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English version of the digest

EY in Ukraine

IT Tax & Law Digest



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Corporate law

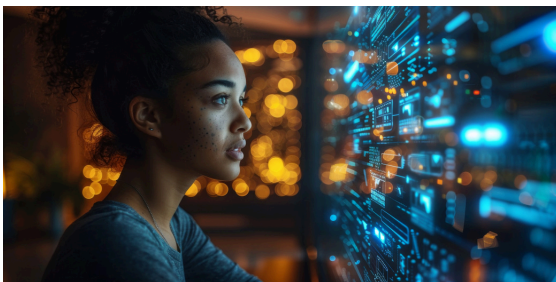
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Corporate law



BENEFICIARIES AND OWNERSHIP STRUCTURE INFORMATION: NOTIFICATION OF POSSIBLE INACCURACY

On 1 September 2024, the procedure for notifying the Ministry of Justice of Ukraine (as the holder of the Unified State Register of Legal Entities, Individual Entrepreneurs, and Public Associations, the "Unified State Register") of discrepancies between information on ultimate beneficial owners ("UBOs") and/or the ownership structure of a legal entity came into force. The procedure was approved by Decree of the Ministry of Justice dated 12 July 2023, No. 2542/5 (the "Procedure").

Primary financial monitoring entities ("PFMEs") should rely on the Procedure for notifying the Ministry of Justice of discrepancies between information on UBOs and/or the ownership structure of a legal entity established during the audit and the information specified in the Unified State Register (the "Notification").

■ The list of PFME is provided in Part 2 of Article 6 of the Law of Ukraine No. 361-IX dated 6 December 2019, and includes, among others:

- payment system operators;
- branches and representative offices of foreign business entities providing financial services in Ukraine;
- providers of services related to the circulation of virtual assets;
- other legal entities that are not financial institutions by their legal status but provide separate financial services;
- business entities providing tax consulting; attorneys;
- business entities providing legal services, etc.

■ After receiving the Notification from the PFME:

- 1 The Ministry of Justice forwards the information to the state registrar** (with the information about the PFME that sent the Notification is personalized).
- 2 Within three working days the state registrar shall make a note in the Unified State Register** about the possible inaccuracy of information on the UBOs and/or the ownership structure of the legal entity.
- 3 The state registrar shall also send** the legal entity in question a request to submit written explanations regarding the identified discrepancies.
- 4 Within ten working days of receiving an explanation from the legal entity, the state registrar must verify the provided information.** To do so, the registrar is authorized to request relevant information from individuals and legal entities, obtain copies of necessary documents, access the legal entity's premises, and inspect records and items at its location.

If the audit confirms that the data on the UBO and ownership structure are accurate, the state registrar shall, **within five working days of completing the audit**, remove the mark from the Unified State Register indicating potential unreliability of the information.

Beneficiaries and Ownership Structure Information: Notification of Possible Inaccuracy



If the legal entity fails to provide explanations within 30 working days of the request or if the UBO and/or ownership structure information is found to be inaccurate, the Ministry of Justice shall instruct the state registrar to remove the UBO information from the Unified State Register due to its potential unreliability. Additionally, the Ministry shall notify the legal entity and the PFME accordingly.

Adding a note to the Unified State Register indicating potential unreliability of information on the UBO or ownership structure, as well as confirming such unreliability and notifying the PFME, may adversely impact the legal entity's reputation. This, in turn, could hinder its ability to cooperate with financial institutions and counterparties.



One should also note that in accordance with the Law of Ukraine No. 361-IX dated 6 December 2019, legal entities are required to keep information on the UBO and ownership structure up to date and notify the state registrar of any changes within 30 business days of their occurrence. Furthermore, Article 35 of the Law of Ukraine No. 755-IV dated 15 May 2003, establishes liability for non-compliance with these requirements.

Failure to submit or untimely submission of information on the UBO and ownership structure to the state registrar may result in a fine ranging from one thousand to twenty thousand non-taxable minimum incomes of citizens (UAH 17,000 to UAH 340,000). When determining the fine amount, factors such as the nature of the violation, its prerequisites and causes, the number of violations, and the degree of culpability are taken into account.

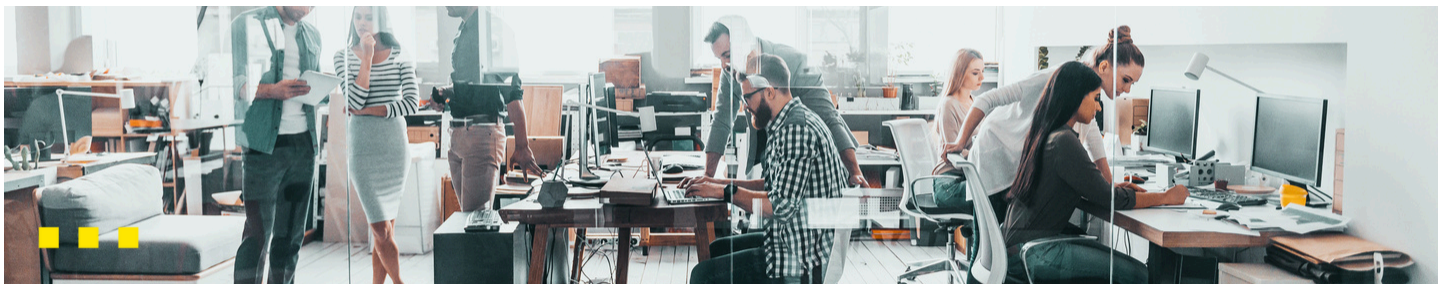
Being held accountable does not negate the obligation to submit accurate information about the legal entity's UBO, its absence, and its ownership structure to the Unified State Register.

Therefore, in the event of any changes to this information, we strongly suggest updating the data in the Unified State Register in a timely manner.

At the same time, according to the Law of Ukraine No. 2115-IX dated 3 March 2022, **during the period of martial law and for three months after its conclusion, administrative and/or criminal liability for failing to update UBO information on time does not apply.**

This means that fines for late updates to this information will not be imposed during the specified period.





CURRENCY REGULATION CHANGES

The National Bank of Ukraine (the "**NBU**") through its Resolutions No. 108 dated 6 September 2024, No. 136 dated November 19, 2024, and No. 155 dated 20 December 2024, amended Resolution No. 18 dated 24 February 2022.

In particular, **Resolution No. 108 and Resolution No. 155 expanded the possibilities of transferring foreign currency abroad** for the purpose of paying dividends on corporate rights/shares by a resident legal entity in favor of non-residents in an amount not exceeding:

- ▶ **Resolution No. 108:** Up to the amount of the non-resident's obligation to pay interest on Eurobonds.
- ▶ **Resolution No. 155:** Up to the non-resident's obligation to pay interest on Eurobonds, minus interest paid on a loan.



The changes apply to:

- ▶ **Resident legal entities that pay dividends to non-residents** (the "**Residents**")
- ▶ **Non-resident legal entities that:**
 - receive dividends from residents ("**Non-Resident 1**")
 - issue Eurobonds ("**Non-Resident 2**"), for which the Resident acts as a guarantor or surety
 - issue Eurobonds ("**Non-Resident 3**") and use the raised funds to provide a credit (loan) to the Resident.

Non-resident 1 and Non-resident 2 must be related entities, meaning they operate within the same business group; or they may be the same legal entity.

