



SETTING UP BUSINESS IN  
**UKRAINE**  
**2023**



## General Aspect

Ukraine is a State located in the Eastern Europe and partially in Central Europe. Its area is 603,628 km<sup>2</sup>. According to the latest census held in 2001, over 48.4 million people live in Ukraine. The official language of Ukraine is Ukrainian. The national currency of Ukraine is Ukrainian Hryvnia (UAH). As of the date of the note, the exchange rate of Ukrainian Hryvnia to EUR is approximately 39.00 UAH for 1 EUR.

On February 24, 2022, martial law was introduced in Ukraine. In connection with that, many changes in legislation are taking place to adapt the economy to martial law. Despite this, Ukraine is making a big effort to harmonize its legislation with EU norms and directives.

## Legal Forms of Business Entities

Legal form	Feature	Remarks
<b>Limited Liability Company (TOV)</b>	<p>LLC can be founded by one or more persons, with its authorized share capital being divided into shares. LLC participants are not liable under its obligations and bear the risk of losses associated with its activity only within the value of their interest. Management: general meeting, the governing body: the director, acting on the basis of the Charter. Both individuals and legal entities – residents and non-residents – can be the founders.</p> <p>In June 2018, a new Law on LLC has been adopted, which introduces a non-disclosure corporate institution and is confidential. In the corporate agreement, participants determine their rights and powers.</p> <p>On 01.01.2023, new amendments to the Civil Code of Ukraine came into force, which established updated definitions of corporate rights and corporate relations, LLC activities and management.</p> <p>The Cabinet of Ministers of Ukraine must ensure that the Model Articles of Association of a limited liability company are brought into compliance with these requirements within three months from the date of entry into force of these amendments. Also, starting from 01.01.2024, the mechanism for holding electronic general meetings of company shareholders will be launched. The authorized electronic system of the Central Securities Depository will start functioning.</p>	<p>The most common type, suitable for any nature of business. Subject to state registration. The authorized share capital determines the minimum size of the company property, which guarantees the interests of its creditors. Participant of a limited liability company has the right to sell or otherwise assign his/her share.</p> <p>A participant whose share in the authorized capital is more than 50% may withdraw membership in LLC as may be agreed with other participants.</p> <p>Starting from May 2020, all legal entities must disclose data on final beneficiaries.</p> <p>Since December 2022, the obligation to annually confirm information about the ultimate beneficial owner has been canceled, but when they change, it is mandatory to notify the registration authority.</p>

<b>Limited Company (AT)</b>	<p>The authorized share capital is divided into a certain number of equity stakes of the same nominal value, corporate rights for which are certified by shares. JSC is independently liable to the full extent of its assets, the Shareholders are not liable under the JSC obligations and bear the risk of losses associated with its activity within the value of their shares. Participants: individuals, legal entities, as well as the state.</p> <p>On January 1, 2023, the new Law of Ukraine "On Joint Stock Companies" came into force. This law establishes the obligation of joint stock companies to bring their activities, including Articles of Association and internal regulations, into compliance with this Law by December 31, 2023.</p>	<p>The JSC, which carries out a public offering of shares, is obliged to make public its annual report, balance sheet, profit and loss statement.</p> <p>The minimum amount of authorized share capital of JSC makes 1250 minimum wages based on the rate valid at the time of JSC foundation (registration) (~225 903 euros).</p>
<b>Private Limited Company (PrAT)</b>	<p>The number of shareholders is not limited. PrAT may perform only private offering. The price of the property contributed by the founders of the company in payment for shares shall correspond to the market value of that property. A separate law regulates this activity</p>	<p>By the National Securities and Stock Market Commission, in some cases in agreement with the State Property Fund of Ukraine.</p> <p>A number of resolutions have been adopted during the period of martial law in Ukraine, which provide for the right of the National Bank to make decisions on allowing servicing banks to perform expenditure transactions on accounts of legal entities whose ultimate beneficial owners are residents of the Russian Federation/Republic of Belarus</p>
<b>Economically autonomous subdivision of a foreign company, organization</b>	<p>They operate as:</p> <ul style="list-style-type: none"> <li>• branches of a foreign company, organization, which are situated outside its territory and carry out its functions, in whole or in part;</li> <li>• representative offices of a foreign company, organization, which are situated outside its territory and carry out representation and protection of interests of a legal person;</li> <li>• permanent establishments - a permanent place of business, through which business activities of a non-resident are carried out in Ukraine in whole or in part.</li> </ul>	<p>After respective accreditation in the territory of Ukraine without a legal entity status, are registered with the Fiscal Service Offices. They are vested with the property of a legal entity that founded them, and act on the basis of the provisions approved by it.</p> <p>As of Jan 1, 2021 new rules on taxation of non-residents and their branches shall be applied. In accordance with it, not only branches are to be registered in local tax authorities, but also non-resident itself.</p>
<b>Sole Proprietor</b>	<p>The right to perform business activities not prohibited by law. The most common form which is suitable for activities in the field of services, trade starting from a limited turnover and up to UAH 7,8 mln. A sole proprietor-founder/owner is liable with all its property under the liabilities associated with the business activity, except for the property that according to law is not subject to foreclosure.</p>	<p>The activity begins after state registration, which may take from 1 to 3 days. Online registration is possible.</p> <p>Foreigners are entitled to be sole proprietors after receiving the tax identification number. As of Jan 1, 2021 new regulations on obligatory use of cash registers for Sole Proprietors in risky fields (such as commerce, pharmaceuticals etc.) came into force for a fiscal control of entrepreneurial activity</p>

