

accace

2014 Tax Guideline for Ukraine

***Overview of Taxation System
Legal Forms of Business & Investment Incentives
Social Security & Labor Law Aspects***



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01 Who Is Accace?

Accace has its origin in Central and Eastern Europe. Our founders are entrepreneurs who set out to offer clients top-quality services provided by professionals at reasonable rates. Over the years Accace became one of the most dynamic outsourcing and consulting companies operating within the region.

During past year we set in motion our strategic expansion outside Central and Eastern Europe and began offering services around the globe. Our aim now – and at the request of our clients – is to become an outsourcing and advisory provider for international companies on a truly worldwide basis.

Our service portfolio includes:

- *Accounting & Reporting Services*
- *Payroll & HR Administration Services*
- *Tax Advisory*
- *Corporate & Secretarial & Legal Services*

Where can we help?

With an expanding presence, we continuously improve our global footprint at the request of our loyal customers. Whether company-owned or –affiliated, all branches are closely related, in particular with regard to communication and diligence. We ensure a uniform way of communication, output production and provision of services wherever you will choose Accace.

Currently Accace has its own operating offices in:

Czech Republic | Germany | Hungary | Poland | Romania | Slovakia | Ukraine | United Kingdom

Additionally, 12 countries are serviced via trusted and long-time partner firms in:

**Austria | Brazil | Bulgaria | Croatia | China | India | Luxembourg | Netherlands | Russia | Serbia | Slovenia
United States of America**



02 Introduction to 2014 Tax Guideline for Ukraine

When doing business, especially at international level, a lot of time and effort is spent on ensuring compliance with local legislative frameworks and ever-changing rules. Our intention by preparing the 2014 Tax Guideline for Ukraine is to provide you with initial information on legislative framework comprising the legal forms of business, social and health security system, labor law specifics, details of taxation system and other aspects that are important in the light of your investment intentions in Ukraine.

Here at Accace our aim is to help you manage your local and international operations. By providing full range of corporate and outsourcing services, we ensure your transparency and compliance throughout all local jurisdictions, which in return allows you to completely focus on your core business. Our goal is to help make sure your company maintains compliance with all local statutory requirements, your financial operations are transparent and your reporting is accurate.

We take the opportunity to invite you to contact us if you are either interested in our services or you are looking for a trustworthy business partner in Ukraine:



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Visit www.accace.com for more contacts!

Please note that this publication is only for information purposes and was prepared for general guidance on the matter. Some of the information may have changed after the last update – in January 2014. Furthermore it does not represent a professional advice and Accace does not take any responsibility and is not liable for any potential risks and damages caused by taking actions based on the information provided herein.

03 General Information about Ukraine



Capital: Kyiv
 Official language: Ukrainian
 Official currency: UAH
 Population: 45.55 million
 Area: 603 628 sqkm
 GDP growth: -1,1% (2013)

04 Legal Forms of Business

<i>The form of business</i>		<i>The minimum capital</i>	<i>The most frequent form of business and reasons for it</i>
<i>English</i>	<i>Ukrainian</i>		
Public joint-stock company	Публічне акціонерне товариство (ПАТ)	UAH 1 522 500 (EUR 109 958,65)*	LLC / TOV <ul style="list-style-type: none"> ▪ Fast registration procedure ▪ Easy organizational structure ▪ No requirement to minimum capital ▪ Limited liability of shareholders
Private joint-stock company	Приватне акціонерне товариство (ПрАТ)	UAH 1 522 500 (EUR 109 958,65)*	
Limited liability Company	Товариство з обмеженою відповідальністю (ТОВ)	0	
General partnership	Повне товариство (ПТТ)	1 218 UAH (87,97 EUR) / depending on kind of activity	
Individual-entrepreneur	Фізична особа-підприємець	NA	
Representative office	Представництво іноземного суб'єкта господарювання	NA	

* At the NBU rate as of 18.03.2014

05 Social and Health Security

<i>Payrolls and Contribution</i>	<i>Employee</i>	<i>Employer</i>
Retirement pension insurance	3.6%	36,76 – 49,7%, depending on risk class
Employed disabled people	3.6%	8.41%
Execution of work under civil law contracts	2.6 %	34.7 %
Sickness insurance	2 %	33.2%

05/01 Minimum Wages

<i>Type of wage</i>	<i>Amount in UAH / EUR*</i>
Monthly minimum wage	1218 / 87,97 (in the period from Jan. to June 2014)
	1250 / 90,28 (in the period from July to Sept. 2014)
	1301 / 93,96 (in the period from Oct. to Dec. 2014)
Hourly minimum wage	7, 3 / 0,52

