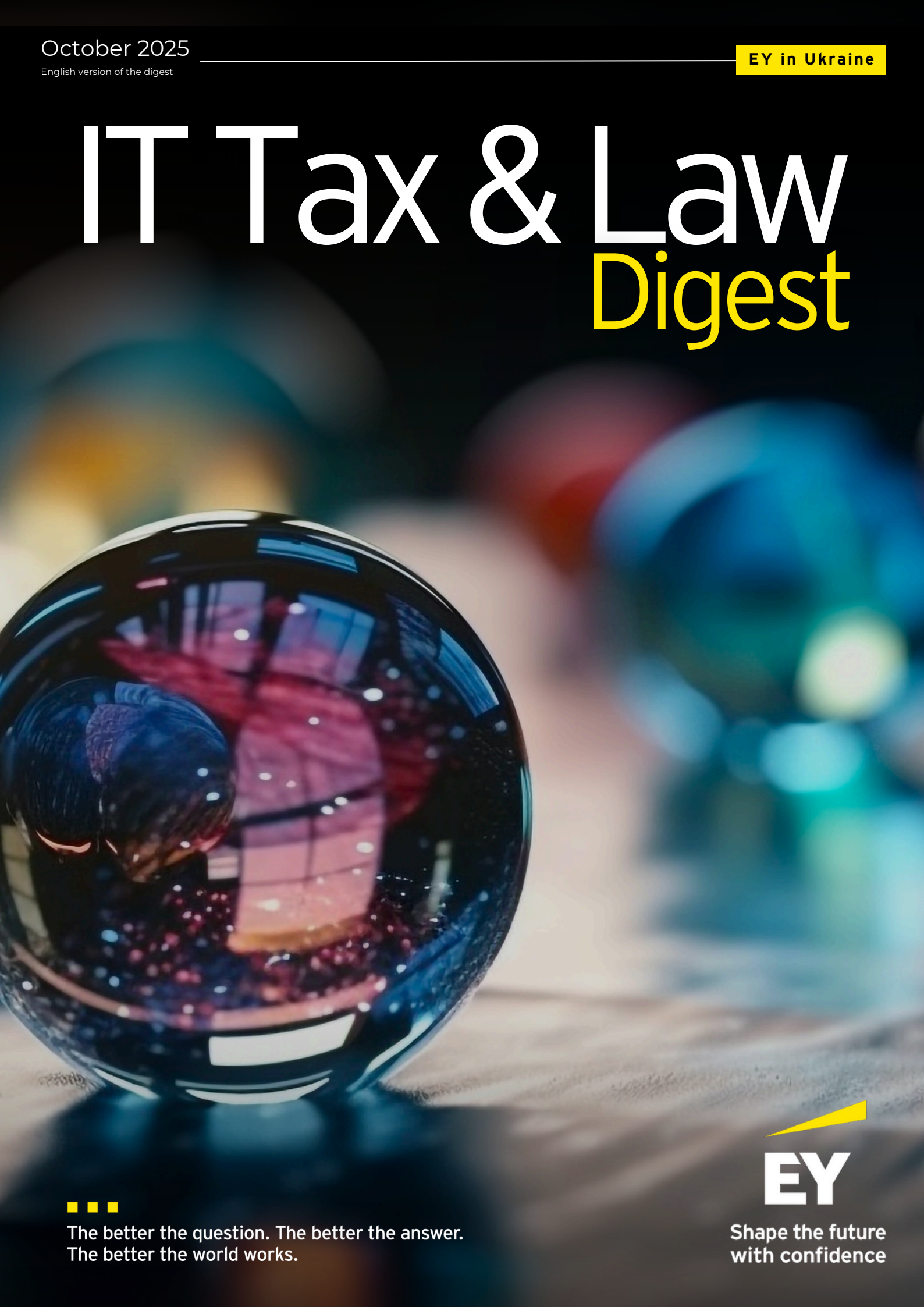
October 2025

English version of the digest

EY in Ukraine

IT Tax & Law Digest



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CONTENTS

Corporate

Expansion of the Qualifying Activities Under the Diia City Regime

The list of activities qualifying for the Diia City residency has been expanded pursuant to Resolution of the Cabinet of Ministers of Ukraine No. 956 dated 11 August 2025 "On Amendments to the List of Activities Stimulated through the Creation of the Legal Regime Diia City".

In particular, the following new types of activity have been added:

1 **Processing audiovisual works, including post-production, computer graphics, animation, and special effects, as well as production of phonograms**

This activity is common among IT companies involved in software development, computer game publishing, marketing campaigns and advertising services provision with the use of software solutions.

The changes at hand will allow businesses in these sectors to benefit from the legal framework established under the Diia City regime.

2 **Engineering activities implying the design documentation development using Building Information Modelling**

The companies acting as the design contractors and engaging the certified professionals to create construction documentation using the Building Information Modelling (BIM) technologies are now eligible to apply for the Diia City residency.

The abovementioned BIM technologies enable precise planning, design, and management at all stages of construction, which is particularly relevant in the context of wartime challenges and national reconstruction.

Additionally, we would like to remind you that the Law of Ukraine "On Stimulating the Development of Digital Economy in Ukraine" No. 1667-IX dated 15 July 2021 requires Diia City residents not only to conduct the qualifying activities, but also meet the following criteria:

- To maintain an average monthly remuneration for employees and gig-specialists equal to or exceeding EUR 1,200.00 (based on the official exchange rate of Hryvnia to Euro established by the National Bank of Ukraine on the first day of each calendar month)
- To ensure the minimum average headcount of personnel of at least nine employees and gig-specialists
- To earn at least 90% of the total income from the qualifying activities during the established periods
- Not to have the disqualifying circumstances preventing participation in the Diia City regime, which are defined by the law.

