

Payroll Taxes in Ukraine

*Personal Income Tax, Military Levy and
Unified Social Contribution*

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Navigating Ukraine's Tax and Customs Systems

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Outline

A practical overview of payroll-related taxes and contributions in Ukraine from the employer's perspective



01

Key payroll charges

PIT, Military Levy and USC



02

Who bears the cost

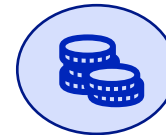
Employee withholding vs employer contribution



03

Payroll calculation

Gross salary, net salary and employer costs



04

Other individual income

Dividends, interest, rent and investments



05

Compliance risks

Benefits, contractors and reporting

Ukrainian Payroll Tax System at a Glance

Ukraine's payroll taxation combines employee-side withholding and employer-side social contribution



Employee-side withholding

Withheld from employee income

- ✓ Personal Income Tax
- ✓ Military Levy



Reduces net salary



Employer-side contribution

Accrued and paid by the employer

- ✓ Unified Social Contribution



Increases employer cost

Net salary ≠ Gross salary ≠ Employer cost

Who pays what?

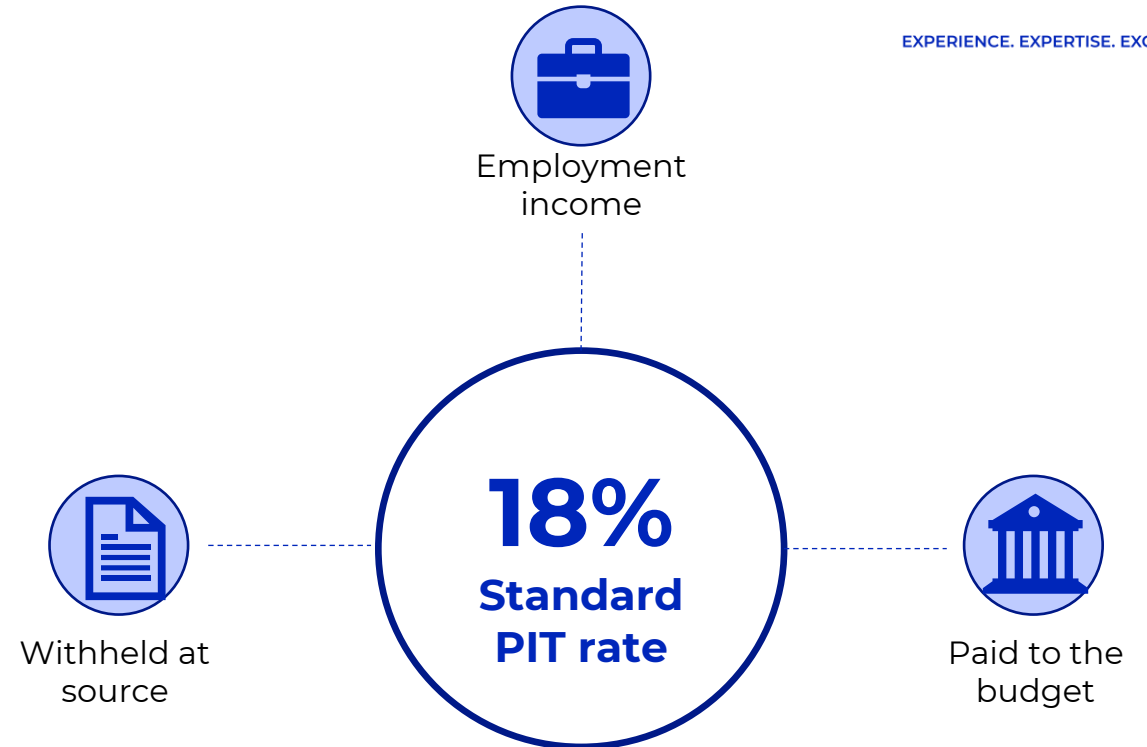
Payroll taxes affect both the employee's take-home pay and the employer's total cost of employment.



