



TAXES IN EUROPE

2022

30th EDITION


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Ukraine




 Capitale :
Kiev


 Langue :
Ukrainian


 PIB/habitant
2019:
USD 3,311

 Indicatif :
+380

 Superficie :
576,604 km²

 Statut :
Parliamentary
Republic

 Monnaie :
Hryvnia (UAH)

 Fête nationale :
24 August

 Population :
43,568,588

 Code ISO :
UKR

1. Corporate Taxation

1.1 Taxes on entities

Payers of corporate income tax are the following:

- legal entities residents of Ukraine, except for non-profit organizations and those that have the right and selected simplified tax system (single tax);
- legal entities established in accordance with the legislation of other countries (foreign companies) and which have place of effective management in Ukraine;
- non-residents that carry out economic activity in Ukraine via permanent representative office; ;
- legal entities – non-residents that receive income with source of origin in Ukraine.

1.2 Residence and non-residence

Registration in tax authorities on location of management authority is obligatory for:

- legal entities residents of Ukraine;
- legal entities established in accordance with the legislation of other countries (foreign companies) and which have place of effective management in Ukraine;
- non-residents that carry out economic activity in Ukraine via permanent representative office.

Registration should be done before start of business. Non-residents that don't have economic activities in Ukraine but receive income from resident of Ukraine with source of origin in Ukraine are not obliged to be registered.

1.3 Tax year and filing

For payers with annual income for last year less than UAH 20,000,000 reporting period is calendar year. Term for filing of annual declaration is 60 days after end of the calendar year.

For payers with annual income for last year more than UAH 20,000,000, declaration is filed quarterly for reporting periods: quarter, half-year, 9 months, year. Term for filing of declarations is 40 days after end of calendar quarter; annual declaration is filed within 60 days after end of calendar year. Term for payment is 10 days after deadline for filing of income tax declaration. When paying income to non-residents tax is paid simultaneously with payment of income.

1.4 Types of income

Taxation object is financial performance of activities before taxes (profit) from activities in Ukraine and abroad, adjusted on tax differences. Financial performance is determined according to accounting rules in accordance with accounting standards adopted by tax payer (national GAAP or IFRS).

Tax differences are some types of expenses on which increases and, in some cases, decreases financial performance for tax purposes. Such differences are divided into permanent (it impossible to consider for tax accounting purposes) and variables (corresponding expenses may be considered, for example, use of reserves/provisions).

Taxation object for payment of income to non-resident is income paid by resident to non-resident with source of origin in Ukraine.

1.5 Group income and grouping arrangements

Are not applicable in Ukraine.

1.6 Capital gains

Regarding legal entities - payers of income tax are applicable special rules for determination of profit or loss for operations with securities and/or corporate rights. To income taxation object is added profit for operations; loss for such operations can be reduced only by profit for operations with securities and corporate rights of the following reporting periods.

1.7 Losses

Tax losses under results of year (excluding losses from operations with securities and corporate rights) is included into declaration of next reporting year as tax difference that reduces financial performance for taxation purpose. Possibility of transfer of tax losses is not limited in time.

Starting from 2022 come into force special rules for large-scale taxpayers (an-

nual income is more than 50.000.000 EUR or paid taxes per year more than 1.500.000 EUR. Regarding such taxpayers, taxation object of reporting period is reduced only on 50% of losses for previous period. Losses that did not reduce taxation object for reporting period are carried forward (until complete repayment).

Payers separately determine financial performance from operations with securities and corporate rights. Losses on such operations don't reduce taxation object by income tax, and they are considered in calculation of financial performance from operations with securities and corporate rights in following periods.

1.8 Rates

Basic tax rate - 18%.

Income of non-residents with sources of origin in Ukraine paid by resident are taxed at following rates:

- 6% for income in form of freight (tax is deducted at the expense of non-resident);
- 15% for all other types of income (tax is deducted at the expense non-resident).

1.9 Double tax relief

Income tax paid by residents abroad from income source of origin of which is abroad is credited when paying income tax in Ukraine. In this case, should be credited amount calculated according to rules stipulated by Tax Code of Ukraine (TCU).

When paying income to non-residents tax may be not deducted or deducted at less rate if exemption or less tax rate is provided via international agreement (Convention) on double tax relief signed between Government of Ukraine and the Government of country in which non-resident has status of tax resident.

In order to apply provisions of Convention in Ukraine non-resident is obliged to provide resident that pays income, document confirming status of tax residency, and for some types of income (first of all passive), non-resident should be beneficial (actual) recipient of income.

1.10 Special regime of taxation of IT industry entities from 2022 (Diia City)

Mentioned regime stipulate possibility to select between two models of payment of income tax:

- ordinary model of taxation by income tax at rate 18%;
- special model of taxation with payment of tax at rate 9% as of the moment of payment of dividends to shareholders of the company, as well as with payment of tax for certain other operations stipulated via legislation.

Special mode also stipulates special model of taxation of income of IT industry employees and possibility to select contractual form of employment contract when registering labour relations in IT companies.