* At the NBU rate as of 18.03.2014

06 General Comments on Labor Law

<i>Labor law</i>	<i>Ukraine</i>	<i>Applicable law on labor</i>
Contract type	Fixed-term contract, contract for indefinite period of time, contract on reduced working hours	<ul style="list-style-type: none"> ▪ Act No. 322-VIII of 10.12.1971, Labor Code of Ukraine ▪ Law on Remuneration of Labour No. 108/95-VR of 24.03.1995
Contract must include	Job description, place of work, start date, payment conditions, pay day, working hours, holiday duration, length of termination notice period	<ul style="list-style-type: none"> ▪ Law on Vacations No. 504/96-VR of 15.11.1996
Working time	40 hours per week	<ul style="list-style-type: none"> ▪ Law on Single Social Security Contribution No. 2464-VI of 08.07.2010
Holiday entitlement per year	24 days, 28 days if non-standard work day; up to 15 calendar days of unpaid vacation	<ul style="list-style-type: none"> ▪ Law on State Budget 2014 No. № 719-VII of 16.01.2014 (minimum wage, subsistence line)
Other comments	Trial period (3 months), unrestricted basis for dismissal; 6 months for special cases, but can be reduced by mutual consent of the parties	<ul style="list-style-type: none"> ▪ Law on Labour Protection No. 2694-XII of 14.10.1992 ▪ Tax Code of Ukraine No. 2755-VI of 02.12.2010

07 General Rules on Purchasing of Real Estates

Foreign legal entities (individuals) can purchase and sale any real estate together with land (except agricultural land) in Ukraine as well as get commercial benefit from their property and let it on lease, while paying due taxes. According to the applicable laws of Ukraine sale of agricultural lands is in moratorium till January 1, 2016.

08 Taxation System

08/01 Corporate Income Tax (CIT)

Corporate Income Tax (CIT)	Ukraine	Applicable law on CIT and LBT
CIT	18% from tax base decreased 5 % for entities of software production industry	▪ Tax Code of Ukraine No. 2755-VI of 02.12.2010
Advance payments	Monthly payments (1/12 amount of income tax paid for previous year). On the basis of income tax pay the companies that meet the following criteria: <ul style="list-style-type: none">▪ in previous year they received income▪ income amount is over 10 million UAH▪ companies that are not newly incorporated	
Filling the CIT return	The deadline for filing CIT return is: <ul style="list-style-type: none">▪ annual – 60 days upon end of the year▪ quarterly – 40 days upon after quarter end	

08/02 Personal Income Tax (PIT)

Personal Income Tax (PIT)	Ukraine	Applicable law on PIT
Minimum wage	UAH 1218 (in the period from Jan.1 to June 30, 2014)	<ul style="list-style-type: none"> ▪ Tax Code of Ukraine No. 2755-VI of 02.12.2010
Average wage	UAH 3148 (as of January 2014)	
Personal income tax	Wage: 15% when income is less than UAH 12 180 17 % of the excess amount Dividends, interests, royalty: 5%	
Tax benefits	Tax social bonuses. The following categories of people have the right to tax benefits: <ul style="list-style-type: none"> ▪ employed people having wage in the amount less than UAH 1700 ▪ single father or mother ▪ people with 2 or more children under age 18 ▪ people who have disabled child under age 18 ▪ students ▪ people with disabilities of I or II group ▪ the Heroes of Ukraine, Soviet Union, Socialist Labour ▪ combat veterans 	



08/03 Provision on Unified Tax

Provision on Single Tax	Ukraine	Applicable law on provision on Income Tax
Tax rate	<p>Individuals:</p> <ul style="list-style-type: none"> ▪ 1 group: sale in stall on local market, customer services. Turnover under 150 thousand UAH per year. Tax rate is 10 % of the minimum monthly wage. ▪ 2 group: sale of goods, services (except to the income tax payers) up to 10 people, turnover under 1 million per year. Tax rate is 20 % of the minimum monthly wage. ▪ 3 group: up to 20 people, turnover fewer than 3 million per year. Tax rate is 3 % (if registered as VAT payer) or 5 % (if not registered as VAT payer) of the turnover. ▪ 5 group: turnover less than 20 million per year. Tax rate - 5 % (if registered as VAT payer) or 7 % (if not registered as VAT payer) of the turnover. <p>Legal entities:</p> <ul style="list-style-type: none"> ▪ 4 group: less than 50 people. Turnover under 5 million per year. Tax rate - 3 % (if registered as VAT payer) or 5 % (if not registered as VAT payer) of the turnover. ▪ 6 group: turnover less than 20 million a year. Tax rate - 5 % (if registered as VAT payer) or 7 % (if not registered as VAT payer) of the turnover. 	<ul style="list-style-type: none"> ▪ Tax Code of Ukraine No. 2755-VI of 02.12.2010
Tax period	<p>1 and 2 groups – calendar year. Tax shall be paid on monthly basis.</p> <p>3 - 6 groups – calendar quarter. Tax shall be paid according to the declaration.</p>	