■ The latest changes allow Residents to transfer foreign currency abroad in the form of dividends in favor of Non-Resident 1 if, among other things, the following conditions are met:

▶ **The total amount of all foreign currency transfer transactions** for the purpose of paying dividends by the Resident to Non-Resident 1 **cannot exceed:**

- **the total amount of interest payments on Eurobonds** actually paid by Non-Resident 2 to Eurobond holders in the period from 24 February 2022 to 9 July 2024 (inclusive) (based on subclause 46-2, clause 14 of Resolution No. 18 dated 24 February 2022); and/or
- **the total amount that was actually paid to Eurobond holders** in the period from 24 February 2022 to 30 April 2024 (inclusive), deducting the amounts of foreign currency transfers for the purpose of paying interest payments on a loan in favor of Non-Resident 3 (based on subclause 46-3, clause 14 of Resolution No. 18).

▶ **The currency transaction is carried out at the expense of the Resident's own funds in foreign currency** (i.e., funds that were not purchased or received as a loan).

▶ **The Eurobonds must have been in circulation** as of 10 July 2024.

▶ **The Resident must not have violated payment deadlines** for export transactions within the last 12 months.

Currency Regulation Changes

- **The changes introduced by Resolution No. 136 address key aspects of currency regulation aimed at supporting economic stability. These include:**

1 Expanded Possibilities for Settlements on Import Transactions

Previously, settlements for import transactions—including payments of fines, penalties, and compensation for losses due to non-fulfillment of foreign economic agreements—were only allowed if the goods were delivered after February 23, 2021.

Resolution No. 136 expands the list of exceptions, allowing settlements even for shipments made before February 23, 2021, in specific cases. These exceptions apply to transfers made to fulfill obligations under import transactions in favor of:

- foreign export credit agencies;
- foreign states through an authorized person;
- foreign entities with shareholders that include foreign states or banks;
- other non-residents with the involvement of the aforementioned entities.

Additionally, the transfer amount must not exceed 10% of the overdue debt under such contracts (as of November 1, 2024) for a single month.

2 Transfer of Currencies Abroad Within International Technical Assistance Programs

Previously, cross-border currency transfers were only permitted for settlements within international technical assistance and cross-border cooperation programs funded by the European Union. Under the new rules, such transfers are now allowed regardless of the country or organization financing these programs.

This adjustment is expected to streamline settlements for international technical assistance and cross-border cooperation projects, while also encouraging more international donors to support Ukraine.

3 Tightened Currency Restrictions on Dividend Transfers Abroad

Previously, resident entities were permitted to transfer dividends abroad in foreign currency, subject to a monthly limit of 1 million euros, provided that:

- Dividends were accrued based on operations from January 1, 2024, with no possibility of paying dividends from retained earnings of previous periods or reserve capital.
- Dividends were paid directly by the issuer of corporate rights/shares to the accounts of foreign investors/non-residents abroad and/or through Ukraine's depository system.

Resolution No. 136 introduces additional conditions for such transactions:

- The issuer of corporate rights/shares must have been registered for at least 12 months before the date of the transaction.
- A minimum of six months must have passed since the foreign investor or non-resident acquired ownership of the corporate rights or shares before the transaction date.

According to the NBU, inspections have revealed attempts by businesses to circumvent the monthly repatriation limit, prompting the introduction of stricter criteria to regulate these transactions.

4 Prohibition on the Purchase of Securities Denominated in Foreign Currency with Credit Funds

New restrictions have been introduced on the purchase of securities in foreign currency. Banks are now prohibited from transferring client funds obtained through foreign currency loans for the following purposes:

- purchasing securities denominated in foreign currency;
- transferring funds to the accounts of central counterparties (intermediaries in financial transactions).

Additionally, granting loans in foreign currency for the purpose of purchasing securities in foreign currency is also prohibited. These restrictions are aimed at preventing the circumvention of currency regulations and ensuring compliance with financial controls.

5 Changes to Requirements for Conducting Foreign Currency Purchase Transactions

Legal entities conducting foreign currency purchase transactions are required to provide banks with information on the total amount of foreign currency funds held in their accounts. Previously, when determining a legal entity's balance of foreign currency funds, only funds of the international technical assistance projects that had undergone state registration were excluded.

Resolution No. 136 provides that regardless of whether international technical assistance projects have undergone state registration or not, funds received into a legal entity's account and used in accordance with the project's designated purpose will not be considered when determining eligibility for foreign currency purchases.

Finance



VAT PAYMENT TO THE EU COUNTRIES BUDGETS BY E-COMMERCE ENTITIES

Resolution No. 108, issued by the National Bank of Ukraine (the "NBU") on 6 September 2024, introduces amendments to Resolution No. 18 dated 24 February 2022.

In particular, resident e-commerce entities registered as VAT payers in EU countries are now permitted to transfer foreign currency funds abroad for VAT payments in compliance with EU regulations.

An e-commerce entity can be interpreted as a business entity, whether a legal entity or individual entrepreneur, that sells goods, performs work, or provides services through information and communication systems.

Examples include Ukrainian sellers on foreign e-commerce platforms such as **Amazon**, **Allegro**, and **eBay**, as well as major companies like **Rozetka**, which sells goods in the European market. Additionally, IT companies providing services through platforms like **Upwork** and **Fiverr** fall under this category.

A key aspect of these currency regulation changes is that resident e-commerce entities must be registered in the EU as VAT payers. When exporting goods from Ukraine to the EU, sellers are required to pay VAT to the budget of the importing country.

Previously, currency restrictions imposed during martial law prohibited cross-border currency transfers from Ukraine, effectively preventing Ukrainian exporters from making mandatory VAT payments to EU member states. As a result, many businesses faced obstacles in expanding their operations abroad.

NBU Resolution No. 108 aims to remove these barriers, facilitating the entry of Ukrainian businesses into European markets and fostering new export opportunities. By enabling VAT payments, the regulation supports increased sales of Ukrainian goods and services in the EU, ultimately stimulating foreign currency inflows into Ukraine's economy.



REGULATION ON INSPECTIONS OF NON-BANKING FINANCIAL SERVICES MARKET ENTITIES

On 7 September 2024, the Regulation of the National Bank of Ukraine (the "NBU"), on Regulation on Recognizing a Service or Operation as a Financial/Limited Payment Service and Detecting Unlicensed Activities in the Non-Banking Financial Services Market and the Payment Market, approved by Resolution No. 105 dated 4 September 2024 (the "**Regulation**"), entered into force.

■ **The new Regulation applies to the entities which are subject of the NBU's supervision, namely:**



Providers of financial services

(except banks), which, in accordance with the Law of Ukraine "On Financial Services and Financial Companies", are engaged in insurance, lending of funds and bank metals, attracting funds and bank metals subject to return, financial leasing, factoring, providing guarantees, trading in foreign currency assets, and other services.



Non-bank payment service providers

(except for non-financial payment service providers) that offer services such as cash deposit/withdrawal; account opening, servicing and closing (except for e-wallets) and executing payment transactions with the user's own funds from/to the user's account, etc.



Providers of limited payment services

in accordance with the Law of Ukraine "On Payment Services," such as providing cash collection services, crediting collected funds to their own account, and their subsequent transfer to business entities, etc.

The Regulation also applies to entities who are not subject to the NBU's supervision but may carry out unlicensed activities.

Information about possible violations may come from third parties, open sources, or during the NBU's work. The data received is analyzed, after which the NBU has the authority to initiate an in-depth analysis, desk inspection, or a decision to classify the activity as providing services without a license and/or registration.

■ **Based on the results of the inspection, the NBU has the right to decide on:**

- Whether services or transactions are financial services as defined in Part 1 of Article 4 of the Law of Ukraine "On Financial Services and Financial Companies".
- Whether payment transactions are restricted payment services as defined in Part 1 of Article 8 of the Law of Ukraine "On Payment Services" and the right to decide on

the prohibition of providing such services (regarding an unlimited or specific group of persons).

