

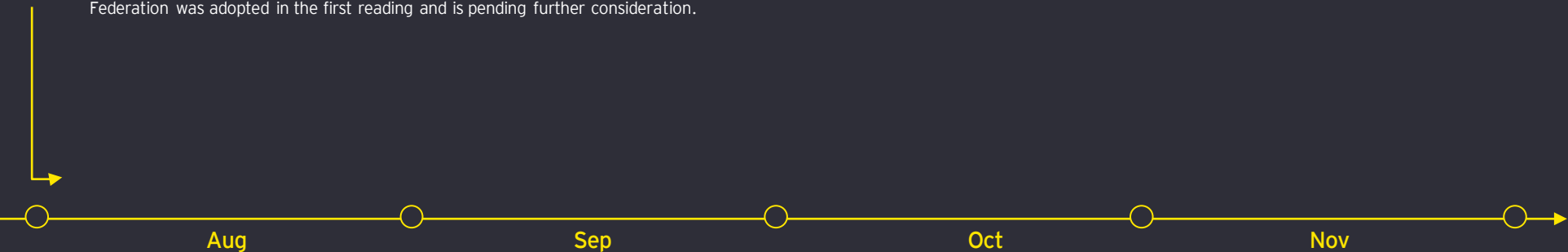
Tax Agenda Ukraine

August 2022



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No.	Fact	Action	
1	<p>Significant adjustment to the simplified tax regime for the period of martial law</p> <p>The possibility to apply special 2% single tax rate based on income, which was introduced on 1 April 2022, remains for qualifying Ukrainian companies until the abolition of the martial law (vs 18% corporate profit tax (CPT) and 20% value added tax (VAT)). Taxable income shall be calculated on a cash basis, considering special rules. VAT registration will be suspended for the period of applying 2% tax rate.</p> <p>From 1 July 2022, the exemption from VAT for goods imported by 2% single tax payers is abolished, and they are liable to pay import VAT without the right to credit it.</p>	Assess eligibility of transferring the Ukrainian business to 2% single tax.	● ● ●
2	<p>Increase in tax rates for business entities having economic relations with Russian Federation is in the process of adoption</p> <p>A Bill to introduce the 1.5 increasing ratio to the tax rates (CPT, environmental tax, rent fee and property tax) for companies that have economic relations with Russian Federation was adopted in the first reading and is pending further consideration.</p>	Consider potential impact and monitor developments.	● ● ●



Use text boxes above the timeline to plan your actions for coming months

● Compliance ● Risk management ● Cash-flow / ETR impact

No.	Fact	Action	
3	<p>Ukraine denounced the double tax treaty with Russian Federation</p> <p>Effective on 8 June 2022, the agreement between the Government of Ukraine and the Government of the Russian Federation on avoidance of double taxation of income and property and prevention of tax evasion is denounced.</p>	Check whether the denunciation affects withholding tax rates applicable to performed transactions.	● ● ●
4	<p>Qualifying donations are allowed for CPT deduction in full and are VAT exempt</p> <p>Donations in favor of Armed Forces of Ukraine and qualifying military establishments are allowed for CPT deduction in full and are exempted from VAT.</p>	Assess applicability of the new rules.	● ● ●
5	<p>Tax relief rules for taxpayers during the period of martial law are amended</p> <p>Tax relief rules for taxpayers available in Ukraine till the abolition of the martial law are amended, including, inter alia, the following:</p> <ul style="list-style-type: none"> ▶ Exemption from responsibility for untimely fulfillment of tax obligations (tax filing, tax payment, registration of VAT invoices, etc.) in the most cases is conditioned by fulfillment of the respective obligations within applicable deadlines prescribed by law. ▶ The exemption rules vary for taxpayers who are able and are unable to perform tax obligation as well as for those whose respective ability is renewed. As of today, the statutory procedure for confirming of the ability and inability of fulfillment of tax obligations and the list of supporting documents are not approved yet. ▶ Moratorium for tax audits is in force, except for desk and actual audits, audits upon taxpayer's request, audits in case taxpayer claims for VAT refund or reports negative VAT balance exceeding UAH 100K and some other audits. ▶ Freeze of the statute of limitation and other procedural terms for tax purposes is in force, except for the deadline for tax payment, submission of tax reporting, registration of VAT invoices/adjustments, conduction of tax audits, administrative appeal of their results. ▶ Self-adjustment of tax returns for the period of martial law is exempt from penalty and interest. 	<ul style="list-style-type: none"> ▶ Assess applicability of the relief rules to Ukrainian business and impact of their change (in particular, new grounds for exemption from responsibility and applicability thereof). ▶ Monitor legislative developments and, when the procedure for confirming of the ability and inability of fulfillment to perform tax obligations is approved, analyze whether the available evidences/substantiation of inability are in line with the procedure. 	● ● ●
6	<p>Exemption from real estate tax during martial law</p> <p>Exemption from real estate tax on commercial property located at the affected territories as defined by law from 1 March 2022 till the end of the year of the martial law abolition.</p>	Assess applicability of the exemption to Ukrainian business.	● ● ●
7	<p>Indirect tax relief for supplies and imports of qualifying goods for the period of martial law</p> <p>Supplies and imports into Ukraine of gasoline, heavy distillates, and liquefied gas are exempted from excise tax.</p> <p>A special 7% reduced VAT rate is envisaged for the above goods as well as for crude oil and petroleum products derived from bituminous rocks (minerals).</p>	Assess applicability of the new indirect tax relief rules to performed transactions.	● ● ●

