



Taxation of individuals in Ukraine

2024



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Tax base

Personal income tax (PIT) base depends on the tax residency of an individual taxpayer (hereinafter, an “individual” or a “person”).

Individuals recognized as Ukrainian tax residents are subject to PIT on their worldwide income received in the reporting (calendar) year, whereas individuals who qualify as non-residents are subject to taxation in respect of their Ukrainian-sourced portion of income only. Ukraine-sourced income includes, among other things, any income received from the activities performed in Ukraine, regardless of who (resident or non-resident) accrues or pays such income.

Who is considered a Ukrainian tax resident?

The Tax Code of Ukraine establishes the following criteria for determining the tax residency of an individual to be applied in the following order of priority:

-  place of residence in Ukraine;
-  place of **permanent** residence in Ukraine;
-  center of vital interests located in Ukraine;
-  Staying in Ukraine for at least 183 days during the tax (calendar) year;
-  Ukrainian citizenship*

According to the Tax Code of Ukraine, non-residents are individuals who are not residents of Ukraine.

Determination of tax residency

An individual determines his/her tax residency or non-residency status for each reporting year. Tax authorities may disagree with the individual’s decision and challenge it.

In practice, it can be difficult for both the tax authorities and individuals to determine the tax residency status using such criteria as “place of residence,” “place of permanent residence,” and/or “center of vital interests.” Therefore, the number of days spent in Ukraine during the reporting (calendar) year is often the key criterion. An individual is considered a Ukrainian tax resident if he/she stays in Ukraine for at least 183 days (in total) during a particular reporting (calendar) year, including the days of arrival and departure counted as full days spent in Ukraine.

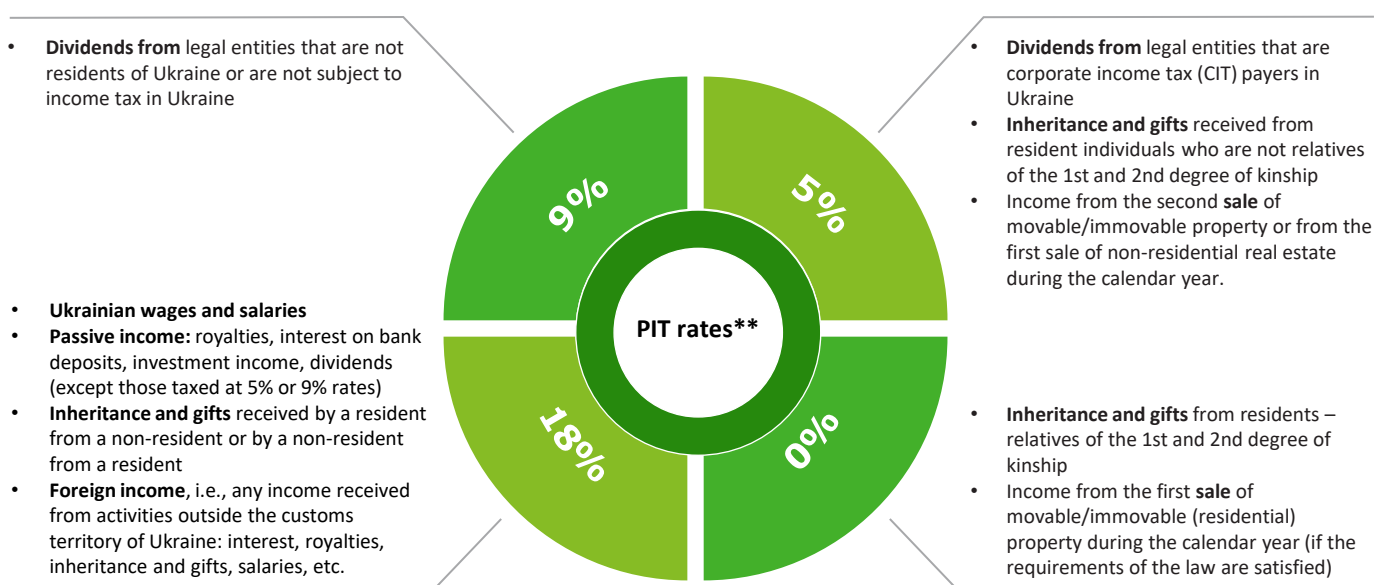
From the practical perspective, the chances that the tax authorities recognize a Ukrainian citizen as a non-Ukrainian resident increase if such an individual registers his/her migration to another country with the State Migration Service and files an “exit tax return”.

It should be noted that in cases where an individual is recognized tax resident in Ukraine and another state at the same time, a dispute between two states can be resolved by applying the provisions of the Treaty for the Avoidance of Double Taxation (provided there is an effective Treaty between Ukraine and the respective second state).