Personal Income Tax: General Rule

Employment income and many other types of individual income are generally subject to PIT in Ukraine

- ✓ PIT is **withheld by the employer** as a tax agent



$$\text{Taxable income} \times 18\% = \text{PIT}$$

PIT Tax Base: What Is Taxable?

For payroll purposes, taxable income is broader than basic salary and may include various cash and non-cash benefits

 Salary is only the starting point

Tax treatment should be **checked before** the benefit is granted



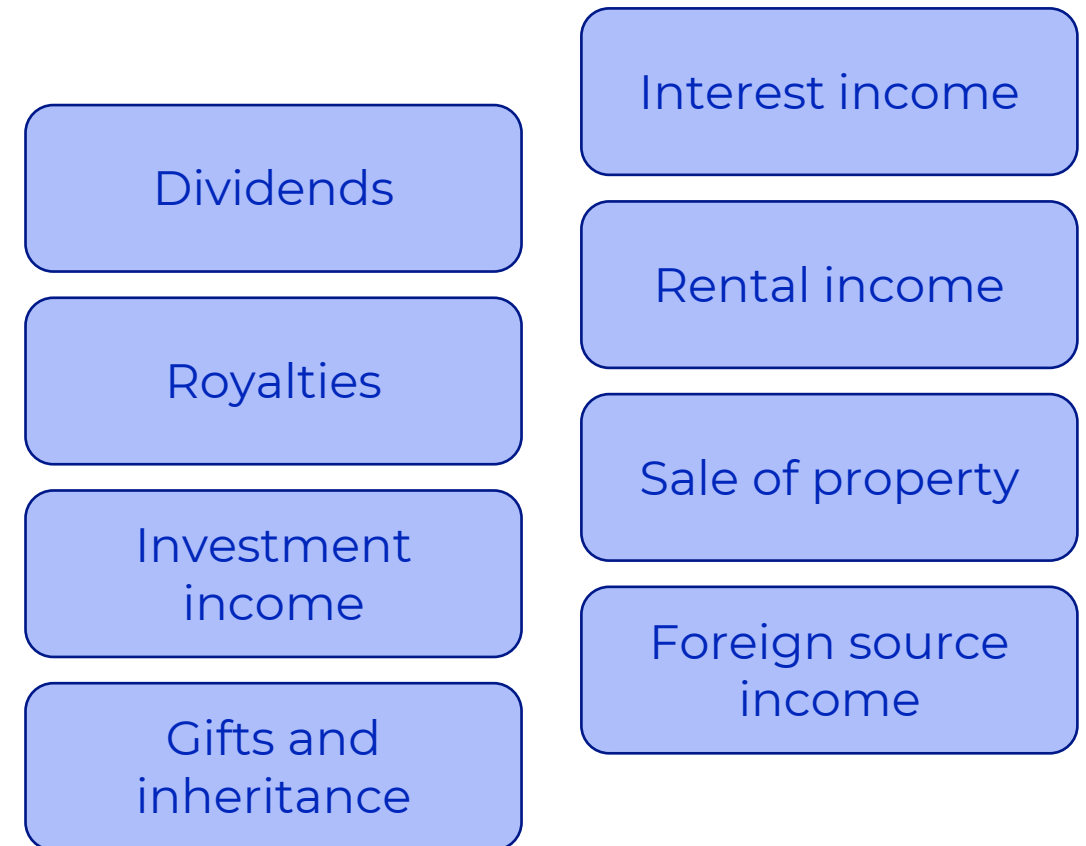
Other types of income subject to PIT

PIT also applies to other non-employment income received by individuals



The applicable tax treatment depends on the type of income, payer and recipient

General rate: 18%
Special rates may apply: 0%, 5%, 9%



Military Levy: Current Role and Rate

Military levy is applied in addition to PIT and is withheld from taxable income of individuals

Military Levy:

