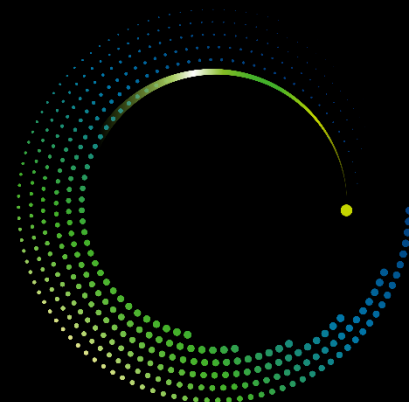


## International Tax Ukraine Highlights 2022

Updated January 2022



### Recent developments

For the latest tax developments relating to Ukraine, see [Deloitte tax@hand](#).

### Investment basics

**Currency:** Ukrainian Hryvnia (UAH)

**Foreign exchange control:** Only local currency generally may be used in business transactions between residents. Foreign currency may be used in cross-border transactions between residents and nonresidents.

Foreign exchange transactions with a price below UAH 400,000 are not subject to foreign exchange controls. The settlement period for export-import transactions with a price exceeding UAH 400,000 is 365 days.

Fund transfers from Ukraine to nonresidents are limited to EUR 2 million annually for legal entities and individual entrepreneurs, and to EUR 200,000 annually for individuals. The EUR 2 million limit for legal entities and individual entrepreneurs does not apply to transactions involving the transfer of funds by resident legal entities to the accounts of their own branches, representative offices, and other separate divisions that do not have a legal entity established abroad. However, the limit applies if a legal entity is established in a country:

- Located in a low tax jurisdiction, as defined by the Cabinet of Ministers of Ukraine (CMU);
- Recognized as an “aggressor state” by Ukraine’s parliament (the Verkhovna Rada); or
- That does not implement or improperly implements the recommendations of international, intergovernmental organizations involved in the fight against money laundering, terrorist financing, or financing that facilitates the proliferation of weapons of mass destruction.

**Accounting principles/financial statements:** Ukrainian accounting standards generally are in line with IFRS. Financial statements must be prepared on a quarterly basis.

Joint stock companies, banks and insurance companies, and large private companies that meet certain revenue, asset value, and headcount criteria must prepare financial statements in compliance with IFRS. Other companies may opt to prepare financial statements in compliance with local GAAP or IFRS.

**Principal business entities:** These are the limited liability company, private and public joint stock company, noncommercial representative office, and permanent establishment (PE) of a foreign corporation.

## Corporate taxation

| Rates                     |     |
|---------------------------|-----|
| Corporate income tax rate | 18% |
| Branch tax rate           | 18% |
| Capital gains tax rate    | 18% |

**Residence:** A legal entity incorporated and operating under Ukrainian law generally is considered a tax resident; a legal entity incorporated abroad and operating according to the laws of another country normally is treated as a nonresident.

As from 1 January 2022, a foreign company that has its place of effective management in Ukraine may apply to become a Ukrainian tax resident. Controlled foreign company (CFC) rules will not apply to such a company and the company's foreign income will not be subject to tax in Ukraine.

Nonresidents that operate in Ukraine through representative offices or PEs must register with the tax authorities and submit corporate income tax returns in the name of the nonresident (but the return must be based on the financial results of the representative office or PE).

**Basis:** A resident company (unless it is a foreign company that has opted to be tax resident in Ukraine based on the "place of effective management" (see "Residence," above)) is taxed on its worldwide income received or accrued (depending on the type of income) within the reporting period. A nonresident company is taxable on business income derived from carrying out trade or business activities in Ukraine and other nonbusiness income received from Ukrainian sources. A representative office or PE of a nonresident in Ukraine is treated as a separate entity for tax purposes and is taxed in the same way as a subsidiary.

Nonresidents acting in accordance with the conditions of international agreements on providing technical and humanitarian aid that are registered with the Ministry for Development of Economy, Trade and Agriculture of Ukraine are not subject to tax and may conduct economic activities in Ukraine without registration.

