

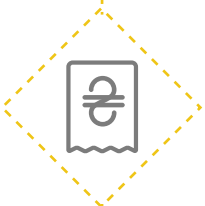


Single tax of 2% without VAT

Provision for the period from April 1, 2022 until the termination/cancellation of martial law the right to use the simplified taxation system (for individual entrepreneurs and legal entities) persons) with a turnover of up to 10 bln UAH.



Exemption from the single tax for taxpayers of groups 1 and 2



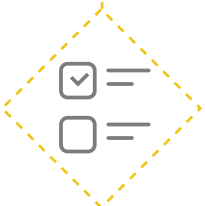
Exemption from unified social tax and fines, penalties and inspections for unified social tax

Individual entrepreneurs (of all groups), persons engaged in independent professional activities, and members of farms are exempt from paying the fee.



Exemption from land and environmental taxes

In the territories where hostilities are (were) conducted or which were temporarily occupied by the armed forces of the Russian Federation (the list of such territories will be to be determined by the Cabinet of Ministers).



Resumption of actual and "reimbursement" inspections and sanctions for the detected violations in the course of their implementation

Along with the above-mentioned tax exemptions and benefits, the legislator somewhat restored control over tax compliance.



Expansion of tax benefits for charitable assistance

Charitable assistance provided to combatants, civil defense personnel and individuals who live (lived) in the territory of settlements where military operations are taking place (were conducted) and/or who were forced to leave such places as a result of military operations is exempt from personal income tax.



Expanding and clarifying the rules on suspension of time limits during the war

The time limits set by tax legislation have been suspended.



The formation of a VAT tax credit has been simplified

For the period of martial law, it is allowed to generate a tax credit for transactions for the purchase of goods/services for which suppliers have not registered tax invoices and/or adjustment calculations to them in the Unified Register of Tax Invoices.



The peculiarities of the work of tax authorities during martial law are determined

During the period of martial law, the provision of electronic services and acceptance of electronic documents from taxpayers will be carried out only on business days from 8 a.m. to 6 p.m.

SUPPORT FOR THE ECONOMY AND TAXATION UNDER MARTIAL LAW



Single tax of 2% without VAT

Granting for the period from April 1, 2022 until the termination/cancellation of martial law the right to use the simplified taxation system (for individual entrepreneurs and legal entities with a turnover of **up to 10 bln UAH**).

Previously, the simplified taxation system was applied to turnover of up to 1,167 minimum wages (UAH 7,585,500).

At the same time, the single tax rate will be only **2% of the turnover excluding VAT**, rather than 3% with VAT or 5% without VAT, as before. Accordingly, there will be no need to file VAT reports on the supply of goods, works and services where the place of supply is located in the customs territory of Ukraine. There will also be no restrictions on the number of employees.

Reports will need to be submitted on a quarterly basis, but with monthly income indicated. The single tax will have to be calculated and paid by the 15th day of the month following the reporting month. Thus, most companies will be able to pay a single turnover tax of **2%** instead of income tax and VAT.



Does not fall into this category:

- ◇ activities related to the organization of gambling, lotteries, and betting;
- ◇ production, export, import, and sale of excisable goods (except for retail sales of certain types of excisable goods);
- ◇ extraction and sale of minerals;
- ◇ insurance (reinsurance) brokers, banks, credit unions, pawnshops, leasing companies, trust companies, insurance companies, other financial institutions and securities registrars;
- ◇ representative offices, branches, departments and other separate subdivisions of a legal entity that is not a single tax payer;
- ◇ non-residents.

There is no automatic transition to this model of the simplified system.

By the last day of the month preceding the transition period, an application must be submitted to the tax authority at the place of the tax address (for newly formed companies - within 10 days from the date of registration).

After the termination/liquidation of martial law, taxpayers will **automatically** be subject to the taxation system they were under before the transition to the specified model from the 1st day of the month following the reporting month. The Cabinet of Ministers has also been granted the right to determine the specifics of the calculation and payment of the single tax. Therefore, some of the nuances of the proposed simplified taxation model are yet to be further regulated.

SUPPORT FOR THE ECONOMY AND TAXATION UNDER MARTIAL LAW



Exemption from the single tax for taxpayers of groups 1 and 2

Such taxpayers will have the right not to pay the single tax, and will not need to file a declaration for the period of non-payment. The relevant provisions will also apply from April 1, 2022 until the termination/abolition of martial law.



Exemption from unified social tax, fines, penalties and inspections

Individual entrepreneurs (of all groups), persons engaged in independent professional activities, and members of farms **are exempt from paying the unified social tax**. From March 1, 2022, and until the termination or abolition of martial law, and for 12 months thereafter, these persons have the right not to accrue, calculate, or pay the unified social contribution for themselves, regardless of whether they receive income or not.

Single tax payers (including legal entities) also have the right not to pay a single contribution for employees called up for military service.

In addition, during the period of martial law and for 3 months after its termination or cancellation, payers of the unified social contribution are not charged a penalty and are not subject to penalties for non-payment, **incomplete payment or late payment of the unified social tax and for a number of other violations**.

No documentary checks of the correctness of the accrual, calculation and payment of the single contribution are also carried out during this period.



