



# Doing Business in Ukraine

Audit / Tax / Advisory

Smart decisions. Lasting value.

# Welcome

## to Doing Business in Ukraine

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Doing Business in Ukraine has been prepared by the Crowe Global member firm in Ukraine in order to provide general information for persons planning to do business with or in the country concerned and/or individuals intending to live and work in Ukraine temporarily or permanently.

This Guide includes relevant information about business operations and taxation matters. It is intended to assist organizations that are considering establishing a business in Ukraine either as a separate entity or as a subsidiary of an existing foreign company. It will also be helpful to anyone planning to come to Ukraine to work and live here either on secondment or as a permanent life choice.

Unless noted otherwise, the information contained in this Guide is believed to be accurate as of 1 January 2020. However, general publications of this nature cannot be used and are not intended to be used as a substitute for professional guidance specific to the reader's particular circumstances.

*All lasting business is built on friendship.*

*Alfred A. Montapert*



## About Crowe Global

Crowe Global is ranked among the top 10 global accounting networks with more than 180 independent accounting and advisory services firms in about 140 countries around the world. Crowe Global's member firms are committed to impeccable quality service, highly integrated service delivery processes and a common set of core values that guide decisions daily.

Each firm is well-established as a leader in its national business community and is staffed by nationals, thereby providing the knowledge of local laws and customs which is important to clients undertaking new ventures or expanding into other countries. Crowe Global member firms are known for their personal service to privately and publicly held businesses in all sectors and have built an international reputation in the areas of audit, tax and advisory services.

## General information

Local currency, Exchange rate to EUR as of 01/06/2020      Hryvnia

## Types of organization

### LLC

Name in local language	Tovarystvo z Obmezhennoyu Vidpovidalnistiu (TzOV)
Registrable in commercial register / legal entity	Yes
Minimum capital	No minimum share capital
Minimal number of shareholders/ Maximum number of shareholders	No limitations
Capital tax / Registration fees	The registration fees - free; the registration of changes in information on a legal person - 0.3 minimum cost of living (approx EUR 66)
Written form/ notarization	Yes
Registration with tax authorities	Yes
Statutory audit	Depends on the kind of activity

### Public company (joint-stock company)

Name in local language	Aktsionerne Tovarystvo (AT)
Registrable in commercial register / legal entity	Yes
Minimum capital	1.250 minimum wages (approx. EUR 182 722 )
Minimal number of shareholders/ Maximum number of shareholders	No limitations
Capital tax / Registration fees	The registration fees - free; the registration of changes in information on a legal person - 0.3 minimum subsistence level for persons able to work (EUR 20)
Written form/ notarization	Yes

Registration with tax authorities	Yes
Statutory audit	Depends on the kind of activity

## Branch (permanent establishment)

Name in local language	Predstavnytstvo
Registrable in commercial register / legal entity	In the Ministry of Economy
Minimum capital	No
Minimal number of shareholders/ Maximum number of shareholders	Parent company
Capital tax / Registration fees	2500\$
Written form/ notarization	No
Registration with tax authorities	Yes
Statutory audit	No

## Value added tax (VAT)

Tax rates	Basic rate: 20 %, reduced rate: 7% (i.e. medicines; for quarantine period - exempted) and 0% (export of goods)
Supply of goods	Subject to VAT if supplied within the customs territory of Ukraine
Supply of services	Subject to VAT if supplied within the territory of Ukraine
Special provisions (exemptions to the general rule)	Small business (revenue up to UAH 7 mio) who chooses the turnover tax at 5%. Representative offices of non-residents, whose activities do not constitute permanent establishment in Ukraine).
Reverse charge on local supplies	No
Import of services	The import of goods to the customs territory of Ukraine;

Deadline and conditions for VAT refund	To obtain VAT reimbursement taxpayer should address the application to the controlling body along with the tax VAT return. The application is entered into a special register. Then the controlling body should carry out the desk audit of the taxpayer. Upon termination of the desk audit the taxpayer can obtain VAT reimbursement if no law violations was indicated during the audit. If the tax authorities fail to carry out a documentary tax audit within 60 days since last day of the VAT return submitting term, VAT shall be reimbursed regardless of the results of the audit.
Major Tax exemptions	Loans and financial credits; shares and securities; insurance services; distributions of dividends and royalty in cash; services supplied beyond the territory of Ukraine; periodicals, and books; copies of software (till 2022);
Real Estate	Supply of residential premises at secondary market; sale of greenfield landplots; lease of municipal or state owned land are VAT exempt
Foreign taxable persons (VAT registration)	Registration is mandatory for both residents and non-residents if the turnover exceeds UAH 1 million within the past 12 calendar months

