

## Explanations to the customers of CREDIT AGRICOLE BANK

### on peculiarities of performing currency exchange transactions by private individuals and taxation of interest income of private individuals

Taking into account coming into force of the Law of Ukraine "On Prevention of the Financial Catastrophe and Creating Prerequisites for Economic Growth in Ukraine" dd. 27 March 2014 №1166-VII and Resolution of the National Bank of Ukraine № 245 «On regulation of activity of financial institutions and performance of currency exchange transactions» dd. 29 April 2014, PJSC "CRDIT AGRICOLE BANK" (hereinafter the Bank) explains the performance of certain currency exchange transactions by private individuals and taxation of interest income of private individuals.

#### 1. **Pre-term redemption of private individuals' deposits in foreign currency.**

Bank institutions continue **redeeming (on customer's request) in hryvnia the full amount of term deposits in foreign currency** under all types of agreements before maturity using the rate the authorized bank (the Bank) uses to purchase foreign currency on the day of such operation.

Deposit amount in foreign currency, which is redeemed before maturity, is converted to UAH at the Ukrainian Interbank Foreign Exchange Market using the rate the authorized bank (the Bank) uses to purchase foreign currency on the day of such operation.

Redemption of foreign currency deposits is performed by transferring funds to the customer's current / card account in foreign currency, specified in the Bank deposit agreement. In such a case, customer should provide the Bank with request to sell foreign currency, which is transferred from the deposit account to the current / card account, at Ukrainian Interbank Foreign Exchange Market with a request to redeem the deposit before the maturity. The Bank executes the customer's request to sell foreign currency at Ukrainian Interbank Foreign Exchange Market no later than the day following the credit of funds to the customer's current / card account.

If customer wishes to receive foreign currency deposit before the maturity and does not wish to convert foreign currency to hryvnia, then the deposit amount will be transferred to the customer's current / card account in foreign currency in cashless form.

Pursuant to the terms of the bank deposit agreement, the customer should notify the Bank about his/her decision to receive deposit before the maturity by **giving the Bank at least a 2 days' notice**.

#### 2. **UAH 15,000 daily limit on cash disbursements in foreign currency**

**Cash funds in foreign currency are disbursed at the Bank's cash desks from the current, card and deposit accounts of retail customers within the limit of UAH 15,000 (fifteen thousand) per customer per day at the official exchange rate of the National Bank of Ukraine, regardless of the number of customer's accounts opened with the Bank.**

However, the abovementioned limits are not used when transferring funds in foreign currency, which belong to retail customers, within the territory of Ukraine.

**Limits on cash disbursement apply to cash disbursement operations in foreign currency abroad.**

The abovementioned requirements shall not apply to diplomatic missions, consular offices of foreign states in Ukraine, international financial institutions, representatives of international financial institutions and their employees if they are not citizens of Ukraine or do not live here permanently and are accredited by the Ministry of Foreign Affairs of Ukraine.

#### 3. **Special aspects of transferring foreign currency outside Ukraine by private individuals.**

Under instructions of private individuals, foreign currency is transferred outside Ukraine under the current FX non-trade transactions.

**Resident individuals:**

- **without supporting documents from the current account in foreign currency or without its opening:** for the amount that **does not exceed UAH 15,000.00 (in equivalent) per month;**
- **on the basis of supporting documents solely from the current account** in foreign currency – for the amount that **exceeds UAH 15,000.00 (in equivalent) but no more than UAH 150,000.00 per month**

**Non-resident individuals** should make such transfers only **on the basis of supporting documents.**

**The aforesaid requirements do not apply to:**

- paying for treatment in medical facilities of another country, as well as covering costs of patient transportation;
- covering costs related to the death of citizens abroad (costs of transportation and burial);
- transfers made by virtue of rulings, decisions, judgments and resolutions of the court, prosecutor's office and other law enforcement bodies;
- transfers made by the citizens when leaving for permanent residence abroad;
- covering education fees;
- transfers of funds received as salary by non-residents of Ukraine, pension, alimony.

**4. Special aspects of purchasing and selling foreign currency in cash form.**

**The Bank may sell foreign currency cash in amount not exceeding the equivalent of UAH 15,000.00 to one customer within one operating (business) day.** In this case the Customer needs to provide passport or another ID document.

Purchase of foreign currency cash from individuals is made in amount not exceeding the equivalent of UAH 149,999.99 without ID documents. In this case the customer needs to inform his/her last name, first name, middle name and residency.

