

# Tax Agenda Ukraine

November 2023



Building a better  
working world

No.	Fact	Action
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## 1 Most of the martial law tax relief rules are cancelled

Starting 1 August 2023 most of the tax incentives introduced for the period of martial law are cancelled and pre-war tax obligations are resumed as follows:

- ▶ Possibility to apply special 2% single tax rate based on income is cancelled
- ▶ Freeze of statute of limitation and other procedural terms for tax purposes foreseen for the period of martial law is abolished
- ▶ Grounds for an unscheduled tax audit have been extended
- ▶ Scheduled tax audits are allowed for taxpayers who (i) produce or sell excise goods, (ii) conduct gambling, (iii) provide financial and payment services.

There is a bill to cancel the moratorium for other types of tax audits starting 1 October 2023. The bill is pending consideration by the Parliament.

- ▶ Consider potential applicability of changes and their potential impact.
- ▶ Assess whether any compliance actions are required.
- ▶ Monitor legislative developments.



## 2 Preferential tax regime for IT industry

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

As of 9 October 2023, 712 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to corporate profit tax (CPT) reporting for Diia City residents applying special CPT rules (which are similar to withdrawn capital tax rules) are effective since 18 November 2022.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><b>Value added tax (VAT) exemption for qualifying software supplies does not apply starting 1 January 2023</b></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><b>Submission of the standard audit file (SAF-T UA) with the tax authorities</b></p> <p>Large taxpayers are required to submit the SAF-T UA at the request of the tax authority during tax audit. This file follows a standardized template, in a xml format. 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.	
5	<p><b>Increase in tax rates for business entities having economic relations with Russian Federation is in the process of adoption</b></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.	
6	<p><b>Double-tax treaty with Belarus is terminated</b></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.	
7	<p><b>Ukraine terminated the double-tax treaty with Russian Federation</b></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.	
8	<p><b>Exemption from real estate and land tax during martial law</b></p> <p>There is exemption from real estate tax on property and tax for land plots located at the affected territories for the months in which such territories were subject to hostilities or occupation according to the approved list of the affected territories. There are special rules for taxation of destroyed or damaged property as a result of the Russian Federation actions.</p>	Assess applicability of the exemption to Ukrainian business and monitor developments.	
9	<p><b>Deadlines for registration of VAT invoices have been extended</b></p> <p>The recently adopted Law of Ukraine No. 2876-IX establishes that during the period of martial law and within six 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. 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.	

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10	<p><b>Transfer pricing rules for transactions with raw materials</b></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).	● ● ●
11	<p><b>Power equipment is exempted from VAT and import duties</b></p> <p>Starting 1 May 2023, exemption from VAT and import duties does not apply to generators, electric generating sets, electric batteries and other similar goods.</p>	Consider the potential impact, if applicable.	● ● ●
12	<p><b>Update of the list of Russia-originating goods prohibited for import into Ukraine</b></p> <p>The resolution of the Cabinet of Ministers dated 9 May 2023 No. 459 amended the list of goods which originate from Russia and are prohibited for import into Ukraine. Inter alia, the list of prohibited goods now includes oil and oil products obtained from bituminous rocks, petroleum gases and other gaseous hydrocarbons, alternative motor fuel, biodiesel and its mixtures. If the product imported into Ukraine is included in this list, it is necessary to have a certificate of origin (to prove that the goods do not come from Russia), otherwise customs clearance will be prohibited.</p>	Exporters of goods to Ukraine should check their goods against the list of prohibitions and ensure that the certificate of origin is available.	● ● ●
13	<p><b>Continuation of trade liberalization measures for Ukrainian exports to the EU</b></p> <p>On 25 May 2023, the Council of the European Union extended unilateral liberalization measures applicable to Ukrainian goods imported into the EU. These changes primarily concern abolishment of EU tariff trade defense measures for certain types of Ukrainian agricultural exports (e.g., fruits, vegetables).</p>	Exporters of Ukrainian agricultural products to the EU are advised to ensure that a proof of origin for exported goods is available.	● ● ●
14	<p><b>Import of drones' components are temporary exempted from VAT and import duties</b></p> <p>Temporarily, for the period of martial law in Ukraine, import of components of drones, such as materials, nodes, aggregates, equipment and components imported by business entities for use in their own production or repair activities, are exempted from VAT and import duties.</p> <p>The exemption is effective starting 23 June 2023.</p>	Analyse applicability and consider the potential impact.	● ● ●
15	<p><b>Securing import taxes for goods brought into or transited through Ukraine</b></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).	● ● ●