- Prohibiting the supervised entity or a person carrying out unlicensed activities from providing a service defined as financial or restricted payment services.
- Classifying entities who have not authorized the activity of providing payment services (restricted payment services) as those providing services without a license and/or registration.

An entity for which the NBU has made a decision to terminate unlicensed activity, is obliged to cease the provision of services classified as financial or restricted payment services from the date of receipt of the relevant notification. The activity may be resumed only after it is brought into compliance with legal requirements.

■ **In case of failure to comply with the NBU's decision, such an entity may be held liable.** The mechanisms for holding liable, including the application of enforcement measures, are determined by:

► **The Regulation on the Application of Corrective Measures, Early Intervention Measures, and Measures of Influence in the Field of State Regulation of Activities in the Non-Banking Financial Services Markets by the NBU, approved by Resolution No. 183 dated 25 December 2023 ("Resolution No. 183").**

► **The Regulation on the Application of Measures of Influence for Violation of the Requirements of the Legislation Regulating Activities in the Payment Market, approved by the NBU's Resolution No. 206 of 22 September 2022.**

■ **Among other things, Resolution No. 183 determines the procedure for the NBU to apply:**

- enforcement measures (such as a written warning to eliminate violations, imposing restrictions on certain types of transactions);
- early intervention measures (for example, temporarily increasing the frequency of reporting, suspending dividend payments or capital distribution);
- response measures (including setting higher economic standards, requiring measures aimed at improving the company's financial condition);
- corrective measures (recommendations to take (or refrain from) actions in order to mitigate identified risks in the company's activities).

In addition, in accordance with Article 164 of the Code of Ukraine on Administrative Offenses, conducting economic activity (subject to licensing in accordance with the law) without obtaining a license or during the period of suspension of the license, entails **a fine of one thousand to two thousand non-taxable minimum incomes of citizens (from UAH 17,000 to UAH 34,000) with possible confiscation**, among other things, of products and money received as a result of conducting such activity.

Defense / Miltech



GOVERNMENT APPROVES NON-DISCLOSURE OF DEFENSE PROCUREMENT AND SUPPLIERS INFORMATION

Starting from 5 July 2024, the Resolution No. 782 (the "Resolution") of the Cabinet of Ministers of Ukraine (the "CMU") introduced amendments to the procedures for public procurement of goods, works, and services for contracting authorities specified in the Law of Ukraine "On Public Procurement" No. 922-VIII dated December 25, 2015, which apply for the duration of martial law in Ukraine and for 90 days after its termination or cancellation.

The Resolution expands the grounds for procurement without using the electronic procurement system. From now on, urgent procurement for the Armed Forces of Ukraine, military formations, higher military educational institutions, law enforcement agencies, the State Emergency Service, as well as procurement by "Ukrzaliznytsia" aimed at repairs and restoration of equipment, can be conducted without open tenders or an electronic catalog. Such contracts will be published in the electronic procurement system 90 days after the termination or cancellation of the martial law.

Additionally, **the changes also concern the information published in the electronic procurement system.** In particular, according to paragraph 4 of the Resolution, if disclosing information about the location of the contracting authority, supplier, or delivery location poses a security risk, such details in the procurement contract completion report may only indicate the name of the administrative-territorial unit (region, district, city, district in the city, settlement, village).

The changes also clarify the procedure for forming and placing lists of documents submitted by the participant in the procurement procedure. According to paragraph 28 of the Resolution, the tender documentation must contain a list of documents and/or information submitted by the procurement participant as part of the tender proposal, and a list of documents and/or information submitted by the winner of the procurement procedure. These lists are formatted as separate appendices to the tender documentation. Previously, such requirements could be in any part of the tender documentation, making it difficult to locate the relevant requirements. Furthermore, these changes help prevent abuse regarding documentation requirements by procurers, promote fair competition among participants in the procurement

procedure, and improve the efficiency of procurement processes, as stated in the CMU's announcement.

Additionally, procurers have been granted the right to procure goods, works, or services without restrictions regarding the degree of localization of production established by the Law of Ukraine "On Public Procurement" in 2022. **Restrictions do not apply to those goods whose country of origin is:**

- a party to the Agreement on Government Procurement, concluded on April 15, 1994, in Marrakech;
- has entered into other international agreements with Ukraine that include provisions on government procurement, or
- is a participant in the Government Procurement Agreement to which Ukraine has acceded.

According to paragraph 29-1 of Article 1 of the Law "On Public Procurement", the degree of production localization is an indicator that demonstrates the share of the local component (raw materials, materials, parts, works, services, and other domestic production elements) in the cost of the purchased goods. In other words, it determines what portion of the purchased goods is produced in Ukraine. The level of production localization is confirmed in the Procedure approved by the CMU's Resolution No. 861 dated 2 August 2022.



According to paragraph 6-1 of Section X "Final and Transitional Provisions" of the Law of Ukraine "On Public Procurement", temporary localization requirements have been in effect since 2022 for a period of 10 years. These requirements apply to the procurement of certain goods (including automobiles, technical and mechanical equipment, aircraft, etc.) and stipulate that contracting authorities may procure these goods only if the localization level meets or exceeds the threshold set for the respective year.

Thus, in 2024, the required localization production indicator is 20%, in 2025 - 25%, in 2026 - 30%, in 2027 - 35%, and from 2028 until the expiration of this provision - 40%.



CHANGES IN EMPLOYEES' RESERVATION PROCEDURE AND OBTAINING CRITICALLY IMPORTANT ENTERPRISES STATUS

On 22 November 2024, the Cabinet of Ministers of Ukraine adopted Resolution No. 1332 titled **Certain Issues of Reservation of Persons Liable for Military Service for the Mobilization and Wartime Period** (the "**Resolution**"), which amends the procedure of employees' reservation and the criteria for enterprises to acquire critical importance status. Most of the changes stipulated by the Resolution came into force on 1 December 2024.



Determining the Status of a Critical Enterprise

As before, only companies that are critical to the needs of the Armed Forces and other military formations, or to the functioning of the economy and the livelihoods of the population, will be able to reserve employees from potential mobilization. With the adoption of the Resolution, the conditions for obtaining this status have also changed.

To be granted a critical status in infrastructure sphere, an enterprise must meet three or more criteria set out in Clause 2 of the Criteria and Procedure approved by Resolution No. 76 of the Cabinet of Ministers of Ukraine dated 27 January 2023 (the "**Criteria and Procedure**"). However, from now on, the following **two criteria out of the three are mandatory for private sector enterprises and have been significantly adjusted**:

- Companies must have no arrears in the payment of unified social contributions and taxes to state and local budgets.
- The average salary of employees for the last quarter must be at least 2.5 times the minimum wage, amounting to no less than UAH 20,000 (UAH 8,000 × 2.5).

Businesses intending to reserve employees must confirm their status of a critical enterprise within three months from the date of publication of the Resolution, i.e., by the end of February 2025.

Within this three-month period, ministries, regional administrations, and other authorized bodies must review the previously granted critical importance status decisions for enterprises. By 10 December 2024 (within ten days of the Resolution's entry into force), the authorized government bodies must approve updated sectoral and territorial criteria for determining critically important enterprises and coordinate them with the Ministry of Economy and the Ministry of Defense.

Currently, the criteria have already been updated by, among others, the Ministry of Digital Transformation of Ukraine, the Ministry of Economy of Ukraine, the Ministry of Finance of Ukraine, the Ministry of Energy of Ukraine, and others.



Updated Procedure for Employees' Reservation

Starting from 1 December 2024, employees' reservations will be made exclusively through the Diia portal. All reservations made before 1 December 2024, through the Diia portal or by the Ministry of Economy of Ukraine will remain valid for the period for which they were issued, but no later than 28 February 2025.

