

Brief Guide to Ukraine's Taxes in 2016

On 1 January 2016 the Law of Ukraine "On amendments to the Tax Code of Ukraine and certain legislative acts of Ukraine to balance budget revenues in 2016" (the "Law") became effective. The Law introduces amendments to the corporate tax, personal income tax, unified social contribution, excise tax, real estate tax, transport tax, land tax, royalty rates for natural gas, taxation in agriculture and administering of the VAT.

A brief overview of certain noteworthy aspects of the amendments are indicated below.

Corporate tax

- The general tax rate remains unchanged at 18 % of the taxable profit.
- While there are certain transitional provisions for 2016, generally monthly advance tax payments are abolished and quarterly reporting is introduced (except for new taxpayers, agricultural producers, and for taxpayers whose income does not exceed UAH 20 million for the previous year).

VAT

- As of 1 January 2016, there are three VAT rates: 20%, 7%, and 0%. The rate of 20% applies to almost all transactions subject to VAT except specific transactions subject to 7% and 0% VAT.
- The reduced rate of 7% applies to supply and import of registered medicines and specific medical goods, as well as medicines, medical goods, and medical equipment allowed to be used in clinical trials.
- The 0% VAT rate applies to the export of goods. The 0% rate also applies to the supply of international transport services (confirmed by a single international shipping document), toll manufacturing services (if the finished goods are then exported from Ukraine), and certain other services.
- The special regime for suppliers of agricultural products has been changed and partially abolished
- Assets acquired by banks via enforcement of security interests are not subject to VAT
- The tax authorities are prohibited from cancelling VAT credit on formalistic grounds, and from cancelling the VAT registration of a taxpayer in case the taxpayer is not residing at their registered address
- A public register of VAT refund claims is introduced

Unified social contribution

- The single rate of 22 % is introduced. This rate applies up to a cap of 25 minimum salaries, i.e. currently UAH 34,450 for 2016
- Only employers are responsible for paying unified social contributions; i.e., nothing is deducted from employee salaries as was previously the case

Import duties

- Starting 1 January 2016, Ukraine cancelled additional import fee, which was temporary introduced in February 2015 (10% for agricultural products and 5% for other products).

Excise tax

- Excise tax applies to certain goods imported to or produced in Ukraine. Excisable goods include ethyl alcohol, alcoholic beverages, beer, tobacco and tobacco products, cars, car bodies, motorbikes, electricity, liquefied gas, petrol, diesel fuel, other fuel material and electric power.
- The rates are increased for alcohol, tobacco and fuel depending on the specific type of product
- An electronic administration system is introduced for fuel sales

Real estate tax (local tax)

- The maximum tax rate is increased to 3 % of the minimum salary for 1 sq. m.
- An additional annual payment in the amount of UAH 25,000 is introduced for owners of property with space of over 300 sq. m (for flats) and 500 sq. m. (for houses)

Personal income tax

- A new base rate of 18 % is introduced instead of the 15 % and 20 % rates

Charge for subsoil usage (rent)

Companies engaged in extracting mineral resources in Ukraine, regardless of the form of their ownership, are liable for a charge for use of subsoil (royalties):

Fields above 5,000m:

- Gradual reduction from 70% to 29% from 1 April 2016 for natural gas to be used in households and for heat generation, as follows:
 - a) Until 31 March 2016 – no reduction (the 70% rate applies);
 - b) During 1 April 2016 – 31 December 2016 – the rate to be reduced to 50%; and
 - c) From 1 January 2017 – the rate to be reduced to 29%.
- Immediate reduction from 55% to 29% for natural gas for all other uses.

Fields below 5,000m:

- No reduction in royalty rates on natural gas to be used in households and for heat generation; and
- Immediate reduction from 28% to 14% for natural gas for all other uses.
- Royalties on natural gas produced under joint venture agreements remain as before (the 70% rate applies).