

CIS: Tax Compass

2011

First edition



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CIS LCN*

*The CIS Leading Counsel Network

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CIS Leading Counsel Network

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Foreword

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Minsk, Belarus

RULG - Ukrainian Legal Group

Kyiv, Ukraine

Turcan Cazac

Chisinau, Moldova

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*Managing Partner,
Egorov Puginsky Afanasiev &
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The CIS Leading Council Network is pleased to present its new joint publication: *CIS: Tax Compass 2011*.

You have probably already recognized the value of our previous publications, *Comparative Summary of Anticorruption Laws in the CIS Economic Region (The Practical Legal Guide for Companies' Compliance Policies)* and *Comparative Summary of Antitrust Laws in CIS Economic Region*. You will be pleased to know that the second edition of *CIS Anticorruption Laws* has just been published due to the popularity of the first edition.

CIS Leading Counsel Network (CIS LCN) was established in 2009 by nine leading law firms from the countries of the CIS (Commonwealth of Independent States) economic region. The CIS LCN aims to transcend national boundaries and offer clients seamless advice across these rapidly developing markets.

The CIS LCN unites the following prominent national law firms: Ameria (Armenia); FINA (Azerbaijan); Vlasova Mikhel & Partners (Belarus); Aequitas (Kazakhstan); Kalikova & Associates (Kyrgyz Republic); Turcan Cazac (Moldova); Egorov Puginsky Afanasiev & Partners (Russia); ACT (Turkmenistan); and RULG – Ukrainian Legal Group (Ukraine). The network aims to combine the highest international professional standards with unique local insight in regions that are increasingly attracting international investment.

CIS LCN members have a long history of successful collaboration, and the network has now risen to a new level. With its time-tested relationships, CIS LCN offers clients integrated teams in these dynamic and challenging jurisdictions.

We chose the topic of taxation for our joint publication in order to demonstrate the capabilities of the CIS LCN integrated team in an area which is highly relevant to any business professional in the region. This practical and concise guide is well suited to be kept as a reference or on the desk of any international executive.

Post-Soviet countries are going through remarkable times, and the ongoing economic and legislative reforms are something in which new independent nations should take pride. They have built new economic and tax systems from scratch in just over 15 years, and continue to develop these systems. Admittedly, many equate these ongoing changes with a complex and uncertain regional business environment – in short, a “work in progress.”

This publication is our contribution to promoting better understanding and transparency of the regulatory environment in the CIS. In doing so, we further our overarching goal of building stronger ties, encouraging cooperation, and strengthening our reputation with international businessmen.

Tax Compass is a useful reference guide for any practitioner or international executive. Additional information can be found on CIS LCN’s website: www.cislcn.com.

This work is published with the understanding that the information contained herein does not represent legal or professional advice. If legal advice or other expert assistance is required, the services of a competent professional should be sought. And to that end, the experts at CIS LCN member firms are at your service.

Preface



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It has been twenty years since the former Soviet republics became independent and sovereign and each of these countries made their own way devising their own tax systems. The common challenge for all was the need for radical transformation – from the absence of any taxes for state owned companies with strong centralized and administrative planning to recent advanced structures of corporate taxation. The process is a real challenge for any country, irrespective of how large it is, to which extent exports of natural resources dominate the economy and how small and medium size businesses contribute to the total volume of tax proceeds.

Though the tax systems of our countries are being developed with varying intensity and speed, we still can find more similarities than differences in the general vector of the development. The time of general reforms of tax systems combined with tax laws codification is over in most countries and current changes are more like “fine-tuning” of separate tax instruments.

The 2009 economic crisis forced parliaments and governments of most countries to adopt ‘anti-crisis’ programs, where tax instruments played an important role.

In some countries, the corporate profit tax rate was reduced, e.g. Moldova fixed zero profit tax rates for 2011; Ukraine plans a regular reduction of profit tax rates for the coming years.

Most countries developed a favourable tax treatment for national holdings though introducing participation exemption rules, as well as exemption from capital gains tax.

Following recent Western trends most FSU countries switched to two-tier corporate tax systems aimed to reduce full economic double taxation. This was achieved by integrating Shareholder-Relief-System envisaging reduced tax rates for dividends distributed from after tax corporate profits or a full exemption for dividends.

Attempting to assist growth of the economy, special simplified tax systems have been introduced for small and medium sized businesses across all our countries. Certain measures as tax incentives and benefits based on cluster principle were developed to attract additional investments in different sectors of the economy. Special focus is placed on the high-tech industry and Research & Development.

The network of the international double tax treaties originally executed by the USSR was significantly expanded in the last 20 years. This large-scale work has allowed foreign investors to benefit from favorable tax conditions for repatriating return on investment, as most tax treaties envisage zero, or reduced tax rates, compared to a rather modest national withholding tax.