Information on all Diia City residents is entered into the state Diia City Registry, which is publicly accessible and available free of charge on the official website.

Additional Capital of Limited and Additional Liability Companies: Updated Regulation

On 27 August 2025, the Law of Ukraine "On Amendments to Article 12 of the Law of Ukraine "On Limited Liability and Additional Liability Companies" No. 4564-IX entered into force.

As of now, the law provides for the possibility of establishment of additional capital in limited liability and additional liability companies (**LLC and ALC**). According to the law, additional capital is formed through participants' contributions, which do not affect the nominal value or the amount of the company's charter capital.

The amount of each contribution to the additional capital must be determined by a resolution of the company's general meeting of participants and can be made in the form of cash, securities or other property.

It is important to note that the company may establish the additional capital only if the relevant provisions are included in its charter. These provisions should govern the procedure for the formation and disposal of additional capital, as the law establishes only general rules, leaving the detailed regulation to the company's discretion.

The company's charter and/or a corporate agreement may define:

- Legal status of property contributed to the additional capital
- Procedure for attracting contributions, including the requirements for the relevant resolutions of the general meeting of participants of the company, determination of the value of contributions
- Disposal of additional capital, rules for accounting of participants' contributions to additional capital
- Scope of rights and obligations of the company's participants in relation to additional capital
- Provisions governing relations among the participants or between participants and the company, including the return of participants' contributions to additional capital by the company

Legislative regulation of additional capital concept for LLCs and ALCs should enable companies to quickly attract contributions from participants without undergoing the state registration procedures required for changes to charter capital amount. This should also contribute to preserving the stability of the corporate structure, as contributions to additional capital do not affect participants' ownership interest and the scope of their corporate rights.

Revised Framework for Verifying Information on UBOs and Ownership Structure of Legal Entities

On 13 June 2025, **amendments to the procedure for verifying information on ultimate beneficial owners (UBOs)** and the ownership structure of legal entities entered into force[1]. These changes aim to enhance transparency upon disclosure of the ownership structure, reduce administrative burden, and improve data quality in the state register.

Under the general procedure established by the **Procedure for Verification of Information Provided by a Legal Entity in Explanations and Documents to Confirm Information about UBO and/or Ownership Structure of a Legal Entity**, verification is conducted when a state registrar receives a notification of discrepancies between the data in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Formations (**USR**) and the information obtained from primary financial monitoring entities.

In such cases, the state registrar sends to the legal entity a letter of demand requesting to provide clarification and supporting documents confirming the validity of the UBO or ownership structure data **within 10 business days.**

Based on the results of the verification, the state registrar prepares a notification letter, which is sent to the Ministry of Justice of Ukraine.

Key changes effective from 13 June 2025:

► **If the letter of demand is returned to the registrar** (due to the entity's absence at its registered address or expiration of the storage period), the registrar must resend the demand one month after the initial attempt.

► According to the mentioned procedure, **if the state registrar needs to obtain additional information**, the verification period is extended from the date the registrar sends the relevant demand to the legal entity until the date the requested information is received. Under the latest amendments, the legal entity has 10 business days to respond. If no response is received, the state registrar resumes the verification process and upon completion, on the same day sends a notification letter to the Ministry of Justice.

► **If the legal entity updates its UBO and ownership structure information in the USR on its own initiative**, verification is not initiated, and any ongoing verification is to be terminated. Similarly, the Ministry of Justice should not issue an instruction to remove the UBO or ownership structure data from the USR, and any previously issued instruction should not be executed.

► In addition, **information on the UBO or the ownership structure of a legal entity is not removed from the USR in the following specific cases:**

- Sanctions in the form of asset blocking have been applied to the UBO of the legal entity in accordance with the Law of Ukraine "On Sanctions" dated 14 August 2014 No. 1644-VII, or
- There is information about a court decision prohibiting the performance of a registration action.

[1] The respective amendments were introduced by Order of the Ministry of Justice of Ukraine "On Approval of Amendments to the Procedure for Verification of Information Provided by a Legal Entity in Explanations and Documents to Confirm Information about Ultimate Beneficial Owner and/or Ownership Structure of a Legal Entity" dated 30 April 2025 No. 1173/5.

Defense

Defense City: Ukraine Introduces a Special Preferential Regime for Defense Sector Enterprises

To strengthen defense capabilities and create favorable conditions for the growth of defense industry enterprises, **Ukraine has introduced several legislative changes, including**:

- On 5 October 2025, the Law of Ukraine No. 4577-IX dated 21 August 2025 "On Amendments to the Tax Code of Ukraine and Other Laws of Ukraine Regarding Support for Defense Industry Enterprises" ("**Law 4577-IX**") entered into force.

- On 24 October 2025, the Law of Ukraine No. 4578-IX dated 21 August 2025 "On Amendments to the Customs Code of Ukraine Regarding Support for Defense Industry Enterprises, Clarification of Certain Customs Procedures, and Amendments to Article 32 of the Law of Ukraine "On Certain Issues of Importation into the Customs Territory of Ukraine and Conducting the First State Registration of Vehicles" Regarding the Extension of Environmental Compliance Requirements to Certain Vehicles" came into effect ("**Law 4578-IX**")

Law 4577-IX and Law 4578-IX (jointly the "**Laws**") aim to support Ukraine's defense industry enterprises by introducing special operational conditions for Defense City residents.