In order to use special mode of taxation, IT companies should meet certain criteria and should obtain special status (resident of Diia City). Resident of Diia City can be legal entity registered under procedure stipulated via legislation of Ukraine, regardless of location and place of business, which simultaneously meets several requirements in terms of types of carried out activities, amount of average monthly salary and number of personnel.

1.11 Transfer pricing

Taxation object can be adjusted according to transfer pricing rules, in accordance with the “arm's length principle” defined via item 39 TCU, if payer carries out controlled operations with related parties-non-residents and non-residents located in low-tax jurisdictions. List of such territories is approved by Cabinet of Ministers of Ukraine. Operations are considered controlled if annual income of Ukrainian enterprise is more than UAH 150,000,000, annual volume of operations with related party-non-resident/low-tax non-resident exceeds UAH 10,000,000.

Regarding controlled operations once per year until 1 October of next year are filed special statements in which is registered complete information of controlled operations, as well as data for adjustment of taxation base if prices in controlled operations don't comply with the “arm's length principle”. Documentation in which payer indicates justification for level of ordinary prices is filed to tax authority upon request of tax authority.

Starting from 2021 adjustment of taxation base if prices in controlled operations don't comply with the “arm's length principle» is taxation object at rate 15% as payment equivalent to paid dividends (constructive dividends). Rules of international agreements between Ukraine and country of residence of counterparty may either reduce tax rate or exempt such adjustment from taxation by such tax.

2. Personal income taxation

2.1 Payers

Payers of tax are individuals-residents and non-residents, tax agents.

2.2 Taxation base and object

Taxation object for individual resident is total monthly (annual) taxable income and foreign income. For individual non-resident, taxation object is total monthly (annual) taxable income with source of origin in Ukraine.

Income exempt from taxation is determined in item 165 TCU.

2.3 Rates

Basic tax rate is 18%.

Regarding income in the form of dividends paid by residents of Ukraine - payers of corporate income tax, rate of taxation is 5%.

Regarding income in the form of dividends paid by non-residents, institutes of joint investing, residents that are not payers of corporate income tax, rate of taxation is 9%.

2.4 Persons responsible for deduction and payment of tax

Person responsible for deduction and payment of income tax as wage is employer. On most other taxable income, person responsible for deduction and payment of tax is tax agent (tax agents are legal entities and individuals-business entities).

Individuals are responsible for payment of tax in the following cases:

- for receipt of foreign income;
- for receipt of income from persons - not tax agents (gifts received from individuals, inheritance, income for property rent, investment profit);
- for receipt of income from business activity.

2.5 Tax year and filing

Annual declaration of property status and income of individual is filed to tax authority at place of registration until 1 May of year after the reporting year. De-

claration should not be filed if individual received income only from tax agents.

Individuals that carry out business activity quarterly within 20 calendar days after end of first-third calendar quarters pay advances based on actual net income. Final calculation of tax is based on results of filed annual declaration of property status and income of individual.

Individuals that go abroad for permanent residence are obliged to file declaration not later than 60 calendar days prior date of departure.

Term of tax payment (if under results of filed annual declaration) individual is obliged to pay extra tax) is up to 1 August of year following reporting year.

3. Value Added Tax (VAT)

3.1 Rates

Basic tax rate, 20 %

Reduce rate, 7%

- For import into Ukraine and sale of medicines and medicine goods on custom territory of Ukraine.

0% rate

- For export of goods in custom regimes export, re-export, duty-free trade, free custom zone; supply of goods/services for refuel and servicing of sea and air vessels that perform international trips.

3.2 Payers

VAT payer is entity that carries out business activities. Status of VAT payer arises from the moment of registration as VAT payer. Registration procedure is stipulated via items 181-183 TCU.

Registration as VAT payer is obligatory if sales volume of goods/works/services for past 12 months exceeds 1,000,000 UAH. Entities that have less volume of sales of goods/works/ services may register on voluntarily basis.

3.3 Taxation objects and base

Taxation object - operations:

- for sale of goods/services in custom territory of Ukraine;
- for receipt of certain types of services from non-residents;
- for import of goods into custom territory of Ukraine;
- for export of goods from custom territory of Ukraine (taxed at rate 0%).

Taxation base is contractual value goods/works. If contractual value of goods/works/services is less than purchase price, taxation base is their purchase price. The same taxation base is applicable for free transfer of goods/works/services. For sale of self-made goods, render of services/performance of works, base is contractual value, but not less than ordinary (market) price.

Regarding goods that are imported into custom territory of Ukraine, taxation base is custom value that is determined via norms of Custom Code of Ukraine.

Starting from April 2022, non-residents which supply electronic services to individuals - residents of Ukraine and in which volume of such operations for previous year exceeds UAH 1 million, should register in tax authority of Ukraine as VAT payers.

Starting from April 2022, such non-residents are obliged to form cost of rendered services, including VAT 20 %, submit quarterly VAT statements and pay tax to Ukrainian budget.

3.4 Tax year and filing

Reporting period is calendar month and calendar quarter for VAT payers on simplified tax system (single tax). VAT declaration is filed for reporting month (quarter) within 20 calendar days after end of reporting period.

