money or in other types of compensation on the date of the taxpayer's changing to the regular regime of taxation;

the amount of the tax credit of the taxpayer shall be increased by the amount assessed on the value of goods (services), received by the taxpayer, but not paid for in money or in other types of compensation on the date of the taxpayer's changing to the regular regime of taxation.

(Clause 7.3 of Article 7 has sub-clause 7.3.9 added pursuant to the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

#### 7.4. Tax credit

7.4.1. Tax credit for the accounting period shall be determined on the basis of the agreed (contract) value of goods (services), but not higher than the level of regular prices, if this agreed price on such goods (services) differs by more than 20 percent of the regular price on such goods (services), and consists of the amounts of taxes assessed (paid) by the taxpayer at the rate established in clause 6.1 of Article 6 and in Article 8<sup>1</sup> of this Law, during such accounting period in connection with:

(Paragraph 1 of sub-clause 7.4.1 of Clause 7.4 of Article 7 as restated by the Law of Ukraine dated 30.11.2006 No. 398-V)

purchase or m0.3(d(e)9.4(1-.8( 7.)4.9(( m0.3-23.1 A)5((s b).6( by.)6.70r)1.1(p86(e)9.4)4.9((t)-5.6)-10.7(c)5.7(o)-5)

reporting tax period, as well as whether or not the taxpayer carried out taxable transactions during such reporting tax period.

If later such goods (services) begin to be used in transactions which are not objects of taxation pursuant to Article 3 of this Law or are exempt from taxation pursuant to Article 5 of this Law, or the fixed assets are converted into non-production assets, then for the purpose of taxation such goods (services) and fixed assets shall be considered sold at their regular price in the tax period in which the beginning of such use or conversion occurred, but not less than the price of their purchase (manufacturing, construction, assembly).

(sub-clause 7.4.1 of Clause 7.4 of Article 7 as amended pursuant to the Law of Ukraine dated 15.07.99 No. 977-XIV, as restated by the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

7.4.2. If a taxpayer purchases (produces) goods (services) and fixed assets intended for use in transactions which are not objects of taxation pursuant to Article 3 of this Law or are exempt from taxation pursuant to Article 5 of this Law, then the amounts of the tax paid in connection with such purchase (manufacturing) shall not be included in the tax credit of such payer.

The amount of the tax paid by the taxpayer in connection with the purchase of a car (except for taxi) to be included in the fixed assets, shall not be included in the tax credit and shall be treated as gross expenses.

Paragraph 3 of sub-clause 7.4.2 of Clause 7.4 of Article 7 is deleted

(pursuant to Law of Ukraine dated 7 July 2005, under No. 2771-IV)

(sub-clause 7.4.2 of Clause 7.4 of Article 7 as restated by the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

7.4.3. If goods (works, services), produced and/or purchased, are partly used in taxable transactions, and are partly not used in such transactions, then the amount of the tax credit shall also include the part of the tax paid (assessed) at the time of the production or the purchase, which corresponds to the part in which such goods (works, services) were used in taxable transactions in the accounting period.

7.4.4. If a taxpayer purchases (produces) tangible and intangible assets (services), which are not intended for use in the business activities of such taxpayer, then the amount of the tax paid in connection with such purchase (production) shall not be included in the tax credit.

(sub-clause 7.4.4 of Clause 7.4 of Article 7 as restated by the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

7.4.5. The amounts of the tax paid (assessed) in connection with a purchase of goods (services) not supported by tax invoices or customs declarations (other similar documents pursuant to sub-clause 7.2.6 of this Clause) shall not be included in the tax credit.

(Paragraph 1 of sub-clause 7.4.5  
of Clause 7.3 of Article 7 as  
restated by the Law of Ukraine  
dated 25 March 2005, under  
No. 2505-IV)

If at the time of inspection of the taxpayer by the body of the state tax service the amounts of the tax earlier included in the tax credit remain unsupported by the documents specified in this sub-clause, the taxpayer shall be held accountable in the form of financial sanctions established by law and assessed on the amount of tax credit not confirmed by the documents indicated in this sub-clause.

Ukraine dated 16 January 2003,  
under No. 469-IV)

7.5.4. The date when the right of the customer to a tax credit under contracts recognized as long-term

The declaration shall be supported by the computation of the amount of the budget refund, copies of cancelled tax promissory notes (tax receipts), if such are available, and the original fifth principal sheets (copies of the declaring entity) of customs cargo declarations, in case of export transactions.

