

Tax Agenda Ukraine

April 2023



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working world

No.	Fact	Action
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1

Moratorium for a large number of tax audits is lifted

On 25 November 2022, many types of tax audits were taken out of the moratorium, including audits of TP compliance matters, audits of non-residents (representative offices of non-residents) as well as audits on Ukraine-sourced income received by non-residents, audits upon filing objections to the tax audit report or appeal against the tax notice, etc.

Earlier the moratorium for tax audits was abolished 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.

A bill to abolish martial law moratorium on tax audits starting 1 July 2023 was registered in the Parliament.

- ▶ Consider potential applicability of resumed tax audits and their potential impact.
- ▶ Assess whether any compliance actions are required.



2

Preferential tax regime for IT industry

Preferential tax regime for IT industry (Diia City) was launched on 8 February 2022.

As of 8 March 2023, 496 companies have already joined the regime. Eligibility requirements to Diia City residents are simplified for the period of the martial law.

The changes to corporate profit tax (CPT) reporting for Diia City residents applying special CPT rules (which are similar to withdrawn capital tax rules) are effective since 18 November 2022.





IT businesses could consider eligibility for the Diia City regime and monitor developments.



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

- Compliance
- Risk management
- Cash-flow and ETR impact

No.	Fact	Action	
3	<p>Value added tax (VAT) exemption for qualifying software supplies does not apply starting 1 January 2023</p> <p>VAT exemption for supplies of software products as well as for other qualifying transactions with software products has not been effective from 1 January 2023. A bill to introduce the same exemption from 2023 until 2028 is registered with the Parliament, but has not been voted on yet.</p>	Assess impact and monitor developments, if relevant.	
4	<p>There is an initiative to cancel 2% single tax rate introduced for the period of martial law</p> <p>The possibility to apply special 2% single tax rate based on income was introduced on 1 April 2022 for qualifying Ukrainian companies until the abolition of the martial law (vs. 18% CPT and 20% VAT). A bill to cancel the simplified tax regime starting 1 July 2023 was registered in the Parliament.</p>	Monitor legislative developments if applicable.	
5	<p>Submission of the standard audit file (SAF-T UA) with the tax authorities</p> <p>Starting 1 January 2023, large taxpayers are required to submit the SAF-T UA at the request of the tax authority during the e-audit. There is a bill to establish mandatory submission of SAF-T UA for all large taxpayers from 2025, for all VAT payers - from 2027.</p>	Consider the potential impact.	
6	<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.	
7	<p>Double-tax treaty with Belarus is terminated</p> <p>On 20 December 2022, the agreement between the government of Ukraine and the government of the Republic of Belarus on the avoidance of double taxation and prevention of tax evasion regarding income and property taxes was terminated.</p>	Consider potential impact if applicable.	
8	<p>Ukraine terminated the double-tax treaty with Russian Federation</p> <p>Starting 1 January 2023, 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 terminated.</p>	Check whether the termination affects withholding tax rates applicable to performed transactions if applicable.	
9	<p>Exemption from real estate and land tax during martial law</p> <p>Exemption from real estate tax on commercial property and tax for land plots located at the affected territories was introduced for the period from 1 March 2022 until the end of the year of the martial law abolition, but technically cannot be applied prior to approval of the list of affected territories. On 22 December 2022, the list of the affected territories was approved. However, the tax authorities have clarified that such list could not be used to apply real estate and land tax exemption. A bill to exempt the owners of destroyed or damaged property as a result of the Russian Federation actions from real estate tax is pending the second reading.</p>	Assess applicability of the exemption to Ukrainian business and monitor developments.	