**Taxable income:** Taxable income is calculated based on accounting data by adjusting profit (loss) before tax by the amount of book/tax differences. Taxpayers with income (excluding indirect taxes) not exceeding UAH 40 million may calculate taxable income based only on accounting data, without any adjustments for book/tax differences (except for losses carried forward from previous periods).

**Rate:** The corporate income tax rate is 18%. Certain types of business (e.g., insurance, lotteries) are taxed under special regimes, which may provide lower tax rates.

**Surtax:** There is no surtax.

**Alternative minimum tax:** There is no alternative minimum tax.

**Taxation of dividends:** Dividends received by a domestic company from another domestic company are not subject to corporate income tax. Dividends received by a domestic company from a nonresident are included in taxable income.

Dividends paid by a Ukrainian company are subject to advance corporate income tax (ACT) at the general corporate income tax rate. The ACT base is the amount of dividends paid by the company that exceeds the company's taxable profit for the year from which the dividends are payable. ACT is due at the time the dividends are paid. Where the corporate income tax liability for the year is unsettled, ACT is calculated based on the full amount of dividends paid. A Ukrainian company may offset the ACT paid against its corporate income tax liability and any excess ACT may be carried forward indefinitely to reduce the taxpayer's corporate income tax liability in a future period. The amount of ACT paid on

dividends is not refundable to the taxpayer and may not be used to reduce taxes other than corporate income tax. ACT does not apply to certain dividends (e.g., dividends paid by a holding company out of dividend income received from subsidiaries, dividends paid by a company out of tax-exempt profits, dividends paid to individuals).

Transfer pricing adjustments and certain other payments to nonresidents (e.g., payments for the buyback of shares, certain types of divestments) are treated as dividend-equivalent payments subject to a 15% withholding tax. However, these payments are not subject to ACT.

**Capital gains:** Capital gains are treated as ordinary income and taxed at the standard corporate income tax rate.

**Losses:** Tax losses generally may be carried forward indefinitely.

As from 2022, tax loss carryforwards for large taxpayers are limited to 50% of the tax losses reported in the previous year. The accumulated tax losses may be carryforward indefinitely until fully utilized (subject to the 50% limitation). However, if tax losses carried forward from previous years do not exceed 10% of taxable profits for the current reporting period, the taxpayer may reduce the amount of profit/loss before tax for the current reporting period in full. Losses may not be carried back.

**Foreign tax relief:** Foreign tax paid may be credited against Ukrainian tax payable or deducted from taxable income under an applicable tax treaty. The credit or deduction is limited to the amount of Ukrainian tax payable on the foreign income.

**Participation exemption:** Dividends from a foreign company (other than a company located in a low tax jurisdiction, as defined by the CMU) may be exempt from tax where the Ukrainian recipient company has owned at least 10% of the foreign payer company for at least one year.

**Holding company regime:** There is no holding company regime.

**Incentives:** Small enterprises and agricultural producers that meet specific criteria may use a special taxation regime (the unified tax system) under which their profits are subject to tax at a lower rate. Enterprises operating in the aircraft industry may benefit from temporary corporate income tax exemptions. Incentives also are provided to entities that are founded by the public institution of disabled people. A corporate income tax exemption is available for green tariff power supply activities through 2023.

A special tax regime exists for IT companies and start-ups (referred to as “Diia City”). Diia City residents may choose one of two tax regimes: (i) the standard corporate income tax regime with a rate of 18% on adjusted profits, or (ii) a special tax regime with no corporate income tax on adjusted profits, but, rather, a corporate income tax rate of 9% on certain payments (e.g., dividends, capital distributions to participants). A reduced 5% individual income tax rate applies to salaries of employees of Diia City residents, remuneration of gig-specialists, and author’s remuneration for work under service agreements (official works) and the transfer of rights to such works.

## Compliance for corporations

**Tax year:** The tax year is the calendar year.

**Consolidated returns:** Consolidated returns are not allowed; each entity must file a separate return.

**Filing and payment:** The corporate income tax return must be submitted within 40 days following the quarterly reporting period and 60 days following the annual reporting period. Certain companies (newly established companies, agricultural producers, and entities with annual income less than UAH 40 million) are subject only to annual reporting requirements and the annual tax return must be submitted within 60 days following the end of the reporting year.