■ The updated booking algorithm includes several key steps:

- 1 The director of the enterprise certifies the lists of employees** for reservation with their electronic signature and submits them for consideration **through the Diia portal**.
- 2 The system automatically verifies whether the individual is officially employed**, meets the appropriate salary criteria, and has their information entered in the "**Oberih**" state register.
- 3 Within 72 hours***, the company's director receives a notification of the application review result.
- 4 In the case of a positive decision, the employee is automatically transferred to special military registration** and is considered reserved for the period of the reservation. All necessary information is displayed in the **Rezerv+ application**.

* According to the explanation from the Ministry of Digital Transformation of Ukraine, from 22 January to 1 March 2025, the processing time for applications will be one day. This will allow company managers to obtain a new reservation for an employee on the same day that the current reservation is canceled.



Changes in Employees' Reservation Procedure and Obtaining Critically Important Enterprises Status

■ To carry out the online reservation procedure, consider:

- 1 whether the company is eligible to reserve its employees; and
- 2 whether the employee qualifies for reservation

It is also crucial to ensure that employee's data fully matches the records in "Oberih". Since the reservation process is automated, any data discrepancy will result in a refusal to grant the reservation.

The deferral period for employees of critically important enterprises will be up to 12 months, and **the maximum number of reserved employees cannot exceed 50% of the total number of military liable persons at the enterprise**, as determined by the procedure's requirements.



Additionally, **starting from 2 October 2024, new requirements for forming the list of persons liable for military service have been introduced**. Specifically, such lists may only include employees who are registered for personal military service at the enterprise itself.

The content of the list has also been updated to include:

- full name (last name, first name, patronymic);
- taxpayer identification number;
- the period of deferral;
- details of the military registration document (in paper or electronic form);
- military specialty;
- date of military registration data verification.

The changes introduced by the Resolution aim to enhance the transparency, efficiency, and fairness of the employee reservation process. The transition to digitalization through the Diia portal automates checks, minimizes the risk of abuse, and simplifies procedures for businesses.



THE MINISTRY OF DIGITAL TRANSFORMATION: UPDATED CRITERIA FOR EMPLOYEES RESERVATION OF SUBORDINATE ENTERPRISES

On 5 December 2024, the Ministry of Digital Transformation of Ukraine issued Decree No. 182, amending the criteria for identifying enterprises, institutions, and organizations essential to the national economy in the field of digitalization.

These amendments took effect on 20 December 2024, replacing previous Decree No. 30, which had been in place since 23 March 2023.

In the same manner as before, **the Ministry defined 14 criteria** for identifying enterprises that are critical status to the digitalization of the national economy (the "Criteria").

To obtain critical enterprise status, a company must meet at least one of these Criteria.

■ **The new edition of the Criteria**, approved by Decree No. 182, largely retains the main provisions of the previous Decree No. 30, except for the following updates:

► **The list of companies** involved in information counteraction to the aggressor through information (automated) and

► According to the updated Criteria, **eligible companies include those implementing measures for information counteraction using information** (automated) and information and communication systems. This encompasses activities such as computer programming, consulting on informatization, managing computer equipment, data processing, hosting information on web nodes, and related activities. Other activities in the field of information technology and computer systems are also included, provided they are confirmed by the enterprise's documentation on the implementation of the relevant measures.

► **The requirements for confirming an enterprise's engagement in the IT industry have also been clarified.**

From now on, such enterprises must confirm the average salary with the **following documents**:

- a certificate (in any form) provided by the enterprise and also
- the tax calculation for the amounts of income accrued (paid) on behalf of taxpayers, and the amounts of tax withheld from them (Form No. 1ДФ), with stamps from the controlling authority that received the financial statements, indicating the date of receipt.

The Ministry of Digital Transformation: Updated Criteria for Employees Reservation of Subordinate Enterprises

► It has been determined that **companies providing cloud services and/or data storage** and processing services through data centers **must provide:**

- a contract for specified services and
- a certificate regarding the placement of public electronic registers and/or databases, national electronic information resources, information (automated) systems, and information and communication systems of central executive authorities, the maintenance (operation) of which is established by regulatory legal acts.



The changes to the list of Criteria, introduced on 8 August 2024, have been effectively incorporated into the new (presently in force) edition of the Criteria, approved by Decree No. 182. In particular, the following new Criteria have been added:

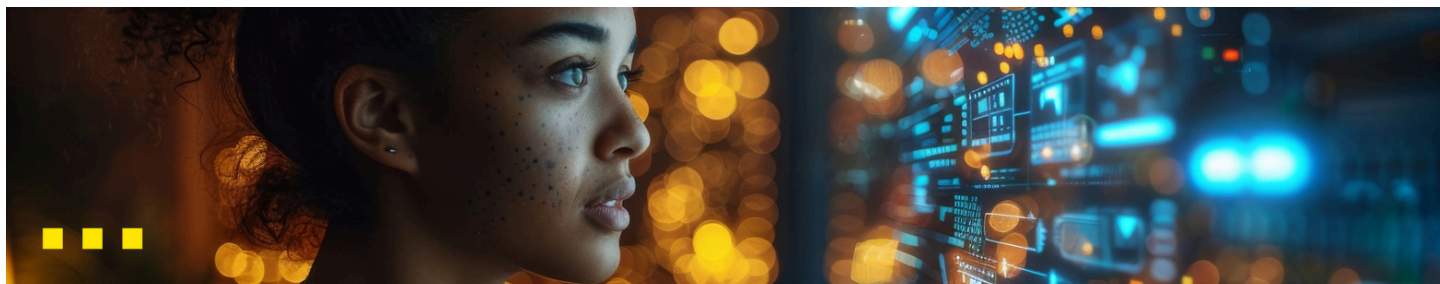
- Enterprises **providing electronic communication services for a data processing center** or Internet traffic exchange services.
- Enterprises that **administer the public top-level domains ".ua" or ".ukr"**.
- Enterprises that are **providers of electronic communication services**.
- Enterprises that are **providers of electronic communication networks**.
- Enterprises recognized as **critical infrastructure operators in the "electronic communications"** subsector of the "digital technologies" sector, as confirmed by the Critical Infrastructure Register.
- Enterprises **conducting radio frequency monitoring of the radio frequency spectrum**, in accordance with the Law of Ukraine "On Electronic Communications", confirmed by a certificate issued by the regulator.
- Enterprises **performing the administration of the centralized database of ported numbers**, confirmed by an official decision of the regulator.
- Enterprises **engaged in the development of innovations and technologies for defense needs**, documented by the execution of a grant agreement.

Recent changes to the Criteria for determining enterprises critical to the national economy in the field of digitalization are intended to facilitate the simplification and transparency of the status confirmation process. These updates also introduce greater flexibility, ensuring that the criteria reflect the unique characteristics of modern technological businesses, particularly in the context of martial law.



AI

Artificial intelligence



FIRST TIME IN UKRAINE: REGISTERED COPYRIGHT FOR WORKS WHICH INCLUDE IMAGES CREATED BY AI

The Ukrainian National Office of Intellectual Property and Innovations (the "IP Office") has issued the first copyright registration certificates for works that include AI-generated images.

The Law of Ukraine "On Copyright and Related Rights" (the "**Law**") establishes that **only a natural person can be recognized as an author**, while also introducing special rights (sui generis) for non-original objects generated by computer programs. According to Article 1 of the Law, an author is a natural person who has created a work. **At the same time, Article 33 introduces the concept of special rights (sui generis) for non-original objects generated by a computer program.**

Under Part 1 of Article 33, a non-original object generated by a computer program is defined as an object that differs from existing similar objects and is created as a result of a computer program's operation, without the direct participation of a natural person in its creation. **At the same time, works created by natural persons using computer technologies are not considered non-original objects generated by a computer program.**

Under Part 2 of Article 33 of the Law of Ukraine "On Copyright and Related Rights", individuals who hold property rights, licensing powers for a generative computer program (AI), or are the authors of such a program (their heirs) are recognized as subjects of special rights (sui generis) for non-original objects generated by that program.

