

New U.S.–Ukraine Income Tax Treaty (Addition to Publications 515 and 901)

Announcement 2000–89

The United States recently exchanged instruments of ratification for a new income tax treaty with Ukraine. The provisions for taxes withheld on interest, dividends, and royalties are effective for amounts paid or credited on or after August 1, 2000. For other taxes, the provisions are effective for tax periods beginning on or after January 1, 2001.

Previously, residents of Ukraine were covered under the treaty between the United States and the former Soviet Union. A person entitled to benefits under that treaty can elect to have that treaty apply in its entirety for the first tax year for which the new treaty would otherwise apply. A person claiming benefits under Article III(1)(d) of the treaty between the United States and the former Soviet Union can elect to have the treaty apply in its entirety for the duration of the period of benefits provided by that subparagraph.

This announcement provides additions to Tables 1 and 2 in Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Corporations (For Withholding in 2000)*, and Publication 901, *U.S. Tax Treaties*, to reflect the provisions of the new treaty. The footnotes in Publication 515 that relate to the column headings in these tables generally apply to this new treaty.

Table 1. Withholding Tax Rates on Income Other Than Personal Service Income Under Chapter 3, Internal Revenue Code, and Income Tax Treaties—For Withholding in 2000

Income code number		1	2	3	6	7	9	10	11	12	13	14
Country of residence of payee		Interest paid by U.S. obligors General	Interest on real property mortgages	Interest paid to controlling foreign corporations	Dividends paid by		Capital Gains	Industrial Royalties	Copyright royalties		Real Property Income and Natural Resources Royalties	Pensions and Annuities
Name	Code				U.S. Corporations General	U.S. subsidiaries to foreign parent corporations			Motion Pictures and Television	Other		
Ukraine	UP	^a 0	^{a,c} 0	^a 0	^{a,d} 15	^{a,d} 5	^{a,e} 0	^a 10	^a 10	^a 10	30	^b 0

^a Under the treaty the exemption or reduction in rate does not apply if the recipient has a permanent establishment in the United States and the property giving rise to the income is effectively connected with this permanent establishment. Exemption or reduction in rate also does not apply if the property producing the income is effectively connected with a fixed base in the United States from which the recipient performs independent personal services.

^b Exemption does not apply to U.S. Government (federal, state, or local) pensions and annuities; a 30% rate applies to these pensions and annuities.

^c Exemption or reduced rate does not apply to an excess inclusion for a residual interest in a real estate mortgage investment conduit (REMIC).

^d The rate in column 6 applies to dividends paid by a regulated investment company (RIC). Dividends paid by a real estate investment trust (REIT) are subject to a 30% rate.

^e Gain on real or personal property attributable to a permanent establishment or a fixed base is subject to U.S. tax. See Publication 515 for when withholding is required.

Table 2. Compensation for Personal Services Performed in United States Exempt from Withholding and U.S. Income Tax Under Income Tax Treaties

Country (1)	Code (2)	Category of Personal Services	Maximum Presence in U.S. (4)	Required Employer or Payer (5)	Maximum Amount of Compensation (6)	Treaty Article Citation (7)
		Purpose (3)				
Ukraine	15	Scholarship or fellowship grant ¹	5 years ²	Any U.S. or foreign resident ³	No limit	20
	16	Independent personal services ^{4,8}	No limit	Any contractor	No limit	14
	17	Dependent personal services ^{5,6,8}	183 days	Any foreign resident	No limit	15
	19	Studying and training: Remittances or allowances ⁷	5 years ²	Any foreign resident	No limit	20

¹ Applies to grants, allowances, and other similar payments received for studying or doing research.

² The 5-year limit pertains only to training or research.

³ Grant must be from a nonprofit organization. The exemption also applies to amounts from either government.

⁴ Exemption does not apply to the extent income is attributable to the recipient's fixed U.S. base.

⁵ Fees paid to a resident of Ukraine for services as a director of a U.S. corporation are subject to U.S. tax, unless the services are rendered in Ukraine.

⁶ The exemption does not apply if the employee's compensation is borne by a permanent establishment (or a fixed base) that the employer has in the United States.

⁷ Does not apply to compensation for research work primarily for private benefit.

⁸ The exemption does not apply to income received for performing services in the United States as an entertainer or a sportsman. However, this income is exempt for U.S. income tax if the visit is (a) substantially supported by public funds of Ukraine, its political subdivisions, or local authorities, or (b) made under a specific arrangement agreed to by the governments of the treaty countries.