## Corporate tax

Accounting rules	The Ukrainian accounting rules are generally in line with the IFRS.
Tax rate	18% general rate; 0 and 3% for the insurance income; 15%/ 6%/ 20%/ 5% for the revenues of non-residents Special tax regimes for the small business (up to UAH 7 mio - 5 % based on turnover) and for agricultural companies (tax is assessed on the basis of the land plots' square)
Tax base	Worldwide profit
Tax assessment period	Corporate tax reports are submitted on either quarterly or annual basis.
Loss set-offs/ carry forwards	Currently tax losses can be carry forward without limitations
Tax/ accounting depreciation	Accounting depreciation is deductible with certain tax adjustments
Tax deductibility of interest, Excessive interest rate rule, Thin capitalization rule	Applies to loans received by resident companies from non-resident where the debt 3,5 higher than the company's equity.

Reserves for bad debts, leaves, etc.	Can be deducted with certain tax adjustments
Other Major tax adjustments a) increasing and b) decreasing taxable profit	Capital losses within the transactions with securities; sale and purchase of goods and services within the transactions with low-tax jurisdictions; expenses for non-residents out of business aim, etc
Transfer pricing, Transfer pricing documentation, Related parties	TP rules apply to taxpayers with annual revenue that exceeds UAH 150 mio, if the turnover from their transactions with low-tax or related non-residents exceeds UAH 10 mio with one counterparty. TP reports and documentation are prepared due to standard TP requirements on the basis OECD's guidelines. Masters files and shall be requested upon the results of 2022; country-by-country reporting shall be requested upon the results of 2023.
Withholding tax	15% (general rate); 6% (for freight); 20% (for advertisement); 5% (for the interest paid against the bonds placed at the recognized stock-exchanges)
Interest	15%; rate can be reduced by DTT
Royalties	15%; rate can be reduced by DTT
Services	Withholding tax is not levied (except agency services rendered within Ukraine, engineering and freight)
Group taxation	No

## Personal income tax

Taxable income	World-wide revenue reduced on the number of expenses (i.e. education); for the capital gains - margin (i.e. revenues minus relevant expenses); for the self employed persons - profit (i.e. revenues minus relevant expenses)
Income from employment/ self-employment	Income from employment is taxed under the 18% rate with minor deductions from the base (for low wages etc). Self-employed may be taxed under the general rate or enjoy single tax (5% from the turnover not exceeding UAH 7 mio) instead of personal income tax
Income from property and property rights	0%/ 5% (18% for the sales of non-residents) from the sale of real property. 5 (18% for the sales of non-residents) for the sale of the movable property/ property rights.

Income from capital	18% on the capital gains from the sale of shares and other securities. Tax exemptions for the sales of sovereigns
Other income	Under the general rule with the number of tax exemptions (i.e. for investments) or at the lower rate (i.e. 5% or 9% for the distribution of dividends)
Withholding tax	18% (general rate)
Interest	18%, rate can be reduced by DTT
Royalties	18%, rate can be reduced by DTT
Dividends	9%, rate can be reduced by DTT
Capital gain	18%; rate can be reduced by DTT
* Military tax additionally levied at 1.5% under the same rules as personal income tax	

## Mandatory social contributions

Contribution rates	22% from the gross salary of employees
Minimum and maximum contribution	Minimum = UAH 4 723 (EUR 146). Maximum = UAH 25 845 (approx. EUR 797)
Self-employed individuals	Contributions are levied under the general rules, except for the small business enjoying single tax regime, who are subject to minimum contribution. Temporary exemptions were implemented for quarantine period.
Employed individuals	Contributions are levied by their employers under the general rules

## BEPS implementation

CFC	CFC rules are adopted both for individuals and legal entities, controlling foreign companies, effective since Jan 1, 2021.
DAC6	Provisions of DAC6 are implemented through the new rules of financial monitoring, effective since Apr 28, 2020.