Unlike copyright, special rights (sui generis) do not grant personal non-property intellectual property rights but instead provide property rights similar to those granted to authors. Additionally, the term of validity for special rights differs from copyright, lasting 25 years from January 1 of the year following the creation of the non-original object. Copyright protection does not apply to objects entirely generated by AI without human creative participation. However, **if a work is created through human creative or intellectual effort and includes elements generated by AI, copyright may be registered for the portion created by a human.**

Furthermore, if an AI-generated object (produced by a computer program) is created using a copyrighted or related rights object, the holder of property rights to the computer program is entitled to sui generis rights over the resulting object. However, this applies only if the rights holder complies with the copyright or related rights of the original work's author.

It is also important to note that, at present, legal protection in Ukraine does not extend to verbal prompts used for generating AI-created objects. Additionally, the IP Office has not issued an official position on their legal status. This issue remains unresolved and requires further legislative or practical regulation.

“

Generative artificial intelligence is increasingly serving as an assistant in creating illustrations for various types of works. However, copyright protection applies only to the parts created by a human

- STATE REPRESENTATIVES OF THE IP OFFICE OF UKRAINE

In light of this regulation, the IP Office in Ukraine has, **for the first time, registered copyright and issued certificates for a composite work—a collection of images titled "Easter Postcards"**—which includes images generated by a computer program. Additionally, copyright certificates have been granted for Anna Khorolskaya's children's book "The Enchanted Adventure of Rufus" and Andriy Sitnikov's collection "Verses of an Unfinished War", both of which feature AI-generated illustrations.



AI REGULATION IN THE EU: WHAT UKRAINIAN BUSINESSES NEED TO PREPARE FOR?

On 1 August 2024, Regulation 2024/1689 (the "AI Act") came into force in the European Union (EU) establishing the basic rules and standards for the use of artificial intelligence (AI) in the EU and will apply to all companies operating in the EU market.

The provisions of the AI Act are aimed at ensuring safety, transparency, and accountability in the development and application of AI technologies.

■ **A key aspect of the AI Act is its risk-based classification system, which categorizes AI systems into four levels:**

● **Unacceptable risk.**

Covers systems that are prohibited as they pose a serious threat to human safety, rights, or freedoms (manipulative systems, social scoring systems, etc.).

● **High risk.**

Applies to systems that require strict regulation and compliance with certain requirements, such as high data quality, transparency, human oversight, and cybersecurity (including systems used in government activities, healthcare, education, etc., and have access to personal, confidential data of individuals, state secrets, etc.).

● **Limited risk.**

Applies to systems that must meet certain transparency requirements but are not subject to as strict regulations as high-risk systems (chatbots, deepfake technologies).

● **Minimal risk.**

Applies to systems that do not pose a significant risk to human rights or safety and are not subject to special regulations (video games, AI spam filters).

Risk assessment and compliance monitoring under the AI Act will be conducted by national authorities in EU member states, the European AI Board, the AI Office, and AI developers and providers themselves. However, the AI Act currently lacks provisions allowing third-party auditors access to AI models, making this an ongoing topic of discussion in AI regulation.

The AI Act also introduces specific requirements for general-purpose AI models (**GPAL**), as they may be classified as high-risk AI systems or integrated into them.

By 2025, the European Commission, incorporating input from businesses, scientists, and the public, plans to develop Codes of Practice for GPAL. **The primary objective of these Codes is to provide businesses with practical tools and guidelines to ensure compliance with the AI Act's transparency and safety requirements for GPAL.**

Additionally, the AI Act will be implemented gradually, with requirements introduced in phases and monitored for compliance. **The timeline includes:**

- ▶ **Prohibition on the use of AI systems with unacceptable risk** (from 2 February 2025).
- ▶ **Requirements for GPAL providers** (from 2 August 2025).
- ▶ **Appointment of competent authorities for oversight in EU member states** (by 2 August 2025).
- ▶ **Obligations for high-risk AI systems** (from 2 August 2026).
- ▶ **Implementation of additional requirements for certain high-risk AI systems** (from 2 February 2027).

It is worth noting that the AI Act does not impose restrictions on the development of military and defense technologies. Given the potential strategic importance of AI in enhancing national defense capabilities, these areas remain outside the scope of current regulatory limitations.

■ **Since competent state authorities in the AI field are expected to begin operations on 2 August 2025, the following penalties will apply from that date:**

- **Violations of AI usage prohibitions** - Fines of up to 7% of total annual turnover or up to EUR 35 million.
- **Non-compliance with other AI Act requirements** - Fines of up to 3% of total annual turnover or up to EUR 15 million.
- **Providing false information** - Fines of up to 1.5% of total annual turnover or up to EUR 7.5 million.

Notably, the AI Act applies not only to companies and organizations within the EU but also to those outside the EU if they offer AI-based services or products in the EU market.

AI Regulation in the EU: What Ukrainian Businesses Need to Prepare For?

To facilitate the integration of Ukrainian businesses into this regulatory framework, the Ministry of Digital Transformation has developed a Roadmap for AI Regulation.

This roadmap follows a bottom-up approach, ensuring the gradual implementation of regulations. This method aims to prevent excessive state control over the AI sector, allowing businesses to adapt and align with European legislation effectively.

■ **The Roadmap outlines two stages for AI regulation in Ukraine:** non-legislative and legislative.



The non-legislative stage (2023 - 2025) includes:

- ▶ signing voluntary codes of conduct and fostering a culture of self-regulation
- ▶ preparing general and sectoral recommendations
- ▶ participating in the pilot and general HUDERIA project and adapting the methodology
- ▶ preparing and launching the creation of a regulatory Sandbox
- ▶ using and adapting AI Labeling and future public and private initiatives
- ▶ preparing, discussing, and publishing the White Paper.

This stage actively involves businesses to encourage self-regulation while ensuring that AI governance aligns with the interests of businesses, citizens, and the state. The primary focus is on providing businesses with the necessary tools to align their activities with EU AI regulations.



The legislative stage (2025 - 2027)

is directly related to the creation of national AI regulation and the full or partial implementation and adaptation of the AI Act.

Currently, Ukraine is at the non-legislative stage of regulation, during which the White Paper has already been published, detailing the direction and specific steps towards AI regulation in Ukraine. It emphasizes the creation of self-regulation tools, the development of a special law, maintaining a balance between innovation and human rights protection, and the establishment of a regulatory body in Ukraine.

Since the AI Act applies to all companies operating in the EU market, and its integration into Ukrainian legislation forms the foundation of AI regulation in Ukraine, Ukrainian businesses should begin preparing now for alignment with the EU AI regulatory framework.



IP

Intellectual property



UPDATED RULES FOR THE REGISTRATION OF INVENTIONS AND UTILITY MODELS

On 25 October 2024, the new Rules for the Preparation, Submission, and Examination of Patent Applications for Inventions and Utility Models came into effect. These rules were approved by Decree No. 23301 of the Ministry of Economy of Ukraine on 9 September 2024 (the "Rules"). The updates have been introduced to make the process faster, more transparent, and better aligned with the needs of inventors.