1 Legal Regime of Defense City

The organizational and legal framework of the Defense City regime will be defined by the Law of Ukraine "On National Security of Ukraine". The purpose of the regime is to create favorable conditions for stimulating the development of Ukraine's defense industry, attracting investment, and ensuring the defense forces are equipped with modern weapons, equipment, and technologies.

The Ministry of Defense of Ukraine (the "**Ministry of Defense**") will be responsible for shaping and implementing state policy on Defense City, making decisions on residency, and monitoring residents' compliance with established requirements.

The Defense City regime is introduced until 1 January 2036 and becomes effective from the date the first resident is entered into the Defense City register.

2 Acquiring Defense City Resident Status

Law 4577-IX provides for the creation and maintenance of the Defense City register (the "Register") by the Ministry of Defense.

A legal entity acquires Defense City resident status from the date the Ministry of Defense adopts the relevant decision and enters the record into the Register. Obtaining resident status is voluntary and based on an application submitted by the legal entity.

The Ministry of Defense grants resident status if the legal entity:
- meets the qualifying income share requirements for the previous calendar year and
- is not subject to any negative circumstances.

The qualifying income share must be:
- not less than 75% of the entity's total income (subject to exceptions)
- not less than 50% for aircraft manufacturing entities.

The qualifying income refers to income from the sale of self-produced defense goods or from performing works and/or providing services related to defense goods.

A legal entity cannot be included in the Register if:
- it is registered under the laws of a foreign country
- it has violated requirements for disclosing beneficial ownership or ownership structure
- its shareholders/participants are affiliated with an aggressor state
- it is subject to sanctions or affiliated with a sanctioned person
- it has violated obligations under a government defense procurement contract within the past 12 months
- it is not a corporate income taxpayer or is listed in the register of non-profit institutions
- it has a tax debt exceeding 10 minimum wages
- it is located and/or operates in temporarily occupied territory of Ukraine.

A Defense City resident must maintain compliance with the qualifying income threshold and absence of disqualifying circumstances throughout the residency period.

The Laws establish a detailed procedure for acquiring and terminating Defense City resident status.

3 Monitoring of the Defense City Residents Compliance with the Established Requirements

The Ministry of Defense monitors residents' compliance with the established requirements, including through review of compliance reports and other information to identify grounds for termination of residency.

A Defense City resident must submit an annual compliance report to the Ministry of Defense by 1 June of the year following the reporting year, covering the period from 1 January to 31 December of the previous calendar year.

The compliance report must be accompanied by annual financial statements and an auditor's report on the results of the compliance audit.

4 Special Regime for Information about Defense City Residents

During martial law and for one year after its termination or cancellation, access to the Unified State Register of Legal Entities, Individual Entrepreneurs, and Public Organizations, as well as other public electronic registers, will be restricted in terms of information about Defense City residents.

Residents required by law to disclose financial statements must publish them in full within three months after the termination or cancellation of martial law, covering the entire period of non-disclosure, but no later than 30 days after termination or loss of resident status.

5 Tax Preferences

The Defense City regime allows for exemption of profit a Diia City resident from corporate income tax (excluding taxable objects on controlled transactions and the profit of controlled foreign companies), provided the following conditions are met simultaneously:
- the taxpayer is not a Diia City resident
- the taxpayer does not accrue or pay dividends (or equivalent payments), except when such payments are made to the state budget or when the direct or indirect holders of corporate rights are state entities

- there are no established violations of tax obligations related to the submission of reports (notifications) as required by transfer pricing (TP) rules and by regulations on controlled foreign companies (CFC).

Tax-exempt profit must be used to develop the activity of a Defense City resident no later than the following year, including:

- creation or re-equipment of material and technical base
- creation, acquisition, modernization, restoration, repair, re-equipment of fixed assets, including the construction of production and technological facilities
- implementation of cutting-edge technologies
- improvement of technological and production processes
- acquisition of intellectual property rights for the fulfillment of a state defense procurement contract
- expenses for research, production of new models of weapons and military equipment or their components
- acquisition of corporate rights of defense industry enterprises (provided that their issuer does not accrue or pay dividends (or equivalent payments) during the period of tax exemption).

The use of tax-exempt profits for other purposes is considered to be the misuse of tax-exempt profits. If the tax-exempt profit or a part of it is not used within the established timeframe, the taxpayer is obliged to calculate and pay corporate income tax on the unused portion of the tax-exempt profit.

The object of taxation for transactions that are controlled for TP purposes, as well as CFC profits, are not subject to exemption and are taxed under general rules. In addition to the possibility to exempt profit from taxation, Defense City residents (except those who are also Diia City residents) are entitled to other tax benefits, including exemption from land tax and from real estate tax of qualifying objects, from environmental tax. These tax preferences are valid until 1 January 2036, but no later than the year Ukraine joins the European Union. The practicalities of applying Defense City tax exemptions remain to be seen, including the tax authorities' clarifications on these matters (specifically, on the use of tax-exempt profit).

It is necessary to analyze in more detail the tax consequences of rescinding the regime or a company opting out of or being barred from using the regime.