All this similarities in the history of our development significantly help tax experts to better understand each other in the present time. This gives us synergy allowing combining forces rapidly when running international projects involving complex tax questions in our jurisdictions. However, the seeming similarity of tax systems may be quite deceptive. Like in no other area, local expertise and knowledge of potential pitfalls in local legislation and practice are crucial. That is where we see our undeniable advantage – the seamless professional work of our tax teams possessing deep knowledge and understanding local specifics.

Armenia

Tax Compass 2011

CORPORATE INCOME TAXATION

Corporate Tax	20%
Dividends (residents)	0%
Capital gains (residents) Taxed at general rate	20%
Deduction of Interests Deductible within the refinancing rate of RA Central Bank x 2	Deductible
Thin Capitalization Rules	N/A
Depreciation	Linear
Transfer Pricing Rules	N/A
Loss carried forward	5 years
Loss carried backward	N/A
Fiscal unity/Tax consolidation	N/A

WITHHOLDING TAXATION

Withholding tax rate for dividends	10%
Interests, Royalties	10%
Capital gains from real estate/real estate companies	10%

Double Tax Treaty Network (about 30 DTTs): reduction /elimination of WTH taxation



PERSONAL INCOME TAX

Rates:

- | | |
|--|-----|
| • Taxable incomes less than or equal to AMD 80,000 | 10% |
| • Taxable incomes more than AMD 80,000 | 20% |

Tax rate for Dividends (residents and non-residents)	0%
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Personal exemption (for residents) Non-residents do not have any personal exemption	AMD 32,500 (EUR 62)
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INHERITANCE TAX	N/A
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REAL ESTATE TRANSFER TAXES / DUTY	N/A
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VALUE ADDED TAX

Standard rate

Not applicable for small businesses: individual entrepreneurs and companies under special (simplified) tax regime and/or according to company shares (shareholders) and if annual net revenue < AMD 58,333,333 (approx. EUR 110,000)	20%
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PROPERTY TAXATION

Corporations (average annual fixed assets' value)	max. 1.0%
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Individuals: residential property	max. 1.0%
--	-----------

Additional tax on Land	max. 1.0%
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SEVERANCE TAX

On extracted minerals: gas, oil, metals, carbons etc.

EXCISES

On alcohol, tobacco, petroleum

SOCIAL SECURITY CONTRIBUTIONS

Employee flat rate

3%

Employer rate

Up to 15%
(depends on size of
income)

INCENTIVES FOR INVESTORS

Cluster principle (mostly): temporary tax reductions/exemptions

SPECIAL (SIMPLIFIED) TAX REGIME

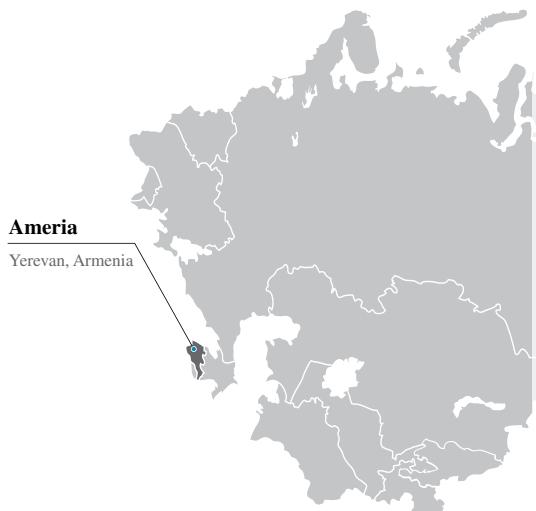
Available for small businesses / individual entrepreneurs with
annual net revenue < AMD 58,333,333
(approx. EUR 110,000)

No VAT

ADVANCE (BINDING) TAX RULINGS

N/A

Ameria



CIS LCN Member for Armenia

Founded in 1998, Ameria is a leading advisory firm in Armenia. It acts as a financial, legal and strategic development counsel and partner to the public and private sectors, as well as to international organizations in Armenia and the South Caucasus. Ameria advises its clients through an effective structure of five advisory units comprising Management Advisory Services, Legal Practice, Assurance and Taxation, and Investment Banking. Ameria Group of Companies includes Ameriabank CJSC and Ameria Invest CJSC.