Corporate income tax must be paid within 10 days after the tax return submission deadline.

**Penalties:** Penalties and/or fines apply for late payments (at a rate equivalent to 120% of the national bank's discount rate) and failure to comply with filing requirements. Accuracy related penalties apply of 25% of the underpaid amount for the first violation in a 1,095-day period, and 50% for the second and subsequent violations. In case of unintentional violations, a 10% penalty applies. A 50% penalty reduction is possible if there are mitigating circumstances.

Significantly reduced penalties apply for understatements disclosed by the taxpayer.

A penalty of up to 75% of the understated tax liability is imposed for failure to pay withholding tax to the government or to withhold individual income tax. The maximum 75% penalty is charged for the third and any subsequent violations in a rolling 1,095-day period.

Penalties of up to 300 times the minimum wage may be imposed for failure to submit complete or timely transfer pricing documentation, including the report on controlled transactions. Penalties of up to 1,000 times the minimum wage may be imposed for failure to submit the master file or report on controlled transactions; the first reporting period is calendar year 2021.

**Rulings:** A taxpayer may request an explanation of the tax treatment of a particular issue. A taxpayer may not be subject to a penalty for acting on the basis of a ruling issued by the tax authorities.

## Individual taxation

| Rates                      |        |
|----------------------------|--------|
| Individual income tax rate | 18%    |
| Capital gains tax rate     | Varies |

**Residence:** An individual's tax residence is determined as follows: (i) an individual is tax resident in Ukraine if they have a permanent home in Ukraine; (ii) where an individual has a permanent home in more than one country, they are considered a tax resident in Ukraine if they have closer personal and economic ties with Ukraine (i.e., their center of vital interest is in Ukraine); (iii) where it is impossible to determine residence under either of the preceding tests, an individual will be deemed to be tax resident in Ukraine where present in Ukraine for at least 183 days cumulatively during a calendar year (counting both the day of arrival and the day of departure); and (iv) where tax residence still cannot be determined, the individual will be deemed a tax resident if they are a Ukrainian national.

**Basis:** Residents are taxable on their worldwide income. Nonresidents are taxed only on Ukrainian-source income.

**Taxable income:** Income is taxable whether obtained in cash or in kind. Taxable income includes employment income (including benefits-in-kind), income from trading or professional activities, disposal of property, gifts, prizes, insurance payments, dividends and interest, investment income, and contributions to unqualified pension plans made on behalf of a taxpayer by another person/employer.

**Rates:** The general individual income tax rate is 18%. The value of benefits-in-kind is enhanced by a coefficient of 1.2% for tax purposes. A number of specific sources of income are exempt from individual income tax (e.g., interest on government bonds, state aid for low income families).

A 1.5% military contribution applies to all income subject to individual income tax.

Dividends on shares and corporate rights accrued by resident payers of corporate income tax (other than dividends on shares or investment certificates payable by collective investment vehicles) are taxed at a rate of 5%. Dividends accrued

by nonresident collective investment vehicles or legal entities that are not payers of corporate income tax are taxed at 9%. Other passive income is taxed at 18%.

A 9% tax rate applies to income from a distribution of current or retained profits by an entity having no legal status (e.g., partnership, trust, fund) and established on the grounds of a legal deed or registered under the laws of a foreign jurisdiction.

Gains derived from the sale of movable property are subject to a 5% tax rate.

Gains derived from the first sale of a motor vehicle during the year are exempt from tax. Subsequent sales of motor vehicles by the same person will be subject to tax at a rate of 5%.

**Capital gains:** The taxation of capital gains depends on the source of the gains (see “Rates,” above).

Gains from the sale of a house, apartment (or part thereof), room, or village house (including a land plot) are exempt from tax if only one such sale takes place during the year and the owner has held legal title for at least three years before the sale (the three-year ownership period does not apply to inherited property). Gains are taxed at a rate of 5% where the taxpayer makes more than one such sale per year.