Importantly, Diia City residents who simultaneously hold the Defense City residency will not be eligible for the tax preferences regarding the unified social contribution (provided in part 14-1 of Article 8 of the Law of Ukraine "On the Collection and Accounting of the Unified Social Contribution for Mandatory State Insurance") and regarding personal income tax (provided in subparagraph 170.14-1.2 of the Tax Code of Ukraine).

6 Relocation of Defense City Residents

To ensure uninterrupted production of defense goods, state and local authorities are obliged to facilitate the relocation of Defense City residents and implement measures to enhance the security of their production facilities.

The procedure for relocation and implementation of these measures will be determined by the Cabinet of Ministers of Ukraine.

7 Export of Military Goods

Entities that are developers or manufacturers of military goods and have Defense City resident status will be allowed to export such goods without obtaining the authorizations required under Article 13 of the Law of Ukraine "On State Control over International Transfers of Military and Dual-Use Goods".

8 Customs Preferences

During martial law in Ukraine and for one year after its termination/cancellation, the placement of goods by a Defense City resident under customs regimes of import (in terms of the end-use procedure), temporary import, processing in the customs territory, and processing outside the customs territory is carried out with authorization based on a customs declaration and considering the simplified procedures established by law.

9 Special Currency Regulations

The National Bank of Ukraine is recommended to establish the specifics of currency transactions and currency supervision with regard to the Defense City residents. So far, such specific regulations have not been developed yet.

The National Bank of Ukraine Revises Currency Restrictions

On 5 August 2025, the NBU adopted Resolution No. 95 "On Amendments to the Resolution of the NBU's Board dated 24 February 2022 No. 18" ("**Resolution 95**") that **extended the list of permitted foreign currency transactions during martial law.**

The key novelties comprise the following:

1 Dividends repatriation for the periods starting from 1 January 2023

Ukrainian residents are now permitted to transfer abroad dividends accrued from their business activities starting 1 January 2023. These transfers are allowed within the established monthly limit (the equivalent of EUR 1 million) and are subject to the other requirements set by the NBU previously.

2 Cross-border foreign currency transfers within the limit of funds donated to support the Armed Forces of Ukraine (sub-paragraph 62 of paragraph 14 of Resolution 18)

Ukrainian legal entities will be able to make currency operations for the purposes specified in sub-paragraph 57 of paragraph 14 of Resolution 18 in excess of the established limits within the amounts that have been donated by them starting 7 August 2025 to the NBU's fundraising account to support the Armed Forces of Ukraine. Such cross-border transfers may only be made with own (not purchased and not borrowed as loan) funds in foreign currency.

3 Extended list of currency transactions permitted within the investment limit

To recap, since 12 May 2025, the NBU has allowed Ukrainian resident entities to transfer foreign currency beyond the general limits, up to the amount of foreign investment received in their charter capital, for the following types of currency operations:

- **settlements for goods** imported before 23 February 2021
- **return of advance payments** received from non-residents before 23 February 2022 under contracts for the sale and purchase of goods, where delivery from Ukraine did not occur or was partial
- **fulfillment of obligations under loan agreements** with non-residents, provided that the loans were received before 20 June 2023
- **financing Ukrainian residents' expenses related to maintaining branches**, representative offices, or other separate subdivisions abroad.

According to Resolution 95, the above list of permitted currency operations within the investment limit (sub-paragraph 57 of paragraph 14 of Resolution 18) has been supplemented with the possibility of repatriating dividends to a non-resident investor.

4 Possibility of reducing loan/credit maturity date under debt-to-equity conversion

Resolution 95 creates conditions for the conversion of a resident borrower's debt under an external credit/loan into a contribution to such resident's share capital (by offsetting non-resident's claims to the resident borrower under the credit/loan agreement and resident borrower's claims to the non-resident to increase share capital).

5 Updated conditions for repaying loans to non-residents

From now on, servicing and repayment of loans provided by a pool of foreign creditors, which includes an international financial organization, in favor of other pool participants (foreign banks with a rating of no less than "A") is permitted.

The NBU permits cross-border transfers for satisfying recourse claims of foreign guarantors, sureties (pledgers), and insurers for the aforementioned credits/loans, using own (not purchased and not attracted in form of a loan) foreign currency funds.

6 Return of mistakenly transferred foreign currency

Since 7 August 2025, the NBU allows the return to non-residents of mistakenly transferred foreign currency funds credited to Ukrainian residents' accounts. The funds are to be transferred back within three business days from the date of receipt of the notification on the mistaken transfer from the non-resident bank.

Resolution 95 also introduces some other amendments, including permission for the purchase of banking metals for companies selling jewelry, and the introduction of new structures for forward contracts, those accompanied with delivery of foreign currency and without such delivery.

Finance

Ukraine Adopts New Factoring Law: Key Regulatory Changes

On 30 July 2025, the Law of Ukraine "On Factoring" No. 12306 (the "**Law**") entered into force, with its main provisions becoming effective starting 30 July 2026.

As noted in the explanatory note to the draft law, factoring is the second largest financial service in the non-banking financial services market in Ukraine. Nevertheless, this area historically remained without proper legislative attention.

The Law is the first specialized legislative act that comprehensively regulates factoring activities in Ukraine. Prior to its adoption, the market operated based on separate provisions of the Civil Code of Ukraine and the Law of Ukraine "On Financial Services and Financial Companies", which created legal uncertainty and risks for parties involved in such activities.

The Law incorporates provisions of the Model Law on Factoring, developed by the International Institute for the Unification of Private Law, aiming to bring Ukrainian regulation closer to leading global practices in this area.

