



Incentives

Ukraine provides attractive incentives for businesses operating in a wide range of prioritized sectors of economy, although the legislation governing the incentives is frequently amended.

Renewables and energy efficiency

The government's support of renewable energy and energy efficiency in Ukraine includes:

- a "green" tariff regime (nontax incentive) enabling the sale of electricity produced from renewable energy sources at a special price which is higher than the traditional energy process;
- an exemption from VAT and customs duties on certain types of imported equipment and materials; and
- a temporary exemption from VAT and customs duties for specified operations (until 1 January 2019).

Mining

Mining companies operating under production sharing agreements (PSAs) with the government (for the most part, oil and gas companies) can benefit from a number of tax incentives, including:

- Exemption from withholding tax on income earned under PSA and repatriated abroad by a Ukraine PE of a foreign investor;
- Tax-free financing of a PE's activities;
- No VAT or custom duties on the import of goods/property for the purpose of implementing a PSA; and
- No custom duties or excise tax and 0% VAT rate on the export of goods produced under PSA.

Agriculture

A special grant from the government is available until 2022 for agricultural producers of certain goods. The grants are distributed in proportion to the amount of VAT paid on the supply of the goods by each producer.

Information technology

The supply of software is exempt from VAT until 1 January 2022. Software includes operating systems, computer programs, system administration, websites, online services, etc.

Priority industries

VAT and customs incentives are offered to entities engaged in investment projects in "priority industries" as defined by the Cabinet of Ministers, in particular, agriculture, machine-building, transport infrastructure, etc. An entity operating in the priority industry may qualify for the incentives

if the project has been approved by the government and meets specific requirements regarding the minimum amount of the investment, the number of new jobs created, etc. The incentives include:

- The ability to postpone the payment of import VAT on equipment imported duty-free by issuing a VAT promissory note to be paid in cash within 60 days (available until 31 December 2022).

Special custom procedures

A contribution by a foreign investor to the share capital of Ukrainian foreign investment company in the form of goods may be exempt from customs duties provided the goods will not be disposed of within three years of the contribution.

Inward processing relief provides a full exemption from custom duties and import taxes for goods being imported into Ukraine for processing and then subject to subsequent export from Ukraine, Outward processing relief provides a partial exemption from import duties and taxes upon the import into Ukraine of goods that previously have been exported for processing, import duties and taxes are calculated based only on the value that has been added to the goods outside Ukraine.

Goods that previously have been exported from Ukraine for warranty repairs and subsequently reimported are subject to a full exemption from import customs duties and taxes upon their return into Ukraine.

Temporarily imported goods may be fully or partially exempt from import duties and taxes if a temporarily import procedures is applied. Once the temporary import period has expired, the goods must be exported from Ukraine or a different customs procedure must be applied.

Tax relief in non-government controlled areas of Ukraine

Whilst antiterrorist operations continue and military activity is ongoing in Ukraine, the import into and supply of protective clothing and other equipment, medicine for the injured, defence products etc. are VAT-exempt.

Aircraft industry

VAT incentives are offered to entities in the space and aircraft industries (e.g. refuelling activities and aircraft maintenance are not subject to VAT).

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Datum: 4. april 2018