<b>Private Enterprise (PP)</b>	<p>Acts on the basis of private property of one or more citizens, foreigners, persons without citizenship, and their work or using hired labor. An enterprise that operates on the basis of private property of a business entity – legal person is also considered to be a private enterprise.</p> <p>There are unitary and corporate enterprises in Ukraine depending on the number of founders.</p>	<p>Absence of any statutory limitations associated with the formation of the statutory fund, the possibility for the founders to determine the principles and mechanisms of the enterprise management, implementation of economic activity using hired labor or without it. Independent determination of the principles for the private enterprise business activity by its owners defines the prevalence of this type of enterprises in Ukraine.</p>
<b>Non-Profit Organizations</b>	<p>Individuals, legal entities can be members of non-profit organizations (civic, charitable, religious, professional associations), while foreign non-governmental organizations can be their founders. Foundation and activity is regulated by special laws. Economically autonomous subdivision of a foreign non-governmental organization must be accredited in Ukraine without getting the status of a legal entity.</p>	<p>Subject to state registration. Perform activities, which are not aimed to generate profits.</p>

## Organizational Questions

Topic	Feature	Remarks
<b>The United State Register of Legal Entities, Individual Entrepreneurs and Public Organizations of Ukraine (the United State Register)</b>	<p>The United State Register is formed and updated according to the results of registration processes and contains information on a legal entity or its economically autonomous subdivision, a sole proprietor, issuance of licenses and permits, or a public organization that does not have a status of a legal entity.</p> <p>This register is constantly updated with the information received through the interaction with other registries, which belong to certain bodies of state and executive power.</p>	<p>State registration is performed in a decentralized way by the relevant state registrars and through the portal of electronic services. The information in the register is public.</p> <p>Certain documents for performing the state registration must be notarized.</p> <p>Banks carry out verification of clients, including through the specified register. Procedure for opening accounts in banks is regulated by the Instruction "On the procedure for opening, use and closing of accounts in national and foreign currencies."</p> <p>Data on final beneficiary of a legal entity are to be submitted to the Ministry of Justice State Register through State registrars.</p>