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Azerbaijan

Tax Compass 2011

CORPORATE INCOME TAXATION

Corporate Tax	20%
Dividends	10%
Participation Exemption	N/A
Capital gains (taxed at general rate)	20%
Deduction of Interests Cannot exceed the expense calculated using an interest rate of 125% of the inter-bank credit auction rate set forth by the CB of Azerbaijan	Yes
Thin Capitalization Rules	N/A
Depreciation (under reducing-balance depreciation) • Accelerated depreciation (for certain assets)	7% / 10% 20% / 25% Yes
Transfer Pricing Rules Methods: Comparable Uncontrolled Prices (CUP); Resale Price; Cost plus	Yes
Loss carried forward	5 years
Loss carried backward	N/A
Fiscal unity/Tax consolidation	N/A

WITHHOLDING TAXATION

Withholding tax rate for dividends	10%
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Interests	10%
Royalties	14%
Branch remittance tax	10%
Transportation and communication services fee	6%
Insurance payments	4%
Double Tax Treaty Network (40 DTTs): reduction /elimination of WTH taxation	
PERSONAL INCOME TAX	
Individual entrepreneurs	20%
General rate (up to 2000 AZN)	14%
Rate (above 2000 AZN)	280 AZN +30%
Dividends	10%
INHERITANCE TAX	
REAL ESTATE TRANSFER TAXES / DUTY	
VALUE ADDED TAX	
Standard / Reduced rate Some transactions are exempt (e.g. financial services)	20%

PROPERTY TAXATION

Corporations	1% of the average annual residual value of fixed assets
Individuals (depends on type of assets)	
Tax on Land (depends on its location and usage)	

SEVERANCE TAX

Crude oil	26%
Natural gas	20%
Mining natural resources - all types of metals	3%

EXCISES

On alcohol; tobacco products; oil products; light vehicles; leisure / sports yachts and other floating transports

SOCIAL SECURITY CONTRIBUTIONS

Paid by the employer on gross payroll	22%
Withheld from the employee's gross salary	3%

INCENTIVES FOR INVESTORS

General incentives for investors

SPECIAL (SIMPLIFIED) TAX REGIME

Available for small businesses / individual entrepreneurs with taxable supplies up to 150000 AZN/90000 AZN:

- Baku city
- other regions

4%
2%
(gross income)

ADVANCE (BINDING) TAX RULINGS

N/A

FINA LLP



CIS LCN Member for Azerbaijan

FINA LLP was founded in 2002 in Baku and offers a variety of domestic and international business and commercial legal services in Azerbaijan. This leading Azeri firm seeks to establish long-term relationships with its clients, and to provide effective solutions to their problems based upon a clear understanding of their needs. All attorneys of FINA LLP maintain the same standards of professional responsibility and performance that clients would expect from them practicing in the world's leading commercial centers.



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Belarus

Tax Compass 2011

CORPORATE INCOME TAXATION

Corporate Tax	24%
Dividend	12%
Participation Exemption	No
Capital gains	12%
Deduction of Interests	Fully deductible
Thin Capitalization Rules	No
Depreciation <ul style="list-style-type: none">Accelerated depreciation (for certain assets)	Linear/Nonlinear max. index 2,5
Transfer Pricing Rules	No
Loss carried forward	No
Loss carried backward	No
Fiscal unity/Tax consolidation	No

WITHHOLDING TAXATION

Withholding tax rate for dividends	12%
Interests	10%
Royalties	15%
Other income (securities, real estate, some services, agency agreements)	15%

Double Tax Treaty Network (over 60 DTT's): reduction /elimination of double taxation



PERSONAL INCOME TAX

General flat rate	12%
Reduced rate <ul style="list-style-type: none">• Individual entrepreneurs – residents of High Technologies Park (HTP)• Individuals from residents of the HTP under labour agreements	9%
INHERITANCE TAX	–

REAL ESTATE TRANSFER TAXES / DUTY	–
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VALUE ADDED TAX	
Standard / reduced rate	20% / 10 %
Export	0%

Exemption available for medical, educational and insurance services provided to individuals, supply of certain pharmaceuticals and medical equipment.

PROPERTY TAXATION

Corporations (annual rate)	1%
• If construction projects in progress	2%
Individuals: residential property (annual rate)	0.1%
Additional tax on Land (cadastral value of land)	0.015% to 12%

SEVERANCE TAX

On extracted natural resources (oil, sand, chalk, clay, salt, gold)

EXCISES

On alcohol, tobacco, petroleum, autos

SOCIAL SECURITY CONTRIBUTIONS

Employer rate on top of gross salary	34%
Employer rate for big agricultural producers	30%
Rate of gross salary for employees	1%

INCENTIVES FOR INVESTORS

Contract with state, which can guarantee special regime of taxation, customs duties and other privileges available for particular investment project.

Tax incentives available under cluster principle (for residents of High Technologies Park, Free Economic Zones, and companies situated and operating in small towns and in rural areas).

SPECIAL (SIMPLIFIED) TAX REGIME

Special tax regimes are available; rates vary depending on type of business activity.

