

## Temporary VAT exemption on imports and simplification of land allocation for renewable energy facilities

On 1 January 2019, the amendments to the Tax Code of Ukraine provided for by the Law of Ukraine On Amendments to the Tax Code of Ukraine and Certain Other Legislative Acts of Ukraine on Improving Administration and Revision of Certain Taxes and Duties Rates of 23 November 2018 (as amended on 6 December 2018) took effect.

In particular, these amendments include (1) temporary exemption from value added tax on importation into the customs territory of Ukraine of some equipment used in renewable energy facilities construction, and (2) simplification of land allocation for the construction of renewable energy facilities.

### 1. Temporary VAT exemption on imports

Certain imports (according to the goods subcategories under UKT ZED (Ukrainian Classification of Goods for Foreign Economic Activity)) into the customs territory of Ukraine will be temporarily (until 31 December 2022) exempt from value-added tax. The goods exempted from import VAT include:

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UKT ZED code	Name under UKT ZED	Explanation
8502 31 00 00	Electric generator sets and rotary converters used in wind power generation	Installations generating electricity from wind power
8504 23 00 00	Electrical transformers, static converters (e.g. rectifiers), inductors and throttles having the power handling capacity exceeding 10,000 kVA	Equipment necessary for the construction of power plants, particularly, those generating electricity from renewable energy sources
8504 40 88 00	Static converters having the power handling capacity exceeding 7.5 kVA	

8541 40 90 00	Photosensitive semiconductor devices, incl. photovoltaic cells whether/not assembled in modules/made up into panels	Components used in electricity generation from solar energy
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These amendments result from those made to paragraph 64 of the Transitional Provisions of the Tax Code of Ukraine. They shall considerably simplify and reduce the cost of construction of wind and solar power facilities.

As a general rule, the date when the VAT liability arises in respect of imports into the customs territory of Ukraine shall be the date of the customs declaration submission. The tax base shall be determined on the basis of the contract price of goods, which, however, may not be lower than the goods customs value.

The tax rate is 20% of the tax base.

Thus, import value-added tax is not payable on the principal equipment that is imported for the wind and solar power facilities construction until 31 December 2022.

## 2. Simplification of land allocation for renewable energy facilities placement

The simplification resulted from amendments made to the Law of Ukraine On Energy Lands and Legal Status of the Special Zones of the Energy Facilities.

In particular, Article 14 of the Law was amended so that renewable energy facilities generating electricity from renewable energy sources (solar, wind, aerothermal, geothermal, hydrothermal, wave, tidal, hydropower, biomass, landfill gas, sewage treatment gas, and biogas) could be placed on lands, designated as "lands of industry, transport, communications, energy, defense and other purposes" (paragraph "ж", part 1 of Art. 19 of the Land Code of Ukraine), regardless of the designation assigned to such land plots.

This will allow the renewable energy facilities placement (construction and use) on land plots, without developing new land management projects for the allocation of such land plots. It will suffice if the existing land plot falls under the category of "lands of industry, transport, communications, energy, defense and other purposes".

Such amendments considerably simplify the renewable energy facilities construction as they reduce the local authorities engagement in the necessary documentation preparation, which, in turn, significantly reduces the time before the renewable energy facilities construction starts.

These amendments will be most beneficial to those planning to additionally place a renewable energy facility on their land plot (e.g. to agricultural enterprises that

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consider putting in place biogas plants).