Term of payment - 10 days after deadline for filing of VAT declaration.

3.5 Calculation of tax and electronic administration

Calculation of tax is determined via item 200 TCU. VAT payable to the budget is difference between tax liabilities for sale of goods/services and tax credit for purchase of goods/services. In case of negative difference arises right for budget reimbursement.

From 2015 year regarding VAT was implemented system of electronic administration. In case of sale of goods/services on sum of VAT seller is obliged to prepared tax invoice in form of electronic document and register such invoice in Unified electronic register. Registered by supplier tax invoice provides the right

for buyer to reduce tax liabilities (right for VAT credit)

3.6 Exceptions (benefits)

TCU stipulates number of operations exempt from VAT. For example, sale of baby food, rehabilitation aids for disabled, sales of newspapers and magazines, educational services, medical services, funeral services (list is not complete).

4. Other taxes

Excise tax

Taxation object are excisable goods sold and imported into customs territory of Ukraine.

Taxation base is value of excisable goods or their volume in quantitative indexes (for specific excise rates).

To excisable goods are referred:

- ethyl alcohol, other alcohol distillates, alcoholic beverages;
- tobacco products, tobacco, tobacco substitutes;
- fuel;
- cars, carcasses, motorcycles, other vehicles including trailers and semi-trailers;
- electricity.

Land tax (local tax)

Taxation object - owned or used lands.

Taxation base is normative monetary valuation of land or area of land, if normative monetary valuation of land plot hasn't been done.

Real estate tax

Taxation object are residential and non-residential real estate, including parts of them.

Taxation base is total area of residential and non-residential real estate, including parts of them. Taxation base of residential real estate, including parts of them, owned by individual decreases on 60 square meters regarding flats and 120 square meters for residential house (tax benefit). Mentioned decrease is provided every tax year.

Ecological tax

Object and base for taxation are: volumes and types of pollutants that are released into atmosphere, water objects; volumes and types (classes) of disposed wastes; volumes and categories of radioactive wastes generated as a result of activities and temporarily stored by their producers beyond time period stipulated via terms of license; volumes of electric energy produced at nuclear power plants.

Rental fee

In Ukraine are paid the following rental fees:

- for use of mineral resources for mining;
- for use of subsoil for purposes not related with mining;
- for use of radio frequency resource of Ukraine;
- for special use of water;
- for special use of forest resources;
- for transportation of oil/oil products via main oil pipelines/oil product pipelines.

Transport tax

Object and base of taxation are cars that were produced not more than 5 years ago (inclusive) and average market price of which exceeds 375 minimum wage on 1 January of reporting year. Average market value is determined based on brand, model, year of manufacture, engine cylinder capacity, type of fuel according to methodology approved by Cabinet of Ministers of Ukraine.

Single social contribution (SSC)

Single social contribution for obligatory state social insurance. Object and base of taxation:

- actual expenses for remuneration of employers within maximum calculation base of SSC;
- net income of entrepreneur on common taxation system within from minimum to maximum base;
- minimum base of charge of SSC for entrepreneur on simplified taxation system, self-employed persons and individuals taking part on voluntary basis.

Minimum base of charge of SSC is stipulated as minimum wage. Maximum tax base of SSC is stipulated as 15 minimum wages.

Tax rate is 22% of SSC.

Simplified tax system (for legal entities and entrepreneurs)

For some categories of legal entities and individuals-entrepreneurs according to their selection may be applied simplified taxation system via payment of single tax. For such categories are stipulated simplified rules for tax calculation and reduced tax rates.

Payers of single tax are divided on four groups:

- First group:

Entrepreneurs that don't have employed persons, carry out retail on markets or render domestic services to people (according to list of domestic services specified in p. 291.7 TCU), and income during calendar year doesn't exceed 167 minimum wage on January 01 of reporting year ;

- Second group:

Entrepreneurs number of employed persons (employees) of which doesn't exceed 10 persons, carry out production and sale of goods, render of services, including domestic services (according to list of domestic services specified in p. 291.7 TCU), to payers of single tax and/or people, and income during calendar year doesn't exceed 834 minimum wage on January 01 of reporting year .

- Third group:

Entrepreneurs and legal entities (in which part of statutory capital of legal entities that doesn't have status of payers of single tax less 25%), number of employed persons (employees) of which is not restricted, income during calendar year doesn't exceed 1167 minimum wage on January 01 of reporting year .

- Fourth group:

Agricultural producers:

- legal entities with share of agricultural production for previous year not less than 75% and
- individuals that carry out activities in the form of farming registered under Law of Ukraine "On Farming", don't have employees (members of farm can be only family members), area of agricultural land owned or used 2 - 20 hectares.

In p. 291.5 TCU are stipulated restrictions regarding types of activities that can't be carried out by tax payers of first-third groups. For example, gambling, lotteries, betting, foreign exchange, production/export/import/sale of excisable goods, mining, production, sale of precious stones, precious metals, products from them, financial intermediation (list is not complete).

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