The form of application for a refund and the form for computation of the amount of budget refund shall be established under the procedure established by the central tax agency.

7.7.5. During 30 days following the date of receipt of tax declaration, the tax body shall carry out documentary in-office (in camera) examination of data indicated in the declaration. If there are sufficient grounds to believe that computation of the amount of the budget refund was performed in violation of provisions of tax legislation, tax body has the right, du

following the day of receipt of the corresponding notice from the payer or the court's decision to initiate proceedings, be required to notify of this the office of the state treasury. The state treasury office shall

) person who is a payer of the unified tax under the simplified system of taxation, accounting and reporting, which provides for payment of this tax in a way other than one established by this Law, or for exemption from such a payment.

(sub-clause 7.7.11 of Clause 7.7 of Article 7 has sub-clause " " added pursuant to the Law of Ukraine dated 7 July 2005, under No. 2771-IV) (Clause 7.7 of Article 7 as amended by the Laws of Ukraine dated 04.03.98 No. 169/98-VR, dated 20 November 1998, under No. 277-XIV, of 14.07.99 No. 934-XIV, of 2 March 2000, under No. 1523-III, of 21.12.2000 No. 2181-III, of 15.06.2004 No. 1766-IV, as formulated in the Law of Ukraine of 25.03.2005 No. 2505-IV)

## 7.8. Tax periods.

7.8.1. A tax period is one calendar month, and in cases specifically addressed in this Law - one calendar quarter, taking into account that:

if a person is registered as the taxpayer on a day other than the 1-st day of a calendar month, the first tax period shall be the period beginning on the day of such registration and ending on the last day of the first full calendar month;

if a person's tax registration is cancelled on a day other than the last day of the calendar month, then the last tax period shall be the period that starts on the first day of that month and ends on the day of the cancellation.

7.8.2. A taxpayer the value of taxable transactions of which in the last twelve monthly tax periods did not exceed the amount sn ann5.4(p5b£.2(c)4.7(a))-5.1(f)6.7-1.3(, 0.4t.1(3c)4.7(a)(e va)(73c)4.7e)-4.9( amo2505)-4o.2(th) tax period. The application for election of the Veh56y ee v-4.8(y)-105.2(t)-6.3(a)5.4(x)-5.3( )-5.3(y)-5.3(e)icatiox lpe6



(pursuant to the Law of Ukraine

**Article 8<sup>1</sup>. Special regime of taxation of activities in the sphere of agriculture, forestry and fishery**

8<sup>1</sup>.1. Any legal or natural person that carries out entrepreneurial activities in the sphere of agriculture, forestry and fishery, relating to processing or reprocessing such products produced by this person, as well as to provision of related services specified in this Article (hereinafter referred to as the agricultural enterprises), may elect a special regime of taxation for the value-added tax.

8<sup>1</sup>.2. A special regime of taxation provides for:

assess and collect this tax at the rate established in clause 6.1 of Article 6 of this Law in case of a sale (supply) of agricultural products;

register as a subject of the simplified systems of taxation which provide for a procedure for payment of this tax other than provided for by general provisions of this Law, or for exemption from payment of this tax.

8<sup>1</sup>.7. When an agricultural enterprise supplies goods (services) that do not conform to the definition of the agricultural products pursuant to this Article, the tax liabilities of the agricultural enterprise shall include amounts of the tax assessed at the rate established in clause 6.1 of Article 6 of this Law, and the tax credit shall include amounts of the tax assessed on the amount of expenses which are not production factors in the sphere of agriculture pursuant to of this Article.

In this case the amount of the tax payable to the budget or subject to budget refund shall be determined under general rules of this Law.

8<sup>1</sup>.8. An agricultural enterprise – subject of the special regime of taxation shall be required to provide, upon demand of the buyer, a tax invoice pursuant to procedures established in clause 7.2 of Article 7 of this Law, taking into account that in such tax invoice there shall be specified the amount of the tax computed under one of the rates specified in clause 8<sup>1</sup>.2 of this Article. The buyer of such agricultural products has the right to include the amount of the tax specified in such tax invoice into the amounts of one's tax credit under general terms of this Law.

8<sup>1</sup>.9. To obtain a registration certificate of the taxpayer under the special regime of taxation, an agricultural enterprise shall be required to register in the relevant tax body under rules and in terms specified by Article 9 of this Law for registration of payers of the value-added tax, voluntarily, and the tax body shall be required to issue to the agricultural enterprise a certificate of one's registration as subject of the special regime of taxation within the period established by this Law.

