

Simplification in the Diia City regime under martial law in Ukraine

Introduction

1. Grounds for losing Diia City resident status
2. Monitoring compliance with the requirements of the Law

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On 29 March 2022, the Ukrainian Government adopted Resolution No. 382 (hereinafter referred to as the Resolution), which determines certain issues of the Diia City regime functioning due to the imposition of martial law in Ukraine.

1. Grounds for losing Diia City resident status

Under the Resolution, during martial law in Ukraine and until the 1st day of the calendar month following the month of termination or cancellation of martial law, certain provisions of the Law of Ukraine "On Stimulation of Digital Economy Development in Ukraine" (hereinafter – the Law) shall not apply.

In particular, during martial law in Ukraine, the Ministry of Digital Transformation of Ukraine (hereinafter – the authorized body) shall decide on the loss of Diia City resident status solely on the following grounds:

- receiving from a Diia City resident an application for termination of the Diia City resident status;
- failure of a Diia City resident to comply with the requirements set out in the Law concerning the activities and circumstances prohibiting Diia City residency, which has been discovered by the authorised body based on information obtained from state registers, databases, information systems (whose holders are state authorities, competent authorities of foreign states or international intergovernmental organizations), or directly from the competent authorities of foreign states, international intergovernmental organizations or state bodies, under the condition that the relevant body/organization is authorized to collect such information and share it under the procedures established by law.

During martial law in Ukraine, the authorized body may not make a decision on the loss of the status of a Diia City resident based on other grounds provided for in the Law under normal circumstances, in particular:

- non-compliance of the Diia City resident with the legislative requirements, of which the authorised body is notified via the submission of a compliance report and/or an independent audit by the Diia City resident;
- failure of a Diia City resident to submit a compliance report and/or an independent audit to the authorised body more than 20 working days from the deadline set for the submission of the relevant documents;
- repeated failure to meet the deadline for the submission of a compliance report and/or an independent audit by a Diia City resident;
- entry into force of a court ruling establishing the circumstances in which a Diia

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City resident failed to comply with the legally prescribed requirements.

2. Monitoring the compliance of Diia City residents with the requirements of the Law

Pursuant to the Resolution, Diia City residents are not required to submit to the authorised body the documents prescribed by the Law under normal circumstances, until 1 January of the calendar year following the year after the year of termination or cancellation of martial law, namely:

- a report of compliance with the legislative requirements for a Diia City resident (this applies both to the initial compliance report, which is prepared at the end of the three full calendar months following the month in which the Diia City resident status was acquired, and to the annual compliance report);
- an independent audit opinion (i.e. the assurance report issued by an auditing entity based on the examination of the Diia City resident's assertions made in the compliance report for a given period. Such an audit is be attached to the initial or annual report or made available upon request of the competent authority – in the cases provided for by law).

It is now possible to submit an application to switch to the Diia City tax regime online.