

Tax Legislation Reform

On 1 January 2015, the Law of Ukraine dated 28 December 2014 regarding the amendments to the tax law came into force. This Law is aimed at optimization of tax system and improvement of business in Ukraine.

It is worth mentioning that the minimal wage, which serves as the basis for some calculations, will remain unchanged until 30 November 2015 and amounts to UAH 1,218 (EUR 67).

Corporate Income Tax

The personal income tax rate remained unchanged at 18%.

The reporting period is a calendar year. A tax year for taxpayers begins on the first calendar day and ends on the last calendar day of a tax (reporting) year. Taxpayers make a monthly income tax advance payment. The following categories of taxpayers are entitled (on a general basis) to pay corporate income tax without advance payment:

- newly established, within the meaning of registered during the reporting year; they will pay tax on the basis of a yearly tax declaration for the period of business activity in the reporting year;
- taxpayers, whose yearly income for the last tax (reporting) period is less than UAH 20 million (EUR 1.1 million);
- certain agricultural producers.

Throughout 2015 and in January-May 2016 the taxpayers are required to make monthly income tax advance payments in accordance with the version of the Tax Code effective prior to 1 January 2015. In addition, the sum of monthly income tax advance payments for March-May 2016 will be calculated in the amount of not less than 1/12 of income tax sum for 2014 tax (reporting) year. Monthly income tax advance payments shall be paid under new rules starting from June 2016.

Besides, the preferential income tax rate of 5% for entities conducting business in IT industry shall not apply starting from 1 January 2015.

Personal Income Tax

A progressive system for personal income tax calculation was introduced. Thus, 15% tax rate applies to taxation of wages, other payments and remuneration regarding employment relations and civil agreements, if amount of such income is less than 10 minimal wages (until 30 November 2015 the minimal wage amounts to UAH 1,218). In case the amount of individual's income exceeds 10 minimal wages, the tax rate of 20% applies to any amounts in excess.

In addition, the Law provides for taxation of passive income (interest, investment income, royalties, dividends, etc.) of individuals. Personal income tax rates are set as follows:

- 20% - for passive income, including dividends on shares and/or investment certificates which are distributed by mutual investment funds;
- 5% - for dividends on shares and corporate rights distributed by resident corporate income taxpayers (except for dividends on shares and/or investment certificates which are distributed by mutual investment funds).

Military Duty

Military duty term was extended. It will be maintained until the Verkhovna Rada's decision on completion of the army reform becomes effective. The duty rate remains the same as before at 1.5%. The taxable income is not reduced by the amount of Unified Social Tax and social benefit.

The object of tax for a resident individual is:

- overall monthly (yearly) taxed income;
- Income from a source in Ukraine which is finally taxed when distributed (payments, grants);
- foreign income, achieved from sources outside of Ukraine.

The object of tax for a non-resident individual is:

- overall monthly (yearly) taxed income from a source in Ukraine;
- income from a source in Ukraine which is finally taxed when distributed (payments, grants).

Real Estate Tax

As before, real estate (other than a land plot) taxpayers are legal entities and individuals, including non-residents, who are owners of real estate. The object of tax is habitable and inhabitable real estate.

There are certain exemptions to taxation, including:

- industrial buildings, including production constructions, workshops, warehouses of industrial enterprises;
- buildings, agricultural constructions for agricultural activities;
- small and medium businesses which conduct their activity in small architectural forms and on markets.

The overall area of habitable and inhabitable real estate is under tax. According to new developments, the taxation base of real estate object(s) is reduced for:

- 60 sq. m. for apartment(s) regardless of their quantity;
- 120 sq. m. for habitable house(s) regardless of their quantity;
- 180 sq. m. for various types of habitable real estate.

The tax rate will be determined by the local (municipal) authorities at the place of registration of such real estate.

The tax rate for habitable and inhabitable real estate cannot exceed 2% of minimal wage. In 2015 the reduced tax rate of up to 1% of minimal wage per one sq. m.

applies to inhabitable real estate.

Thus, in 2015 the maximum amount of tax per one sq. m. of habitable real estate is UAH 24.36 and UAH 12.18 per one sq. m. of inhabitable real estate.

Transport Tax

From 1 January 2015 cars with engine volume exceeding 3000 cubic cm, which are less than 5 years old, are subject to a transport tax. Taxpayers of a transport tax are legal entities and individuals, including non-residents, who are owners of such cars.

The tax rate is UAH 25,000 (about EUR 1,400) per year per car.

In case of change of ownership on a car during the reporting period the tax is calculated by:

- a previous owner for a period from 1 January to the beginning of the month when ownership was transferred;
- a new owner, starting from the month when ownership was acquired.

Unified Tax

All payers of the unified tax are now consolidated into four groups (previously six). Payers of the unified tax who prior to 1 January 2015 belonged to groups from three to six are now automatically considered as group three unified taxpayers. Registration renewal of such taxpayers is automatic with no need to submit any applications.

Group one and group two are exclusively individual entrepreneurs with a yearly income of up to UAH 300,000 (about EUR 16,500) and UAH 1,500,000 (about EUR 82,400), respectively.

Group three includes all businesses (legal entities and individual entrepreneurs) with a yearly income of up to UAH 20 million (about EUR 1.1 million). In addition, the number of employees for such taxpayers is unrestricted.

The tax rate was reduced for taxpayers of group three to:

- 2% of income in case of VAT payment;
- 4% of income in case of inclusion of VAT into the unified tax.

Group four exclusively consists of agricultural producers whose agricultural production share for previous tax (reporting) period amounts to 75% or more. For such agricultural producers the unified tax rate depends on the category (type) of land, its location and is calculated in percent of a tax base for one hectare of land. Moreover, the tax base is a regulatory monetary assessment of one hectare of agriculture land (arable land, hayfields, pastures and perennial crops) subject to appropriate indexation coefficient.

Import Duty

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On 28 December 2014 the Verkhovna Rada adopted the Law of Ukraine on measures of stabilization of the balance payments of Ukraine. The Law envisages temporary (up to 12 months) establishment of additional import duty.

The additional import duty will be at the following rates:

- 5% for goods classified as product groups 25-97 according to Ukrainian Classification of Foreign Economic Activity Products;
- 10% for goods classified as product groups 1-24 according to Ukrainian Classification of Foreign Economic Activity Products;
- 10% for goods that are subject to import duty under Article 374 of the Customs Code of Ukraine (goods that are imported/forwarded by citizens on the territory of Ukraine).

Vitally important goods, such as natural gas, coal, electricity, medical products for patients on hemodialysis and patients with cancer, are exempted from additional import duty.

The Law will come into force after the Cabinet of Ministers of Ukraine publishes its resolution, upon completion of relevant consultations with international financial institutions.