

LAW OF UKRAINE # 2856-VI Tax Code of Ukraine (Excerpt)

Article 14. Definitions.

14.1.167. REPO transaction – a securities buy (sell) transaction with an obligation to sell (buy) them back after a specified period of time at a previously agreed-upon price, based on a single REPO agreement. For the purposes of this Code, a period between exercise dates of the first and second parts of the transaction (REPO term) cannot exceed one year

14.1. 206 interest - income that is paid (accrued) by the borrower to a creditor as payment for the use of attracted funds or property for a predetermined or non- predetermined period.

Interest includes:

- a) payment of money or goods (and services) received as loan;
- b) payment for the use of funds raised in the deposit;
Payment for purchase of goods by installments;
- c) payment for the property under financial lease agreements (lease) (without payment of the lease provided for compensation of the value of financial leasing);
- d) lessor's remuneration (income) as a part of the lease payment under housing lease agreement with the right of housing redemption, which has been paid by the individual to the taxpayer, to whose favor the right of receiving such payments is assigned.

Interest is accrued in the form of interest on the principal amount of debt or the value of property or as fixed amounts. If the fundraising is done by selling bonds, treasury bonds or savings (deposit) certificates issued by the lender, or by discounting bills and purchase transactions of securities with repurchase, the amount of interest determined by placing them on the value of such security, paying a fixed premium or prize, or by determining the difference between the price of placement (sale) price and maturity (redemption/repurchase) of such security.

Payments under other civil contracts regardless of whether they are set in absolute (fixed) prices or a percentage amount of the contract or other cost basis, are not recognized as interest”.

Article 153. Specific Transaction Taxation.

153.8...

A taxpayer's expenses incurred to buy securities used in REPO transactions shall not be included in the calculation of financial results of REPO transactions during the REPO term but shall be included in calculations of financial results of REPO transactions in the manner prescribed in Section 153.9 of this Article.

153.9....

Provisions of Section 153.8 of Article 153 of this Code shall not apply to securities buy (sell) transactions with a sell (buy) back obligation (REPO transactions) unless such transactions involve the transfer of title to securities. A taxpayer's financial result under such transactions shall be calculated for each transaction as the difference between the securities sell (buy) price and their buy (sell) back price in the tax period when such securities were bought (sold) back.....

Under securities buy (sell) transactions with a sell (buy) back obligation (REPO transactions), if such transactions involve the transfer of title to securities, the financial result shall be calculated in the manner prescribed for securities transactions in Section 153.8 of Article 153 of this Code.....

Provisions of this Code with respect to usual prices shall not apply to REPO transactions or derivative transactions.