If operation amount equals or exceeds UAH 150,000.00 (in equivalent), then complete customer identification is carried out according to current Ukrainian legislation.

**National Bank of Ukraine established all the limits indicated in cl. 1-4 hereof till 01 June 2014.**

**5. Payment of mandatory contribution to the State Pension Fund when purchasing foreign currency.**

Starting **from 01 April 2014 when purchasing foreign currency in cash or cashless form** the Bank accrues, withholds and transfers mandatory contribution to the State Pension Fund on behalf of the customers (residents and non-residents).

Mandatory contribution to the State Pension Fund is accrued at the rate of 0.5% of foreign currency purchase amount in UAH not taking into account the fee for such operation.

Mandatory duty to the State Pension Fund is not paid when purchasing foreign currency if such operations are carried out by diplomatic missions, consular offices of foreign states in Ukraine and their employees, if they are not citizens of Ukraine or do not live here permanently and are accredited by the Ministry of Foreign Affairs of Ukraine, international financial institutions, which are exempt from paying any duties and taxes within the territory of Ukraine under Ukrainian legislation (including international treaties of Ukraine ratified by Verkhovna Rada of Ukraine).

**6. Procedure for taxation of interest income of private individuals\***

Due to amendments to the Tax Code of Ukraine stipulated by the Law of Ukraine "On Prevention of Financial Catastrophe and Creating Prerequisites for Economic Growth in Ukraine" dd. 27 March 2014 №1166-VII, starting from **01 April 2014** the following tax treatment of income of private individuals comes into force:

- interest on bank deposits,
- interest on the balance of funds on current / card accounts,
- interest on accounts of cash collateral.

#### **Tax rates:**

- If the tax base (interest income) for the reporting period does not exceed 204 living wages (**UAH 248 472** – taking into account the living wage for the person able to work, which was established in amount of UAH 1218 as of 01 January 2014), then the rate of **15%** is applied;
- If the tax base (interest income) for the reporting period exceeds 204 living wages (**UAH 248 472**), but does not exceed 396 living wages (**UAH 482 328**) then the interest rate of **20%** is applied to the amount of such excess;
- If the tax base (interest income) for the reporting period exceeds 396 living wages (**UAH 482 328**), then the interest rate of **25%** is applied.

#### **Non-taxable:**

- Interest income in amount which does not exceed **17 minimum wages per year for the able-bodied person, established by law as of 1 January of the current reporting fiscal year (UAH 20 706)**,

Personal income tax will be accrued on the difference between interest income in amount not exceeding 17 living wages for the able-bodied person per year (**UAH 20 706**) and amount of such excess;

- Interest income to the **current, card bank accounts** used solely for the payment of **student allowances, pensions, social welfare** and social payments provided for by the law for the benefit of private individuals.

**Please be aware that if salary is paid to such current (card) account, then interest on such current (card account) is taxable;**

- Interest income accrued on securities emitted by the central executive body, which implements state financial policy, and accrued on promissory notes of the National Bank of Ukraine.

#### **Procedures for accrual and payment of tax:**

- **The Bank does not withhold and transfer tax accrued on the interest income amount, private individual pays tax on his/her own according to the results of the tax return** (cl. 170.4.1 p. 170.4 art. 170 of the Tax Code of Ukraine);
- The Bank as an entity having a status of tax payer's fiscal agent **when accruing (paying) interest income** to the benefit of such tax payer, **is to file information return for the reporting quarter [within 40 calendar days, following the last calendar day in reporting quarter]** and amount of withheld tax to the regulatory body according to its location within the time limits established by the Tax Code of Ukraine (cl. "b" p. 176.2 art. 176 of the Tax Code of Ukraine);
- If interest income is accrued (paid) to the customer in foreign currency, then, for the **purpose of personal income taxation**, it is converted to hryvnia at the official rate of the National Bank of Ukraine, effective as of the date of such income accrual (receipt) (cl.164.4 art. 164 of the Tax Code of Ukraine);
- Interest income on the current and deposit accounts opened on behalf of the private individual – entrepreneur (when PIE is one of the parties to the bank account or bank deposit account agreement) is subject to personal income tax, regardless of the taxation system such private individual entrepreneur belongs to (art. 177, cl. 292.1 art.292 of the Tax Code of Ukraine).

***\*This information is current as of 30.04.2014. It is a commentary of the Bank specialists. If there are additional explanations from the bodies of revenue and duties concerning the procedures for accrual, withholding and payment of personal income tax, deviating from the abovementioned information, such explanations will have priority over these explanations.***