The Law introduces a definition of a factoring agreement, specifies its subject matter and content, and establishes the concept of priority, i.e., the factor's preferential right over another person's right to the same monetary claim.

The Law distinguishes between two main types of factoring:

A non-recourse factoring

meaning a type of factoring in which the factor (i.e., a bank or another financial institution) may not demand repayment from the client if the debtor fails to fulfill its obligations; therefore, the risks of the payment's failure are assumed by the factor.

A recourse factoring

meaning a type of factoring where, if the debtor fails to pay the debt, the factor may demand repayment from the client; thus, the risk of the payment's failure by the debtor remains within the client's responsibility.

Additionally, the Law provides for the creation of a separate Register of Monetary Claims Assignments under Factoring Agreements, which will contain information on concluded factoring agreements, factors, clients, and debtors. Registration of the assignment of a claim under a factoring agreement will be mandatory.

The Law is aimed at establishing a more transparent, secure, controlled, and predictable environment for factoring operations. These changes should foster the development of a regulated factoring market, the emergence and education of specialized participants, reduce abuses in debt collection practices, increase transparency and reliability of factoring operations, and enhance Ukraine's overall investment attractiveness.

A New Law "On Public-Private Partnership" Enters into Force in Ukraine

On 31 October 2025, the Law of Ukraine "On Public-Private Partnership" No. 4510-IX entered into force. This law repeals the Law of Ukraine "On State-Private Partnership", introduces a new version of the Law of Ukraine "On Concession", and introduces amendments to a number of other regulatory acts.

The law was adopted as part of the ongoing reform of the public-private partnership (**PPP**) sector, its development aimed to achieve several fundamental goals, including:

- **Ensuring further alignment** of Ukrainian legislation in the field of PPPs and concessions with EU acquis (including EU directives on public procurement, concessions and legal protection measures)
- **Eliminating key gaps and shortcomings** that existed in the previous regulatory framework, taking into account the implementation practices of specific PPP and concession projects
- **Establishing a special accelerated procedure** that would allow the use of PPP and concession mechanisms for infrastructure and economic recovery projects.

To implement this law, the Cabinet of Ministers of Ukraine and the Ministry of Economy of Ukraine must, within the next nine months, develop a number of subordinate legal acts that will specifically regulate procedural and other aspects of the preparation and implementation of PPP and concession projects.

Key innovations provided by the law include, in particular:

1 Clarification of the rules regarding legal title to the property within a PPP/concession object

- After the transfer of a PPP/concession object to a private partner, the real estate within it remains in state/municipal ownership or is transferred to state/municipal ownership after its creation/construction. At the same time, the new law conceptually distinguishes between core and auxiliary property within a PPP/concession object and allows, under certain conditions, auxiliary property to remain in private ownership of the private partner/concessionaire.

2 Clarification of the rules on guarantees for the protection of the rights and interests of the private partner and creditors

▶ The private partners/concessionaires receive protection of their rights, stability of conditions, transparency, objectivity and non-discriminatory treatment during the implementation of PPP projects, including equal treatment in conducting business activities and prohibition of interference by state authorities and local authorities in the activities of the partner/concessionaire.

▶ The law guarantees the stability of PPP and tax legislation during the term of the PPP/concession agreement. The agreement may provide compensation to the private partner/concessionaire for losses and damages incurred due to changes in legislation covered by the stability guarantee.

▶ Under the law, the private partner/concessionaire is guaranteed compensation for damages caused by (i) decisions of authorized bodies that violate the rights of the private partner/concessionaire, (ii) actions or inaction of authorized bodies, (iii) early termination of the PPP/concession agreement.

▶ Additionally, creditors of the private partner receive guarantees of their rights, including the right to reimbursement of financing provided in case of replacement of the private partner or early termination of the PPP agreement, as well as the right to compensation for incurred losses, while any restrictions that impede the exercise of their rights are prohibited.

▶ In case of early termination of the agreement, the private partner/concessionaire receives compensation from the public party for incurred investments (in a certain amount and subject to the terms set forth in the PPP/concession agreement) and/or the value of the PPP/concession object, as well as for incurred damages (under certain conditions). Previously, the rules in effect before the adoption of the new law provided for such compensation only in cases where the agreement was terminated due to the public party's breach of its contractual obligations.

3 Expansion of Financing Sources for PPP

▶ The law introduces the concept of a "donor", meaning international partners which may provide financial support directly or through budgets. Such donors include specialized agencies of the United Nations, institutions of the European Union or organizations established and/or authorized by them, international financial organizations, and donor institutions (resident or non-resident legal entities operating on a non-profit basis whose purpose is to support PPP projects), and others.

▶ Donors may provide grants for the implementation of PPP projects under international agreements of Ukraine, cooperation agreements, PPP agreements, and other contracts, making projects more accessible to public partners and minimizes financial risks for private partners.

▶ Grants may be transferred to state or municipal budgets or directly to the private partner/concessionaire. The possibility to channel the grant funds directly to the private partner/concessionaire can significantly simplify PPP project implementation and help avoiding bureaucratic risks related to budget funding limits, financial flow management speed, as well as the protection and targeted use of grants.

4 Simplified Procedures for Small-Scale Projects

▶ Projects valued up to EUR 5,538,000 may be implemented without developing a feasibility study and efficiency analysis, with decisions made based on a concept note.