<b>Capital Movements</b>	Ukraine is a party to the international agreements on avoidance of double taxation with respect to full or partial exemption from taxation of incomes and prevention of tax evasion with respect to taxes on income.	Ukraine has not ratified the EU Directive on Capital Movements and acts as a third party in this relationship.  Amendments to the Tax Code of Ukraine have entered into force in December 2019 in line with the ratification of the Agreement between the Government of Ukraine and the Government of the United States of America to improve compliance with the application of the US Foreign Account Tax Compliance Act (FATCA)  In 2019, Ukraine joined a Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting.
<b>Movement of goods and equipment</b>	State Customs Procedures include the established procedure and conditions for moving goods across the customs border of Ukraine, their customs control and customs clearance, application of the mechanisms for the tariff and non-tariff regulation of foreign trade activities, charging of customs fees, customs statistics maintenance, exchange of customs information, maintenance of the Ukrainian Classification of Commodities for Foreign Economic Activity, prevention and combating smuggling, combating violations of customs rules and other measures aimed at implementation of the state policy in the sphere of state customs.	In 2020 One-stop Service Center for International Trade has been launched. E-portal of the State Customs Service of Ukraine may be accessed via <a href="https://cabinet.customs.gov.ua/">https://cabinet.customs.gov.ua/</a>  A new classification of goods supplied from abroad has been introduced, based on the current seventh edition of the Harmonized Commodity Description and Coding System version 2022 and the corresponding version of the Combined EU Nomenclature (Official Journal of the European Union, 29.10.2021, L 385).  On August 1, 2022, the Law of Ukraine No. 1591-IX "On Payment Services" came into force, which is meant to improve the national payment services market in line with the requirements of the Second Payment Services Directive (PSD2) and the Electronic Money Directive (EMD). The provisions of the new law and the transition of the Ukrainian payment infrastructure to the international standard ISO20022, which is the basis for the functioning of European payment systems, lay the foundation for Ukraine's accession to the Single Euro Payments Area (SEPA)
<b>Legitimate Grounds for Residence and Business Activity of Foreigners</b>	Foreigners and persons without citizenship who entered Ukraine in accordance with the procedure established by law or an international treaty of Ukraine, and permanently or temporarily reside, work, operate in its territory, or temporarily stay in Ukraine, must get a visa (entry permit), leave to remain (up to 1 year) on a temporary or permanent basis. Foreigners and persons without citizenship who are staying in Ukraine on legal grounds enjoy the same rights and freedoms as well as bear the same responsibilities as the citizens of Ukraine.	The list of documents for formalization of the legal grounds for staying in Ukraine is set by the Law of Ukraine "On Legal Status of Foreigners and Persons Without Citizenship", and includes, but is not limited to: submission of the application, a valid health insurance policy, documents confirming the employment. In case of receiving any income - a tax identification code.

# Taxation

In Ukraine, all the rules for charging taxes and duties, as well as tax entities are established by the Tax Code of Ukraine. Ukraine has taxes and charges on the state and local levels. Charging state taxes and duties to state and local budgets is governed by the Budget Code of Ukraine. Ukraine has entered into agreements on avoidance of double taxation with more than 65 countries.

Fiscal year coincides with the calendar year - from January 01 to December 31.

## STATE TAXES AND DUTIES

Tax	Feature	Remarks
<b>Income Tax</b>	<p>The tax rate is 18%.</p> <p>Income tax payers include residents and non-residents (legal entities and permanent representative offices).</p> <p>Non-profit institutions that meet the relevant requirements of the tax code are not subject to income tax payment.</p> <p>Reporting tax period may be the calendar year and the calendar quarter.</p> <p>Ukraine has a preferential tax regime for Diia City residents</p> <p>For Diia City residents - taxpayers who perform there activities on special conditions, the tax rate is set at 9 percent</p>	<p>Income is taxable by the source of its origin both inside and outside of Ukraine, and is determined by adjustment (increase or decrease) of profit or loss before tax, as defined in the financial statements of an enterprise in accordance with the Ukrainian Accounting Standards or International Financial Reporting Standards, for the differences that arise under the provisions of the Tax Code.</p> <p>A legal entity registered in the territory of Ukraine in accordance with the procedure established by the legislation of Ukraine may become a resident of Diia City.</p> <p>A taxpayer engaged in one of the following activities (computer programming, consulting on informatization, computer equipment management, publishing computer games and other programs, providing online software products, educational activities in the field of IT, cybersecurity, etc.) may become a resident of Diia City.</p>
<b>Income Tax for Non-Residents</b>	<p>Income received by non-resident from the source of their origin outside of Ukraine, are taxed in the manner and according to the rates set by the Tax Code. Tax Code established a list of income that can be the income of a non-resident received in the territory of Ukraine. They do not include revenue for goods/works/services.</p> <p>A resident or a permanent representative office of a non-resident, which make any payment for the benefit of a non-resident or a person authorized by him (except a permanent representative office of a non-resident in the territory of Ukraine) from the income with a source of its origin in Ukraine, which is received by such non-resident from the business activity (including to the accounts of a non-resident in the national currency), shall deduct the tax on such income at the rate of 15 % of the amount and at its expense, which shall be paid to the budget during such payment, except as otherwise provided by the provisions of international agreements.</p>	<p>The amounts of income of non-residents who carry out their activity in the territory of Ukraine through their permanent representative office are taxed according to the standard procedure. In such case this permanent representative office is considered equivalent to the taxpayer that carries out its activity independently of such non-resident, for the purpose of taxation.</p> <p>As of May 2020, income taxation of non-residents and their representations is carried out in accordance with arm's length principle.</p> <p>Transfer pricing is implemented.</p>

