

2017 TAX GUIDELINE

Ukraine



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GENERAL INFORMATION ABOUT UKRAINE

Location: Ukraine is a sovereign state in Eastern Europe, bordered by Russia to the east and northeast, Belarus to the northwest, Poland and Slovakia to the west, Hungary, Romania, and Moldova to the southwest, the Black Sea and Sea of Azov to the south and southeast, respectively.

Capital: Kyiv

Area: 603,628 km²

Population: about 44.5 million

Official language: Ukrainian

Official currency: UAH

The head of state: President

Membership:

- World trade organization (2008)
- Organization for Security and Co-operation in Europe (1995)
- Energy community (2011)
- GUAM Organization for Security and Co-operation in Europe (1995)
- Common Economic Space (2003)
- Central European Initiative (1996)



LEGAL FORMS OF BUSINESS

General rules on purchasing of real estate

Foreign legal entities (individuals) can purchase and sale any real estate together with land (except agricultural land) in Ukraine as well as get commercial benefit from their property and let it on lease, while paying due taxes. According to the applicable laws of Ukraine sale of agricultural lands is in moratorium until 2018.

Legal forms of business

The form of business		Minimum capital (approx. in EUR)	Number of shareholders
English	Ukrainian		
Public joint-stock company	Публічне акціонерне товариство (ПАТ)	UAH 4,000,000 (approx. EUR 140,350.87)	1, 2 or more
Private joint-stock company	Приватне акціонерне товариство (ПрАТ)	UAH 4,000,000 (approx. EUR 140,350.87)	1, 2 or more
Limited Liability Company	Товариство з обмеженою відповідальністю (ТОВ)	NS (not stated)	1-100
General Partnership	Повне товариство (ПТ)	NS	NS

The form of business		Minimum capital (approx. in EUR)	Number of shareholders
English	Ukrainian		
Individual / entrepreneur	Фізична особа- підприємець	NA	ND (not declared)
Representative office	Представництво іноземного суб'єкта господарювання	NS	ND (not declared)



SOCIAL SECURITY AND LABOR LAW ASPECTS

General social and health security

Employers are liable to pay Unified Social Security Contributions. The social security contribution in Ukraine is 22% of the gross earnings (salaries and benefits paid to employees).

This percent is applied to salaries which are less than 25 subsistence minimums for able-bodied persons. If the salary is higher, then only the amount up to 25 subsistence level for able-bodied persons is taxable, while the rest is non-taxable.

The subsistence level for able-bodied persons in Ukraine is UAH 1,600 (approx. EUR 55) starting January 1st, 2017.

The 22% from gross salary is divided among different funds (unemployment fund, accident fund, pension contribution and temporary disability fund).

General comments on labour law

Main features of employment relationship in Ukraine	
Contract type	<ul style="list-style-type: none">▪ fixed-term contract▪ contract for indefinite period of time▪ contract on reduced working hours
Contract must include	<ul style="list-style-type: none">▪ identification details (employer and employee)▪ the type of work and contract duration▪ the place where the work is performed▪ remuneration corresponding to the work(salary)▪ working time, vacation days and other days off▪ probationary period▪ notice period

Main features of employment relationship in Ukraine	
Working time	<ul style="list-style-type: none"> full time employees - 40 hours per week (8 hours/day) part time employees - the working time is determined by parties agreement
Holiday entitlement / year	<ul style="list-style-type: none"> minimum annual leave: 24 calendar days
Trial period	<ul style="list-style-type: none"> cannot be longer than 3 consecutive months for regular employees - in some cases it can be up to 6 consecutive months, but it must be agreed with the Primary Trade Union Organization workers (blue-collar occupation) are the subject of a maximum 1 month probation period
Notice Period	<ul style="list-style-type: none"> employer: at least 2 months in the special cases of staff reduction or liquidation employee: at least a two-week notification in the case of voluntary termination of the labour agreement

Applicable laws

- Labour Code of Ukraine № 322-VIII
- Civil Code of Ukraine № 435-IV
- Law on Employment of Population № 5067-VI
- Law on Remuneration of Labour 108/95-BP
- Law on the working conditions of individuals employed on seasonal work № 310-09
- Law on Private International Law № 2709-IV





TAXES ON CORPORATE INCOME

Corporate income tax (CIT) – rates

For residents

Ukraine's standard CIT rate is 18%.

Insurance activity

There is an additional tax for insurance activity - 3% or 0% on the income of these companies. The contracts with term life insurance, a voluntary health insurance and insurance contracts within the non-state pension have the rate 0%.

Gambling activity

Legal entities involved in gambling have to pay special CIT at 10%. The rate 18% can be applied to special gambling activity. This CIT paid from gambling income do not reduce taxable profit of a company engaged in gambling activities, so additionally they have to pay standard CIT 18%.