The definitions of inventions and utility models in the Rules remain identical to those outlined in the Law of Ukraine "On Protection of Rights to Inventions and Utility Models" (the "Law"), **specifically:**

► **An invention (utility model) is the result of intellectual and creative activity in any field of technology.**

The conditions for patentability defined by the Law remain unchanged. In particular, an invention must meet the criteria of novelty, inventive step, and industrial applicability, while a utility model must meet the criteria of novelty and industrial applicability.

The new Rules provide a more detailed framework for the documentation required when applying for the registration of an invention or utility model. They clarify the general requirements for such documentation, including aspects such as paper format, font, page numbering, and consistency of terminology, as well as the specific requirements for different types of documents, their content, and their intended purpose.

The Rules also define the specific content requirements for applications related to devices, substances, biological materials, and processes (methods). Each application must include mandatory information specific to the nature of the invention or utility model. These updates are designed to enhance the efficiency of the application review and examination process.

The Ministry of Economy of Ukraine highlights that the new Rules align with EU standards and incorporate provisions from the *Acquis communautaire*, further supporting Ukraine's integration into the European innovation community.



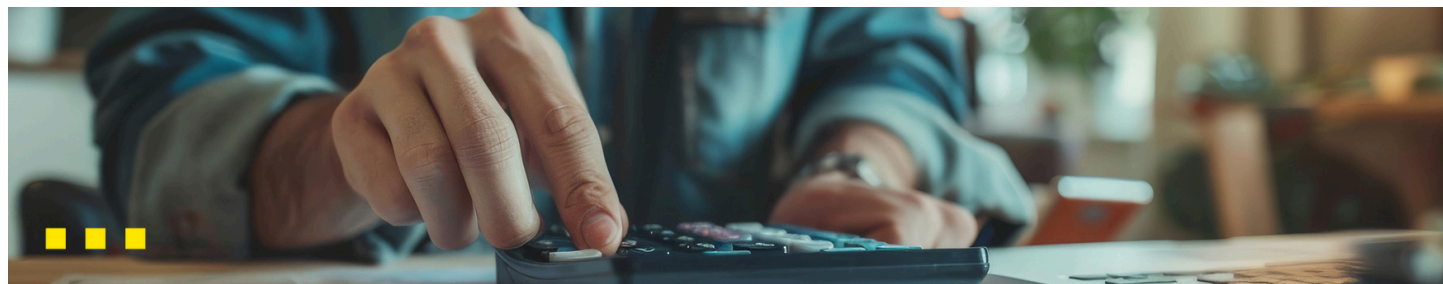
Another important amendment introduced by the new Rules is the verification of sanctions status during the examination of an application, in accordance with the Law of Ukraine "On Sanctions."

If an applicant is found to be subject to sanctions, UKRNOIVI processes the application while considering these circumstances. In cases where reasonable doubts arise regarding the applicant's identification data, their potential connection to a sanctioned individual, or their status as an ultimate beneficial owner of a legal entity, UKRNOIVI may request additional materials from the applicant.

During the examination process, it is checked whether the applicant (or one of the applicants) or the author (or one of the authors) is a person associated with the aggressor state, as defined in Resolution of the Cabinet of Ministers of Ukraine On Ensuring the Protection of National Interests in Future Claims of the State of Ukraine in Connection with the Military Aggression of the Russian Federation No. 187 dated 3 March 2022. If at least one applicant and/or author is classified as a person associated with the aggressor state, UKRNOIVI will issue a decision to refuse state registration of the invention or utility model.

Therefore, the new Rules introduce adjustments to the application preparation process, documentation requirements, and the examination procedure for the registration of inventions and utility models. Developed in accordance with international conventions and agreements, the Rules align with the Standards of the International Organization for Standardization (**ISO**) and the World Intellectual Property Organization (**WIPO**). As a result, they provide a more familiar framework for foreign businesses, facilitating compliance and integration into global intellectual property practices.

Tax



CHANGES IN PERSONAL INCOME TAXATION

The Law of Ukraine "On amendments to the Tax Code of Ukraine and other laws of Ukraine regarding ensuring the balance of budget revenues during the period of martial law" No. 4015-IX dated 10 October 2024 (the "**Law No. 4015**") came into effect on 1 December 2024 (with certain exceptions).

The new tax rules introduced by the Law No. 4015 have already been adjusted and are in effect with the changes and additions provided by the Law of Ukraine "On amendments to the Tax Code of Ukraine and other laws of Ukraine regarding the stimulation of the development of the digital economy in Ukraine" No. 4113-IX dated 4 December 2024 (the "**Law No. 4113**"), which came into force on 1 January 2025. Below we provide comments on the main changes provided by the Law No. 4015 and the Law No. 4113.



Increase in the military levy rate from 1.5% to 5%

The Law No. 4015 increases the military levy rate applied to most types of personal income, such as salaries, remuneration under civil law contracts, interest on deposits, dividends, etc., from 1.5% to 5%. This increase is time-limited: Law No. 4015 establishes that starting from 1 January of the year following the year in which martial law is abolished or cancelled, the military levy rate will again be 1.5%.

The Law No. 4015 also provides exceptions for special categories of individual taxpayers (military personnel and employees of the Armed Forces of Ukraine, Security Service of Ukraine, and others) - their incomes continue to be subject to the military levy at the rate of 1.5%, not 5%.

At the same time, the adopted version of the Law No. 4015 contained certain inconsistencies and allowed for multiple interpretations of its provisions, in particular, regarding the calculation of the military levy amounts from income accrued before and after 1 December 2024. Moreover, the Law No. 4015 established obligation to pay the military levy for private entrepreneurs starting from 1 October 2024, when the Law No. 4015 had not yet been adopted and had not come into force.

The Law No. 4113 made certain corrections and clarifications to the relevant rules established by the Law No. 4015. According to the changes introduced by the Law No. 4113, an individual's income, which is included in the total annual taxable income for the 2024 reporting (tax) year and is taxed via filing an annual income tax return for 2024, including foreign income, should still be subject to military levy rate of 1.5%. Consequently, the 1.5% military levy rate applies, in particular, to foreign income received by taxpayers in December 2024.

At the same time, taxable income from property transactions, as well as taxable income in the form of the value of inherited or donated property received after 1 December 2024, shall be subject to military levy at a rate of 5%, regardless of whether such income is included into the annual income tax return for 2024.



Payment of the military levy by private entrepreneurs - single taxpayers

As a reminder - previously private entrepreneurs - single taxpayers were not payers of the military levy. At the same time, the Law No. 4015 establishes such an obligation for this category of taxpayers: for single taxpayers of the first, second, and fourth groups of simplified taxation system, military levy is paid at the rate of 10% of the statutory established minimum monthly wage in effect of 1 January of the reporting year (in 2025 - UAH 8,000); for single taxpayers of the third group of simplified taxation system - at the rate of 1% of the income subject to single tax.

Considering the changes provided by the Law No. 4113, such an obligation is established from 1 January 2025 and is in effect till 31 December of the year in which martial law is abolished or cancelled. Single taxpayers of the first, second, and fourth groups of simplified taxation system are required to pay the military levy by making advance payments no later than the 20th (inclusive) of each month. Payment of the military levy by single taxpayers on the third group of simplified taxation system shall be done within 10 calendar days after the deadline for submission of the quarterly tax return.

Changes in personal income taxation



Deadlines for submitting payroll tax reports

The Law No. 4015 provides for a change in the frequency of submission of payroll tax reports by the tax agents (employers, legal entities that pay other (non-employment) types of income to individuals) from quarterly to monthly. The monthly tax period is also applicable for notaries who are required to submit tax reports upon notarization of sale (exchange) contracts concluded between individuals.