CRS	At the moment joining to CRS rules has been voted by the Parliament, but not practically implemented. Their implementation is expected since 2021 or later.
<b>Profit shifting rule</b>	
GAAR/ other anti-abuse rules (PPT, etc)	GAAR rules are not implemented in Ukraine, though is partially exist in form of business aim test and principal purpose test (PPT). PPT was implemented in Ukraine in 2020 due to the amendments to the Tax Code of Ukraine.

## Global employment issues

Work and Residence permit	There are two types of Ukraine residence permit: a temporary Ukraine residence permit allows to stay in the country for up to a year, while a permanent Ukraine residence permit allows someone stay in the country indefinitely. Employers, who want to hire foreign citizens shall obtain a permit to employ each foreigner.
Minimum salary	UAH 4723

## Taxation of immovable property

Tax depreciation	Not applied to taxation of immovable property
<b>Depreciation categories</b>	
Land	The subjects of taxation are: land owners or tenants. The basis of taxation is the mandatory monetary valuation of land plots or the square of the land plots. Land plots for which a mandatory monetary valuation has been carried out are taxed on annual basis at the rate not exceeding 3 per cent of their valuation; for public lands - at the rate not exceeding 1 per cent of their valuation.
Building	n/a
Tax base	n/a
Special depreciation	n/a
Real estate transfer tax	Mandatory contribution to Pension fund at 1%, and notary fee at 1%

Property tax (rate and base)	The tax base is the total area of a residential and non-residential property, including its particles. Benefits: for apartments - for 60 sq. meters; for residential - on 120 sq. m; for different types of residential property - on 180 sq. m. Tax rates - do not exceed 1.5% of the minimum wage per square meter.
Real estate funds	Mutual investment funds' revenues are deducted (exempt) from corporate profit tax. Individual investors to such funds enjoy reduced personal income tax rate (9%) applied to their dividends
Owner of the fund assets	n/a
Valuation	n/a
Investment	n/a
Risk diversification	n/a

## Incentives

Investment incentives	Corporate income tax exemption for the revenues of collective investment funds; accelerated depreciation for corporate income tax; reduced personal income tax rate for the dividends; tax exemptions for contribution into chartered capital and for the re-invested dividends for personal income tax matters
R&D incentives	No
Young employees, elderly employees	No
Educational incentives	Tax deductions and benefits for the matters of personal income tax
Other special incentives/ tax regimes and opportunities for business models (where relevant)	Special tax regime for agriculture, instead of corporate income tax and number of other the tax is assessed based on the area of the land plots

## Tax liabilities

	For taxpayers	For directors (chief officers)	For shareholders
Binding opinion/ Advanced tax rulings	State Fiscal Service issues tax opinions; Ministry of Finance issues generalized tax rulings. Both types secure taxpayers from tax liability;	n/a	n/a
Penalties for late payment of tax	Fine at 10 or 20 % from the late amount plus penalty at 120% of the discount rate, established by Natinal Bank of Ukraine	Minor fines	no
Tax misdemeanor provisions	Non-accrual, non-withholding and / or non-payment (non-transfer) - fine up to 75% from the missed amount	Minor fines	n/a
Criminal provisions	n/a	Fine or imprisonment for tax evasions	no
Piercing the corporate veil	n/a	n/a	no
Advanced pricing agreements	Under the provisions of the Tax Code unilateral, bilateral and multilateral APAs can be entered into. In practise no APA has been concluded at now	n/a	n/a

## Deadlines for reporting and payment of taxes and social contributions

Type of tax	Reporting deadline	Payment deadline
CPT	No later than 40 days after the end of the reporting quarter/ no later than 60 calendar days after the end of the reporting (tax) year.	10 calendar days following the last day of the reporting deadline
PIT	Till 1 May of the next calendar year	Till August 1 of the next calendar year
VAT	No later than 20 days after the end of the reporting month	10 calendar days following the last day of the reporting deadline
Social contributions	Social security contribution from employees - on the 20th day of the next month. The annual report on ERUs accrued on the payroll fund is until February 9 of the next year	20 calendar days following the reporting month

## Double taxation treaties

Country	Dividends	Royalties	Interest	Affected by MLI
Algeria	5/15	10	10	n/a
Armenia	5/15	0	10	yes
Austria	5/10	0/5	2/5	no
Azerbaijan	10	10	10/	n/a
Belarus	15	15	10	n/a
Belgium	5/15	0/10	2/10	yes
Brazil	10/15	15/	15	n/a
Bulgaria	5/15	10	10	yes
Canada	5/15	0/10	10	yes