Exemption from land and environmental taxes

In the territories where hostilities are (were) conducted or temporarily occupied by the armed forces of the Russian Federation (the list of such territories will be determined by the Cabinet of Ministers), the following tax benefits will be additionally established:

- ◇ **exemption from land fees** (land tax and rent for land of state or municipal ownership) for land plots located in such territories, as well as for land plots identified by regional military administrations as contaminated with explosive ordnance and/or with fortifications. The term of validity is from March 2022 to December 31 of the year following the year in which martial law was terminated or lifted;
- ◇ **exemption from the general minimum tax liability** for land plots located in such territories, as well as plots identified by regional military administrations as contaminated with explosive objects and/or fortifications. The Law comes into force for the tax (reporting) periods of 2022 and 2023.
- ◇ **exemption from environmental tax**. Validity period - 2022 tax (reporting) year.

SUPPORT FOR THE ECONOMY AND TAXATION UNDER MARTIAL LAW



Restoration of actual and "compensatory" inspections and sanctions for violations detected during their conduct

Along with the above-mentioned tax exemptions and privileges, the legislator has somewhat restored control over compliance with the law. The amendments, which came into force on 07.03.2022, completely suspended tax audits in connection with the introduction of martial law: new audits could not be launched, and the existing ones were subject to suspension. In addition, taxpayers were exempted from liability for violation of tax obligations (in the absence of such a possibility), as well as from liability for violation of the legislation on cash registers.

The new amendments allow *for the resumption of actual audits as well as desk audits* of declarations or clarifying calculations to them, which are accompanied by an application for a VAT refund. The latter type of audits actually unblocks the VAT refund, since it was impossible to receive it without the results of such audits.



At the same time, actual inspections, most of which had been suspended since the introduction of the quarantine in March 2020, have been fully resumed. The purpose is to control transactions using cash registers, including ensuring that payments for goods (services) can be made using electronic means of payment.

In addition, *the possibility of applying penalties identified as a result of such inspections was restored* (they will not be subject to the moratorium imposed during the quarantine and martial law period). The Law also restores the sanctions provided for by the Law "On the Use of Payment Transaction Recorders in the Field of Trade, Catering and Services" for violation of the procedure for conducting payment transactions for the sale of excisable goods.

SUPPORT FOR THE ECONOMY AND TAXATION UNDER MARTIAL LAW

Expansion of tax benefits for charitable assistance

Charitable assistance provided to combatants, civil defense personnel and individuals who live (lived) in the territory of settlements where military operations are being conducted (were conducted) and/or who were forced to leave such places as a result of military operations **was exempt from personal income tax.**

The tax deduction for charitable assistance in determining personal income taxable under the personal income tax has been increased **from 4% to 16%.** In other words, the amount of income subject to personal income tax may be reduced by the amount of donations or charitable contributions to non-profit organizations in the amount of up to 16% of the income received.

Individual entrepreneurs on the general taxation system and persons engaged in independent professional activities will be able to include expenses from carrying out the relevant activities, documented expenses in the form of the value of property and funds voluntarily provided (transferred) to the defense forces for the needs of state defense, local self-government bodies, healthcare facilities and the SES, as well as to a special account of the NBU.



Income taxpayers will also be able to increase their expenses by the amount of funds or the cost of PPE (military helmets and bulletproof vests), technical surveillance equipment, medicines and medical devices, personal hygiene products, food, clothing, and other goods and services determined by the Cabinet of Ministers, voluntarily transferred to the defense forces for the purposes of ensuring the defense of the state in connection with the military aggression of the Russian Federation against Ukraine. Such expenditures **will not be subject to the 4% limitation** of the previous year's taxable profit.

For non-profit organizations, the transfer of property, provision of services and use of income to finance expenditures to the defense forces, as well as transferring funds to a special account of the NBU will not be considered a violation, regardless of the type of charitable activities specified in their constituent documents.

SUPPORT FOR THE ECONOMY AND TAXATION UNDER MARTIAL LAW



Expanding and clarifying the rules on suspension of time limits during the war

The time limits set by tax legislation have been suspended. Now it is more precisely stated that for the period of martial law or state of emergency of martial law or a state of emergency, the time limits set by the Tax Code and other legislation, control over compliance with which is the responsibility of the controlling authorities.

In addition, it is emphasized that for banks and other financial institutions, the time limits for sending notification of opening or closing a taxpayer's account.

If a financial institution does not receive a notification (receipt) from the supervisory authority confirming the fact of acceptance of the notification on opening an account, such accounts may be used for expenditure transactions without receiving confirmation. The deadlines for registering taxpayers are also suspended.



The formation of a VAT tax credit has been simplified

For the period of martial law, *Law № 2120-IX* allows for the formation of a tax credit for transactions for the purchase of goods/services for which suppliers have not registered tax invoices in the Unified Register of Tax Invoices (URTI) tax invoices and/or adjustment calculations to them are not registered in the Unified Register of Tax Invoices. VAT paid on such transactions may be included in the tax credit, provided that the payer has the relevant primary (settlement) documents.

At the same time, *within 6 months* after the termination or cancellation of martial law, such tax invoices must be registered in the Unified Register of Tax Invoices, and the tax credit declared by taxpayers during martial law on the basis of primary documents is subject to mandatory clarification (adjustment) based on the data entered in the Unified Register of Tax Invoices.

We also recall that even earlier, from 03/07/2022, *any liability of taxpayers for late registration of tax invoices in the Unified Register of Tax Invoices was cancelled.*



The peculiarities of the work of tax authorities during martial law are determined

During the period of martial law, the provision of electronic services and acceptance of electronic documents from taxpayers will be carried out only on business days from 8 a.m. to 6 p.m.

In addition, the controlling authorities will be exempted from liability for damage caused to taxpayers by their inaction caused by the legal regime of martial law or a state of emergency.