

## Taxes in Ukraine: what businesses need to know before entering the market

### Introduction

#### 1. Corporate income tax

##### 1.1. Corporate income tax payers 1.2. Corporate income tax rates 1.3. Object of taxation

#### 2. Value added tax

##### 2.1. VAT payers 2.2. VAT rates 2.3. VAT object 2.4. VAT refund

#### 3. Simplified taxation system: Group III

##### 3.1. Who can be a Group III tax payer 3.2. Rates under the simplified taxation system 3.3. Restrictions on the simplified system

#### 4. Tax and social security burden on salaries

##### 4.1. Personal income tax 4.2. Military duty 4.3. Single social contribution

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When planning to enter the Ukrainian market and register a business entity under Ukrainian law, investors should have a basic understanding of the taxation system in Ukraine. In this article, we briefly outline the main taxes that may apply to your business.

### 1. Corporate income tax in Ukraine

#### 1.1. Corporate income tax payers

Corporate income tax payers are business entities that are residents of Ukraine and conduct business activities both within Ukraine and abroad. Taxpayers also include non-residents, in particular legal entities that receive income from sources in Ukraine, non-residents that conduct business activities in Ukraine through a permanent representative office and/or receive income from sources in Ukraine, and other non-residents who are required to pay income tax in Ukraine.

#### 1.2. Income tax rates

The standard (basic) income tax rate is:

- 18% – as a general rule;
- 25% – for the purposes of taxing the profits of financial institutions (except insurers).

In some cases, other tax rates are applied, namely:

- 3% or 0% – for insurance contracts;

- 0, 4, 5, 6, 12, 15, 18% – for income of non-residents and persons treated as such, originating in Ukraine, in cases established by law;
- 10 or 18% – for the organisation and conduct of gambling;
- 30% – for the issuance and conduct of lotteries;
- 9% “on withdrawn capital” – for residents of Diia City.

An investor with significant investments who is a party to a special investment agreement is temporarily exempt from corporate income tax until 1 January 2035. The tax exemption will apply for 5 years within the term of the agreement after the start of operation of the investment objects within the framework of the implementation of an investment project with significant investments. A mandatory condition for the application of the exemption is the fulfilment by the investor of its obligations under the agreement.

### 1.3. Object of income tax

The object of taxation is profit originating in Ukraine and abroad, which is determined by adjusting (increasing/decreasing) the financial result before taxation (profit/loss) determined in the financial statements of the enterprise in accordance with national accounting regulations (standards) or international financial reporting standards, by the differences arising in accordance with the provisions of tax legislation.

Adjustments may be made taking into account differences arising from the depreciation of non-current assets, the formation of reserves (provisions) and the implementation of financial transactions.

## 2. Value added tax in Ukraine

### 2.1. VAT payers

VAT payers include, in particular:

- 1) persons who are registered or subject to registration as taxpayers;

The main criterion for mandatory registration as a VAT payer is the total amount of taxable transactions for the supply of goods/services accrued (paid) to such a person during the last 12 calendar months, which in aggregate exceeds UAH 1 million, i.e., approx. USD 24,000 (excluding VAT).

- 2) voluntarily registered business entities;

If a person who is not a taxpayer, due to the absence of taxable transactions or their volume being less than the established amount of UAH 1 million (approx. USD 24,000), considers it expedient to voluntarily register as a taxpayer, such registration shall be carried out upon their application.

- 3) persons who import goods into the customs territory of Ukraine in volumes that are subject to taxation;

- 4) persons who keep records of the results of activities under a joint activity agreement;

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5) persons who are asset managers and keep separate tax records for economic transactions involving the use of such asset;

6) persons who are investors (operators) and keep separate tax records related to the performance of a production sharing agreement.

## 2.2. VAT rates

The standard VAT rate in Ukraine is 20%.

A VAT rate of 14% applies to transactions involving the supply and import of certain agricultural products into the customs territory of Ukraine.

A 7% VAT rate is set, in particular, for transactions involving the supply (import) of certain medicines, medical devices, and medical equipment; the provision of services for the display (conduct) of cultural and artistic events; and temporary accommodation (lodging) services.

Transactions involving the export of goods outside the customs territory of Ukraine under the customs regime of export, re-export, duty-free trade and free customs zone are subject to VAT at a rate of 0%.

The 0% rate also applies to the taxation of transactions involving the supply of goods for refuelling (servicing) sea and air vessels; the provision of services for the international transport of passengers, baggage, cargo, etc.

Transactions involving the importation of new machinery (equipment) and components thereof imported by a taxpayer with the status of an investor with significant investments (over EUR 12 million) for the implementation of an investment project under a special investment agreement. The equipment must be new and manufactured no earlier than 3 years prior to the date of project registration.

## 2.3. VAT object

The object of VAT taxation are transactions of taxpayers involving the supply of goods and services with the place of supply in the customs territory of Ukraine, the import of goods into the customs territory of Ukraine, and the export of goods outside the customs territory of Ukraine.