No.	Fact	Action
16	<p><b>Minimum tax liability for use or ownership of agricultural land plot</b></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>	<p>Taxpayers who use or own agricultural land plots should calculate the MTL for 2022 reporting year.</p>
17	<p><b>Starting 1 January 2023 specific excise tax rates are increased</b></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>	<p>Consider applicability and assess the potential impact if applicable.</p>
18	<p><b>Ukraine has joined the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports (CbC-MCAA)</b></p> <p>Joining the CbC-MCAA is a condition for the obligation to file country-by-country (CbC) reporting in Ukraine to become effective. The taxpayers meeting criteria set by the Tax Code of Ukraine are obliged to file this report. The filing deadline is 12 months following the end of the reporting year.</p> <p>The recently adopted law, which is pending the President's signature, states the following filing requirements:</p> <ul style="list-style-type: none"> <li>▶ Parent companies of multinational enterprises in Ukraine will need to submit the first report for the financial year ending between 1 January and 31 December 2022.</li> <li>▶ In other cases, the CbC report must be submitted for the financial year beginning between 1 January and 31 December of the year in which the CbC-MCAA enters into force with at least one foreign jurisdiction that is a party to the CbC-MCAA and a partner of Ukraine regarding the automatic exchange of information.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Assess the applicability of the country-by-country reporting obligation in Ukraine.</li> <li>▶ If applicable, analyze the first reporting period.</li> </ul>
19	<p><b>The law to implement Common Standard on Reporting and Due Diligence for Financial Account Information (CRS) was adopted</b></p> <p>The law to implement CRS has entered into force on 28 April 2023. Banks, insurance companies, investment companies, etc., which as of 30 June 2023, meet the criteria of reporting financial institutions, must register with the tax authority by 31 December 2023. They will be liable for due diligence and must submit reporting on qualifying accounts by 1 July for the previous calendar year.</p> <p>There are special rules for existing accounts and for those opened after 1 July 2023.</p>	<p>Assess applicability of new reporting obligations and monitor legislative developments.</p>

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20	<p><b>Law "On the Customs Tariff of Ukraine" has been amended</b></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.	● ● ●
21	<p><b>Controlled Foreign Company (CFC) rules came into force since 1 January 2022</b></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.</p> <p>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.	● ● ●
22	<p><b>VAT rules for non-residents supplying electronic services to Ukrainian customers</b></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.	● ● ●
23	<p><b>Initiative to introduce excise tax on sugar-sweetened beverages</b></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.	● ● ●
24	<p><b>The term for storage of primary documents was extended</b></p> <p>The law extending the storage period from 1,095 to 1,825 days for primary documents, accounting registers, financial statements, other documents related to the calculation and payment of taxes and fees has entered into force on 28 April 2023.</p> <p>The storage period for documents required for TP and CFC control remains 2,555 days. 1,095-day term continues to apply for documents other than mentioned above.</p>	Assess compliance and arrange for changes in internal processes to ensure compliance (if required).	● ● ●
25	<p><b>Qualifying non-residents will be liable to disclose ultimate beneficial owners (UBO)</b></p> <p>Non-residents acting in Ukraine through a permanent establishment, and those with a place of effective management in Ukraine (subject to certain exceptions), will be obliged to disclose their ownership structure and UBOs to the Ukrainian tax authority and store the relevant information for at least 1,825 days.</p> <p>The first disclosure deadline is 40 days from 1 January of the year following the year of martial law abolition.</p> <p>Failure to comply with this obligation entails a fine of five minimum wages (approx. USD 900 for 2023 year).</p>	Monitor developments, if applicable.	● ● ●

No.	Fact	Action
26	<p data-bbox="182 125 549 149"><b>Introduction of electronic excise stamp</b></p> <p data-bbox="182 157 932 237">From 1 January 2026, alcoholic beverages, tobacco products and liquids used in electronic cigarettes are required to be labelled with electronic excise stamp in accordance with the procedure specified by the Tax Code of Ukraine.</p>	Monitor legislative developments, if relevant.



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