Gains from the sale of immovable property are subject to a tax rate of 18% where the sale is of a third (sometimes second) and any subsequent immovable property over the course of one year (except residential property ownership of which is transferred to a bank in a foreclosure procedure under a mortgage agreement that secures a foreign currency loan). Documented acquisition costs are deductible when calculating the taxable gain. Gains from the sale of inherited immovable property are taxed at a rate of 5% where the sale is of a third and any subsequent inherited immovable property over the course of one year.

**Deductions and allowances:** Deductions are available for mortgage interest (for real estate located in Ukraine), contributions to listed charities, educational expenses for the taxpayer and the taxpayer’s immediate relatives, and COVID-19 expenses through 2022.

**Foreign tax relief:** Foreign tax paid may be credited against Ukrainian tax payable or deducted from taxable income under an applicable tax treaty. The credit or deduction is limited to the amount of Ukrainian tax payable on the foreign income.

## Compliance for individuals

**Tax year:** The tax year is the calendar year.

**Filing status:** Joint filing is not allowed in Ukraine; individuals must file their own return.

**Filing and payment:** Employers and other legal entities are considered tax agents in respect of the income paid to individuals and are responsible for withholding individual income tax and military contributions, in addition to paying the unified social security contribution on accrued salaries and other remuneration. All taxes and contributions must be remitted by the tax agent before or at the time of payment of the income (or on the following banking day if income is paid in kind). The tax agent also is responsible for filing reports on a monthly and quarterly basis for social security contribution and individual income tax purposes, respectively.

If an individual receives taxable income from sources other than a tax agent (e.g., foreign income), they must file an individual income tax return by 1 May of the year following the reporting year and pay the tax due by 1 August. Annual tax return filing also is required if an individual wishes to claim a tax credit for certain expenses incurred during the calendar year.

There is no filing obligation if all income is received from Ukrainian tax agents; income is derived from the sale/exchange of real property or from gifts, and individual income tax has been paid during notarization of such transactions; or income is derived from an inheritance that is taxed at the 0% rate.

**Penalties:** Penalties are imposed for incorrect reporting, late payment of tax, and understatement of tax payable.

**Rulings:** A taxpayer may request an explanation of the tax treatment of a particular issue. A taxpayer may not be subject to a penalty for acting on the basis of a ruling issued by the tax authorities.

## Withholding tax

| Rates                       |           |            |              |            |
|-----------------------------|-----------|------------|--------------|------------|
| Type of payment             | Residents |            | Nonresidents |            |
|                             | Company   | Individual | Company      | Individual |
| Dividends                   | 0%        | 0%         | 15%          | 15%        |
| Interest                    | 0%        | 0%         | 0%/5%/15%    | 0%/5%/15%  |
| Royalties                   | 0%        | 0%         | 15%          | 15%        |
| Fees for technical services | 0%        | 0%         | 15%          | 15%        |

**Dividends:** No withholding tax is imposed on dividends paid to a resident. A 15% withholding tax is imposed on dividends paid to a nonresident, unless the rate is reduced under a tax treaty.

**Interest:** No withholding tax is imposed on interest paid to a resident. Interest income received from government securities is not subject to withholding tax. A 15% withholding tax generally is imposed on interest paid to a nonresident (5% on interest paid on loans made to Ukrainian residents from qualifying Eurobond issuance proceeds), unless the rate is reduced under a tax treaty.

**Royalties:** No withholding tax is imposed on royalties paid to a resident. A 15% withholding tax is imposed on royalties paid to a nonresident, unless the rate is reduced under a tax treaty.

**Fees for technical services:** No withholding tax is imposed on technical service fees paid to a resident. A 15% withholding tax is imposed on technical service fees paid to a nonresident for engineering services, unless the rate is reduced under a tax treaty.

**Branch remittance tax:** There is no branch profits tax specifically imposed in the corporate income tax section of the tax code, and the Ukrainian tax authorities generally agree that no tax should be withheld if there is a tax treaty between the country of the head office of the branch and Ukraine.

**Other:** A 6% withholding tax is imposed on freight charges. Withholding tax rates of up to 12% apply on insurance payments to nonresidents.