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8	<p>Preferential tax regime for IT industry</p> <p>Preferential tax regime for IT industry ("Diia City") was launched on 8 February 2022. As of 26 July 2022, 297 companies have already joined the regime. Eligibility requirements to Diia City residents are simplified for the period of the martial law.</p>	IT businesses could consider joining the Diia City regime and monitor developments.	
9	<p>Transfer pricing rules for transactions with raw materials</p> <p>Procedures for assessment of compliance of controlled transactions with raw materials (e.g., export of grain, oil crops, iron ore raw materials, import of energy and coking coal, etc.) with the "arm's length" principle were published, taking effect on 1 January 2023.</p>	Assess the potential impact on transfer pricing compliance in transactions with raw materials (if any).	
10	<p>EU abolished import duties on certain Ukrainian goods</p> <p>On 4 June 2022, Regulation 2022/870 on temporary trade liberalization measures entered into force. This Regulation allows complete exemption from EU import duties for a number of Ukraine-originating goods (e.g., goods for which duty-free quotas and anti-dumping quotas were applied, etc.).</p>	Check whether the goods exported from Ukraine to the EU meet preferential origin requirements. If so - arrange issuing a proof of origin.	
11	<p>Import duties and tariff quotas in bilateral trade between Ukraine and the United Kingdom have been canceled</p> <p>The Law of Ukraine ratifying the agreement on the abolition of import duties and tariff quotas in bilateral trade between Ukraine and the United Kingdom is adopted. The agreement enters into force from the date of receipt of the last written notification of the parties' fulfillment of domestic procedures necessary for the entry into force and will be valid for 12 months (could be further prolonged).</p>	Monitor developments, if relevant.	
12	<p>Initiative to increase the military levy up to 3%</p> <p>A Bill to increase the military levy up to 3% (instead of the current 1.5% rate) was registered in the Parliament and is pending consideration.</p>	Monitor developments.	
13	<p>Initiative on release from liability for violation of the deadline for publication of financial statements during martial law</p> <p>A Bill to release from liability for untimely and incomplete submission of financial statements during the period of martial law and within three months after its abolition was registered in the Parliament and is pending consideration.</p>	Monitor developments, if relevant.	
14	<p>Import duties exemption is canceled</p> <p>Exemption from Most Favored Nation import duties for all goods imported by businesses, which was enacted during martial law, is abolished from 1 July 2022.</p>	Check the applicability of re-enacted import duties.	

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15	<p>Tax losses carry forward is limited</p> <p>The right of large taxpayers to carry forward tax losses is limited from 1 January 2022: the losses of previous periods will be carried forward until fully utilized, but only up to 50% of the unutilized amount can be deducted in a reporting period. As an exception, if the tax losses are up to 10% of taxable profit of the current period, such losses can be deducted in full.</p>	For large taxpayers - assess the availability of tax losses and the applicability of the new rules on limitation of the tax losses carry forward.	
16	<p>Controlled Foreign Company (CFC) rules came into force since 1 January 2022</p> <p>Starting 1 January 2022, the rules on CFC reporting and tax control over the CFC apply in Ukraine.</p>	Check the applicability of CFC rules and monitor developments.	
17	<p>New VAT rules for non-residents supplying electronic services to Ukrainian customers were implemented</p> <p>Supplies of electronic services by non-resident providers to Ukrainian private customers became VAT-able in 2022. Foreign suppliers may be required to register for VAT in Ukraine, charge 20% VAT on their services, submit simplified VAT returns and pay VAT in Ukraine.</p>	Non-resident companies providing electronic services to Ukrainian private customers should assess whether the obligation to register for VAT purposes in Ukraine arises.	
18	<p>2018 Protocol amending Ukraine-Netherlands double tax treaty applies from 1 January 2022</p> <p>The Protocol <i>inter alia</i> abolishes WHT exemption in the source country for dividends paid to a resident of other contracting state which holds directly at least 50% of the capital of the company paying dividends and provided that an investment of at least 300 000 US dollars has been made in the capital of the company paying dividends. Among other changes are introduction of principal purpose test (PPT) and changes in interest and royalty rates.</p>	<p>Assess impact of the change in WHT rates enacted by the Protocol and ensure application of the rates with due account to the Protocol in the periods from 1 January 2022.</p> <p>Assess whether the payments to the Dutch residents pass PPT.</p>	
19	<p>Special rules for CPT calculation by producers of electricity under the "green" tariff</p> <p>Special rules on calculating CPT liability on a cash basis method were enacted on 1 January 2022 for producers of electricity under the "green" tariff, which will be valid until 2024.</p>	Check the applicability of new rules and monitor developments.	
20	<p>New transfer pricing filings apply starting 2022</p> <p>The obligation to prepare the Master File and Country-by-Country reporting apply to qualifying taxpayers starting from 2022 for 2021 reporting year.</p>	Check the applicability of the new transfer pricing filings and monitor developments.	

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