<b>Value Added Tax</b>	<p>The tax rate is 20%.</p> <p>Mandatory and voluntary registration is required. Mandatory registration is provided for:</p> <ul style="list-style-type: none"> <li>• Business entities which operations on supply of goods/ works/services for 12 calendar months have exceeded UAH 1,000,000.00 (EUR 26,300.00).</li> <li>• A person that is not registered as a taxpayer imports the goods into the customs territory of Ukraine in volumes that are subject to tax.</li> </ul> <p>Voluntary registration is possible when submitting an application to the regulatory authorities.</p> <p>The reporting period is a calendar month.</p> <p>The mechanism for VAT calculating is based on the comparison of the amounts of the tax liability and the amounts of the tax credit.</p> <p>Starting from 01.01.2023, foreign companies that provide electronic services to individuals in amounts exceeding UAH 1 million per year (EUR 26,315.00) are required to register as VAT payers under a simplified procedure and pay this tax to the budget of Ukraine.</p>	<p>The Tax Code establishes the list of operations:</p> <ul style="list-style-type: none"> <li>• That are taxed at the basic rate of 18%.</li> <li>• That are taxed at a zero rate.</li> <li>• That are not subject to taxation.</li> <li>• That are exempt from taxation.</li> </ul> <p>When importing goods into the customs territory, VAT is payable during customs clearance from the amount of goods that are subject to taxation.</p> <p>The Customs Regulations for Temporary Import apply provisional complete relief or conventional partial relief from taxation to the operations on import of goods into the customs territory of Ukraine, provided that the requirements and restrictions established by Chapter 18 of the Customs Code of Ukraine are met.</p> <p>Special taxation schemes are established for:</p> <ul style="list-style-type: none"> <li>• Agriculture, fisheries and forestry.</li> <li>• Activities associated with art products and antiques.</li> </ul> <p>VAT exemptions have been introduced in a film industry.</p> <p>Starting from 2023, the exemption for IT services has been terminated.</p>
<b>Personal Income Tax</b>	<p>In this case taxpayers are individuals, residents and non-residents.</p> <p>A legal entity that pays income to individuals (residents and non-residents) is a tax agent.</p> <p>The tax rate is 18%, which is deducted from an individual's income by tax agents at the expense of accrued revenue.</p> <p>The total monthly (annual) income with the source of its origin in Ukraine and foreign revenues make the tax entity.</p>	<p>A tax agent shall report on a quarterly basis for the withheld tax and the tax entity.</p> <p>A separate taxation scheme is provided for sole proprietors and individuals that carry out independent professional activity.</p> <p>Tax social privileges are provided for certain categories of people.</p> <p>An individual who receives income from the sources, other than tax agents, must submit an annual tax return.</p> <p>All taxpayers, including non-residents, have tax identification codes.</p> <p>Non-residents who obtain a tax resident status, shall submit an annual tax return and pay income tax in Ukraine.</p> <p>In case of the corresponding international agreement between the countries, taxes paid in another country, in compliance with the requirements of the Tax Code, can be credited in Ukraine.</p>

<b>Excise Tax</b>	<p>Excise tax is a tax on consumption of excisable goods (products) that is included in the price of such goods (products). The list of excisable goods is established in the Tax Code. Such goods include among other things ethyl alcohol, alcoholic beverages, tobacco products, electric energy, refined products. In 2020 list of excisable goods in terms of tobacco goods and e-cigarettes was expanded.</p> <p>A monthly statement must be submitted to the regulatory authorities.</p>	<p>The Tax Code established the procedure for the tax calculation for goods produced in Ukraine and imported into its customs territory.</p> <p>Specific excise tax rates and the minimum excise tax liability for the payment of excise tax on tobacco products have been increased by 20 percent starting from January 1, 2023. The amendments are aimed at bringing the rates established by the Ukrainian legislation closer to the rates set out in the provisions of EU Directive 2011/64/EU of 21 June 2011 on the structure and rates of excise duty on tobacco products and increase the price of excisable products.</p> <p>On September 30, 2022, reduced rates of excise tax on fuel were temporarily introduced for the period until the termination or lifting of martial law in Ukraine, but not longer than until July 1, 2023.</p>
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## LOCAL TAXES