A 15% withholding tax is imposed on income received by nonresident companies from the indirect transfer of shares of Ukrainian asset-rich companies (whose value derives mainly from owned or leased immovable property situated in Ukraine). A 20% surtax applies to payments to nonresidents for advertising services performed outside of Ukraine (in lieu of withholding from the nonresident).

## Anti-avoidance rules

**Transfer pricing:** The transfer pricing rules generally are based on the OECD transfer pricing guidelines. The rules apply to taxpayers with annual revenue (less indirect taxes) exceeding UAH 150 million that engage in controlled transactions

exceeding UAH 10 million with one counterparty. Controlled transactions include: (i) transactions with nonresident related parties; (ii) sales or purchases of goods and services under commission agreements with nonresidents; (iii) transactions between related parties (one of which is a nonresident) through one or more unrelated intermediaries that do not perform significant functions; (iv) transactions with nonresidents registered in low tax jurisdictions included in the list issued by the CMU; (v) transactions with nonresidents with specified legal forms (included on a list issued by the CMU) that do not pay corporate tax or are not tax residents of the country where they are registered; and (vi) transactions between a nonresident and its Ukrainian PE.

The CMU list of low tax jurisdictions includes countries: (i) with a corporate income tax rate at least five percentage points lower than the Ukrainian rate and (ii) that have not concluded agreements with Ukraine with an information exchange provision.

The transfer pricing rules provide five permissible transfer pricing methods: comparable uncontrolled price method, resale price method, cost-plus method, transactional net margin method, and profit-split method. Special regulations are anticipated for cross-border sales of goods that are traded on a commodity exchange with residents in the jurisdictions included in the CMU list.

Taxpayers are required to submit a report of controlled transactions and a notification of participation in a multinational group of companies by 1 October, and other transfer pricing documentation within one month of a request by the tax authorities.

In addition to a local file, as from the 2021 reporting year and subject to Ukraine joining the OECD Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports, multinational enterprises will be required to prepare a master file and a country-by-country (CbC) report. The proposed revenue thresholds and filing guidelines are in line with OECD recommendations (i.e., EUR 50 million for master files and EUR 750 million for CbC reports).

**Interest deduction limitations:** Thin capitalization rules apply to all loans received by resident companies from nonresidents where the debt exceeds 3.5 times the company's equity. The deduction for interest paid on such loans is limited to 30% of taxable profit (plus the amount of financing expenses and depreciation) for the relevant tax period. Nondeductible interest may be carried forward to future periods, but the carryforward amount is reduced by 5% annually.

**Controlled foreign companies:** The CFC rules prescribe taxation of undistributed profits of CFCs at the level of a Ukrainian tax resident (either an individual or a legal entity) considered a controlling shareholder based on either shareholding criteria or de facto control. A CFC is defined broadly to include corporate entities, as well as certain transparent entities (e.g., trusts, investment funds, partnerships).

The CFC's income is taxable, unless an exemption applies. An 18% tax applies on the undistributed income of a CFC calculated under applicable tax laws. Where the controlling shareholder is an individual, lower tax rates may apply, including a 9% rate (where the profit of the CFC is distributed within certain periods established by law) or a 5% rate (where the CFC's income comprises income distributed from Ukrainian legal entities).

The new CFC rules will be introduced progressively over the period 2022 through 2023. For example, the first CFC report must be filed in 2023 for the reporting year 2022.

**Hybrids:** There are no anti-hybrid rules.

**Economic substance requirements:** Taxpayers are required to substantiate the business purpose of transactions with nonresidents controlled by the taxpayer and transactions with low tax jurisdictions that involve royalty payments. “Business purpose,” as defined under law, means that the transaction must have actual economic substance in addition to any tax benefits and that the intent behind the transaction was to increase a company’s profits or assets.

The domestic general anti-avoidance rule prevents the granting of tax treaty benefits where one of the principal purposes of a transaction is to claim relief at source or a lower withholding tax rate in Ukraine under a relevant tax treaty.

**Disclosure requirements:** Individual shareholders (beneficial owners) must be disclosed at the time a legal entity registers with the state and at the time of a merger or acquisition. Taxpayers are required to submit certain transfer pricing documentation (see “Transfer pricing,” above).

