

Martial Law and Tax Amendments

Due to imposition of martial law in Ukraine, several the Ukrainian parliament adopted several legal amendments on taxes.

Value Added Tax

For the period of martial law, the VAT rate for sale of fuel (gasoline, liquefied gas, diesel fuel) is decreased to 7%. At the same time, the rate of excise tax on these goods will be set to 0%.

The following transactions are not taxable:

- transfer of property to state or municipal ownership, in favor of volunteer troops, as well as other persons for the needs of defense of Ukraine;
- the value of property lost or destroyed due to force majeure during martial law.

Corporate Income Tax

Charitable aid to state or municipal institutions for the needs of defense of Ukraine will be tax deductible.

Option for Flat Rate Tax Regime

From 01.04.2022 until the abolition of martial law, individuals and legal entities with income not exceeding UAH 10 billion may opt for a flat rate tax:

Requirement	Criteria
Total income	Not exceeding UAH 10 billion
Tax rate	2% of income
VAT	not applicable
Tax reporting	quarterly
Tax payment	advance payment by the 15 th of each month
Registration	application to the tax authority
Expiration of single tax rules	from the 1 st day of the month following the month in which the martial law will cease

Companies carrying out the following activities cannot opt for the flat rate tax:

- gambling,
- currency exchange,
- production and sale of excisable goods,
- mining, sale of minerals;
- insurance companies, brokers, banks, financial institutions, leasing companies,
- non-resident individuals and legal entities.



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Before deciding whether to switch to the regime of flat tax, we advise you to analyze in detail whether this will be beneficial for the company. Applying a flat tax rate of 2% may be beneficial to manufacturing companies, but is unlikely to be beneficial to trading companies and exporters. In addition, it should be noted that the text of the law contains certain inconsistencies that may lead to tax risks in the future.

Land Tax

For the period from March 1, 2022 to December 31 of the year following the year of cessation of martial law, no land tax is due for land plots located in combat areas, temporarily occupied territories, littered with explosives. Cabinet Ministers of Ukraine will release such list of territories.

Administration

If a taxpayer does not have the opportunity to file tax returns and / or pay taxes on time, penalties do not apply. Such taxpayers are obliged to fulfill their tax obligations within three months after the end of martial law.

Kind regards

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