

Tax Exemptions for Defense Products

Starting from 1 March 2015 it is possible to import defense products into Ukraine without payment of import duty and VAT. Amendments to the Tax Code of Ukraine aimed at the exemption of defense products from import duty and VAT, introduced in September 2014, were not implemented properly, inter alia, due to collision of certain provisions. After the relevant changes were made to the Tax code and after Ukraine recognized Russia as an aggressor state, the abovementioned legal collision was remedied.

Defense products, specified as such in Article 1 (9) of the Law of Ukraine «On State Defense Order» dated 03 March 1999 and classified into separate groups, product positions and categories according to the Ukrainian Classification of Foreign Economic Activity Products, are exempted from import duty and VAT.

Defense products, including drones, binoculars, thermal imagers, night vision devices, protective goggles, telescopic sights and other optical devices for military weapons, components of the military and special equipment, etc., are not subject to taxation.

Defense products originating from the Russian Federation shall continue to be taxed on the general basis. Depending on the product category, the amount of import duty for such products shall range from 6.5% to 30%. The VAT rate is 20%.