ADVANCE (BINDING) TAX RULINGS

N/A

Vlasova Mikhael & Partners

**Vlasova Mikhael
& Partners**

Minsk, Belarus



CIS LCN Member for Belarus

Vlasova, Mikhel and Partners was created in 1991. For the last three years the company was recognized as the best law firm of the country by the Ministry of Justice of the Republic of Belarus. For the five years in a raw Global Chambers recognized law firm Vlasova, Mikhel and Partners as the leading Belarusian consultant in commercial law. Partners of the firm are on the top of the list of best Belarusian lawyers. The company has more than 20 lawyers who ensure legal support of businesses of both national and foreign companies in Belarus. Vlasova, Mikhel and Partners has been selected as local counsel by many international law firms.



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Kazakhstan

Tax Compass 2011

CORPORATE INCOME TAXATION	
Corporate Tax	up to 20%
Dividends (for resident companies) N/A for certain types of shares funds	0%
Capital gain exemptions (for resident companies) N/A for certain types of capital gains sources	0%
Deduction of Interests	up to 100%
Thin Capitalization Rules Based on proportion (ratio) of Equity Capital	Yes
Depreciation <ul style="list-style-type: none">Accelerated depreciation (for certain assets)	Linear/Nonlinear Yes
Transfer Pricing Rules Methods: Comparable Market Prices; Resale Price; Cost plus; Net Margin Method; Profit Split Method <ul style="list-style-type: none">APA available	Yes
Loss carried forward	10 years
Loss carried backward	N/A
Fiscal unity/Tax consolidation	N/A



WITHHOLDING TAXATION

Dividends

- Participation Exemption (for individuals and non-resident companies):
 - if holding duration is more than 3 years; and
 - the dividend payer is not a subsoil user in Kazakhstan; and
 - at least 50% of the value of the shares in the dividend payer derives from the value of the property owned by an entity which is not a subsoil user in Kazakhstan
- Listing Exemption (for individuals and non-resident companies):
 - if the dividend payer is listed at the official list of the stock exchange in Kazakhstan on the date of distribution of dividends

15%

0%

0%

Capital gains (for non-resident companies)

- Shares Sale Exemption (applicable to sale of the shares, except for the shares which value on at least 50% derives from the value of the property owned by an entity which is a subsoil user in Kazakhstan)
- Listed Securities Sale Exemption (applicable to the listed securities sold via the open trade at any stock exchange)

15%

0%

0%

Withholding Tax

5% - 20%

Interests and royalties

15%

Double Tax Treaty Network (over 40 DDTs): reduction /elimination of WTH taxation

PERSONAL INCOME TAX

General flat rate

10%

Dividends

Exemptions are under the same rules as for dividends in “Withholding taxation” section above

5%

0%

INHERITANCE TAX	N/A
REAL ESTATE TRANSFER TAXES / DUTY	N/A
VALUE ADDED TAX	
Standard rate	12%
<ul style="list-style-type: none"> • Not applicable if annual revenue < KZT 45.4 Mio (approx. EUR 220,000) • Exemption available for certain products and services • Reverse Charge Method is available for some cases 	
PROPERTY TAXATION	
Corporations (depending on the payer)	0% - 1.5%
Land Tax Calculated depending on the type (designation) and quality of land	
SEVERANCE TAX	
On extracted minerals: gas, oil, minerals etc.	
EXCISES	
On alcohol, tobacco, petroleum etc.	
SOCIAL SECURITY CONTRIBUTIONS	
Payable by the employers only	11%
INCENTIVES FOR INVESTORS	
Income and property tax exemption in Special Economic Areas Investment tax preference (e.g. deduction of 100% of value of certain assets)	
SPECIAL (SIMPLIFIED) TAX REGIME	
Available for small businesses / individual entrepreneurs	
ADVANCE (BINDING) TAX RULINGS	N/A

Aequitas



Aequitas

Almaty, Astana and Atyrau,
Kazakhstan

CIS LCN Member for Kazakhstan

Aequitas was founded in January 1993 with offices in Almaty, Astana and Atyrau. This leading Kazakh firm advises some of the biggest international corporations working in Kazakhstan and major national companies and provides a full range of legal services from support on complex new ventures to obtaining licenses or representation in the court of any level. Partners of Aequitas directly participated in the development and improvement of the most important acts of civil and Aequitas economy legislation of Kazakhstan.