Taxation of assistance received by individuals affected by the armed aggression of the Russian Federation against Ukraine

The Law No. 4015 provides for an exemption from taxation and reporting of aid received by individuals affected by the armed aggression of the Russian Federation against Ukraine and who have exercised the right of temporary protection. The exemption applies to income received before 31 December of the year in which martial law is terminated or cancelled (before the changes such rules applied to 2022 and 2023 reporting years).



Clarification of the period for applying the reduced personal income tax (PIT) rate to the income of specialists of Diia City residents

According to the changes made to the Tax Code by the Law No. 4113, the PIT rate of 5% applies starting from the calendar month following the calendar month of acquiring Diia City residency.

Prior to the Law's enactment, a similar approach was set out in the clarification of the State Tax Service of Ukraine, with the Law No. 4113 effectively confirming its lawfulness.

As a result, the income of Diia City residents' specialists accrued (paid) in the month of acquiring the Diia City residency is taxed at the rate of 18%.



PIT rules for specialists of new Diia City residents (so-called "start-ups")

The Law No. 4113 amends the Tax Code and establishes that a reduced PIT rate of 5% may be applied to the income of specialists until 31 December of the calendar year following the calendar year of acquiring Diia City residency, even if a legal entity does not comply with the requirement for the average personnel headcount (9 individuals) during this period. This provision applies exclusively to Diia City residents which joined Diia City regime pursuant to part 3 of article 5 of the Diia City Law (on a "start-up" basis) and meet the requirements set out in the Diia City Law.

If a Diia City resident does not meet the specified requirements, particularly regarding the average personnel headcount, such resident, as a tax agent, has an obligation to calculate and pay PIT on the income of specialists at the general rate of 18% for the last three months of the year following the calendar year when the Diia City residency was acquired, taking into account taxes already paid on such income (i.e., requiring the payment of the difference between PIT at the 18% rate and the PIT already paid at the 5% rate).

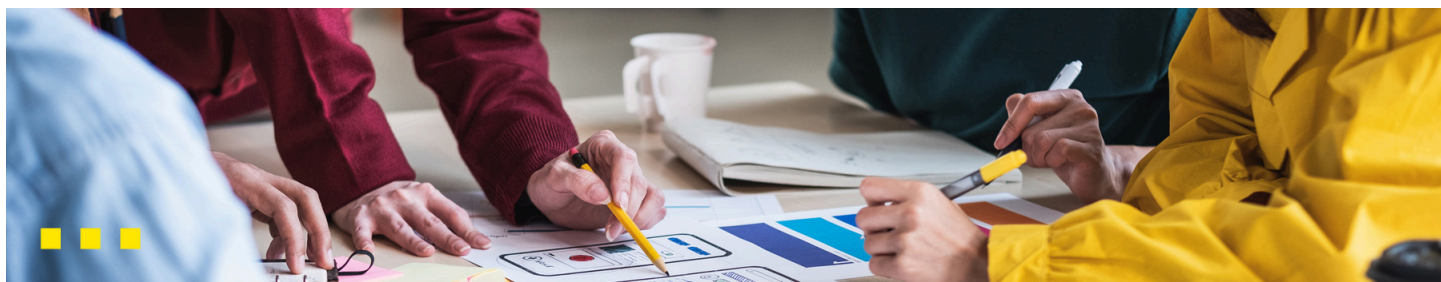
This requirement to pay the additional tax applies exclusively to Diia City residents, which obtained residency status under part 3 of article 5 of the Diia City Law, starting from 1 February 2025.



Clarification of the exemption from fines for violation of Controlled Foreign Companies (CFC) rules during the martial law

The Law No. 4113 stipulates that fines for violation of the CFC rules committed between 1 January 2022 and the last day of the martial law will not be applied if a person fulfills the respective obligations (outlined in the article 39-2 of the Tax Code) within six months after the martial law is abolished.





UKRAINE HAS CARRIED OUT ITS FIRST EXCHANGE OF INFORMATION ON FINANCIAL ACCOUNTS UNDER CRS

Ukraine participated in the international automatic exchange of information on financial accounts within the framework of the Common Reporting Standard and Due Diligence for Financial Account Information (CRS).

As part of the exchange, the State Tax Service of Ukraine (STS) transferred information about the financial accounts of tax residents of other jurisdictions to the competent authorities of partner countries and received information on foreign accounts of Ukrainian tax residents in return.

According to the Ministry of Finance of Ukraine, the first data exchange was successfully completed on 30 September 2024, and covered the reporting period from 1 July to 31 December 2023. **The exchange included, inter alia, the following information about financial accounts and their owners:**

- name of the owner,
- their address,
- tax residency,
- tax identification number,
- date and place of birth,
- details of the financial institution,
- account details: account number, balance as of the end of the reporting period, total amount of dividends, interest, or other income, etc.

Going forward, the STS will annually receive information about foreign accounts belonging to tax residents of Ukraine (as well as organizations (such as legal entities) under the control of such residents). In return, the STS will provide similar information to the competent authorities of partner countries regarding the accounts of their tax residents.

As a reminder to the Ukrainian taxpayers, **during the period of the martial law, the Tax Code of Ukraine establishes an important restriction on the use of information received under CRS.** According to the Tax Code, information received from foreign competent authorities according to MCAA CRS concerning the financial account or accounts of a Ukrainian citizen opened in financial institutions of foreign jurisdictions is not considered tax information that can be used by the STS to determine the amount of the taxpayer's tax liabilities if the aggregate balance of all financial accounts owned by one person - a citizen of Ukraine - does not exceed an equivalent of USD 250,000 as of 31 December of a calendar year that falls within the period of the martial law in Ukraine.



As a reminder - CRS is an international standard approved by the OECD Council on 15 July 2014, which requires participating countries to collect information from financial institutions about financial accounts and to exchange such information annually on an automatic basis with partner jurisdictions under the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (**MCAA CRS**).

In August 2022, the STS signed the MCAA CRS, and in April 2023, the Law of Ukraine No. 2970-IX "On Amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the implementation of the international standard for automatic exchange of information on financial accounts" came into force, implementing CRS into national legislation. In 2024, MCAA CRS entered into force for Ukraine, and the first exchange confirmed Ukraine's recognition as a proper partner for information exchange according to CRS.

Currently, more than 100 jurisdictions participate in the international exchange of information on financial accounts under CRS, including all member states of the European Union.

Financial institutions, which are registered in Ukraine and partner countries, carry out collection of information about financial accounts for the purposes of exchange under CRS. Financial institutions subject to reporting include not only banks but also other financial institutions (for example, investment companies). These financial institutions are required to perform due diligence measures on financial accounts of the clients and identify tax residents of other jurisdictions. Financial institutions submit information about such accounts to the competent authority of the participating country (in the case of Ukraine - the STS), which then forwards the details of the financial accounts to the jurisdictions where the account owners are tax residents.

Additionally, CRS imposes certain obligations on individuals with accounts opened in financial institutions subject to reporting. Namely, there is a procedure for account owners to notify financial institutions in case of a change in their tax residency, as well as an obligation to provide information/documents necessary for the proper due diligence of their financial account upon request from the financial institution (e.g., to provide information about their tax residency status).



SOME TRANSACTIONS OF DIIA CITY RESIDENTS ARE EXEMPT FROM "EXIT CAPITAL TAX"

On 1 January 2025 took force the Law of Ukraine "On Amendments to the Tax Code of Ukraine and Other Laws of Ukraine Regarding the Stimulation of the Development of the Digital Economy in Ukraine" No. 4113-IX dated 4 December 2024.