A certificate of registration of the agricultural enterprise as subject of special regime of taxation shall be required to include, in addition to data specified in the certificate of registration of the payer of the value-added tax under general conditions, an exclusive list of activities of such agricultural enterprise.

A certificate of registration of the agricultural enterprise as subject of special regime of taxation may be cancelled on the following grounds:

) an agricultural enterprise files an application for its de-registration as subject of special regime of taxation, or an application for its registration as payer of this tax under general rules;

) an agricultural enterprise shall be required to register as payer of this tax under general rules in the case specified in clause 8<sup>1</sup>.11 of this Article;

) an agricultural enterprise is subject to Clause 9.6 of Article 9 of this Law.

In such cases the agricultural enterprise shall be required to return to the tax body the certificate of one's registration as subject of the special regime of taxation.

8<sup>1</sup>.10. A tax body shall be required to refuse to register the agricultural enterprise as subject of the special





8<sup>1</sup>.13.8. The terms specified in this clause shall be used also for classification of types of economic activities under the State classifier of Ukraine under groups 01.1 - 01.4 of section 0.1, as well as sections 0.2 and 0.5. Following provisions of this Clause, the Cabinet of Ministers of Ukraine shall prepare and publish a

If a person signs one or more civil-legal agreements (contracts) which, if implemented, will result in taxable transactions the volume of which will exceed, during the reporting tax period, in two times or more the amount established by sub-clause 2.3.1 of Clause 2.3 of Article 2 of this Law, then such person shall be required to register as payer of this tax until the end of such reporting tax period.

A person who fails to send such application in such cases and in such terms, shall be held responsible for non-assessment or non-payment of this tax at the level of the registered payer without the right to assess tax credit and obtain a budget refund.

9.5. An application for registration shall be sent to the address of the tax body with confirmation of delivery or shall be handed in person by a representative of such a person to an official of the tax body. The tax body shall be required to issue to the applicant (send by mail) a certificate of tax registration of this person within

b) the liquidation committee of the taxpayer, who was announced bankrupt, ends work or the taxpayer is liquidated under his own decision or based on the decision of a court (the natural person is deprived of one's status of the business person);

c) a person registered as taxpayer is registering as payer of the unified tax or becomes a subject of other simplified systems of taxation, which provide for special procedures for assessment or payment of the value-added tax, different than those established by this Law, or exempt such person from payment of this tax based on a court decision or due to other reasons;

d) a person, registered as taxpayer, elects, pursuant to this Law, a special regime of taxation under rates other than specified in Article 6 and of Article 8<sup>1</sup> of this Law;

e) a person, registered as taxpayer, fails to submit to a tax body a declaration for this tax during the twelve consecutive tax months, or files such declaration (tax computation) which demonstrates lack of taxable supplies during this period, as well as in cases specified by law in connection with the procedure for registration of business persons.

Cancellation of registration due to reasons specified in sub-clause " " of this Clause shall be carried out on the basis of the application of the taxpayer.

Cancellation of registration due to reasons specified in sub-clauses " " - " " of this Clause, shall be carried out based on the initiative of the relevant tax body or such person.

In case of cancellation of registration a taxpayer shall be deprived of the right to assess a tax credit and obtain a budget refund, but shall be required to pay the amount of tax liabilities or tax arrears that were incurred prior to such cancellation, and within the terms established by law, provided there are such liabilities or arrears, whether or not such person will remain registered as payer of this tax at the date of payment of such amounts of the tax, or not.

If, based on the results of the last tax period a person is entitled to a budget refund, such refund shall be provided within the terms established by this Law, whether or not this person will remain registered as payer of this tax on the date of receipt of this budget refund, or not. This rule does not apply to the persons specified in sub-clause " " of this Clause.

A tax body may not refuse to cancel registration if case of existence of conditions specified in sub-clauses " " - "b" of this Clause, and shall be required itself to make a decision to cancel the registration on grounds specified in sub-clauses "c" - "d" of this Clause.

A decision to cancel registration on the basis of the application of the taxpayer shall be passed within terms established in this Article for tax registration.

A taxpayer shall be required to return one's registration certificate to the tax body:

if cancellation of registration is carried out upon the initiative of the taxpayer, - together with the application for such cancellation;

if cancellation of registration is carried out upon the initiative of the tax body, - during twenty calendar days following the making of the decision on the cancellation. In this case a late return of such certificate shall be treated as late filing of tax reporting documents regarding this tax.