5 Electronic Trading System (ETS)

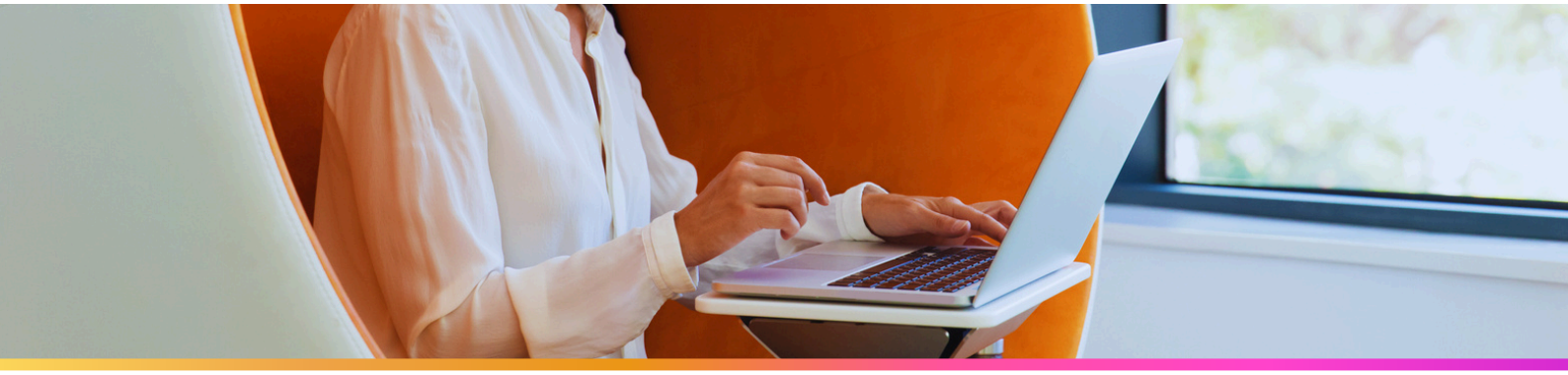
▶ For concession projects, the law provides for the implementation of the ETS that enables the entire process to be conducted online from publishing the tender announcement to disclosing of the concluded agreement. The selection of the concessionaire is carried out exclusively on a competitive basis through the ETS. The system allows for the creation, publication, and exchange of documents in electronic form.

6 Special Regime for Recovery Projects

▶ For the facilities destroyed by war, a simplified mechanism for preparing PPP projects is introduced. The procedure for its implementation will be determined by the government and will remain in effect during martial law and for seven years after its termination.

💡 The new law introduces new rules for implementing PPP aimed at improving transparency and predictability of processes, and establishes mechanisms intended to reduce risks for the parties and simplify the preparation of certain projects. Such changes are supposed to create more structured conditions for attracting investment in recovery and infrastructure development.

Tax



The rules governing taxation of dividends received by a CFC from Ukrainian legal entities at the level of a controlling person ("look-through dividends") have been amended

On 5 July 2025, the Law of Ukraine No. 4505-IX (the "**Law**") entered into force. The Law, inter alia, amends the rules for taxation of "look-through dividends" (i.e., dividends received by a controlled foreign company (the "**CFC**") from Ukrainian legal entities, either directly or indirectly through a chain of controlled legal entities).

Key changes

The legislator made an attempt to clarify the provisions of sub-paragraph 170.13.3 and paragraph 170.13[1] of the Tax Code of Ukraine (the "**TCU**") with respect to the taxation of dividends received by a CFC from Ukrainian legal entities at the level of a controlling person. Considering the amendments introduced to the TCU by the Law, the following rules currently apply:

Sub-paragraph 170.13.3 of the TCU

Same as before, the amount of profit of a CFC received in the form of dividends from Ukrainian legal entities is deemed to be the amount of dividends directly received by the controlling person of the CFC. Such amount is included in the total taxable income of the controlling person for the reporting period during which the CFC received the dividends and is subject to personal income tax ("**PIT**") at the rate of 5% or 9% (depending on whether the Ukrainian company is a corporate income taxpayer in Ukraine), and military levy at the rate of 5%. These provisions of sub-paragraph 170.13.3 of the TCU remain unchanged.

At the same time, in addition to the existing provisions stating that the above-mentioned dividends are not included in the calculation of the CFC's adjusted profit and are not taxed upon their actual distribution to the controlling person, the Law has further established that such **dividends are not subject to taxation by the taxpayer in accordance with sub-paragraph 170.13.1 of the TCU** (i.e., as part of the CFC's adjusted profit).

Paragraph 170.13[1] of the TCU

According to the revised wording of paragraph 170.13[1] of the TCU, dividends which are deemed to be received by the taxpayer under the above rules of sub-paragraph 170.13.3 of the TCU are not included in the taxpayer's total monthly (annual) taxable income, provided that such dividends have **already been taxed at the level of the Ukrainian legal entity in accordance with the procedure set out in sub-paragraph 141.4.2 of the TCU** (likely, the withholding tax on income paid to non-residents?).

In view of the above changes, one may assume that the legislator intended (1) to shift the obligation to tax "look-through dividends" to the level of the Ukrainian legal entity distributing such dividends, and (2) to confirm that such dividends should no longer be subject to taxation at the level of the controlling person. Together, these assumptions may point to the legislator's intention to revise the approach to taxation of "look-through dividends" at the level of individual controllers by exempting such dividends from PIT (and, potentially, military levy, depending on how the adopted amendments are interpreted), provided that such dividends have already been subject to withholding tax by the Ukrainian legal entity in accordance with sub-paragraph 141.4.2 of the TCU.