This law inter alia exempts the following transactions of Diia City residents from "exit capital tax":

- Pension contributions within the framework of non-state pension insurance and insurance payments under voluntary medical insurance contracts made by Diia City residents for the benefit of their employees or gig specialists (clause r) was added to subparagraph 135.2.1.6 of the Tax Code).
- During the period of martial law - transactions involving transfer of funds, free of charge transfer of goods, performed works and provided services that are voluntarily remitted (provided) for the needs of state defense and humanitarian assistance (the conditions for applying this exemption are defined by clause 631 of subsection 4 of section XX of the Tax Code).



TAX TERMS FOR TRANSACTIONS WITH NON-RESIDENTS CHANGED

On 1 July 2024 took force the Law of Ukraine "On Amendments to the Tax Code of Ukraine and the Law of Ukraine "On Electronic Communications" Regarding the Rental Fee for the Use of the Radio Frequency Spectrum (Radio Frequency Resource) of Ukraine" No. 3721-IX dated 21 May 2024 (Law No. 3721-IX), which changed the retention period for documents and the statute of limitation period for tax assessments on transactions with non-residents.

According to this law, for the purpose of conducting tax control, **the limitation period for conducting audits on the taxation of non-resident's income originating from Ukraine has been increased from 1,095 (three years) to 2,555 days (seven years)**, as well as the retention period for documents supporting transactions with non-residents.

The extended term applies also to documents and information related to taxation of non-resident's income, the retention period for which has not expired as of the date of taking force by the Law No. 3721-IX (i.e., as of 1 July 2024).



PLAN FOR TAX AUDITS FOR THE YEAR 2025 IS PUBLISHED

On 24 December 2024 the State Tax Service of Ukraine published the Plan-schedule for documentary tax audits of taxpayers for the year 2025.

The plan consists of the following sections:

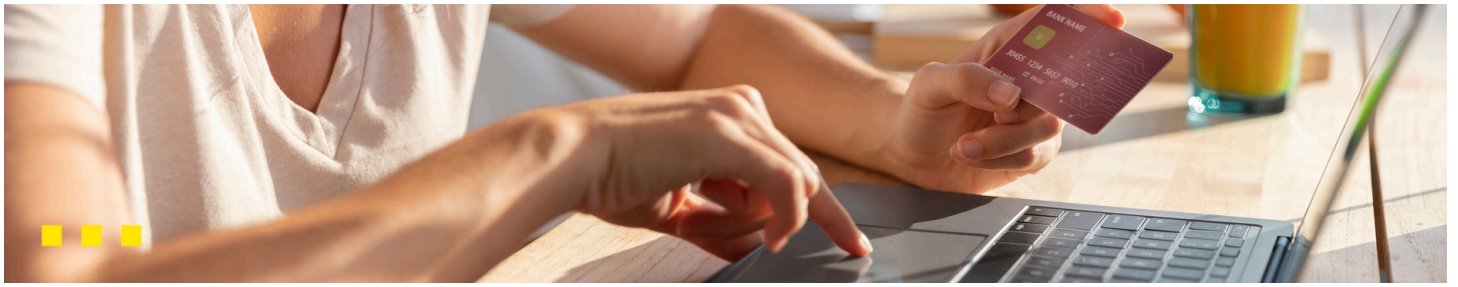
- Section I "Documentary Planned Audits of Taxpayers - Legal Entities"
- Section II "Documentary Planned Audits of Financial Institutions, Permanent Establishments and Representative Offices of Non-Residents"
- Section III "Documentary Planned Audits of Taxpayers - Individuals"

- Section IV "Documentary Planned Audits of Taxpayers - Legal Entities Regarding the Accuracy of Calculation, Completeness, and Timeliness of Payment of Personal Income Tax, Military Levy and Unified Contribution for Mandatory State Social Insurance."

The current Plan for tax audits is published on the official website of the State Tax Service of Ukraine at the [link](#).

All taxpayers are recommended to check their inclusion into the plan.

Please be reminded that the plan-schedule of tax audits could be updated throughout the year.



LEGISLATIVE CHANGES REGARDING TAXPAYERS WITH HIGH LEVEL OF TAX COMPLIANCE

On 1 October 2024 came into effect the legislative changes regarding peculiarities of tax administration during martial law for taxpayers with a high level of tax compliance enacted by the Law of Ukraine No. 3813-IX dated 18 June 2024.

This law establishes peculiarities of tax administration for taxpayers with a high level of tax compliance, which include legal entities and private entrepreneurs that simultaneously meet **the following criteria**:

- ▶ **Debt on taxes and/or fees**, the collection of which is controlled by tax authorities, do not exceed 3,000 non-taxable minimums and originated not more than 30 days ago
- ▶ **Absence of debt** on unified contribution for mandatory state social insurance
- ▶ **Compliance** with criteria set depending on applied income tax rules. In particular:

■ Legal entities on the general tax system need simultaneously meet the following criteria:

- The level of corporate income tax payment equals/exceeds the average indicator in the respective industry for the last four quarters
- The level of VAT payment equals/exceeds the average indicator in the respective industry (except for taxpayers whose goods' export is 25% or more of the total supply volume) for the last 12 months
- The average monthly salary accrued/paid by the legal entity for the last four reporting periods is not less than the average salary in the respective industry in the respective region, multiplied by a coefficient of 1.1, provided that the average monthly number of employees for the specified period is not less than five

■ For Diia City residents - the level of tax payment should equal/exceed the average level of tax payment by Diia City residents

- ▶ **No failures** to submit tax reporting and/or documents (notifications)
- ▶ **No tax notices-decisions** were issued against the taxpayer for violating the deadlines for settlements in export and/or import of goods during the last 12 months
- ▶ **No decision on assigning VAT payer risk** criteria to the taxpayer
- ▶ **No initiated procedure** for termination of the legal entity
- ▶ **No bankruptcy** (insolvency) proceedings initiated against the taxpayer

- ▶ **No decision on the application of special economic and other restrictive measures** (sanctions) against the taxpayer and/or its founders (participants), ultimate beneficial owners, as established by the Law of Ukraine "On Sanctions"
- ▶ **No citizenship of the taxpayer** and/or its founders (participants), ultimate beneficial owners, of a state that is carrying out armed aggression against Ukraine (except for citizens of such a state who have been granted the status of combatant after 14 April 2014)
- ▶ **No founders** (participants), ultimate beneficial owners of the taxpayer whose place of residence (location) is a state that is carrying out armed aggression against Ukraine
- ▶ **No changes regarding the main type of economic activity** of the taxpayer in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Formations during the last 12 months

The taxpayer who meets all the above criteria is subject to inclusion on the List of Taxpayers with a High Level of Tax Compliance (the "**List**"). The State Tax Service of Ukraine must publish the List on its official website.



For taxpayers included in the List the following peculiarities of tax administration are established:

- Moratorium on tax audits, subject to exceptions
- Shorter terms of VAT refund audits (5 working days for desk audits and 10 working days for field audits)
- Shorter term for issuance of individual tax consultation (15 days)
- Assignment of a tax official (compliance manager) to the taxpayer
- Receipt by the taxpayer upon request within five days of tax information available to the tax authority, which could indicate tax risks in the activities of such a taxpayer, as well as consultations on eliminating such risks

Publication of the List is envisaged not later than the last working day of March, May, August and November. The tax authorities shall duly notify the taxpayer on inclusion into the List via electronic cabinet.

The State Tax Service of Ukraine **published the List** for the first time on 19 December 2024. Such List includes 8 255 taxpayers.

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A person is shown in profile, wearing a VR headset, sitting in a futuristic, neon-lit environment. The background is filled with vibrant, colorful lights and abstract shapes, creating a sense of immersion and technology. A large, stylized, multi-colored frame (yellow, green, blue) is overlaid on the image, framing the central text and the person.

**Will you
shape the
future**

**or be
shaped
by it?**

■ ■ ■
The better the question. The better the answer.
The better the world works.

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