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Human Capital News

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- The list of economic entities eligible to operate under the simplified system of taxation was expanded

The Law of Ukraine "On amending the Tax Code of Ukraine concerning state tax service and regarding administrative reform in Ukraine" of 5 July 2012 #5083-VI that came into force on 12 August 2012, expands the list of economic entities entitled to operate under the simplified system of taxation

The Law of Ukraine #5083-VI complemented the list of economic entities eligible to choose simplified system of taxation with the 5th and 6th groups that include:

- private entrepreneurs who employ not more than 20 individuals and whose income does not exceed UAH 20 million within a calendar year (the 5th group of the single tax payers);
- legal entities that employ not more than 50 individuals and income of which does not exceed UAH 20 million within a calendar year (the 6th group of the single tax payers).

The single tax rate established for the 5th and the 6th groups of the single tax payers is as follows:

- 7% of income - in case Value Added Tax (VAT) is paid based on general grounds;
- 10% of income - in case VAT is included into the single tax payment.

According to the amendments introduced by the Law #5083-VI to the Tax Code, the 5th and the 6th groups of the single tax payers are treated similarly to the 3rd and 4th groups respectively in terms of:

- compliance with the requirements established by the law for the economic entities to qualify for a simplified system of taxation;
- reporting periods;
- accrual procedures and deadlines for payment of a single tax;
- records maintenance and reporting;
- tax exemptions provided to the single tax payers
- single tax payer certificate issuance and revocation procedures;
- procedure of the transition to the simplified system of taxation and reporting or renouncement from it, considering the below:

- ✓ if annual income of single tax payers of the 5th and 6th groups exceeds the established limit, they have to switch to payment of other taxes as prescribed by the Tax Code, whereas the single tax payers of the 3rd and the 4th groups under the same circumstances are entitled to switch to payment of a single tax at the rates, established for the 5th and the 6th groups of the single tax payers starting from the next taxable quarter, provided they file the relevant claim with the tax authorities.

The introduced amendments also affected the terms for filing the claims by the newly established economic entities, if they decide to shift to the simplified system of taxation. Upon enactment of the Law of Ukraine #5083-VI newly established economic entities, that file the claim with the tax authorities for choosing the simplified system of taxation and a tax rate established for the 3rd-6th groups within a 10-day period starting the date of their state registration, are considered as single tax payers since the date of their state registration (please note that prior to this amendment newly established economic entities that were compliant with the criteria set out for single tax payers of the 3rd-4th groups could file the respective claim by the end of the month in which the state registration was accomplished).

The mentioned novelties significantly extended the possibilities of application of the simplified system of taxation in Ukraine through increase of the limit for the amount of annual income that allows economic entities to apply the simplified system of taxation from UAH 3 million to 20 million. Under these circumstances single tax payers of the 3rd and the 4th groups, who previously were obliged to return to payment of other taxes as prescribed by the Tax Code, if they exceeded the limit prescribed for these groups, now have an opportunity to retain the status of the single tax payers transferring to the 5th and 6th groups respectively.

We will continue monitoring changes in legislation regarding simplified taxation system and will keep you informed.

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