Reporting year

1 January – 31 December (calendar year).

Tax rates







* There are other criteria that apply in exceptional cases.

*** The chart above provides a non-exhaustive list of types of income and personal income tax rates applicable to such income. The full list is outlined in the Tax Code of Ukraine. Please note that all income subject to personal income tax in Ukraine is additionally subject to a 1.5% military tax (please also see the next page).

When does the tax return need to be filed?

- If the tax on income received by an individual was not withheld by a tax agent (e.g., an employer), such individual must declare his/her income by filing an income tax return (hereinafter, the “tax return”) and pay the tax. Examples of such income include foreign investment income, other foreign income, inheritance or gifts (in certain cases), etc.
- In case of applying for a tax deduction (applicable only to a Ukrainian tax resident who receives salary from a Ukrainian employer), etc.

How to file the tax return?

-  by a taxpayer in person
-  by an authorized person (by proxy)
-  via the taxpayer’s electronic account (if the taxpayer has Diia.Pidpys or other QES)
-  by Ukrposhta (documents must be sent not later than 5 days prior to the filing deadline)

Elimination of double taxation*

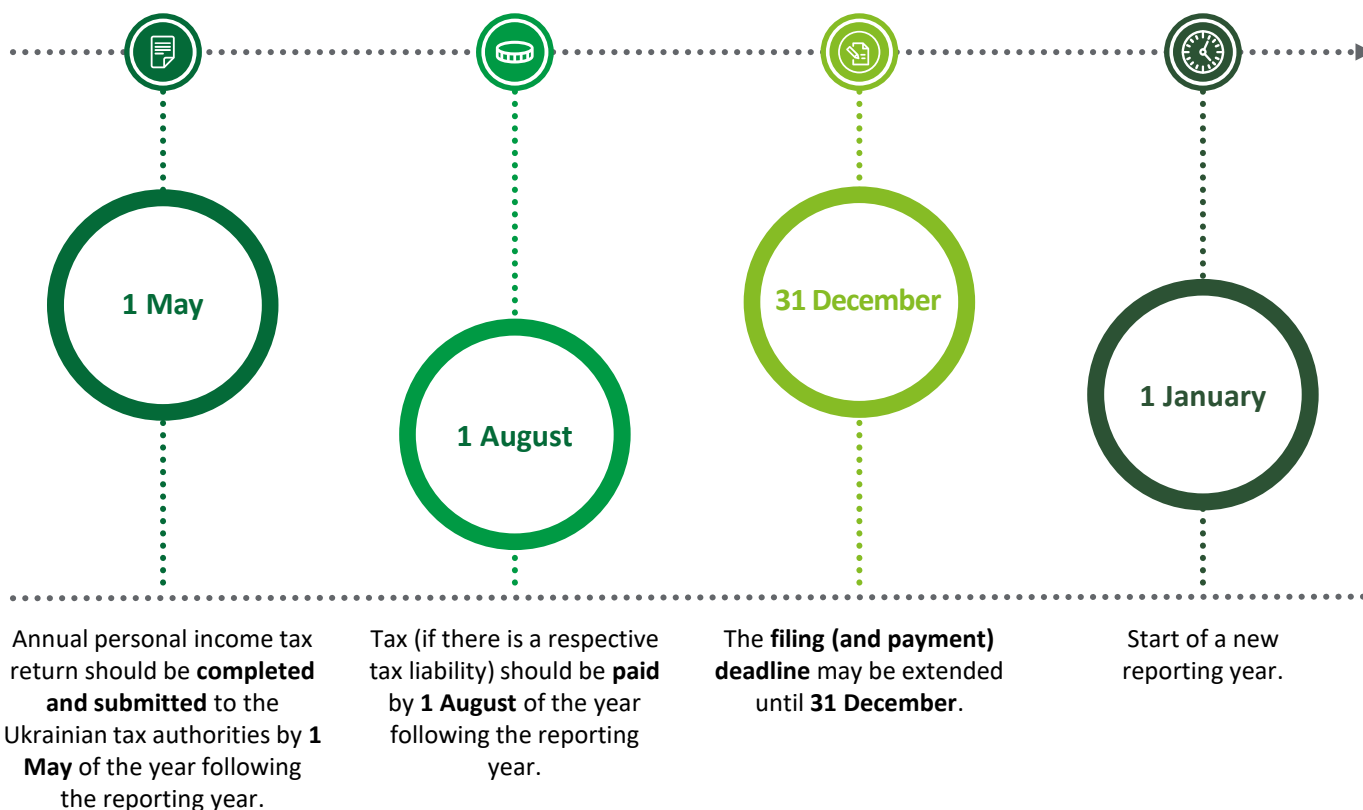
In case the foreign income of a Ukrainian resident was taxed in the country of income source, the foreign tax so paid may be offset in Ukraine against the Ukrainian tax on such income, provided there is an effective tax Treaty between Ukraine and the respective country.