The rules governing taxation of dividends received by a CFC from Ukrainian legal entities at the level of a controlling person ("look-through dividends") have been amended

At the same time, it should be noted that the adopted amendments, in their current wording, allow for multiple interpretations, as the Law did not repeal the general rule deeming dividends received by a CFC from Ukrainian legal entities to be directly received by the individual controller (i.e., the first paragraph of sub-paragraph 170.13.3, as outlined above). Similarly, the provisions requiring such income to be included in the total taxable income of the controller and taxed at the applicable PIT rates (5%/9%) and military levy rate (5%) have also not been repealed. Given this, it remains unclear whether payment of withholding tax by the Ukrainian legal entity on the amounts of "look-through dividends" according to sub-paragraph 141.4.2 of the TCU is sufficient for exemption of such dividends from PIT and military levy. In addition, the amendments may give rise to questions regarding tax reporting obligations in respect of dividends at the level of the Ukrainian legal entity.

A separate clarification is also required as to whether the above rules apply to Diia.City residents that are corporate income taxpayers under a special regime (we believe that these rules should apply to Diia.City residents as well; however, it would be advisable for companies to obtain clarification from the tax authorities confirming this position).

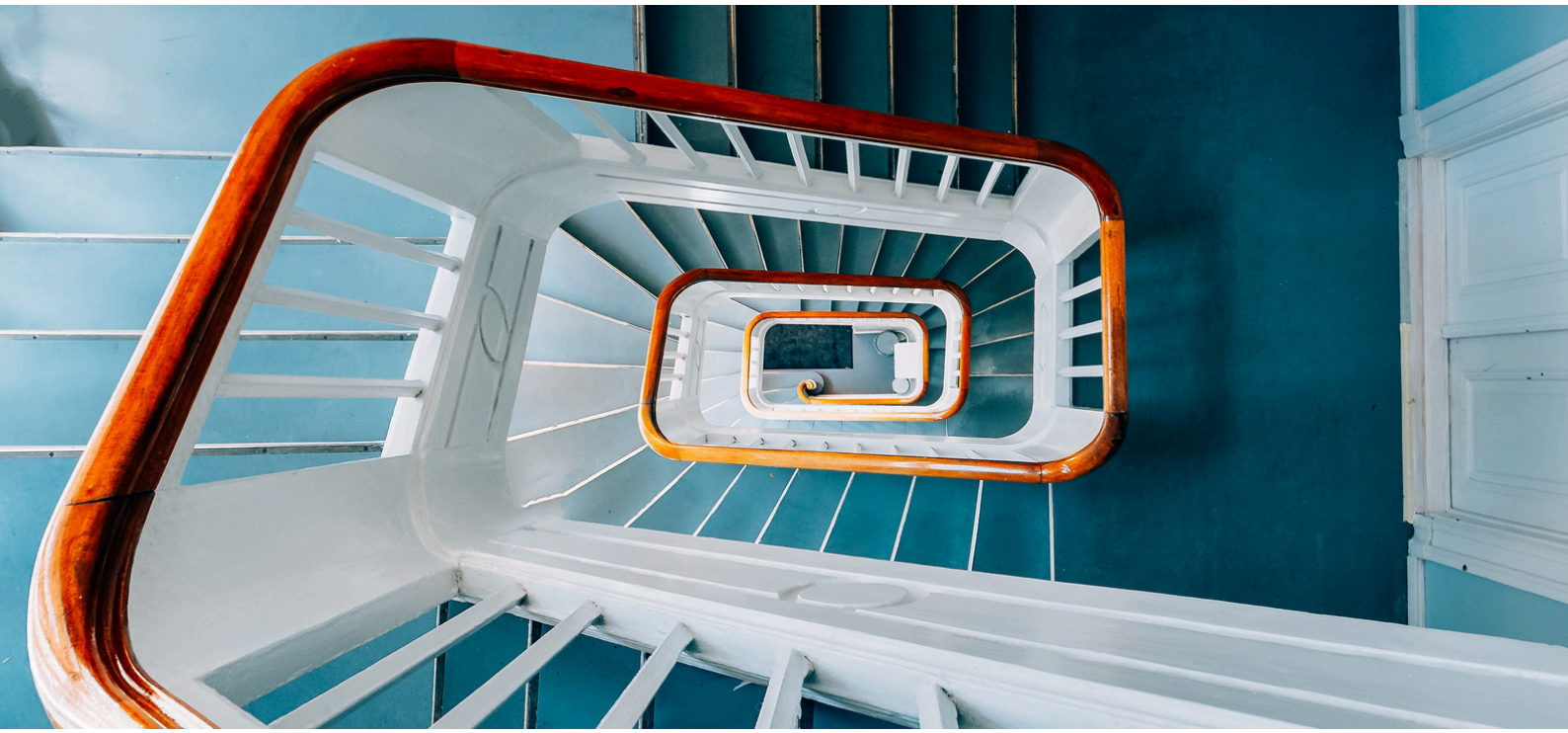
Given the above uncertainties in interpreting the amendments introduced by the Law, we recommend monitoring clarifications issued by the tax authorities regarding the practical application of the respective provisions, as well as consider filing a request for an individual tax ruling to the tax authorities. If needed, we would be pleased to assist with the preparation and filing of such a request.

Effective date of the adopted amendments

Although the Law entered into force on 5 July 2025, the amendments related to taxation of "look-through dividends" apply retroactively to tax (reporting) periods starting from **1 January 2024**, pursuant to paragraph 36 of Subsection 1, Section XX "Transitional Provisions" of the TCU.