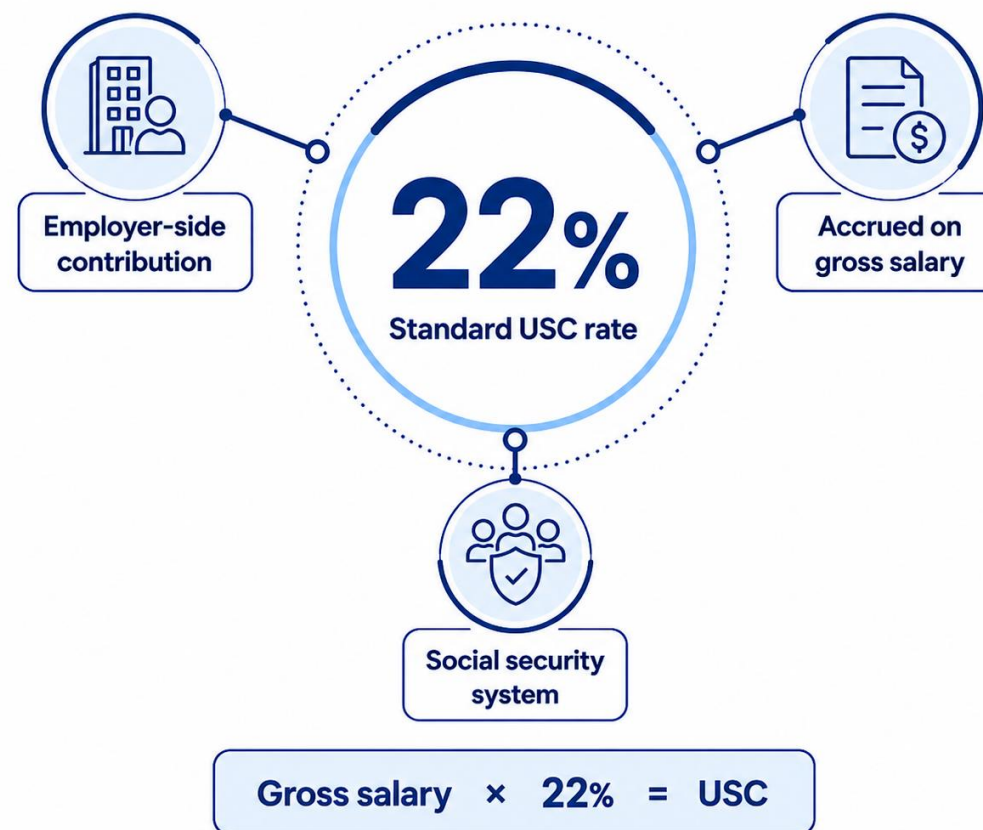
- Is usually administered together with PIT
- Must be paid till the end of Martial Law + 3 years after
- Relevant for both payroll and certain other individual income



Unified Social Contribution: Employer-Side Charge

USC is not withheld from the employee's salary. It is accrued on top of gross salary and paid by the employer.