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Kyrgyzstan

Tax Compass 2011

CORPORATE INCOME TAXATION

Corporate Tax	10%
Dividends	10%
Participation Exemption Available only for Kyrgyz companies (tax residents) in relation to dividends payable by domestic companies	0%
Capital gains Applicable only to capital gains from sale of own shares, interest and capital gains from securities listed in stock exchanges at highest and pre-highest category of listing	0%
Deduction of Interests Provided that incurred debt was used for economic activity/operation of the company	Fully deductible
Thin Capitalization Rules	N/A
Depreciation <ul style="list-style-type: none">Accelerated depreciation	Linear/Nonlinear max. 50%
Transfer Pricing Rules Methods: Comparable Market Prices	Yes
Loss carried forward	Up to 5 years
Loss carried backward	N/A
Fiscal unity/Tax consolidation	N/A

WITHHOLDING TAXATION

Withholding tax rate for dividends	10%
Withholding tax rate for interests and royalties	10%

Double Tax Treaty Network (21 DDTs): reduction / elimination of WTH taxation



PERSONAL INCOME TAX

Tax rate	10%
Dividends	10%
Participation Exemption Available only for Kyrgyz nationals (tax residents) in relation to dividends payable by domestic companies	0%
INHERITANCE TAX	N/A
REAL ESTATE TRANSFER TAXES / DUTY	N/A

VALUE ADDED TAX

General rate	12%
Other rates Exemption available	20%/0%
SALES TAX	Max 3%

PROPERTY TAXATION

Immovable property (except for land) <ul style="list-style-type: none">• for personal use• for commercial use	0.35% 0.8%
---	---------------

Land tax

Calculated according to the special formula of each type of land and depends on certain characteristics such as base rate of the land tax, land area, inflation, zonal and commercial use coefficients

SEVERANCE TAX (BONUS, ROYALTY)

On minerals: gas, oil, metals, carbons etc

EXCISES

On alcohol, tobacco products, oil and oil products

SOCIAL SECURITY CONTRIBUTIONS

On monthly salary <ul style="list-style-type: none">employeeemployer	27.25% (total rate) 10% 17.25%
Reduced rate Applicable only to foreign nationals temporarily residing in the Kyrgyz Republic (shall be paid by the employer)	3%

INCENTIVES FOR INVESTORS

Tax stability clause (freedom to choose within 10 years from the beginning of business activities most favorable terms in case of introduction of changes in tax legislation)

SPECIAL TAX REGIME

Simplified tax regime based on single tax available for small businesses/ individual entrepreneurs:

- for production, trade and agricultural processing industries
- in other cases

4%

6%

Mandatory / voluntary patent based tax

Tax contract: prescribes tax liability in fixed amount in relation to corporate income tax, VAT and sales tax

Free economic zones: tax exemption (except for personal income tax, social security contributions, withholding tax and special fee (for providing tax exemption) in the amount of 0.1 to 2% of annual proceeds from sale goods and services)

Parks of high technologies (effective from July 15, 2011): exemption from corporate income tax, VAT and sales tax

ADVANCE (BINDING) TAX RULINGS

N/A

Kalikova & Associates

Kalikova & Associates

Bishkek, Kyrgyzstan

CIS LCN Member for Kyrgyzstan

Founded in 2002, Kalikova & Associates has rapidly grown into one of the leading law firms in Kyrgyzstan specializing in Business Law. The firm has proudly built a strong reputation as a reliable partner to many leading foreign companies, international organizations and diplomatic missions. Kalikova & Associates' strength lies in thorough analysis of current law in combination with economic, political and cultural trends in Kyrgyzstan and a bespoke Kalikova & Associates approach to every client project.



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Moldova

Tax Compass 2011

CORPORATE INCOME TAXATION

Corporate Tax	0% (2011) 12% (2012)
Dividends (participation exemption for tax residents)	0%
Capital gains	$\frac{1}{2}$ of the corporate tax rate
Deduction of Interests <ul style="list-style-type: none">• Payable to banks and microfinance organizations• Payable to other lenders	Fully deductible Deductible within National Bank Base Rate set for November of previous fiscal year
Thin Capitalization Rules	N/A
Depreciation <ul style="list-style-type: none">• Five categories of assets	5 / 8 / 10 / 20 / 30%
Transfer Pricing Rules Concept expected to be introduced in 2014	N/A
Loss carried forward	5 years
Loss carried backward	No
Fiscal unity/Tax consolidation	No

WITHHOLDING TAXATION

Withholding tax rate for dividends	15% (2011) 6% (2012)
Interests, royalties	15%



Capital gains from real estate/real estate companies

15%

Double Tax Treaty Network (over 45 DTTs): reduction /elimination of WTH taxation

PERSONAL INCOME TAX

General rate

7%/18%

Tax rate for Dividends

15% (2011)
6% (2012)

INHERITANCE TAX

–

REAL ESTATE TRANSFER TAXES / DUTY

–

VALUE ADDED TAX

Standard rate

20%

Reduced rate

0% / 6 % / 8%

General VAT payer registration threshold – 12-month sales of MDL 600,000 (approx EUR 36,500)

PROPERTY TAXATION

Residential property

0.02 – 0.25%

Other property

0.1%

SEVERANCE TAX

On extracted minerals: gas, oil, metals, carbons etc.