<b>Single Tax for Legal Entities</b>	<p>This is a simplified taxation system. Any legal entity can use it if its income for the calendar year does not exceed UAH 7,818,900.00. (EUR 205,760.00). There is a defined list of activities, which cannot be associated with a single tax payment. The entities are entitled to carry out their activities solely in cash. The tax rate is 5% of revenue for entities exempt from VAT payment, and 3 % of income for VAT payers. Individuals and legal entities non-residents cannot be single tax payers. The reporting period is a quarter.</p>	<p>Agricultural commodity producers, whose share of agricultural production for the previous tax (fiscal) year equals or exceeds 75 % can be single tax payers.</p> <p>For the period of martial law in Ukraine, the tax rate may be reduced to 2% if desired.</p>
<b>Single Tax for Individuals</b>	<p>There are three groups for individuals in relation to tax payments. Each group has its own provisions for the amount of income and opportunities for employment of other people's labor. The first and the second groups report on an annual basis, while the third –on a quarterly basis. The first and the second group pay a fixed tax amount, the third group – 5% of the income.</p>	<p>Income is accounted for on a cash basis. For the period of martial law in Ukraine, the tax rate may be reduced to 2% if desired.</p>
<b>Tax on Property</b>	<p>In this case, taxpayers include individuals and legal persons, including non-residents, who are owners of residential and/ or commercial real estate. Tax rates for residential and/or commercial real estate, that is the property of individuals and legal entities, are established by the decision of the Village, Township, City Council, or Council of Joined Territorial Communities. Tax period is a calendar year.</p>	<p>New declaration forms will be introduced in 2023. Real estate subject to taxation:</p> <ul style="list-style-type: none"> <li>• apartments with an area exceeding 60 square meters,</li> <li>• houses with an area of more than 120 square meters,</li> <li>• various types of real estate over 180 square meters.</li> </ul> <p>The tax rate is approximately EUR 2.5 for each square meter exceeding the specified norm.</p>



<b>Transportation Tax</b>	Individuals and legal persons, including non-residents, who have personal light motor vehicles registered in Ukraine that are the objects of taxation, are payers of this tax. The object of taxation is the cars not more than five years old, which average market value is over EUR 50,500.
<b>Military Tax</b>	The rate is 1.5% of the income of individuals residents and non-residents, who are subject to personal income tax payment.
<b>Tourist Tax</b>	The object of taxation is the overall quantity of days. Базою справляння збору є загальна кількість діб. The rate depends on type of tourism (defined in provision 14.1.277 of Tax Code). The rates are established by local councils and is charged for one person per one day of temporary stay: <ul style="list-style-type: none"> <li>• Internal tourism - up to 0,5% from minimum wage, established as of Jan 1 of reporting year (up to 0,65 Euro per day);</li> <li>• External tourism - up to 5% from minimum wage, established as of Jan 1 of reporting year (up to 6,70 Euro per day)</li> </ul>
<b>Unified Social Tax</b>	Unified Social Tax is a mandatory payment to the system of compulsory state social insurance, charged in Ukraine to ensure payment of insurance by the current types of compulsory state social insurance. Is regulated by a separate law. Insured persons are individuals. Is paid by legal entities. The amount is 22% from the wages of an employee. The maximum and minimum amount of this contribution are established. Reporting is on a quarterly basis.

## ELIMINATION OF DOUBLE TAXATION

Income received by a resident of Ukraine (except individuals) from sources outside of Ukraine, are taken into account when determining its object and/ or tax assessment base in full.

When determining the object and/or tax assessment base, the costs incurred by the resident of Ukraine (except individuals) in connection with obtaining of income from sources outside of Ukraine, are taken into account in the manner and amounts set by the Tax Code of Ukraine and only with those countries which concluded international agreements on avoidance of double taxation with Ukraine.

Income received by an individual-resident from sources outside Ukraine, are included in the total annual taxable income, except for the income not subject to taxation in Ukraine in accordance with the provisions of the Tax Code or international agreement, consent to be bound by which was given by the Verkhovna Rada of Ukraine.

The amount of taxes and duties paid outside Ukraine, is credited at the time of calculation of taxes and fees in Ukraine according to the rules established by the Tax Code of Ukraine and only with those countries which signed international agreements on avoidance of double taxation with Ukraine.

To be eligible for crediting of taxes and duties paid outside Ukraine, a taxpayer must obtain a tax certificate on the amount of paid taxes and duties, as well as on the tax assessment base and/or object of taxation, from the government agency of the country, where such income (profit) is obtained, authorized to charge such tax. The specified certificate is subject to legalization in the country, the relevant Foreign Diplomatic Agency of Ukraine, unless otherwise provided by applicable international agreements of Ukraine.



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