For employers USC increases the total cost of employment

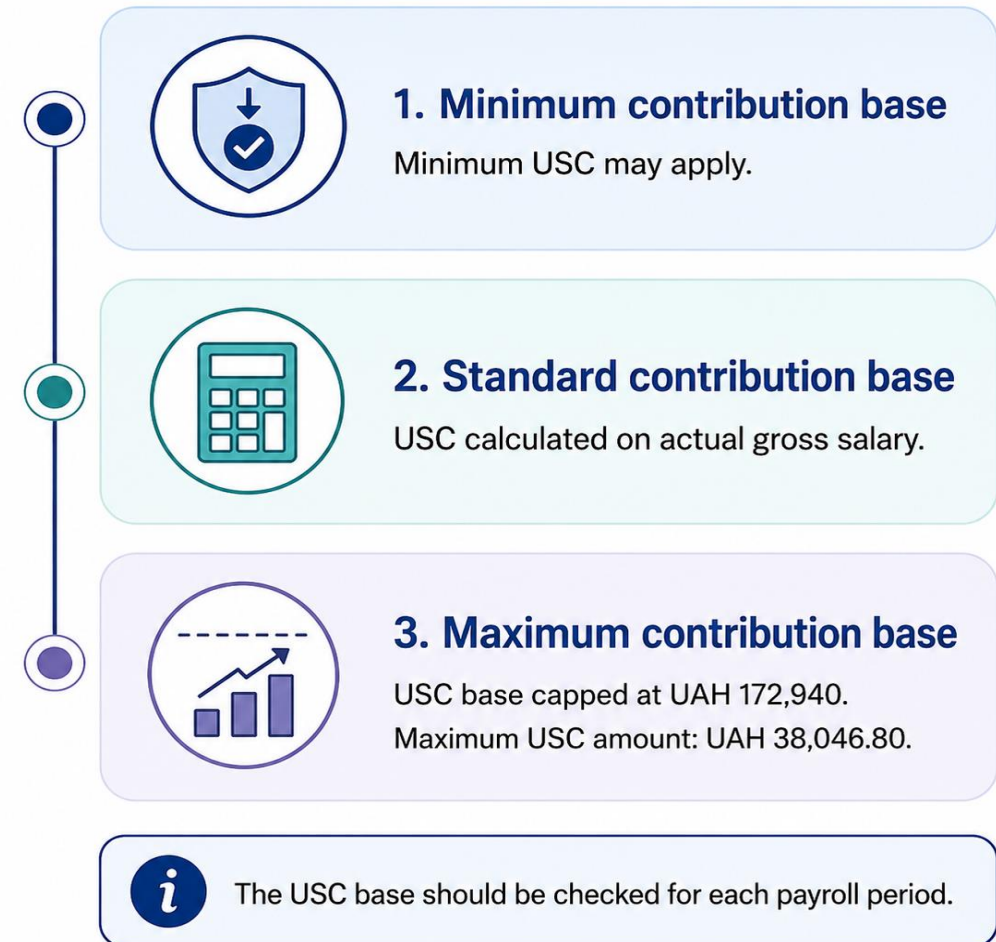


Minimum and Maximum USC Base

USC is generally calculated on gross salary, but there are minimum and maximum rules.

2026 reference figures:

- Minimum wage UAH 8,647
- Minimum USC UAH 1,902.34
- Maximum USC base (cap) UAH 172,940
- Maximum USC amount UAH 38,046.8

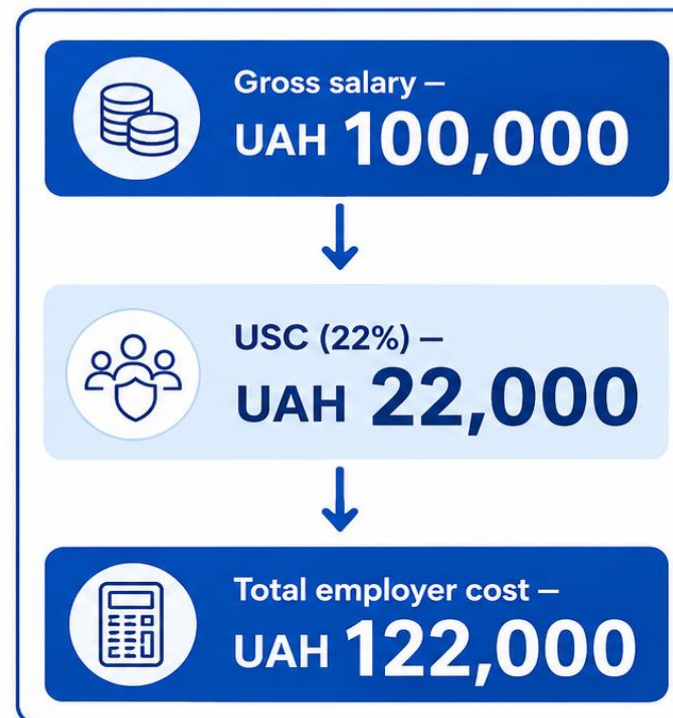


Payroll Calculation Example

Employee view



Employer view



 **Net salary = UAH 100,000 – UAH 18,000 – UAH 5,000 = UAH 77,000**

 **Employer cost = UAH 100,000 + UAH 22,000 = UAH 122,000**

Employees vs Individual Entrepreneurs (IE)