In case of the cancellation of registration the last tax period shall be the period beginning on the next day after the last day of the previous tax period, and ending on the day of such cancellation.

A taxpayer, who on the day of the cancellation of registration still has remaining inventory or fixed assets with respect to which a tax credit was assessed in the past or current tax periods, shall be required to recognize a conditional sale of such goods at regular prices and to increase the amount of one's tax liabilities accordingly for the tax period during which this cancellation took place.

(Article 9 as amended by the

10.4. Control of correctness of assessment and payment (transfer) of the tax into the budget shall be performed by the relevant tax body, and in case of importation of goods with payment of the tax at the time of its customs clearance – by the relevant customs body based on the rules established by a joint decision of the central tax and customs bodies.

10.5. Amounts of the tax assessed by the customs body shall be paid by payers of the tax directly to the accounts of the state budget (the state treasury).

A security issued by the importer of goods (related services) is a means of ensuring their delivery to the destination customs and proper payment of the tax to the budget.

(Paragraph two of Clause 10.5 in Article 10 as restated by the Law of Ukraine dated 7 July 2005, under No. 2771-IV)

10.6. Forms for declaration and tax computation for this tax shall be established pursuant to law.

(Article 10 as amended by the Laws of Ukraine dated 19.11.97 No. 644/97-VR, dated 26 September 1997, under No. 550/97-VR, dated 30.12.97 No. 794/97-VR, dated 15 January 1998, under No. 25/98-VR, dated 20 November 1998, under No. 277-XIV, dated 21.12.2000 No. 2181-III, as restated by the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

### **Article 11. Closing provisions**

11.1. Law of Ukraine "On the value added tax" shall come into force on 1 October 1997.

(Clause 11.1 in Article 11 as amended by the Laws of Ukraine dated 27.06.97 No. 403/97-VR, dated 16.07.97 No. 460/97-VR)

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September 1997, under

the taxpayer has the right to include in the tax credit the amounts of liabilities under the tax promissory notes

as amended pursuant to the Law  
of Ukraine dated 3 June 2005,  
under No. 2642-IV,  
as formulated in the Law of Ukraine  
dated 7 July 2005, under No. 2771-IV)

30.12.97 No. 799/97-VR, in  
connection with it paragraph four  
shall be paragraph five)

In the period from 1 May 2000 till 1 January 2001 in case of exportation on the basis of trade barter transactions the amount of the value-added tax paid (assessed) in connection with purchase of goods (works, services) shall not be added to the tax credit, but shall be included in gross production (turnover) expenses of the taxpayer.

(Clause 11.6 in Article 11 has  
paragraph four added pursuant to  
the Law of Ukraine dated 26  
September 1997, under  
No. 550/97-VR)

(Paragraph five of Clause 11.6 in  
Article 11 as amended pursuant to  
the Law of Ukraine dated  
25.12.98 No. 368-XIV, as restated  
by the Law of Ukraine dated  
11.05.2000 No. 1712-III)

11.7. Clause 11.7 in Article 11 is deleted

(pursuant to Law  
of Ukraine dated 25.03.2005 No. 2505-IV)

11.8. Clause 11.8 in Article 11 is deleted

(Clause 11.8 in Article 11 as  
amended pursuant to the Law of  
Ukraine dated 26 September  
1997, under No. 550/97-VR,  
is deleted pursuant to Law  
of Ukraine dated 25.03.2005 No. 2505-IV)

11.9. Until Ukraine's legislative acts concerning taxation of give-and-take raw materials are brought in conformity with provisions of this Law, payments of the value-added tax for transactions relating to importation of give-and-take raw materials into the customs territory of Ukraine shall be carried out pursuant to the procedures established by Law of Ukraine "On transactions with give-and-take raw materials in foreign economic relations".