EXCISES

On alcohol, tobacco, petroleum, autos, luxury items, other

SOCIAL SECURITY CONTRIBUTIONS

Employer:	23%
Employee:	6%

MANDATORY MEDICAL INSURANCE CONTRIBUTIONS

Employer:	3.5%
Employee:	3.5%

INCENTIVES FOR INVESTORS

General incentives for investors	to be abolished in 2012 due to low (i.e. 12%) income tax rate
Incentives for residents of free economic zones: <ul style="list-style-type: none">• export earnings (general)• export earnings (by those who invested more than \$1M)• export earnings (by those who invested more than \$5M)	6% 3-year income tax exemption 5-year income tax exemption
SPECIAL (SIMPLIFIED) TAX REGIME for small businesses / individual entrepreneurs	–
ADVANCE (BINDING) TAX RULINGS	N/A

Turcan Cazac

Turcan Cazac

Chisinau,
Moldova



CIS LCN Member for Moldova

The firm's team is described by researchers as "clearly the best" in Moldova, "a clear leader in the Moldovan market", and "leading law practice in the country", while the "level of service" is described by clients and researchers as "superb". The firm made 'best friends' among fellow leading law firms in Almaty, Ashgabat, Astana, Baku, Bishkek, Bucharest, Kyiv, Moscow, Minsk, St. Petersburg, Tashkent, Tbilisi and Yerevan. The firm is an advocate of reform and improvement of the legal environment for doing business and an active member of the Moldovan business community.



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Russia

Tax Compass 2011

CORPORATE INCOME TAXATION

Corporate Tax	20%
Dividends	9% (for residents)
Participation Exemption <ul style="list-style-type: none">Available only for corporations - tax residentsShareholding: at least 50%Holding duration: at least 365 daysN/A for dividends from black-list offshores	0%
Capital gains (new rule since 2011) – only for tax residents <ul style="list-style-type: none">Applicable only for non-listed stocksSpecial rules for listed stocksApplicable for participation interest in Russian corporationsGeneral condition - holding duration at least 5 years starting from 2011	0%
Deduction of Interests General limitation threshold (comparability principle as an alternative) Central Bank based Refinancing Rate (CB-Rate) <ul style="list-style-type: none">For ruble LoansFor foreign exchange Loans	CB-Rate + 80% CB-Rate – 20%
Thin Capitalization Rules <ul style="list-style-type: none">Debt/Equity ratioFor Banks/Leasing Companies	3 / 1 12.5 / 1
Depreciation <ul style="list-style-type: none">Premium available (for certain assets)Accelerated depreciation (for certain assets)	Linear/nonlinear 30% max. index: 3



Transfer Pricing Rules Methods: Comparable Market Prices; Resale Price; Cost plus; Transaction Net Margin Method; Profit Split Method	New rules - 2012
Loss carried forward	10 years
Loss carried backward Special rules for securities and financial instruments – separate basket	N/A
Fiscal unity/Tax consolidation	N/A

WITHHOLDING TAXATION

Withholding tax rate for dividends	15%
Interests, royalties	20%
Capital gains from real estate/real estate companies	20%

Double Tax Treaty Network (over 60 DTTs): reduction /elimination of WTH taxation

PERSONAL INCOME TAX

General rate	13%
Tax rate for Dividends Exemption for capital gains from shares is under the same rules as for corporations	9%

INHERITANCE TAX

REAL ESTATE TRANSFER TAXES / DUTY

VALUE ADDED TAX

Standard / reduced rate Not applicable: <ul style="list-style-type: none">For small businesses/individual entrepreneurs under special (simplified) tax regime;If quarterly net revenue < RUR2m (approx. EUR 50.000) Exemption available for intangibles Reverse Charge Method is available	18% / 10%
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PROPERTY TAXATION

Corporations (average annual fixed assets' value)	max. 2.2%
Individuals: residential property	max. 2.0%
Additional tax on Land	max. 1.5%

SEVERANCE TAX

On extracted minerals: gas, oil, metals, carbons etc.

EXCISES

On alcohol, tobacco, petroleum, autos (certain motorcycles)

SOCIAL SECURITY CONTRIBUTIONS

On annual salary up to RUR 415.000 (approx. EUR 10.375) For Employer only	34 %
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INCENTIVES FOR INVESTORS

Cluster principle (mostly): temporary tax reductions/ exemptions

SPECIAL (SIMPLIFIED) TAX REGIME

Available for small businesses / individual entrepreneurs	6 % (gross income) or 15 % (on income less expenses)
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ADVANCE (BINDING) TAX RULINGS

N/A

Egorov Puginsky Afanasiev & Partners

Egorov Puginsky Afanasiev & Partners

Moscow and St. Petersburg,
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Turkmenistan