08/04 Provision on Land Tax





Land Tax	Ukraine	Applicable law on provision on Income Tax
Tax rate	<p>Land tax is paid by individuals or legal entities possessing land property (regardless the type).</p> <p>Land tax rate</p> <p>Land rent shall be paid by individuals or legal entities that entered into Agreement on the lease of state or communal land.</p>	<ul style="list-style-type: none"> Tax Code of Ukraine No. 2755-VI of 02.12.2010

08/05 Value Added Tax (VAT)

Value Added Tax (VAT)	Ukraine	Applicable law on VAT
Basic rate	20%	<ul style="list-style-type: none"> Tax Code of Ukraine No. 2755-VI of 02.12.2010
Reduced rate	0%	
Registration	<p>VAT registration is mandatory for:</p> <ul style="list-style-type: none"> legal entity that has turnover more than UAH 360 000 per 12 months; legal entity – importer <p>Voluntary registration:</p> <ul style="list-style-type: none"> if legal entity or individual finds it reasonable to be registered as VAT payer. 	
Tax period	<p>Calendar month.</p> <ul style="list-style-type: none"> Calendar quarter (in particular for single tax payers) 	



09 Tax Calendar 2014

		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
													
VAT	Submission of VAT tax return for the previous calendar month for tax payers with a monthly tax obligation	Mo. 20.1.	Th. 20.2.	Th. 20.3.	Mo. 21.4.	Tu. 20.5.	Fr. 20.6.	Mo. 21.7.	We. 20.8.	Mo. 22.9.	Mo. 20.10.	Th. 20.11.	Mo. 22.12.
	Payment of VAT tax return for the previous calendar month for tax payers with a monthly tax obligation	Th. 30.1.	Fr. 28.2.	Fr. 28.3.	We. 30.3.	Fr. 30.5.	Mo. 30.6.	We. 30.7.	Fr. 29.8.	Tu. 30.9.	Th. 30.10.	Fr. 28.11.	Tu. 30.12.
	Submission of VAT return and payment of VAT for the previous tax period for tax payers with a quarterly tax obligation		Mo. 10.2.			Mo. 12.5.			Mo. 11.8.			Mo. 10.11.	
	Payment of VAT return for the previous tax period for tax payers with a quarterly tax obligation		Th. 19.2.			Mo. 19.5.			Tu. 19.8.			We. 19.11.	
Corporate income Tax	Payment of corporate income tax (Yearly declaration, monthly advance payment 1/12)	Th. 30.1.	Fr. 28.2.	Fr. 19.3.	We. 30.4.	Fr. 30.5.	Mo. 30.6.	We. 30.7.	Fr. 29.8.	Tu. 30.9.	Th. 30.10.	Fr. 28.11.	Tu. 30.12.
	Submission of corporate income tax return for previous year			Mo. 3.3.									
	Submission of corporate income tax return (Quarterly)		Mo. 10.2.			Mo. 12.5.			Mo. 11.8.			Mo. 10.11.	
	Payment of corporate income tax (Quarterly)		We. 19.2.			Mo. 19.5.			Tu. 19.8.			We. 19.11.	
Personal income tax	Personal income tax	With the wage payment or other income payment to individual till 30 th day of the month following the month of payroll accounting.											

Single Tax	Payment of single tax (1 and 2 groups)	Mo. 20.1.	Th. 20.2.	Th. 20.3.	Fr. 18.4.	Tu. 20.5.	Fr. 20.6.	Fr. 18.7.	We. 20.8.	Fr. 19.9.	Mo. 20.10.	Th. 20.11.	Fr. 19.12.
	Submission of single tax return (1 and 2 groups)		Mo. 10.2.										
	Submission of single tax return (3 - 6 groups)		Mo. 10.2.			Mo. 12.5.			Mo. 11.8.			Mo. 10.11.	
	Payment of single tax (3 - 6 groups)		We. 19.2.			Mo. 19.5.			Tu. 19.8.			We. 19.11.	
Land tax	Payment of land tax	Th. 30.1.	Fr. 28.2.	Fr. 28.3.	We. 30.4.	Fr. 30.5.	Mo. 30.6.	We. 30.7.	Fr. 29.8.	Tu. 30.9.	Th. 30.10.	Fr. 28.11.	Tu. 30.12.
	Submission of land tax return		Th. 20.2.										

