

## Corporate income tax in Ukraine

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### Taxpayers

Corporate Income Tax (CIT) is paid by the resident companies, which receive income in Ukraine as well as abroad. CIT is also paid by the non-resident companies, which receive income from Ukrainian sources or conduct their business through permanent representative offices in Ukraine, or by other non-residents who are required to pay CIT in Ukraine.

### Rate

Currently, a flat rate of 18% is established for all CIT taxpayers.

However, for some activities a separate rate is applicable. These include:

- 3% of the tax base for insurance contracts;
- 0% rate for insurance activities regarding the long-term life insurance, voluntary medical insurance and non-state pension schemes;
- 0%, 4% and 12% for non-resident insurers based on insurance agreement (depending on the insurance accident case);

- 5% for income in the form of interest on loans or financial loans granted to residents;
- 6% for a freight amount paid by a resident or a non-resident who conducts his/her business through a permanent representative office to a non-resident under freight contracts;
- 15% for a resident or a non-resident who conducts his/her business through a permanent representative office in Ukraine, which make payments to non-residents from the income derived from Ukrainian sources of origin;
- 20% for residents, which make payments to non-residents for production and distribution of advertising.

Temporarily, i.e. until January 1st, 2035, a large investor with significant investments (more than EUR 20 million), acting as a party to a special investment contract, is exempt from paying CIT. The exemption from CIT is applicable after the commissioning of an investment project object during 5 years within the special investment contract term. The exemption may be applied if the large investor has fulfilled its obligations under the special investment contract.

### **Tax base**

The CIT base is the income derived from Ukrainian sources of origin and abroad. The amount of tax is determined by adjustment of financial result (profit or loss) before tax, as calculated in accordance with the Ukrainian accounting standards or IFRS.

### **Adjustment of financial results**

Adjustment of financial results is possible by way of:

#### **1) Amortization**

The financial result before tax is increased by:

- the amount of the accrued depreciation of fixed assets or intangible assets pursuant to the Ukrainian accounting standards or IFRS;
- the amount of write-off and impairment of fixed assets and/or intangible assets, included in the expenses of the reporting period in accordance with the Ukrainian accounting standards or IFRS;
- the amount of residual value of a separate item of fixed assets and/or intangible assets defined by the Ukrainian accounting standards or IFRS, in the event of liquidation or sale of such asset;
- the amount of residual value of a separate item of non-production fixed assets and/or non-production intangible assets defined by the Ukrainian accounting standards or IFRS, in the event of facility liquidation or sale;
- the amount of expenses for repairs, reconstruction, modernization or other improvements of non-production fixed assets and/or non-production intangible assets, related to costs in accordance with the Ukrainian accounting standards or IFRS.

The financial result before tax is decreased by:

- the amount of the depreciation of fixed assets and/or intangible assets;
- the amount of residual value of a separate item of fixed assets and/or intangible assets, defined by tax accounting in the event of liquidation or sale of such asset;
- the amount of revaluation of fixed assets and/or intangible assets within previously attributed to the cost of reduction in accordance with the Ukrainian accounting standards or IFRS;
- the amount of benefits from restoring utility of fixed assets and/or intangible assets within previously attributed to the cost of losses from impairment of fixed assets or intangible assets in accordance with the Ukrainian accounting standards or IFRS;
- the amount of the original cost of acquisition or manufacture of individual object of the non-production fixed assets and/or intangible assets and non-production costs for repair, renovation, modernization or other improvements, including the costs referred to in conformity with the Ukrainian accounting standards or IFRS, in case of sale of the facility of non-productive fixed assets or intangible assets, but not more than the amount of income (revenue) received from such sale.

## 2) Reimbursement for future expenses

The financial result before tax is increased by:

- the amount of expenses on creation of provisions (reserves) to compensate for next (future) expenses (excluding provisions (reserves) for costs of employee vacations and other payments related to salaries, and expenses for payment of the single social contribution that is charged on such payments) according to the Ukrainian accounting standards or IFRS.

The financial result before tax is decreased by:

- the amount of created provisions use (excluding provisions (reserves) for costs of employee's vacation, other payments related to salaries, and expenses for payment of the single social contribution that is charged on such payments) according to the Ukrainian accounting standards or IFRS;
- the amount of the adjustment (decrease) in provisions (reserves) to compensate for next (future) expenses (excluding provisions (reserves) for costs of employee vacations and other payments related to salaries, and expenses for payment of the single social contribution that is charged on such payments), which increased the financial result before taxation according to the Ukrainian accounting standards or IFRS.

## 3) Doubtful debts

The financial result before tax is increased by:

- the amount of doubtful debts or a reserve for expected credit losses (decreased assets usability) accrued according to the Ukrainian accounting standards or IFRS;
- the amount of costs from the cancellation of accounts receivable more than the sum of the reserve for doubtful debts or expected credit losses (decreased assets usability).

The financial result before tax is decreased by:

- the amount of the adjustment (decrease) in reserve for doubtful debts or expected credit losses (decreased assets usability), which increased the financial result before taxation according to the Ukrainian accounting standards or IFRS;
- the amount of cancelled accounts receivable (including created reserve for doubtful debts or expected credit losses (decreased assets usability)).