VAT is also levied on the supply of international passenger, baggage and cargo transportation services.

The following transactions, among others, are not subject to VAT:

- issuance (emission), sale (redemption, repurchase) of securities;
- transfer of assets into storage (custody), concession, as well as leasing (rent);
- provision of insurance, co-insurance or reinsurance services;
- payment of rent or concession fees, if the lessors or concessionaires under the agreements are state or local self-government bodies.

The following transactions, in particular, are exempt from VAT:

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- provision of higher, secondary, vocational and pre-school education services by educational institutions;
- supply of technical and other rehabilitation equipment, repair and delivery services.

## 2.4. VAT refund

Ukraine has an open Register of applications for VAT refunds.

The right to a VAT refund arises when the amount of the tax credit exceeds the amount of the tax liability for the reporting (tax) period (a negative VAT value arises).

Taxpayers eligible for a budget refund who have submitted an application for a budget refund will receive it if the controlling authority approves the indicated amount based on the results of a desk or documentary audit.

## 3. Simplified taxation system: Group III

The simplified taxation system is an alternative to the general one. A business entity may independently choose the simplified taxation system if it meets the requirements established by tax legislation and registers as a single tax payer (hereinafter – ST) in accordance with the procedure established by law.

### 3.1. Who is eligible for Group III in Ukraine

The following are eligible for Group III ST:

- 1) private entrepreneurs (hereinafter referred to as PEs);
- 2) legal entities that are business entities of any organisational and legal form;
- 3) electronic residents (e-residents) who have registered as PEs and carry out economic activities involving the provision of services, production, and sale of goods exclusively for the benefit of non-residents of Ukraine, provided that during the calendar year they:
  - do not use the labour of hired persons who are citizens or residents of Ukraine, and
  - do not receive income from sources in Ukraine, except for passive income.

During the calendar year, the taxpayer's income must not exceed 1,167 times the minimum wage established by law on 1 January of the tax (reporting) year.

In 2025, this income is capped at UAH 9,336,000 (approx. USD 221,000).

### 3.2. Rates under the simplified taxation system

The single tax rate for Group III taxpayers is set at:

- 1) 3% of income – in the case of VAT payment;

2) 5% of income – if VAT is included in the single tax, as well as for certain categories of payers:

- private entrepreneurs engaged in the production, supply, sale (realisation) of jewellery and household items made of precious metals and precious stones;
- e-residents.

### **3.3. Restrictions on the simplified taxation system**

Ukrainian tax legislation provides for a number of restrictions on who can be a single tax payer.

Among other things, as a general rule, the simplified system does not allow certain types of activities, such as:

- organisation and conduct of gambling;
- production, export, import, sale of excisable goods;
- extraction, sale of minerals and precious metals (stones).

## **4. Tax and social security contributions on salary**

The tax and social burden on salary in Ukraine includes mandatory taxes and contributions withheld by the employer as a tax agent from the employee's salary or calculated by the employer on the salary amount. The main components are personal income tax, military tax, and single social contribution.

### **4.1. Personal income tax in Ukraine**

Income in the form of salary accrued (paid) to a taxpayer in accordance with the terms of an employment agreement (contract) is included in the taxpayer's total monthly (annual) taxable income.

The total monthly (annual) taxable income (inter alia, for non-residents – income from its source in Ukraine) is subject to personal income tax (hereinafter – PIT).

The tax rate is 18% on income in the form of salary, other payments and remuneration accrued (paid, provided) to the taxpayer in connection with employment relations.

### **4.2. Military duty**

Military duty (hereinafter referred to as MD) is also withheld from the above-mentioned income subject to PIT.

The MD rate on salary is 5% of the taxable amount (except for certain categories of payers, for whom the rate is set at 1.5% or who are exempt from paying MD during martial law).

### **4.3. Single contribution for compulsory state social insurance**

The single contribution for compulsory state social insurance or single social contribution (hereinafter referred to as the SSC) is a consolidated insurance contribution that is collected on a mandatory basis into the compulsory state

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social insurance system.

This is done consistently to protect the rights of insured persons to receive insurance payments (services) under the current types of compulsory state social insurance in cases envisaged by law.

This includes, in particular, compulsory state pension insurance, unemployment insurance, insurance in case of temporary loss of working capacity, insurance against industrial accidents and occupational diseases that have caused loss of working capacity.

The SSC is calculated by the employer at a rate of 22% of the amount of salary accrued to each insured person. The minimum wage in 2025 is UAH 8,000 (approx. USD 189) per month, and the minimum insurance contribution is UAH 1,760 (approx. USD 42) per month.

The maximum base for calculation is 15 minimum wages, which equals UAH 120,000 (approx. USD 2,839). Accordingly, the maximum amount of the SSC is UAH 26,400 (approx. USD 624) per month.

For certain categories (e.g., persons with disabilities, enterprises of public organisations of persons with disabilities), the rate may be reduced.