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10	<p>Deadlines for registration of VAT invoices have been extended</p> <p>The recently adopted Law of Ukraine No. 2876-IX establishes that during the period of martial law and within 6 months after its termination the deadline for registration of VAT invoices is extended until the fifth day of the next month for VAT invoices issued from the first to the 15th of the month, and until the 18th day of the next month for VAT invoices issued from the 16th to the last day of the month.</p> <p>The penalties for untimely registration of tax invoices have been reduced to 2-5-10-15-25% of the VAT amount instead of 10-20-30-40-50%, depending on the term of delay.</p>	Consider the potential impact.	
11	<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) with the "arm's length" principle came into effect on 1 January 2023.</p>	Assess the potential impact on transfer pricing compliance in transactions with raw materials (if any).	
12	<p>Power equipment is exempted from VAT and import duties</p> <p>Starting 11 November 2022, generators, electric generating sets, electric batteries and other similar goods are exempted from VAT and import duties, subject to certain conditions. The exemption will apply till 1 May 2023.</p>	Check the applicability of the newly enacted exemption.	
13	<p>Securing import taxes for goods brought into or transited through Ukraine</p> <p>On 1 February 2023, amendments to the governmental regulation on securing import taxes (customs duty, excise and VAT) for transit transportations of goods became effective. Prior to this date, many goods did not require guaranteeing import taxes prior their actual bringing into Ukraine.</p> <p>Now financial guarantees are required for most types of goods (with minor exceptions). This implies that the importer must make a pre-payment deposit to customs, or obtain a guarantee letter from the authorized financial guarantor.</p>	The importer may consider applying to customs for a transit simplification (this may reduce the amount of guarantee or exempt from guarantee).	
14	<p>Minimum tax liability for use or ownership of agricultural land plot</p> <p>The minimum tax liability (MTL) determines the minimum amount of taxes (CPT, payroll taxes, land tax, etc.) connected with the manufacturing and sales of own agricultural products or with the use or ownership of agricultural land plots. MTL is calculated under the established formula and is submitted as annex to the annual CPT return. If the total amount of taxes paid is less than MTL, the taxpayer should increase the CPT by the difference. The first reporting year for MTL is 2022.</p>	Taxpayers who use or own agricultural land plots should calculate the MTL for 2022 reporting year.	
15	<p>Starting 1 January 2023 specific excise tax rates are increased</p> <p>Gradual increase in excise tax rates is envisaged from 2021 to 2025 by 20% each year to harmonize with EU legislation. In this regard, starting from 1 January 2023, excise tax rates will increase for tobacco raw materials, tobacco waste, cigars, including with cut ends, containing tobacco, cigarettes with or without a filter, tobacco and tobacco substitutes, "homogenized" or "reconstituted" tobacco, tobacco extracts and essences, etc.</p> <p>There is also temporary increase in the excise tax on liquids used in electronic cigarettes up to UAH 10,000 per liter starting 1 January 2023 for the period of martial law.</p>	Consider applicability and assess the potential impact if applicable.	

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16	<p>Ukraine has joined the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports (CbC-MCAA)</p> <p>Joining the CbC-MCAA is a condition for the obligation to file country-by-country reporting in Ukraine to become effective. The taxpayers meeting criteria set by the Tax Code of Ukraine are obliged to file this report. So far, there is no official guidance from the authorities on the first reporting period. The filing deadline is 12 months following the end of the reporting year.</p>	<ul style="list-style-type: none"> Assess the applicability of the country-by-country reporting obligation in Ukraine. If applicable, analyze the first reporting period. 	
17	<p>Ukraine has joined the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information</p> <p>Joining the multilateral agreement is one of the steps to implement Common Standard on Reporting and Due Diligence for Financial Account Information (CRS). Banks, insurance companies, investment companies, etc., will be liable for due diligence and reporting on qualifying accounts.</p> <p>A bill to implement CRS was adopted in the first reading on 16 November 2022.</p>	Assess applicability of new reporting obligations and monitor legislative developments.	
18	<p>Law "On the Customs Tariff of Ukraine" has been amended</p> <p>Ukraine has updated its customs tariff classification of goods to the 2022 version of the international Harmonized System of Description and Coding of Goods (HS 2022). New goods' tariff codes apply starting 1 January 2023.</p>	Importers should check whether change of their goods' classification may impact their tax and regulatory treatment.	
19	<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. The first reporting period is 2022. According to the Tax Code of Ukraine, report on CFC should be submitted along with the annual return on property status and income (for individuals) or the CPT return (for legal entities) within the respective deadlines. It is possible to submit the first CFC reports for 2022 along with the tax returns for 2023, without fines and penalties.</p> <p>The Ministry of Finance has approved the procedure for the inspection of the controllers.</p>	Check the applicability of CFC rules and monitor developments.	
20	<p>VAT rules for non-residents supplying electronic services to Ukrainian customers</p> <p>Supplies of electronic services by non-resident providers to Ukrainian private customers became VAT-able in 2022. Qualifying foreign suppliers are 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.	
21	<p>Initiative to introduce excise tax on sugar-sweetened beverages</p> <p>A bill to introduce excise tax on beverages, including mineral and carbonated, with the addition of sugar or other sweetening or aromatic substances was registered in the Parliament. The proposed tax rate is EUR 0.1 per 1 liter.</p>	Monitor developments if applicable.	

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EYG no. 002932-23Gbl

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