Tax Compass 2011

CORPORATE INCOME TAXATION

Corporate Tax	8%
Dividends	15%
Participation Exemption	N/A
Capital gains	N/A
Deduction of Interests	N/A
Thin Capitalization Rules	N/A
Depreciation <ul style="list-style-type: none">Accelerated depreciation (for certain assets)	Linear/Nonlinear max. index: 2
Transfer Pricing Rules (New rules since 2010) Methods: Comparable Market Prices; Resale Price; Cost plus	Yes
Loss carried forward <ul style="list-style-type: none">For (Sub)Contractors working under the Law “On hydrocarbon resources”	3 years 10 years
Loss carried backward	N/A
Fiscal unity/Tax consolidation	N/A

WITHHOLDING TAXATION

Withholding tax	15%
Withholding tax rate for dividends	15%
Rental of sea or air vessels	6%

Double Tax Treaty Network (23 DTTs): reduction /elimination of WTH taxation



PERSONAL INCOME TAX

General flat rate	10%
Dividends	10%
For the individual entrepreneurs	2%

INHERITANCE TAX

N/A

REAL ESTATE TRANSFER TAXES / DUTY

10 %

VALUE ADDED TAX

Standard / reduced rate

15% / 0 %

PROPERTY TAXATION

From the tax basis of the tax period

Small and medium legal entities, without participation of the foreign capital, and individual entrepreneurs are not subject to property tax

1 %

SEVERANCE TAX

For the operations with:

- natural and casing-head gas 22%
- crude oil 10%
- other mineral products (depending on the level of profit ability: from 15% and more) 0 – 50%

EXCISES

Excise duties are imposed on both import and manufacture of a list of goods

SOCIAL SECURITY CONTRIBUTIONS

Standart rate	20 %
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SPECIAL CHARGE FOR CITIES, SETTLEMENTS AND RURAL COMMUNITIES DEVELOPMENT

Depending on the status of the subject	0, 3% - 1%
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INCENTIVES FOR INVESTORS

Cluster principle (mostly): temporary tax reductions/exemptions

SPECIAL (SIMPLIFIED) TAX REGIME

Available for individual entrepreneurs	2%
Small and medium legal entities, without participation of the foreign capital	

ADVANCE (BINDING) TAX RULINGS	N/A
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ACT

Ashgabat, Turkmenistan

CIS LCN Member for Turkmenistan

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Ukraine

Tax Compass 2011

CORPORATE INCOME TAXATION

Corporate Tax	23% (in 2011) 21% (in 2012) 19% (in 2013) 16% (since 2014)
Dividends	currently 23%, will gradually decrease to 16% (by 2014)
Participation Exemption <ul style="list-style-type: none">Available for dividends from residents and controlled non-offshore non-residents	0%
Capital gains	N/A
Deduction of Interests 1-st group of the Foreign Currencies Classification (USD, Euro, British pounds, Swiss francs, Japanese yen): <ul style="list-style-type: none">for fixed interest rate (depends on loans' period)for floating interest rate	9,8 / 10 / 11 % LIBOR for 3 m. deposits in USD + 750 b.p.
2-nd or 3-rd group of the Foreign Currencies (CIS currencies, Hong Kong dollars, Singapore dollars)	20 % (on WTG AVG)
Thin Capitalization Rules Applicable to the controlled (over 50%) debtors	Yes
Depreciation Straight-line, reducing balance, accelerated reducing balance, cumulative, productive	Yes
Transfer Pricing Rules Methods: Comparable Market Prices; Resale Price; Cost plus; Transaction Net Margin Method; Profit Split Method	New rules - 2013



Loss carried forward	Unlimited
Loss carried backward	N/A
Special rules for a number of operations (securities and financial instruments, payments in a foreign currency, payments with related persons, dividends, debt claims and liabilities, alienation of property, leasing, etc.)	

Tax consolidation Yes

WITHHOLDING TAXATION

Dividends	15%
Income from sale of shares, royalties, interests, certain other incomes	15 %
Freight	6%
Incomes from interest-free bonds	16%
Interests charged on public securities	0%
Insurance fees	0 -12%
Fees for the production and/or distribution of a resident's advertising by non-resident	

Double Tax Treaty Network (over 60 DTTs): reduction /elimination of WTH taxation /refund of extra tax