Different engagement may have different tax treatment, but substance matters

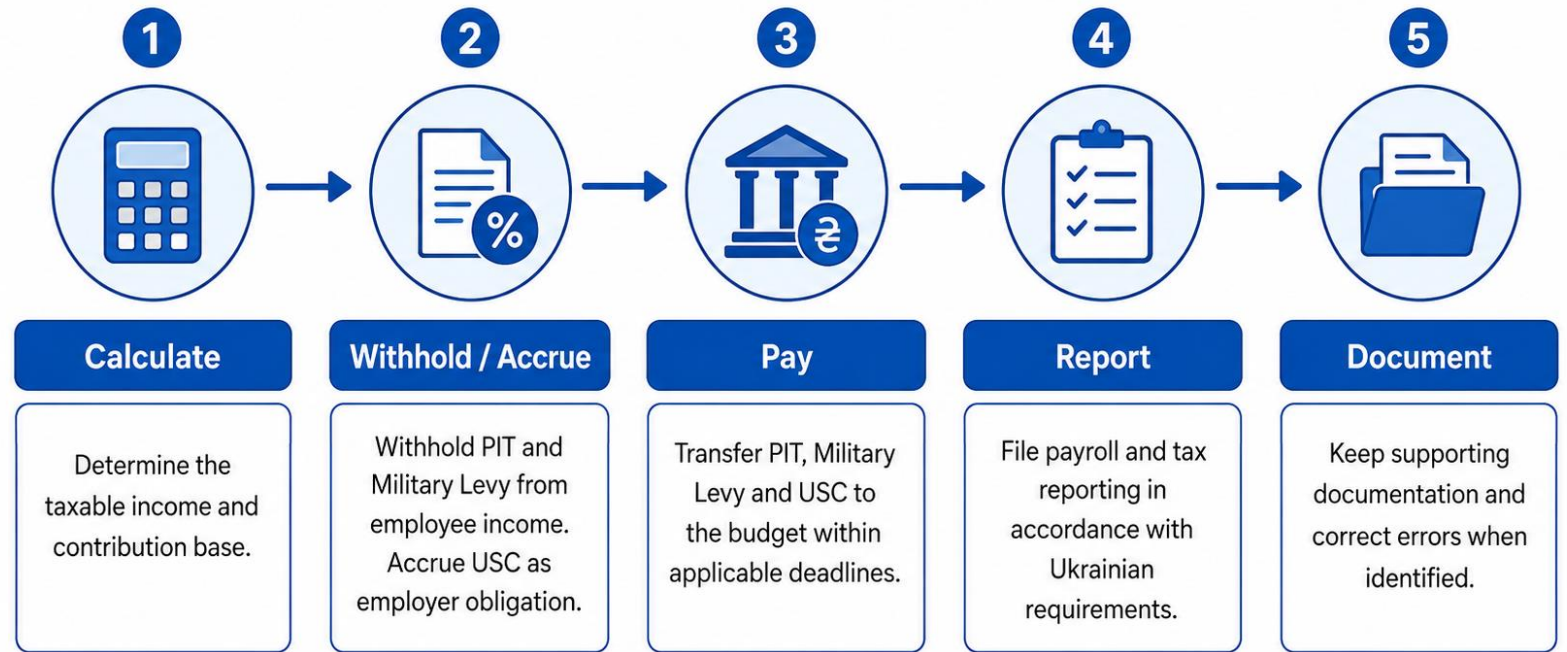


A contractor relationship may be challenged if it functions like employment.

| Employment model | IE model |
|---|-------------------------------------|
| Labour law relationship | Civil or commercial relationship |
| PIT and Military Levy withheld | Different tax regime |
| USC is paid by employer | No classic payroll withholding |
| Employee is integrated into business and is subject to internal regulations | Requires independence and substance |

Reporting, Payment and Employer Compliance

Payroll compliance in Ukraine involves more than tax calculation. Employers are responsible for the full compliance cycle — from determining the tax base to reporting and maintaining supporting documentation



Proper payroll compliance reduces tax risk and supports accurate employment cost management.

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