(Clause 11.9 as restated by the  
Law of Ukraine dated 15.10.97  
No. 573/97-VR)

Until complete implementation of the agreements, under the same procedure shall be administered taxes (fees), the base of taxation for which is the customs value of goods of all categories of finished products



paragraph five of Clause 11.11 in Article 11 is deleted

(pursuant to the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

(Clause 11.11 in Article 11 as amended by the Laws of Ukraine dated 26 September 1997, under No. 550/97-VR, dated 19.11.97 No. 644/97-VR, dated 30.12.97 No. 794/97-VR, dated 02.06.99 No. 714-XIV, dated 15.07.99 No. 946-XIV, as formulated in Law of Ukraine dated 11.07.2001 No. 2649-III)

11.12. Paragraph one of Clause 11.12 in Article 11 is deleted

(pursuant to the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

Paragraph two of Clause 11.12 in Article 11 is deleted

(Clause 11.12. in Article 11 has paragraph two pursuant to Law of Ukraine dated 15.01.99 No. 403-XIV, paragraph two of Clause 11.12 in Article 11 is deleted pursuant to the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

Paragraph 3 of Clause 11.12 in Article 11 is deleted

(Clause 11.12. in Article 11 has paragraph three added pursuant to the Law of Ukraine dated 18.03.99 No. 515-XIV, paragraph 3 of Clause 11.12 in Article 11 is deleted pursuant to the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

Paragraph four of Clause 11.12 in Article 11 is deleted



(Clause 11.12 has paragraph four added pursuant to the Law of Ukraine dated 03.06.99 No. 722-XIV, paragraph four of Clause 11.12 in Article 11 is deleted pursuant to the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

Paragraph five of Clause 11.12 in Article 11 is deleted

(Clause 11.12 in Article 11 has paragraph five added pursuant to the Law of Ukraine dated 15.07.99 No. 971-XIV, paragraph five of Clause 11.12 in Article 11 is deleted pursuant to the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

Paragraph six of Clause 11.12 in Article 11 is deleted

(Clause 11.12 in Article 11 has paragraph six added pursuant to the Law of Ukraine dated 15.07.99 No. 973-XIV, paragraph six of Clause 11.12 in Article 11 is deleted pursuant to the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

Paragraph seven of Clause 11.12 in Article 11 is deleted

(Clause 11.12 in Article 11 has paragraph seven added pursuant to the Law of Ukraine dated 03.12.99)

paragraph eight of Clause 11.12 in Article 11 is deleted pursuant to the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

Paragraph nine of Clause 11.12 in Article 11 is deleted

(Clause 11.12 in Article 11 has paragraph nine pursuant to the Law of Ukraine dated 23.03.2000 No. 1606-III, paragraph nine of Clause 11.12 in Article 11 is deleted pursuant to the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

Paragraph ten of Clause 11.12 in Article 11 is deleted

(Clause 11.12 in Article 11 has paragraph ten added pursuant to the Law of Ukraine dated 23.03.2000 No. 1608-III, paragraph ten of Clause 11.12 in Article 11 is deleted pursuant to the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

Paragraph eleven of Clause 11.12 in Article 11 is deleted

(Clause 11.12 in Article 11 has paragraph eleven added pursuant to the Law of Ukraine dated 11.05.2000 No. 1715-III, paragraph eleven of Clause 11.12 in Article 11 is deleted pursuant to the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

Paragraph twelve of Clause 11.12 in Article 11 is deleted

(Clause 11.12. in Article 11 has paragraph twelve added pursuant to the Law of Ukraine dated 01.06.2000 No. 1749-III, paragraph twelve of Clause 11.12 to the Law of Ukraine dated

dated 07.03.2002 No. 3118-III,  
dated 11.05.2004 No. 1702-IV,  
is deleted pursuant to Law  
of Ukraine dated 25.03.2005 No. 2505-IV)

(Clause 11.12 in Article 11 has  
paragraph seventeen added  
pursuant to the Law of Ukraine  
dated 04.07.2002 No. 40-IV)

is deleted pursuant to Law  
of Ukraine dated 25.03.2005 No. 2505-IV)

11.16. Clause 11.16 in Article 11 is deleted

(Article 11 has new clauses 11.11  
- 11.16 added pursuant to the Law  
of Ukraine dated 26 September  
1997, under No. 550/97-VR,  
in connection with it clause 11.11  
shall be clause 11.17)

(pursuant to Law  
of Ukraine dated 25.03.2005 No. 2505-IV)

11.17. Clause 11.17 in Article 11 is deleted

(pursuant to Law  
of Ukraine dated 25.03.2005 No. 2505-IV)

11.18. Clause 11.18 in Article 11 is deleted

(Article 11 has clause 11.18 added  
pursuant to the Law of Ukraine  
dated 19.09.97 No. 535/97-VR)

