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# VAT in Ukraine

wts global

VAT system in Ukraine has a lot of similarities to the EU system.

Principally based on EU directive on VAT, yet with certain divergencies, e.g.:

- overemphasized role of so-called system of electronic administration of VAT;
- centralized electronic registration of VAT invoices by the tax authorities;
- with possibility to block such registration if the transaction is suspicious or not justified in view of the tax authorities;
- high focus on what is in the VAT invoices.

Overall intention to control everything digitally.

## Tax rates:

20% basic

14% for certain agricultural products, quite limited list

7% for registered medical products

hosting services of hotels and similar establishments

certain entertaining events

0% for majority of exports of goods

certain defense products or intended for defense industry

Although certain exemptions from VAT, general and specific.

E.g., goods, works and services provided at the cost of international technical support may be exempted from VAT.

Yet, under condition that respective project is registered with the Secretariat of the Cabinet of Ministers of Ukraine and is within auspices of one of the international treaties of Ukraine and the executor of the project reports to the tax office on relevant purchases (that shall be exempted from VAT) as the ones within the Plan of purchases on the project.

Cross-border services to outside of Ukraine are generally subject to tax at the standard rate of 20% unless their place of supply is deemed outside Ukraine, which is the case in respect of the services provided to non-residents (and which are then not taxed in Ukraine):

- provision of IP rights
- advertising services
- consulting, engineering, of engineers, legal, bookkeeping, audit, software developing and testing, data processing, information services
- provision of personnel (at the place of location of the customer)
- leasing out movable property, except for transport vehicles and safes
- telecom services
- radio and TV broadcasting
- intermediary services on the above
- media content/movies production
- services of providing access to cross-border energy links and related services.

Inward cross-border services are generally subject to VAT in Ukraine at the standard rate.

Ukraine recipient is responsible for accruing and paying respective VAT under reverse charge mechanism, i.e., foreign supplier of services is not required to register in Ukraine for VAT purposes.

Specific situation when the services in Ukraine are provided through permanent establishment (PE), which may and shall

(if taxable supplies through the PE exceed UAH 1 mln. per any 12 months, which is slightly below Euro 20K)

register as VAT payer.

VAT registration is also required for the provision of certain IT/Internet and IT-related services (e.g., Starlink) to Ukraine,

provided that their volume exceeds certain threshold.

This regulation basically on the services for general public,

Limited VAT registration requirements for non-residents in Ukraine, only in case:

- provision of works/goods/services through permanent establishment in Ukraine, in which case such PE shall be register
- certain IT and IT-related services mainly for general public above specified volume per year
- specific registration (not as VAT payer! For tax administration purposes only) as an executor of the project within auspices of international technical support, which is exempted from VAT.

No possibility to register just for VAT purposes just for getting VAT refund for the VAT paid/incurred in Ukraine.

## VAT refunds

Shall be provided in case of negative VAT balance basically regardless of origin of the negative balance (e.g., for export-oriented industry, for projects at the initial stage when the costs exceed revenues) upon application of the taxpayer for the refund (without application such balance is carried forward as the tax credit indefinitely).

Yet, certain exemptions. E.g., no VAT refund in respect of VAT on property/goods lost because of warfare.

Practically VAT refund may be quite burdensome, often with additional tax audit where the tax authorities are quite aggressive.

Tax administration is based significantly on centralized register of VAT invoices administered by the central tax office.

There are strict deadlines for issuing electronically and registering VAT invoices; heavy penalties for non-registration or delay with registration.

VAT invoices are admitted for registration only within limits calculated by the register administrator as anticipated VAT credit (not yet utilized of the total of actual VAT credit plus deposit in cash on VAT account plus allowed overdraft as 1/12 of the actual VAT for the last 12 months period).

This system was introduced as assurance that the amounts of VAT stated in VAT invoices are assured in such manner.

Yet still a lot of disputes on VAT.

# Q & A



**Thank you for  
your attention!**

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