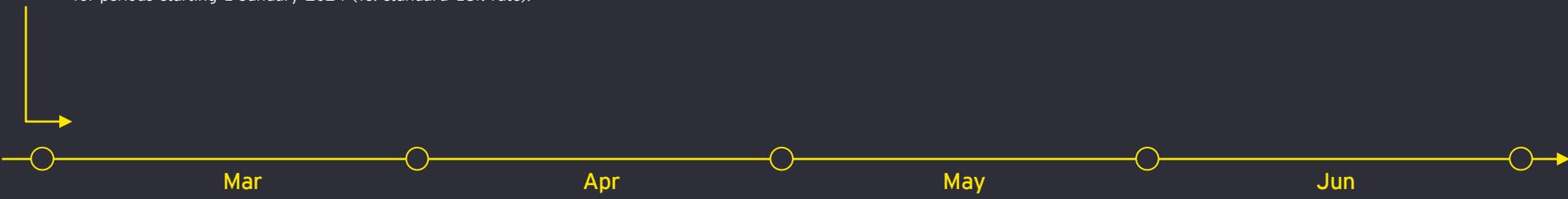


Tax Agenda Ukraine

March 2024



| No. | Fact | Action |
|-----|--|---|
| 1 | <p>Most of the martial law tax relief rules are canceled</p> <p>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:</p> <ul style="list-style-type: none">▶ 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▶ Moratorium for scheduled tax audits is canceled starting 1 December 2023. The criteria for inclusion of the taxpayer on the schedule for the tax audit are defined by law. Updating the schedule within a year is allowed. <p>The schedule for tax audits for the year 2024 has been published.</p> | <ul style="list-style-type: none">▶ Consider potential applicability of changes and their potential impact.▶ Assess whether any compliance actions are required.▶ Monitor legislative developments. |
| 2 | <p>Increase in taxation of bank's profit</p> <p>The recently adopted Law No. 3474 introduces an increase of corporate income tax rates for bank's profits - 50% for income received as a result of 2023 year, and 25% - for periods starting 1 January 2024 (vs. standard 18% rate).</p> | <p>Consider applicability of changes and their potential impact.</p> |



| No. | Fact | Action |
|-----|--|---|
| 3 | <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 7 February 2024, 863 companies have already joined the regime. Eligibility requirements to Diia City residents are simplified for the period of the martial law.</p> <p>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to corporate profit tax (CPT) reporting for Diia City residents applying special CPT rules (which are similar to withdrawn capital tax rules) are effective since 18 November 2022.</p> | <p>IT businesses could consider eligibility for the Diia City regime and monitor developments.</p> <p>● ● ●</p> |
| 4 | <p>Submission of the standard audit file (SAF-T UA) with the tax authorities</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.</p> <p>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> | <p>Consider the potential impact.</p> <p>●</p> |
| 5 | <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> | <p>Consider potential impact and monitor developments.</p> <p>● ● ●</p> |
| 6 | <p>Exemption from real estate and land tax during martial law</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.</p> <p>There are special rules for taxation of destroyed or damaged property as a result of the Russian Federation actions.</p> | <p>Assess applicability of the exemption to Ukrainian business and monitor developments.</p> <p>● ● ●</p> |
| 7 | <p>Licensing of exports of agricultural commodities</p> <p>Starting 1 January 2024, Ukrainian government continued the regime of export licensing for certain agricultural products (HS headings 1001, 1002, 1003, 1004, 1005, 1201, 1205, 1206 00, 1507, 1512, 1514 and 2306). Regardless of the country of destination of the goods, export license can be obtained solely by those exporters who are registered for VAT.</p> <p>Export license is not required for the verified exporters included to the State Agrarian Register. To qualify for "verified exporter" status, the company has to comply with a number of criteria (e.g., no tax debts for violation of currency control rules, positive compliance record).</p> <p>For exports of certain agricultural products to Bulgaria, Romania, Slovakia, Hungary and Poland, an additional approval from the Ministry of Agrarian Policy (after consultation with importing countries) would be required.</p> | <p>Exporters of agricultural commodities falling under the licensing scope to consider registering as a "verified exporter", in order to receive an exemption from licensing regime.</p> <p>● ● ●</p> |