Croatia	5/10/	10/	10/	yes
Cuba	5/15	5/	10/	n/a
Cyprus	5/10	5/10	5	yes*
Czech Republic	5/15	10/	5/	no
Denmark	5/15	0/10	0/10	yes*
Egypt	12	12	12	yes*
Estonia	5/15	10	10	yes
Federal Republic of Germany	5/10	0/5	2/5	no
Finland	0/5/15	0/5/10/	5/10/	yes
France	0/5/15	0/5/10	2/10	yes*
Georgia	5/10	10	10	no
Greece	5/10	10	10	yes*
Hungary	5/15	5/	10/	yes*
Iceland	5/15	10	10	yes
India	10/15	10	10	yes*
Indonesia	10/15	10	10	no
Iran	10	10	10	n/a
Ireland	5/15	5/10	5/10	yes
Israel	5/10/15	10	5/10	yes*
Italy	5/15	7	10	yes*
Japan	15/	0/10	10/	yes
Jordan	10/15	10	10	yes*
Kazakhstan	5/15	10	10	yes*
Kingdom of Saudi Arabia	5/15	10/	10	yes
Korea	5/15	5	5	yes*
Kuwait	5	10	0	no

Kyrgyzstan	5/15	10	10	n/a
Latvia	5/15	10/	10/	yes*
Lebanon	5/15	10/	10/	n/a
Libya	5/15	10/	10/	n/a
Lithuania	5/15	10/	10/	yes*
Luxembourg	5/15	5/10	5/10	yes*
Macedonia	5/15	10/	10/	n/a
Malaysia	15	10/15	15	n/a
Malta	5/15	10/	10/	yes*
Moldova	5/15	10/	10/	n/a
Mongolia	10/	10/	10/	n/a
Morocco	10/	10/	10/	yes*
Netherlands	0/5	2/10	15	no
Norway	5/15	5/10	10/	no
Pakistan	10/15	10/	10/	yes*
People's Republic of China	5/10	10	10	yes*
Poland	5/15	10/	10/	yes
Portugal	10/15	10/	10/	yes*
Qatar	5/10	5/10	5/10	n/a
Romania	10/15	10/15	10/	yes
Russian Federation	5/15	10/	10/	yes
Singapore	5/15	7,5/	10/	yes
Slovakia	10/	10/	10/	yes*
Slovenia	5/15	5/10	5/	yes
South Africa	5/15	10	10	yes*
Spain	15	0/5	0	no

Sweden	0/5/10	0/10	0/10	yes
Switzerland	5/15	5/10	5	no
Syria	10	15	10	n/a
Tajikistan	10/	10/	10/	n/a
Thailand	10/15	15/	10/15/	n/a
Turkey	10/15	10/	10/	yes*
Turkmenistan	10/	10/	10/	n/a
United Arab Emirates	5/15	0/10	3	yes
United Kingdom	5/15	5	5	yes*
United Mexican States	5/15	10/	10/	yes
Uzbekistan	10	10/	10/	n/a
Vietnam	10	10	10	n/a



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## About Crowe in Ukraine

We represent the international Crowe Global network of over 250 independent accounting and consulting firms with 805 offices in 130 countries across the world. In Ukraine, we provide our clients with comprehensive support in the field of tax, legal, audit and accounting services via our companies Crowe Mikhailenko (tax consulting), Crowe AB Ukraine (attorneys at law), Crowe Erfolg Ukraine (audit services) and Crowe A&A (accounting outsourcing). Our team is composed of nationwide reputed experts whose competence has a considerable impact on the tax and legal practices at the country level. With our international presence and our commitment to international standards, we help our clients solve complex business challenges in any part of the world.

## Our Global Reach

In addition to our local and regional services, as members of Crowe Global, we can draw on a worldwide network of independent professionals and their know-how. The Crowe Global network consists of more than 180 independent accounting and advisory services firms in about 140 countries around the world.

As member firm of Crowe Global we offer comprehensive, international expertise in a broad range of business consulting practices, including assurance, M&A, corporate finance, forensic services, human resources services, tax & regulatory.

This unique combination of our local and regional talent coupled with the global reach of our network provides us with the local expertise and global worldwide capabilities our clients expect and deserve.