**Exit tax:** There are no exit taxes. However, transactions that transfer functions, assets, risks, and opportunities from Ukrainian to foreign entities resulting in a reduction of Ukrainian taxable profit are subject to transfer pricing rules (where other transfer pricing criteria are met). A buyback of shares or decrease in share capital may be treated as a dividend distribution.

**General anti-avoidance rule:** To apply a reduced rate under a tax treaty, the beneficial owner of the income must be confirmed. The beneficial owner is the entity that has the right to dispose of and enjoy the income. Simultaneously, in order to be considered a beneficial owner, a nonresident entity must conduct a reasonable degree of economic activity, have assets, resources, and personnel, and bear business risks.

## Other

### Limitations on deductibility of certain payments

Limitations are imposed on the deductibility of payments to nonprofit and government-financed organizations, nonresidents registered in low tax jurisdictions, and foreign companies having special legal forms, as well as royalty payments to nonresidents.

The deductibility of royalty payments is restricted to 4% of the previous year’s taxable profit increased by the current year’s income from royalties if the payment is made to a nonresident entity and the transaction does not fall within the scope of the transfer pricing rules. The restriction may be avoided, however, if the payment made is at an arm’s length price and this is supported by proper documentation.

Royalty payments are nondeductible if paid to: (i) a nonresident that is not the beneficial owner of the royalties; (ii) a nonresident whose intellectual property rights relating to the royalties originated in Ukraine; (iii) a nonresident that is not taxed on the royalties in its jurisdiction of residence; or (iv) a legal entity that is not subject to corporate income tax or pays tax at a rate lower than the standard rate applicable in its jurisdiction.

Only 30% of the value of goods and services (including fixed assets) purchased from nonprofit organizations and nonresidents (including related parties) in low tax jurisdictions is nondeductible, unless the transaction is at an arm’s length price that is supported by transfer pricing documentation.

A 30% upward adjustment (increase in the taxable base) applies on sales to residents of low tax jurisdictions and foreign companies having special legal forms.

### Temporary tax-free liquidation of foreign companies



As from 1 January 2021, Ukrainian resident individuals are exempt from individual income tax on the liquidation of foreign companies they own, subject to certain conditions. The income from the liquidation remains subject to the military tax at a rate of 1.5%. To be exempt from individual income tax, the liquidation must begin no earlier than 1 January 2020 and be completed no later than 31 December 2021. The foreign company must have been established in a transaction or under the laws of a foreign state no later than 23 May 2020 or registered no later than 23 May 2020 if it is subject to registration under the laws of a foreign state.

## Value added tax

| Rates         |           |
|---------------|-----------|
| Standard rate | 20%       |
| Reduced rate  | 0%/7%/14% |

**Taxable transactions:** VAT is imposed on the supply of goods and services in Ukraine and on the import/export of goods and auxiliary services. Certain supplies are not subject to VAT (e.g., the issuance of securities, insurance services, payment of dividends, royalties, services (other than transport services) supplied outside Ukraine). VAT-exempt supplies include domestically produced baby food products, published periodicals, student notebooks, textbooks, and books.

**Rates:** The standard VAT rate is 20% for domestic supplies and for imported goods and auxiliary services. A 14% rate applies to domestic supplies and imports of certain agricultural products. A 7% rate applies to supplies of pharmaceuticals and healthcare products. Exported goods and auxiliary services are zero rated. For VAT purposes, services that are included in the customs value of imported/exported goods are considered auxiliary services. A temporary VAT exemption for the supply of software and software upgrades applies through 2022.

As from 2022, VAT at 20% applies to services electronically supplied by nonresidents to individuals in Ukraine (e.g., supply of electronic copies, provision of access to images, texts, and information, access to databases, supply of audio-visual works, videos on demand, games, provision of online advertising services). VAT must be added to the price of services provided to customers. The tax base and VAT amount must be determined in Euros or US dollars.