(Clause 11.18 in Article 11 is suspended for 2004 (except for enterprises producing cars, busses and parts with investments, which have investment programs approved by the Cabinet of Ministers of Ukraine until the enactment of the Law of Ukraine dated 27.11.2003 No. 1344-IV) pursuant to the Law of Ukraine dated 27.11.2003 No. 1344-IV)

(Clause 11.18 in Article 11 as  
amended pursuant to the Law of  
Ukraine dated 15.11.2001  
No. 2779-III,  
is deleted pursuant to Law  
of Ukraine dated 25.03.2005 No. 2505-IV)

11.19. Clause 11.19 in Article 11 is deleted

(Article 11 has clause 11.19 added  
pursuant to the Law of Ukraine  
dated 19.09.97 No. 535/97-VR,

cars, buses and parts thereof, with investments, which have investment programs, approved by the Cabinet of Ministers of Ukraine before the enactment of Law of Ukraine dated 27.11.2003 No. 1344-IV) pursuant to the Law of Ukraine dated 27.11.2003 No. 1344-IV)

(Clause 11.19 in Article 11 is deleted pursuant to the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

11.20. Until the enactment of the Tax Code of Ukraine in cases where a taxpayer performs transactions involving supplies to persons not registered as payers of the tax, agricultural products and products of processing agricultural production, earlier purchased (provided) by such taxpayer from natural persons who are not payers of this tax, the object of taxation shall be the trade mark-up (extra charge) set by this taxpayer.

(Article 11 has clause 11.20 added pursuant to the Law of Ukraine dated 19.11.97 No. 644/97-VR, clause 11.20 in Article 11 as amended pursuant to the Law of Ukraine dated 13.05.99 No. 645-XIV, as restated by the Law of Ukraine dated 15.06.2004 No. 1779-IV)

11.21. Until 1 January 2008 the amount of the value-added tax that must be paid to the budget by enterprises of all forms of ownership for the sold milk and dairy products, meat and meat products, in full amounts shall be used only for disbursement of subsidies to agricultural producers for the milk and meat in live weight that they sold to processing enterprises.

dated 23.12.97  
No. 770/97-VR,  
clause 11.21 in Article 11 as

from the budget during the month following the submission of the tax declaration, on condition of properly prepared documents and verification of these documents through documentary examinations.

These privileges do not apply to transactions relating to excisable goods and goods of categories 1 - 24 of the Ukrainian classification of goods involved in foreign economic activities.

If the said goods are not used for intended purposes or works are performed and services supplied not as intended, the taxpayer shall be required to increase tax liabilities for the tax period in which such violation took place, by the amount of the value-added tax that had to be paid at the time of importation of such goods or performance of works and supply of services in the customs territory, and to pay interest assessed on this amount of the tax, based on the 120 percent of the refinancing rate of the National bank of Ukraine effective on the day of the inct13bkraatcav1w,0trtabilities, and for the period from the date of importation of such goods or performance of works and supply of services, until the date of the increase in the tax obligations.

(Article 11 has clause 11.23 added pursuant to the Law of Ukraine dated 11.12.98 No. 309-XIV, clause 11.23 in Article 11 as amended pursuant to the Law of Ukraine dated 03.06.99 No. 722-XIV, as restated by the Law of Ukraine dated 22.05.2003 No. 856-IV)

11.24. Clause 11.24 in Article 11 is deleted

(Article 11 has clause 11.24 added pursuant to the Law of Ukraine dated 11.12.98 No. 309-XIV, clause 11.24 in Article 11 is deleted pursuant to the Law of Ukraine dated 03.06.99 No. 722-XIV)

11.24. Clause 11.24 in Article 11 is deleted

(Article 11 has clause 11.24 added pursuant to the Law of Ukraine dated 07.07.99 No. 854-XIV, Clause 11.24 in Article 11 is deleted pursuant to the Law of Ukraine dated 2 March 2000, under No. 1523-III)

11.25. Clause 11.25 in Article 11 is deleted

(Article 11 has clause 11.25 added pursuant to the Law of Ukraine dated 14.07.99 No. 943-XIV,



Clause 11.25 in Article 11 is  
deleted pursuant to the Law of  
Ukraine dated 25 March 2005,  
under No. 2505-IV)

11.26. Clause 11.26 in Article 11 is deleted

(Article 11 has clause 11.26 added  
pursuant to the Law of Ukraine  
dated 18.11.99 No. 1242-XIV,  
Clause 11.26 in Article 11 as

(Paragraph 1 of Clause 11.29 as amended by the Laws of Ukraine dated 18.01.2001 No. 2233-III, dated 19.10.2006 No. 273-V)

For newly established agricultural producers of any form of ownership the relative share of agricultural products in the total amount of the gross income of the enterprise in the current year shall be determined on the basis of the data for the accounting period.