If a CFC controller has already submitted an annual tax return for 2024 and declared/taxed the amount of "look-through dividends" in accordance with the rules effective prior to the adoption of the Law, such controller is entitled to file an amended tax return and adjust (reduce) the total amount of annual income by the respective amount of dividends.

At the same time, any PIT and military levy amounts already paid by the CFC controller in respect of the declared "look-through dividends" may be taken into account only against future tax liabilities in tax periods following the period in which martial law is lifted or cancelled.



Recognition of Multiple Citizenship in Ukraine

On 15 July 2025, the President of Ukraine signed the Law of Ukraine "On amendments to certain laws of Ukraine regarding ensuring realization of the right to acquire and retain citizenship of Ukraine" No. 4502-IX ("**Law No. 4502-IX**").
The Law should enter into force six months after its publication, i.e., on 16 January 2026.

The key amendment introduced by the Law No. 4502-IX is the formal recognition of the concept of "multiple citizenship" in the Law of Ukraine "On Citizenship of Ukraine." Multiple citizenship is defined as simultaneous belonging of an individual to the citizenship (nationality) of two or more states.

Cases of Multiple Citizenship

Multiple citizenship is recognized in cases when a person acquires foreign citizenship alongside Ukrainian citizenship:

1. by birth
2. as a result of adoption
3. automatically, due to marriage with a foreign national or by operation of foreign law
4. voluntarily – with a foreign state included in the list of states whose citizens may acquire Ukrainian citizenship under a simplified procedure (the "**List**").

Multiple citizenship is also recognized when a foreign national, who is a citizen of a state included in the List, acquires Ukrainian citizenship under a simplified procedure. In such cases, renunciation of existing foreign citizenship is not mandatory, provided that the individual submits a declaration of recognition as a citizen of Ukraine (a document confirming that in legal relations with Ukraine the individual recognizes themselves solely as a Ukrainian citizen).

Development of the List

The List has not yet been developed. It must be approved by the Cabinet of Ministers of Ukraine ("**CMU**") before the Law No. 4502-IX enters into force.

When developing the List, the CMU must consider a foreign state's membership in the EU, as well as whether the state has imposed sanctions in connection with armed aggression against Ukraine, as expressly stipulated by the Law No. 4502-IX. In addition, on 8 October 2025, the CMU approved additional criteria for a state to be included in the List, namely:

- membership in the Group of Seven
- support of Ukraine's independence, sovereignty, and territorial integrity
- the state's position when voting on Ukraine-related matters in international organizations
- existence of strategic or other forms of partnership
- level and prospects of bilateral relations
- financial assistance provided to Ukraine
- other criteria that may have a significant impact on safeguarding Ukraine's national interests in the sphere of foreign and domestic policy.

According to the Ministry of Foreign Affairs of Ukraine, priority will be given to Ukraine's closest and most reliable allies.

Therefore, it is expected that the List will include EU Member States and also key partners of Ukraine.

Grounds for Loss of Citizenship

Under the amendments introduced by the Law No. 4502-IX, Ukrainian **citizenship may be lost if a citizen of Ukraine voluntarily acquires:**

- citizenship of a state recognized by the Verkhovna Rada of Ukraine as an aggressor or occupying state; or
- citizenship of a state whose citizens are not entitled to simplified acquisition of Ukrainian citizenship (i.e., a state not included in the List).

"Voluntary acquisition" covers all situations when a Ukrainian citizen applies for the citizenship (nationality) of another state in accordance with the procedure established by that state's national legislation.

At the same time, **acquisition of citizenship** of an aggressor or occupying state is not considered voluntary and does not result in loss of Ukrainian citizenship if it occurred:

- in a temporarily occupied territory of Ukraine; or
- as a result of unlawful deportation to such a state (except where an individual publicly supports or promotes aggression or poses a threat to Ukraine's national security).

Additional grounds for loss of Ukrainian citizenship include service under a contract in the armed forces of an aggressor or occupying state, participation in armed aggression against Ukraine, or involvement in an occupation administration (provided that such loss does not render a person stateless).

Other Amendments

The Law No. 4502-IX also amends the procedures for acquisition, reinstatement, and renunciation of Ukrainian citizenship, as well as certain provisions of the Law of Ukraine "On Immigration".

In particular, with respect to renunciation of Ukrainian citizenship, the Law provides that a Ukrainian citizen who also holds citizenship of a state included in the List may renounce Ukrainian citizenship through the competent authority of that foreign state, regardless of their place of residence.

Tax Implications

It is important to note that the Law No. 4502-IX does not introduce amendments to the Tax Code of Ukraine ("**TCU**"), which currently limits the right of Ukrainian citizens who hold foreign citizenship contrary to the law to credit taxes paid abroad. In our view, this restriction should not apply to individuals who acquire foreign citizenship in accordance with the procedures established by the Law No. 4502-IX, as the Law expressly prohibits imposing additional limitations on the grounds of multiple citizenship. However, we recommend monitoring further clarifications from the tax authorities on this matter.

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Contacts

Vladimir Kotenko
Head of Tax & Law
EY in Ukraine

vladimir.kotenko@ua.ey.com

Borys Lobovyk
Law Leader for Ukraine
EY in Ukraine

borys.lobovyk@ua.ey.com

Olena Dreval
Director, Coordinator of
IT Tax & Law Digest

olena.dreval@ua.ey.com