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On 9 October 2017 Ukraine and the UK signed the Protocol On Amendments to the Agreement on Avoiding Double Taxation between the Governments of Ukraine and the United Kingdom of Great Britain and Northern Ireland. How can this agreement affect international holding and financial structures associated with the United Kingdom?



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On 9 October 2017 Ukraine and the UK signed the Protocol amending the DTT between Ukraine and the UK (the Protocol).

The Protocol increases the withholding tax rates for interest, royalty, and dividend payments up to the *OECD Model Tax Convention's Standard*. Ultimately, such increase will only affect the redistribution of taxes between Ukraine and the UK, resulting in more taxes being collected in Ukraine. UK taxpayers should not be significantly affected by the increase, since the taxes paid in Ukraine will be credited against UK taxes.

The Protocol, however, may affect thin profit margin businesses, particularly IP and financing conduit companies, as they will not have sufficient UK tax to utilize the tax credit. Nonetheless, considering the fact that such com-

panies are usually structured through back-to-back structures, they should not be eligible for DTT benefits.

Additionally, the Protocol introduces provisions on a principal purpose test with the primary aim of affecting artificial structures. Thus, treaty benefits to structures without economic substance are likely to be denied in the future.

UK companies are also often used to finance Ukrainian companies through the issue of Eurobonds. Since 2017, existing national rules allow for efficient use of such structures, regardless of the applicability of the DTT. Therefore, the Protocol should not affect these structures.

To conclude, the Protocol does not significantly change the overall status of the UK as a jurisdiction for structuring international business with proper substance and economic reasons for the set-up.

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The Ministry of Justice has introduced a mechanism for automatic data exchange between the Register of Property Rights and the State Land Cadastre. How can the adoption of this initiative affect the number of conflicts in the agrarian sector, as well as the registrars work?



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The respective mechanisms of exchange were foreseen earlier, but they operated through acquisition of hard-copy excerpts and the use of information from them in the process of registration of rights in land. Incomplete registers and time spans made it possible to make double registration of lease agreements, with all the related consequences.

In essence, the announced changes mean arrangements for the technical ability to synchronize data in real time. The logic of the changes and their real results will actually enable a reduction, and eventually elimination, of the possibility of double registration.

However, for the time being, the introduction of the technical ability to synchronize these registries is being accompanied by technical failures and inaccuracies. Even today some registra-

tions are suspended due to the fact that information from the SLC (State Land Cadastre) is incomplete, which in essence, in the absence of relevant legal or explanatory landmarks, blocks the registration of actions with respect to a particular land plot. This problem is being solved "manually", by entering relevant information from the State Geocadastre upon personal application by the registrar, who, in the course of registration actions, discovered the incompleteness of information from the SLC.

Therefore, it is too early to talk about complete automation and synchronization of registers. At the same time, positive changes are expected in the field of registration of rights in land plots upon expiry of the conditional transition period, which will make it impossible, or will complicate, the possibility of abuse for illegal purposes.