PERSONAL INCOME TAX

General rate	15%
If an individual's income exceeds 10 minimal wages	17%

Same tax rate for residents and non-residents

Shareholder-Relief-System / Tax rate for Dividends

5%

INHERITANCE TAX

Depends on the object to be inherited, kinship and residency

0% / 5% / 15%

REAL ESTATE TRANSFER TAXES / DUTY	1% OF TRANSACTION VALUE
VALUE ADDED TAX	
Standard rate	20% (in 2011-2013), 17% (in 2014)
Reduced rate	N/A
General VAT payer registration threshold – UAH 300,000 (approx EUR 26,390)	
PROPERTY TAXATION	
Tax on Land Tax base is cadastral value of land	Rates vary and depend on the functional use of land
Tax on Real Estate (takes effect on 1 January 2012) Tax base is minimum salary established subject to living area of real estate	1%-2,7%
SEVERANCE TAX	
On used natural resources (oil, gas, coal, peat, ores, etc.)	
EXCISES	
On alcohol, tobaccos, petroleum, liquefied gas, motor cars, car bodies, trailers and semitrailers, motorcycles	
SINGLE SOCIAL CONTRIBUTION TO THE PENSION FUND	
Employee (on gross salary)	3,6%
Employer (on top of gross salary depending on the type of business activity)	36,76%-49,7%
INCENTIVES FOR INVESTORS	
Property imported as a contribution to a company's authorized capital is exempt from custom duty (except for goods intended for sale or own consumption)	
SPECIAL (SIMPLIFIED) TAX REGIME	
Available for small businesses / individual entrepreneurs	
<ul style="list-style-type: none"> • CIT of annual revenues not including excise taxes (VAT payable) • CIT of annual revenues, except for excise taxes, (VAT not payable) 	6% 10%
ADVANCE (BINDING) TAX RULINGS	N/A

RULG - Ukrainian Legal Group

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Kyiv, Ukraine



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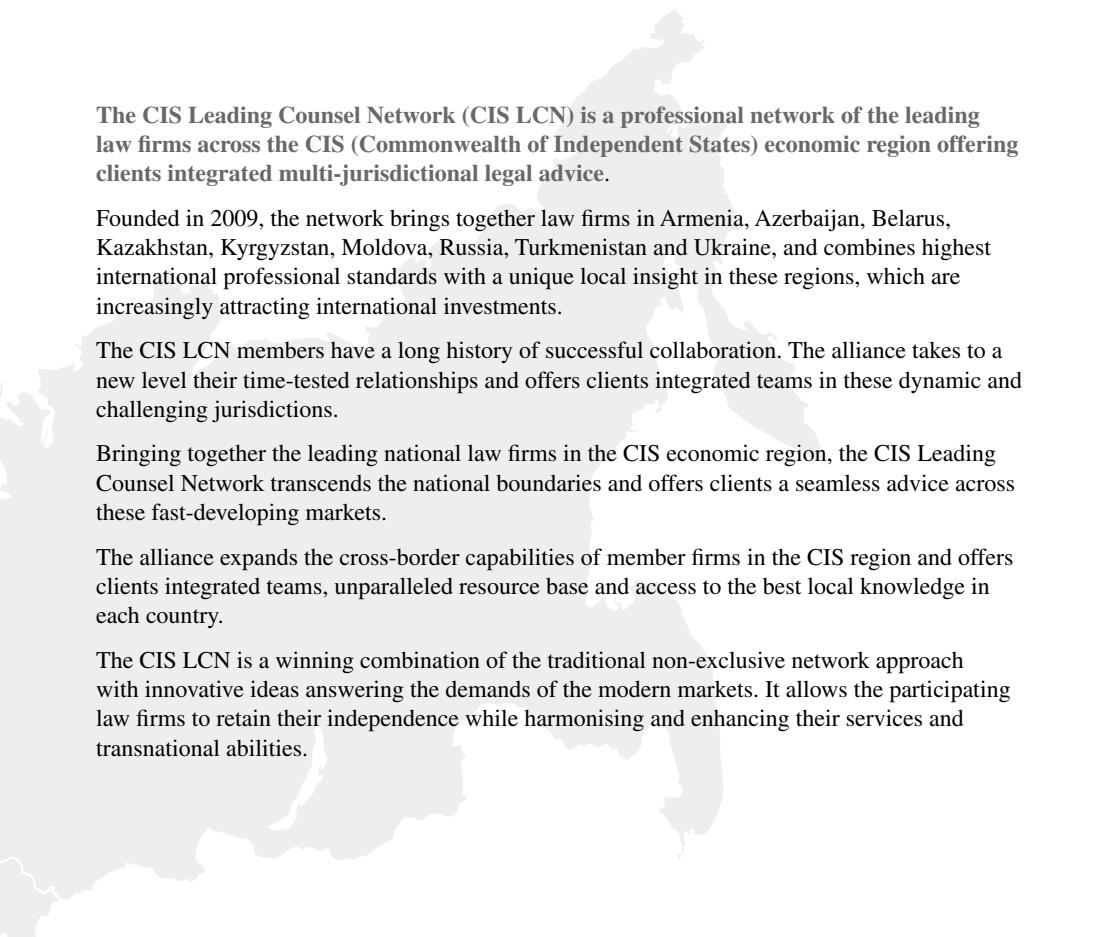
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