For non-residents

Legal non-resident entities

Rates for legal entities-non-residence pay CIT at 0%, 4%, 6%, 12%, 15% and 20% from their income (tax rates varies depending on type of income).

Permanent establishment

Tax rates and taxable profit for permanent establishments are the same as for residence in Ukraine.

Corporate income tax – general information

Taxable income – Taxpayers with an annual income exceeding UAH 20,000,000 have to use adjustments of the financial results for tax difference.

Taxpayers with an annual income that does not exceed UAH 20, 000,000 are allowed not to apply adjustments.

Tax period – The calendar year.

Tax returns and assessment– companies with an annual income up to UAH 20,000,000 must perform the tax return for the whole calendar year until March 1st, 2017.

Companies with an annual income exceeding UAH 20, 000,000 must pay and perform tax returns quarterly. The complete list of deadlines for taxpayers you may find in our [“2017 Tax calendar for Ukraine”](#).

Advance payments – companies that are quarterly payers must pay 2/9 CIT from the amount of three quarters income until the December 31st of the following year.



TAXES ON INDIVIDUAL INCOME

Personal income tax

The standard PIT rate is 18% in Ukraine. This rate applies to (main):

- salary
- all kinds of compensatory and incentive payments
- other payments and fees that are accrued in connection with labour relations and civil law contracts
- winning in the state and private money lottery

This rate also applied to the taxable income received from abroad.

Military tax

Starting from August 2014 1.5% military tax on personal income was introduced in Ukraine.



VALUE ADDED TAX

Value added tax– rates

Standard VAT rate in Ukraine is 20% and is imposed on domestic sales of goods and/or services, imported goods or services.

Reduced rates

7% - this rate is applied to supply and import of registered medicines and specific medical goods.

0% – this rate is applied to the export of goods. Other services which are subject of 0% rate are an international transport services confirmed by a single international shipping document, toll manufacturing services if the goods are exported from Ukraine, etc.

Provision of services to a non-resident are subject to 20% VAT or it can be considered as an outside the scope of VAT, depending on the place of supply.

VAT returns

VAT payers must provide the report monthly until the 20th day of the month following the reporting month. Payment of VAT is made within 10 days from the end of the report's submission, that is, as a rule, up to and including the 30th day.



OTHER TAXES

Land tax

The object of taxation for this tax is land plots owned or leased, as well as land shares that are owned. Land tax rates set by local councils. The rate of land tax depends on the category, location, and the existence of a state valuation for each particular land plot.

Transport tax

Starting January 1st, 2017, owners of cars which are not older than five years and with an average market value exceeding 375 minimal salaries as of January 1st of the reporting year (approx. EUR 40,000) must pay transport tax in amount UAH 25,000 for each car per year.

Real estate tax

Payers of this tax are owners of objects of taxation on the territory of Ukraine: individuals, legal entities, non-residents.

Starting from January 1st, 2017:

- tax rate decreased from 3% to 1.5% of the minimum wage per m² (for 2017, the maximum is UAH 48 per square metre)
- all types of real estate, both residential and non-residential, are taxable
- corrected the rights of local authorities to establish benefits in taxation
- tax for apartments of more than 300 m² and for houses more than 500 m² - is increased by 25 thousand UAH for each object.

Customs duty

Customs duty must be paid by the importer upon import of the goods into Ukraine. The rates are established by the Customs Tariff. Nowadays in Ukraine are two duty rates: relieved and full rates. Relieved rates are applied to goods from World Trade Organization (WTO) and some other countries.



Excise tax

This tax is applied for ethyl alcohol, alcoholic beverages, beer, tobacco and tobacco products, cars, car bodies, motorbikes, electricity, liquefied gas, petrol, diesel fuel, other fuel material and electric power. These goods can be imported or produced in Ukraine.

Ukrainian legislation divided the rates of the excise tax into three types:

- a percentage of the value of the goods
- specific
- combined

Local authorities have the right to set rates of local excise tax, which are taxed by retail sellers of excisable goods. The rate of such excise is set at a rate of 2% to 5 % of the goods value.





INVESTMENT INCENTIVES

IT industry

Starting January 1st, 2013 until January 1st, 2023, IT companies that perform activities in Ukraine are exempted from VAT payments on operations of software products supply.

Software products are considered: the result of computer programming in the form of operating system, systemic, applied, entertaining and / or educational computer software (their components) as well as websites and / or online services; cryptographic data protection.

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ABOUT ACCACE

With more than 330 professionals and branches in 7 countries, Accace counts as one of the leading outsourcing and advisory services providers in Central and Eastern Europe. During the past years, while having more than 1,400 international companies as customers, Accace set in motion its strategic expansion outside CEE to become a provider with truly global reach.

Accace offices are located in Czech Republic, Hungary, Romania, Slovakia, Poland, Ukraine and Germany. Locations in other European countries and globally are covered via Accace's trusted network of partners.

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