



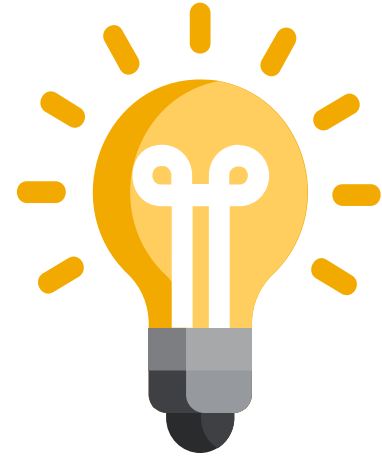
KINSTELLAR

Ukraine increases transparency in the international arena and implements CRS

June 2023

The exchange of information upon request between tax authorities is an important means of promoting transparency and allows tax authorities to obtain information necessary to ensure compliance with tax laws. Ukraine is a party to various international legal instruments under which information may be provided by one country to another.

In this regard, Ukraine has recently become a party to the exchange of financial information under the Common Reporting Standard (**CRS**).



CRS basics

CRS is an agreed global standard for the automatic exchange of tax and financial information (**AEOI**), developed and approved by the Council of the Organisation for Economic Cooperation and Development (**OECD**) in February 2014.

CRS encourages jurisdictions to obtain information from their financial institutions and automatically exchange it with other jurisdictions on an annual basis. The standard defines the financial account information that must be exchanged, the reporting financial institutions, and describes the general review procedures that financial institutions must follow. CRS does not establish rules for the calculation and payment of taxes, but is a document that describes the proper procedure for reporting and verifying information on the financial accounts of individuals and legal entities for the purpose of automatic exchange.

CRS is implemented in the legislation of individual countries on the basis of international agreements and domestic regulations.

The basic agreement that provides for the automatic exchange of information between different countries is the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (**MCMAATM**) of 1988.

In turn, Article 6 of MCMAATM became the legal basis for the signing of the Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information (**CRS MCAA**) on 29 October 2014. The CRS MCAA is an international instrument that provides a standardised and efficient mechanism to facilitate the automatic exchange of information under CRS. It is quite convenient, as it avoids the need to conclude several bilateral agreements between states. As of 16 May 2023, 120 countries have signed the CRS MCAA. Ukraine joined the CRS MCAA on 19 August 2022.

In addition to joining the CRS MCAA at the international level, CRS is integrated into the domestic legislation of jurisdictions by adopting separate regulations.



CRS in Europe

CRS was introduced into the legislation of the European Union (EU) through the second amendment to Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC (**DAC**). Therefore, in the EU, CRS is also sometimes associated with DAC2.

It is worth noting that in the hierarchy of EU legislation, directives are binding in terms of the results to be achieved for any or all of the Member States to which they are addressed, but leave national authorities to choose the form and methods. National legislatures have to transpose the provisions of the directives into local law through separate legal acts.

Therefore, to implement DAC2 into domestic law, EU countries have adopted separate legal acts.



CRS in Ukraine

CRS rules were implemented into Ukrainian legislation by adopting the Law of Ukraine “On Amendments to the Tax Code of Ukraine regarding the Implementation of the International Standard for the Automatic Exchange of Information on Financial Accounts” No. 2970-IX dated 20 March 2023 (entered into force on 28 April 2023) (**Law No. 2970-IX**).

The procedure for applying CRS is separately established by the Ministry of Finance of Ukraine.

At the same time, CSR rules should be applied in a broad sense. This means that issues not regulated by the Tax Code of Ukraine (TCU) should be determined in accordance with the CRS MCAA, the CRS, as well as other legislative acts adopted to implement the provisions of the CRS MCAA



Algorithm

CRS provides for the annual automatic exchange of information on certain types of financial accounts of individuals and legal entities between jurisdictions that have joined the CRS MCAA.

The initial collection of information on accounts to be exchanged is carried out by reporting financial institutions, which, in turn, transmit the data to local tax authorities. Subsequently, the tax authorities of the jurisdictions participating in the CRS MCAA exchange data in a standardised format.



Timeline

For the purposes of the CRS MCAA and CRS, the first reporting period in Ukraine is the period beginning on 1 July 2023 and ending on 31 December 2023.

Ukrainian financial institutions are required to report information on their reporting accounts to the State Tax Service of Ukraine (**STSU**) by 1 July of each year.

STSU will exchange information with the jurisdiction of the account holder's tax residence within nine months after the end of the reporting year (i.e., by 30 September of each year).

The first exchange of information involving Ukraine is scheduled for September 2024.



Important

CRS will affect a large number of individual accounts, as it does not set minimum thresholds for them and applies to any investor or account holder who is a tax resident of a participating jurisdiction.



If you have any questions regarding the application of CRS rules, please contact Lyudmyla Dzhurylyuk or your usual contact at Kinstellar.



Lyudmyla Dzhurylyuk

Senior Associate

lyudmyla.dzhurylyuk@kinstellar.com

Emerging Europe and Central Asia's Leading Independent Law Firm

With offices in 11 jurisdictions and over 350 local and international lawyers, we deliver consistent, joined-up legal advice and assistance across diverse regional markets – together with the know-how and experience to champion your interests while minimising exposure to risk.

ALMATY | KAZAKHSTAN

ASTANA | KAZAKHSTAN

BELGRADE | SERBIA

BRATISLAVA | SLOVAKIA

BUCHAREST | ROMANIA

BUDAPEST | HUNGARY

ISTANBUL | TURKEY

KYIV | UKRAINE

PRAGUE | CZECH REPUBLIC

SOFIA | BULGARIA

TASHKENT | UZBEKISTAN

ZAGREB | CROATIA

KINSTELLAR