| No. | Fact | Action | |
|-----|--|--|-------|
| 8 | <p>Import of drones' components are temporary exempted from VAT and import duties</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 has been extended till 1 January 2025.</p> | Analyse applicability and consider the potential impact. | ● ● ● |
| 9 | <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). | ● ● ● |
| 10 | <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. | ● ● ● |
| 11 | <p>Blockage of border crossing points at the EU border</p> <p>Due to on-going protests of Polish carriers at the Ukraine / Polish borders (started in November 2023), a number of major border crossing points remains blocked. This results in major delays when crossing the border.</p> | Situation with border blockade may evolve rapidly, exporters and importers are well advised to check the actual condition of the contemplated border crossing. | ● ● ● |
| 12 | <p>Post-clearance controls and import tax assessments</p> <p>Ukrainian customs authorities have launched a pilot project on conducting post-clearance customs controls. This implies that customs may request additional documents from the importer within 30 days after completion of customs clearance. Post-clearance controls normally do not envisage assessment of taxes by customs, and are aimed at enhancing voluntary compliance by the taxpayers (there are also several initiatives to waive current ban for customs audits acting during martial law).</p> | Importers may wish to review their risky areas where tax assessment is possible (e.g., royalties, customs valuation, tariff classification) and take measures to manage these risks. | ● ● ● |

| No. | Fact | Action |
|-----|--|--|
| 13 | <p>The law to implement Common Standard on Reporting and Due Diligence for Financial Account Information (CRS) was adopted</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> <p></p> |
| 14 | <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.</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> | <p>Check the applicability of CFC rules and monitor developments.</p> <p></p> |
| 15 | <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> <p>Based on publicly available information, the Ukrainian tax authorities have started imposing penalty to non-residents who failed to undergo VAT registration in Ukraine as providers of e-services.</p> | <p>Non-resident companies providing electronic services to Ukrainian private customers should assess whether the obligation to register for VAT purposes in Ukraine arises.</p> <p></p> |
| 16 | <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> | <p>Monitor developments if applicable.</p> <p></p> |
| 17 | <p>The term for storage of primary documents was extended</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> | <p>Assess compliance and arrange for changes in internal processes to ensure compliance (if required).</p> <p></p> |

| No. | Fact | Action | |
|-----|---|---|--|
| 18 | <p>Qualifying non-residents will be liable to disclose ultimate beneficial owners (UBO)</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. | |
| 19 | <p>Introduction of electronic excise stamp</p> <p>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. | |
| 20 | <p>Additional requirements for recipients of humanitarian aid</p> <p>Starting from 1 December 2023, additional compliance requirements would be applicable to humanitarian aid (simplified procedure of clearance at the border). Inter alia, recipients of humanitarian aid would have to register with Ukrainian authorities and lodge filings on aid received (both prior to and after actual importation of goods).</p> | Companies sending humanitarian aid to Ukraine may consider ensuring that Ukrainian recipient of humanitarian aid is duly registered with Ukrainian authorities, and is able to declare goods to customs (as well as submit other relevant returns). | |
| 21 | <p>Criminal penalties for smuggling of goods</p> <p>According to the amendments to Ukraine's Criminal Code (effective from 1 January 2024), smuggling of goods is subject to criminal penalties, including fines and imprisonment (depending on the severity of the violation).</p> <p>Criminal liability may arise inter alia for deliberate presentation to customs of documents containing false information regarding the goods, which impact the amount of import taxes and/or applicable non-tariff regulations.</p> | Importers and exporters of goods should take measures to eliminate any inconsistencies in the shipping documents, in order to reduce risks of criminal prosecution. | |
| 22 | <p>The government approved the National Income Strategy for 2024-2030</p> <p>The strategy envisages a number of changes, including reforming the simplified taxation system by excluding legal entities, bringing the legislation on VAT and CIT in line with EU legislation, introducing a progressive scale of personal income tax rates, etc. Changes will be implemented gradually.</p> | Monitor legislative developments. | |

Contact:

Vladimir Kotenko
Partner, Tax & Law Leader
Ernst & Young LLC (Ukraine), Kyiv
vladimir.kotenko@ua.ey.com

EY | Building a better working world

EY exists to build a better working world, helping create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2024 EYGM Limited.
All Rights Reserved.
EYG no. 001762-24Gbl
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal, or other professional advice. Please refer to your advisors for specific advice.

ey.com