11.31. Clause 11.31 in Article 11 is deleted

(Article 11 has clause 11.31 added pursuant to the Law of Ukraine dated 11.01.2001 No. 2211-III)

(Clause 11.31 in Article 11 shall be suspended for 2004 (except for enterprises that signed agreements before the enactment of the Law of Ukraine dated Law of Ukraine dated 27.11.2003 No. 1344-IV, the transferred amount of advanced payments exceeds 20 percent of the value of the contract) pursuant to the Law of Ukraine dated 27.11.2003 No. 1344-IV)

(Clause 11.31 in Article 11 is deleted pursuant to the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

11.32. Clause 11.32 in Article 11 is deleted

(Article 11 has clause 11.32 added pursuant to the Law of Ukraine dated 11.01.2001 No. 2211-III)

(Clause 11.32 in Article 11 shall be suspended for 2004 (except for enterprises that signed agreements before the enactment of the Law of Ukraine dated Law of Ukraine dated 27.11.2003 No. 1344-IV, the transferred amount of advanced payments exceeds 20 percent of the value of the contract) pursuant to the Law of Ukraine dated 27.11.2003 No. 1344-IV)

(Clause 11.32 in Article 11 is deleted pursuant to the Law of Ukraine dated 25 March 2005, under No. 2505-IV)

11.33. Clause 11.33 in Article 11 is deleted

(Article 11 has clause 11.33 added pursuant to the Law of Ukraine dated 17.05.2001 No. 2410-III, clause 11.33 in Article 11 as amended pursuant to the Law of Ukraine dated 16 January 2003, under No. 440-IV, is deleted pursuant to Law of Ukraine dated 25.03.2005 No. 2505-IV)

11.34. Clause 11.34 in Article 11 is deleted



the Law of Ukraine dated  
20.11.2003 No. 1300-IV)

In the event of use of the said goods not for intended purposes, the taxpayer shall be required to increase tax liabilities based on the results for the tax period in which such violation occurred, by the amount of the value-added tax that was to be paid at the moment of importation of such goods, as well as to pay the interest pursuant to legislation of Ukraine.

(Article 11 has clause 11.37 added pursuant to the Law of Ukraine dated 06.03.2003 No. 601-IV, which was suspended for 2004 pursuant to the Law of Ukraine dated 27.11.2003 No. 1344-IV, except for production of notebooks for pupils, textbooks and training books produced domestically, Clause 11.37 was restored in connection

11.40. Temporarily, until 1 January 2009 exempt from taxation shall be transactions involving performance of works and supply of services by subjects of entrepreneurial activities – residents of Ukraine, who at the same time carry out publishing activities, production and distribution of book products and production of paper and card board. The gross income of such a subject of entrepreneurial activities, derived from publishing activities, activities of production and distribution of book products and production of paper and card board, must be no less than 100 percent of the amount of its gross income for 1 reporting (tax) period from the time of establishment of such subject of entrepreneurial activities, or not less than 50 percent of the

way of provision of a simple promissory note in cases and under the procedure established by the Cabinet of Ministers of Ukraine.

(Article 11 has clause 11.43 added  
pursuant to the Law of Ukraine  
dated 7 July 2005, under  
No. 2771-IV)

11.44. Temporarily until 1 January 2008 transactions of supply of scrap of ferrous metals, including transactions of importation of such goods, shall be exempt from taxation. The list of such goods with codes pursuant to UKT ZED specified, shall be approved by the Cabinet of Ministers of Ukraine.

(Article 11 has clause 11.44 added  
pursuant to the Law of Ukraine  
dated 30.11.2006 No. 398-V)

11.45. Temporarily, until 1 January 2008 in case of exportation (export) of goods outside the border of the customs territory of Ukraine by means of trade barter transactions, the amount of the tax paid (assessed) in connection with acquisition of goods (services), shall not be included in the tax credit, but added to gross expenses of the taxpayer.

(Article 11 has clause 11.45 added  
pursuant to the Law of Ukraine  
dated 30.11.2006 No. 398-V)

**President of Ukraine**

**L. KUCHMA**

**Kyiv**