**Registration:** Registration is required (for residents and nonresidents) where turnover exceeds UAH 1 million during any rolling 12-month period (including turnover from the supply of goods and services using a local or global computer network). A legal entity may apply for voluntary registration if such registration is deemed necessary by the entity.

Nonresidents providing electronically supplied services to Ukrainian individuals must register with the tax authorities once the registration threshold is reached.

**Filing and payment:** The tax period in connection with filing and payment obligations is either a calendar month or calendar quarter (depending on turnover). Monthly returns must be submitted within 20 calendar days of the last calendar day of each reporting month. Quarterly returns must be submitted within 40 calendar days of the last calendar day of each reporting quarter.

All VAT invoices must be registered with an electronic register (Unified Register of VAT Invoices) maintained by the tax authorities, which provides the basis for recognition of input VAT. The entitlement to such recognition is valid within 365 days.

Each VAT payer must use a special VAT account opened with the State Treasury of Ukraine to account for VAT paid at customs, input VAT from suppliers, and VAT to be invoiced, and out of which to pay VAT liabilities to the government.

## Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

**Social security contributions:** Salary or similar employment compensation paid to an employee is subject to a unified social security contribution at a rate of 22%. Remuneration for these purposes is capped at 15 times the minimum wage. (The monthly minimum wage is UAH 6,500 per month as from 1 January 2022, with a further increase to UAH 6,700 as from 1 October 2022).

**Payroll tax:** There is no payroll tax. Ukrainian companies are required to withhold individual income tax and the military contribution on the income paid to individuals.

**Capital duty:** There is no capital duty.

**Real property tax:** Separate taxes apply for buildings and for land. Land tax is imposed on the owner/user at rates generally up to 12% (for legal entities) and up to 3% (for individuals) of the land's estimated value depending on the location and use of the land.

Legal entities (including nonresidents) that own residential or nonresidential real estate are subject to tax at a rate of up to 1.5% of one minimum wage as at 1 January of the reporting year per square meter owned.

An individual must pay tax annually where one of the following conditions is fulfilled: (i) the area of their apartment(s) exceeds 60 square meters; (ii) the area of their dwelling house(s) exceeds 120 square meters; or (iii) the total area of their apartments and houses exceeds 180 square meters. The excess area is taxed at a rate of up to 1.5% of the minimum wage per square meter.

Where the total area of real estate owned by a legal entity or individual exceeds 300 square meters (for apartments) and/or 500 square meters (for houses), the amount of tax calculated will be increased by UAH 25,000 per property per year (or part thereof).

**Transfer tax:** There is no transfer tax, but state duty and mandatory pension fund contributions may be triggered by transfers of real estate (see "Other," below).

**Stamp duty:** There is no stamp duty.

**Net wealth/worth tax:** There is no net wealth tax or net worth tax.

**Inheritance/estate tax:** Inheritances (e.g., of real estate, chattels, securities, corporate rights) and gifts are taxable at the following rates: 0% where the recipient is a resident of Ukraine classified as a first- or second-degree family member of the testator or donor (e.g., child, spouse, parent, sibling, grandparent); 5% where the recipient is any other resident individual; and 18% where the recipient is a nonresident but the testator was a resident (or vice versa).

## Other

### State duty

A state duty generally is imposed on governmental registrations, including agreements for the transfer of real estate and vehicles.

### **Pension fund contribution**

A mandatory pension fund contribution applies to certain transactions at rates of 1% for buildings, 3% to 5% for vehicle purchases, 10% for the governmental plate-mark on jewelry, and 7.5% for usage of mobile services.

### **Excise tax**

The import or manufacture of cars, alcoholic beverages, tobacco products, and fuel, and the import or extraction of gas is subject to excise tax at rates specific to each product.

### **Automobile tax**

Owners of cars with an average market value exceeding 375 times the minimum wage and manufactured within the previous five years are subject to tax of UAH 25,000 per annum per vehicle.

**Tax treaties:** The OECD multilateral instrument (MLI) entered into force for Ukraine on 1 December 2019. For information on Ukraine's tax treaty network, visit [Deloitte International Tax Source](#).

**Tax authorities:** State Fiscal Service of Ukraine

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