

Tax system of Ukr

One of the most important aspects that foreign investors focus on when considering Ukraine as a place for doing business, despite the economic situation in the country, is taxation. It is the amount of tax payments, as well as the tax administration complexity, that can greatly affect the country's investment attractiveness. The most significant taxes to be taken into consideration by potential investors in Ukraine are corporate income tax, value-added tax, single social contribution, and property tax.

Simplified tax system in Ukraine

It should be noted that in addition to the general tax system providing for the payment of all taxes and duties established by law, businesses in Ukraine can also benefit from a the simplified tax system in Ukraine intended to facilitate the development of small and medium-sized enterprises, since it significantly simplifies the procedure for paying taxes and declaring income.

An individual or a legal entity, including non-residents, may choose to benefit from the simplified tax system if they meet the criteria established by law. For instance, the third group of the simplified tax system, which is the most popular among legal entities, may be used if the annual turnover of such a legal entity does not exceed UAH 5 million. If this basic requirement is fulfilled, the respective business entity may use a flat rate of 5% of turnover provided that the business entity is not a value-added tax payer or a flat rate of 3% of turnover if the business entity is a value-added tax payer. Paying a single tax makes it much easier to declare and administer income, which often attracts businesses in the early stages of doing business.

The fourth group of the simplified tax system establishing special taxation conditions for agricultural commodity producers might also be interesting for foreign investors. In this case, the tax rate depends on the land category, its location and area. Legal entities are entitled to choose the fourth group of the simplified tax system provided that their agricultural commodity production share amounted to at least 75% in the previous year. This is applicable to:

- all entities separately, which carry out merger or accession. In this case, it is possible to become a single tax payer in the year of creation, if the agricultural commodity production share for the previous tax year by all commodity producers involved in their creation equals to or exceeds 75%;
- each individual entity created by split-up or spin-off. In this case, it is possible to become a single tax payer from the next year if the agricultural commodity production share for the previous tax year equals to or exceeds 75%;
- an entity created by transformation. In this case, it is possible to become a single tax payer in the year of transformation if the agricultural

commodity production share obtained for the previous tax year equals to or exceeds 75%.

Newly created agricultural commodity producers (legal entities) may become single tax payers from the next year if the agricultural commodity production share obtained for the previous tax year equals to or exceeds 75% and newly created agricultural commodity producers (individuals) from the year of the state registration.

Thus, single tax payers are exempt from the obligation to charge, pay and file the respective tax reports regarding taxes and duties such as corporate income tax, value-added tax, property tax, and partially subsoil use tax.

Corporate income tax

Currently, a flat rate of 18% is established for all corporate income tax (CIT) payers. For some activities, a separate rate shall apply. CIT is paid by the resident companies, receiving income both in Ukraine and abroad. CIT is also paid by the non-resident companies, receiving income from Ukrainian sources. The CIT base is the income derived from Ukrainian and foreign sources of origin. The amount of income is determined by adjustment of financial result (profit or loss) before tax, as calculated in accordance with the Ukrainian accounting standards or IFRS.