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EY Tax and Legal Practice
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Ukraine Parliament to ratify Ukraine-Luxembourg Double Tax Treaty

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On 14 March 2017, the Parliament of Ukraine approved a law ratifying the Convention between the Government of Ukraine and the Government of the Grand Duchy of Luxembourg for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital (the Treaty) and the amending Protocol thereto.

To remind, the Treaty was signed on 6 September 1997, but Ukrainian Parliament rejected to ratify it in 1998. Ukrainian Government has been negotiating amendments to the Treaty since 2007.

On 30 September 2016, Ukraine and Luxembourg signed the protocol that significantly amended the not then in force Treaty (the Protocol).

The Treaty (as amended by the Protocol) sets out the following withholding tax rates in respect of passive income:

- ▶ Dividends: 5% / 15%

The reduced tax rate applies if the dividends recipient holds at least 20% of the capital of the dividend paying company.

▶ Interest: 5% / 10%

The reduced 5% tax rate applies to interest paid on loans granted by banks and other financial institutions. 10% tax rate applies in other cases.

▶ Royalties: 5% / 10%

The reduced 5% tax rate applies to royalties paid with respect to copyright of scientific work, patent, trademark, secret formula, process, or for information concerning industrial, commercial or scientific experience. 10% tax rate applies in other cases.

The Treaty contains the provisions on the exchange of tax information upon request, which correspond to the latest OECD standard, but it does not provide for an automatic exchange of financial account information based on OECD Common Reporting Standard.

If both Ukraine and Luxembourg complete the domestic procedures required for bringing the Treaty into force in 2017, the Treaty should apply beginning 1 January 2018 in respect of taxes withholdable at source, and taxes chargeable for taxable year beginning on or after 1 January 2018.

We will continue monitoring the developments and will inform you of further significant changes.

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