

# FLASH REPORT

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## Restriction on deductibility of forex losses – follow up

Further to our Flash Report of 28 August 2009, we advise that Resolution of the Cabinet of Ministers № 895 (the "Resolution"), which restricts deductibility of unrealised forex losses, has been officially published and is effective as of today.

We continue to consider that the Resolution is contrary to the provisions of the Ukrainian Constitution and tax laws but recognize that the tax authorities will seek to enforce the Resolution in practice.

The wording of the Resolution is not clear but, read in conjunction with the related explanatory note issued by the State Tax Administration of Ukraine, it is clear that the intention of the Resolution is to restrict deductibility of unrealized forex losses that originated in 2008 and remain unrealised at 30 September 2009.

If clients intend to comply with the Resolution, there may be a number of strategies that could help alleviating the potential negative tax consequences.

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