

Changes in tax legislation

On 24 December 2015, the Verkhovna Rada of Ukraine adopted the Law of Ukraine "On changes to the Tax Code of Ukraine and certain acts of Ukraine in relation to balancing the budget revenues in 2016". The changes affected almost all important taxes and procedures relevant for business. The law came into force on 1 January 2016.

Thus, for the entities using the simplified tax system the maximum income was decreased to UAH 5 million (previously UAH 20 million). Moreover, the unified tax rate was increased for taxpayers of the third group from 2% to 3% (in case of payment of VAT) and from 4% to 5% (in case of inclusion of VAT to unified tax).

The flat rate of 18% for personal income tax was introduced instead of previous 15% and 20%. As before, the personal income tax rate of 5% is applied to dividends.

The flat rate of the single social contribution of 22% is established. However, the maximum base for single social contribution was increased from 17 to 25 minimum wages.

Reform of the tax legislation also envisaged reimbursement of VAT from the state budget, in particular, publication of the official information on reimbursement. Starting from 1 January 2016 there are two registers: for those whose export volume exceeds 40% and all other.

Concerning the real estate tax, the maximum threshold rate was increased from 2% to 3% of the minimum wage for one square meter of household and/or commercial property, and the additional tax rate in the amount of UAH 25,000 was introduced for apartments of more than 300 square meters and houses of more than 500 square meters.

Changes of the tax legislation also affected the agricultural producers. Thus, under such changes, the special tax regime for agricultural producers is valid until 1 January 2017. The differentiated proportion of declared VAT sums on the special accounts of the agricultural producers and state budget was introduced. Under transactions with livestock, 20% shall be transferred to the budget and 80% to the special VAT account. Under transactions with grain and industrial crops, 15% shall be credited to the special account of the agricultural producer and 85% to the state budget. Under performance of other transactions with agricultural goods/services, 50% shall be transferred to the state budget and to the special VAT account.

In relation to other changes, it is worth mentioning that the additional import duty in the amount of 5% and 10% was cancelled as of 1 January 2016. However, the military duty of 1.5% will remain in 2016. Zero rate of import duty is applied to vehicles with electric engines.