

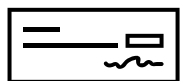
TAX BENEFITS FOR DEFENCE CITY RESIDENTS

4 NOVEMBER 2025

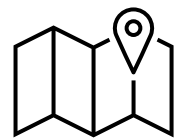




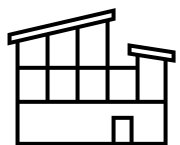
IN A GLANCE



Corporate income tax



Land tax



Real Estate Tax (excluding land)



Environmental tax

Defence City residents
will enjoy tax benefits

until 1 January 2036

However, this should be
no later than the year of
Ukraine's accession to the EU

BENEFIT

**Conditional exemption
from taxation of profits**

ELIGIBILITY CONDITIONS

- Resident of Defence City
- Not a resident of Diia City
- Prohibition on accrual and payment of dividends (except payments to the state budget or state-owned entities)
- No violations of transfer pricing or CFC reporting
- Submission of an application for exemption



CORPORATE INCOME TAX. EXEMPT PROFIT

EXEMPT PROFIT MUST BE REINVESTED IN THE DEFENCE INDUSTRY, INCLUDING:

- **Creation or re-equipment** of material and technical facilities
- **Creation, acquisition, modernisation, restoration, repair, or re-equipment** of fixed assets, including the construction of production and technological facilities
- **Improvement** of technological and production processes
- **Implementation of advanced technologies**
- **Acquisition of intellectual property rights** for the purpose of performance of a state defence procurement contract (agreement)
- **Expenses for research, production of new models** of weapons and military equipment or their components
- **Acquisition of shares in enterprises of the defence industry** (provided that the issuer of the corporate rights does not accrue or pay dividends (or equivalent payments) to any of the owners of the shares during the period in which the Defence City resident applies the corporate income tax exemption)



CORPORATE INCOME TAX. EXEMPT PROFIT



The exempt profit must be used for a specified purposes by 31 December of the following year, otherwise it becomes taxable



Residents remain subject to transfer pricing rules and CFC taxation (18%) in the case of controlled transactions or foreign company (CFC) income adjustments



DEFENCE CITY: TRANSFER PRICING PECULIARITIES

Application of the Defence City exemption does not relieve the taxpayer from transfer pricing obligations:

- adhering arm's-length principle;
- annual transfer pricing reporting; and
- 18% corporate income tax on profits arising beyond the arm's-length principle.

The taxable base is determined separately as:

- the excess of the arm's-length price over the contractual value of goods (works, services) supplied; or
- the excess of the contractual value of goods (works, services) acquired over the arm's-length price.

EXCEPTION:

- Controlled transactions regarding goods (works or services) that can be supplied exclusively by a single producer (contractor), including where such producer constitutes a natural monopoly.
- The exception does not apply to transactions between related parties.



BENEFIT

Exemption from land tax on plots used for production activities or temporarily unused during relocation

(and not transferred to third parties)

ELIGIBILITY CONDITIONS

- Resident of Defence City
- Not a resident of Diia City



BENEFIT

Exemption for

- **facilities in the relocation area used in residents' activities or housing for employees**
- **industrial/warehouse buildings (code 125 under HK 018:2023) unused during relocation**

(and not transferred to third parties)

ELIGIBILITY CONDITIONS

- Resident of Defence City
- Not a resident of Diia City



ENVIRONMENTAL TAX

BENEFIT

**Exemption from
environmental tax**

ELIGIBILITY CONDITIONS

- Resident of Defence City
- Not a resident of Diia City



If Defence City residency is lost, whether voluntarily or by the Ministry of Defence of Ukraine decision following the regime terms violation, the taxpayer may incur tax settlement obligations as outlined below.

VOLUNTARY TERMINATION:

- As of the tax period in which the application for termination of Defence City residency / corporate income tax exemption is filed, the taxpayer must pay corporate income tax under general rules and, if there is any unused, previously exempt profit, additionally pay corporate income tax on that portion.
- A Defence City resident is exempt from land tax and real estate tax till the end of the month in which its Defence City residency is terminated.
- An exemption from environmental tax applies till the end of the tax period in which the Defence City residency is terminated.

MANDATORY TERMINATION:

- After the loss of residency, the taxpayer must file an amended tax return and pay the tax, as well as late payment interest, without restriction by statute of limitations.
- The tax and interest accrue from the first day of the first month of the tax period in which the breach occurred that triggered the mandatory termination of residency.



DUAL RESIDENCY IN DEFENCE CITY AND DIIA CITY

A legal entity which is simultaneously a resident of Diia City and Defence City enjoys only limited Defence City benefits.

NOT EXEMPT FROM:

- corporate income tax
- land tax
- real estate tax
- environmental tax

CANNOT APPLY:

- the 5% PIT rate for employees or gig-contract specialists under Diia City contracts



HAVE QUESTIONS?
CONTACT ME!



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20 INTEGRITES

DEDICATION. EXPERTISE. IMPACT