To be eligible for offsetting the taxes and duties paid outside Ukraine, an individual must obtain a certificate from the authorized body of the country in which such income was received and taxed, stating the amount of tax/duty paid, as well as the tax base and/or taxable item. The certificate must be duly legalized and translated into Ukrainian.

Military tax

Military tax (contribution) at a 1.5% rate applies to all income subject to PIT in Ukraine.

Payment of military tax is also reflected in the PIT return. However, if tax residents claim a foreign tax credit in Ukraine, the military contribution may not be offset (unlike PIT). It must be paid by an individual in any case.



Late filing penalties

- **Penalty for failure to file or late filing** of tax returns in accordance with the Tax Code of Ukraine is **UAH 340**.
- **Subsequent late filing of tax returns** in a calendar year by a taxpayer who has already been subject to a penalty for such actions is **UAH 1,020**.
- **Failure to file or late filing of income tax returns** also entails a potential administrative fine of three (UAH 51) to eight (UAH 136) non-taxable minimum.

Late tax payment penalties

The following penalties apply for **late payment of taxes** (subject to timely filing of tax returns):

- **5%** of the tax amount payable (+ penalty) – in case of delay for up to 30 calendar days inclusive.
- **10%** of the tax amount payable (+ penalty) – in case of a delay exceeding 30 calendar days.
- The same actions committed by a taxpayer **intentionally** will result in a penalty of 25% to 50% (if committed repeatedly within three years) of the determined tax liability amount.

CFC rules in Ukraine

- Starting from 2022, Ukraine introduced the concept of taxation of profits of controlled foreign companies (CFCs) at the level of the controlling individuals or legal entities («controllers»).
- The reporting (tax) period for CFC is a calendar year or another reporting period ending within a calendar year. The year 2022 was the first reporting period for which an individual is required to file the CFC reporting pack if he/she is recognized as a «controller» of at least one foreign company or similar entity treated as a CFC.
- The CFC report for 2022 must be submitted along with the PIT return by May 1, 2024.
- The CFC report for 2023 must be submitted along with the PIT return by May 1, 2024 as well, unless the filing deadline is rescheduled for 2025.
- In some cases, income of foreign CFCs is exempt from taxation in Ukraine. If a CFC distributes dividends to the controller, these are taxed according to the general rules (9% PIT and 1.5% military tax). If there was no dividend distribution and no exemption can be applied, the controller will have to pay 18% PIT and 1.5% military tax on the CFC's retained earnings.

How we can help

1 Tax advisory services to individuals

Our team helps individuals to assess any potential and actual tax implications of recognizing or changing tax residency and receiving different types of income in Ukraine and abroad. We help clients in developing their own tax strategies to ensure the proper payment of taxes and preventing double taxation.

3 Services for employers and their employees in Ukraine

We support our clients with:

- Preparation of annual PIT returns for their employees.
- Employee tax briefings (meetings with employees to explain the practical aspects of applying the tax legislation of Ukraine and preliminary assessments of tax implications of global employee relocations, receiving certain types of income, etc.).
- Training sessions and seminars for employees on taxation of individuals in Ukraine and abroad.

5 Assistance in matters related to pension schemes and payment of the unified social security (insurance) contribution

We assist our clients in preparing and filing documents required for participation in pension schemes, making regular contributions, and obtaining certificates of coverage.

2 Assistance with preparation of tax returns

- Preparation of annual PIT returns (as well as reporting packs for CFC controllers) and their submission to the tax authorities of Ukraine.
- Calculation of taxes payable and assistance with their payment.
- Assistance with obtaining tax credit or tax rebate if allowed by Ukrainian legislation.

4 Global Mobility services for employers

Global Mobility services include consulting of employees in tax compliance matters in mobility destination. Moreover, Global Mobility services encompass provision of tax consulting services for employees and employers both in Ukraine and abroad, as well as support in reporting and payment of personal income tax.

Our clients can use our Global Mobility team as a single point of contact.

6 Assistance with obtaining certificates and filing applications with Ukrainian state authorities

We assist clients with obtaining the following certificates:

- Certificate of submitted income tax return
- Certificate of crossing the state border of Ukraine
- Certificate confirming the status of a tax resident of Ukraine, etc.



Andriy Servetnyk
Partner, Head of Global Employer Services, International Tax, and Deloitte Private practice

aservetnyk@deloittece.com

+38 (050) 357 87 49



Svitlana Tutovska
Senior Manager of Global Employer Services and Deloitte Private practice

stutovska@deloittece.com

+38 (067) 505 66 50



Katrina Mafardzhe
Tax Managing Associate of Global Employer Services practice

kmafardzhe@deloittece.com

+38 (073) 155 00 68



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