

GLOBAL
EMPLOYER
GUIDE

UKRAINE





Basic Country Facts

Full name

- Ukraine

Capital

- Kyiv

Main Languages

- Ukrainian
- Russian

Population

- 41.98 million

Monetary unit

- Ukrainian hryvnia

Internet domain

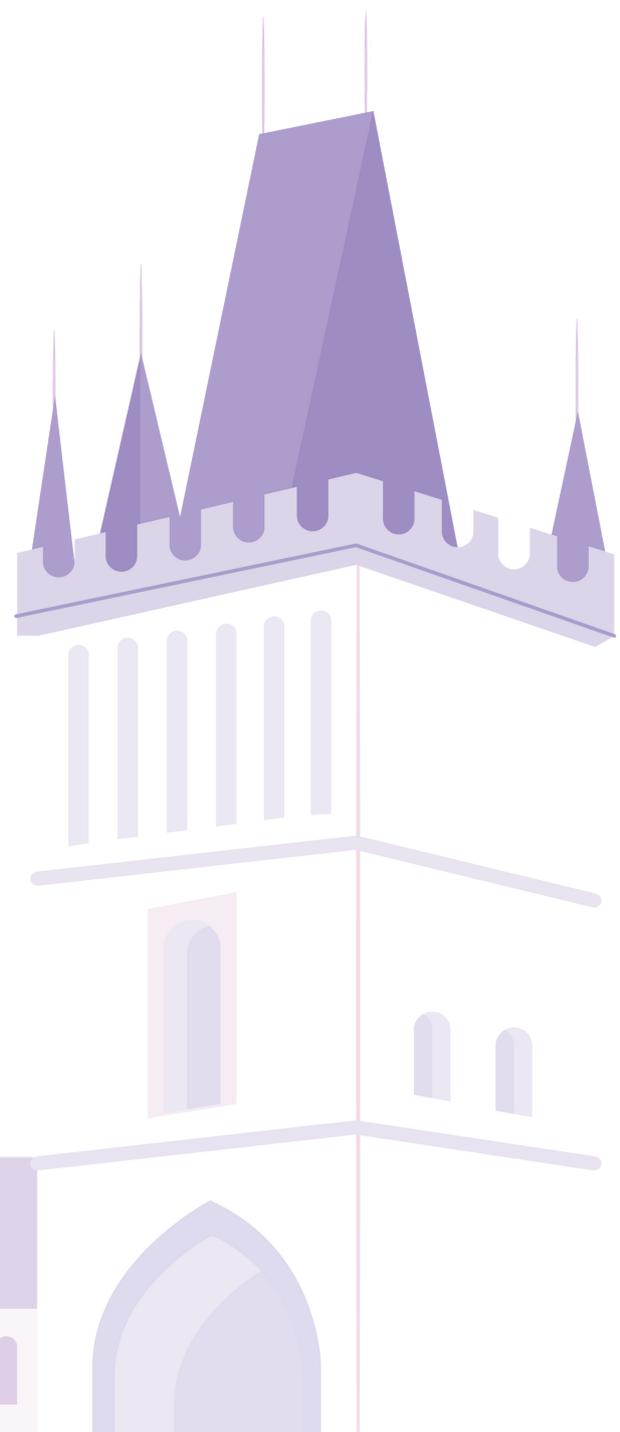
- .ua

International dialing code

- +380

Currency

- Ukrainian hryvnia



STATUTORY LABOR REQUIREMENTS

Probation Period

- The employer can set a probationary period in the employment contract of up to 3 months.

Annual Leave

- Employees in Ukraine are entitled to a minimum of 24 days off per year.
- Employees over 55, disabled employees and caretakers are entitled to an additional 3 days off.

Public Holidays

- New Year's Day (1st January)
- Orthodox Christmas Day (7th January)
- International Women's Day (9th March)
- Orthodox Easter (19th April)
- Labor Day (1st May)
- Victory Day over Nazism in World War II (11th May)
- Pentecost (Eastern)
- Constitution Day (29th June)
- Independence Day of Ukraine (24th August)
- Defender of Ukraine Day (14th October)
- Charity Day in Ukraine (13th December)
- Christmas Day (25th December)

Maternity Leave

- Female employees are entitled to 70 days of maternity leave prior to the expected delivery date and 56 (sometimes 70) days after delivery.
- A woman is also entitled to partially paid leave until the child reaches 3 years of age.

Paternity Leave

- There is no statutory paternity leave.



Sick Leave

- Employees are entitled to sick leave.
- Benefits are based on the employee's duration of employment and vary between 60% to 100% of pay:
 - 60% for 5 years or less
 - 80% for 5-8 years
 - 100% for more than 8 years

Work Hours

- The standard work week in Ukraine consists of up to 8 hours per day, 40 hours per week.

Overtime

- Additional hours are considered overtime work and are subject to 100% pay over normal salary.
- Overtime cannot exceed 2 hours a day in any two-day period or 120 hours per year.

Notice Period

- Notice periods vary depending on the reason for termination.
- No notice period applies if parties agree on consensual termination.
- The general notice period for termination of a permanent employment agreement by an employee is two weeks (except where there is a justifiable reason for earlier termination).
- The notice periods for termination on the initiative of an employer are:
 - For economic or organizational reasons (changes in organization of production and labor, including liquidation, reorganization, bankruptcy, or restructuring of the entity and staff redundancy): two months.
 - For termination due to an unsatisfactory probation period: three days.

- All other cases: on completion of the relevant procedures for termination.

Severance

- Depending on the reason for termination, employees may have the right to a statutory severance payment.
- If an employee terminates an employment contract for violation of labor laws or the employment agreement by the employer, he or she has a right to a severance payment of three average salaries (calculated as the average of all labor-related payments for the previous two months of employment).
- Employees can also receive a severance payment in the amount of one average salary in case of redundancy, dismissal due to unsuitable competence and qualification, and certain other cases.
- Terminating the employment of corporate officers' triggers payment of six months of average salary.

13th Month

- The 13th month bonus in Ukraine is considered a gratuity and is not required by local law.



Income Tax

- Residents are taxed on their worldwide income, subject to the restrictions set forth by any applicable double tax treaty (DTT).
- Non-residents are subject to Ukrainian tax only in respect of their Ukrainian-source income (this includes income received by the individual from their employer, either resident or non-resident, in relation to employment exercised in Ukraine).
- The same tax rates generally apply to tax residents and non-residents (with certain exceptions).
- The standard tax rate of 18% applies to income received as salary and other benefits under employment and civil agreements, foreign income, and other income not covered elsewhere.
- Taxable income received from abroad is subject to a tax rate of 18%.
- The 18% rate also applies to all passive income (e.g. interest, dividends, royalties, investment profit), unless specified otherwise by a special article.
- Dividends paid by resident CIT payers (except mutual investment institutions) are taxed at 5%.
- Dividends paid by non-residents, mutual investment funds, and non-payers of CIT in Ukraine are taxed at 9%.
- Dividends that are 'not ordinary dividends' are taxed like salary (i.e. 18%).

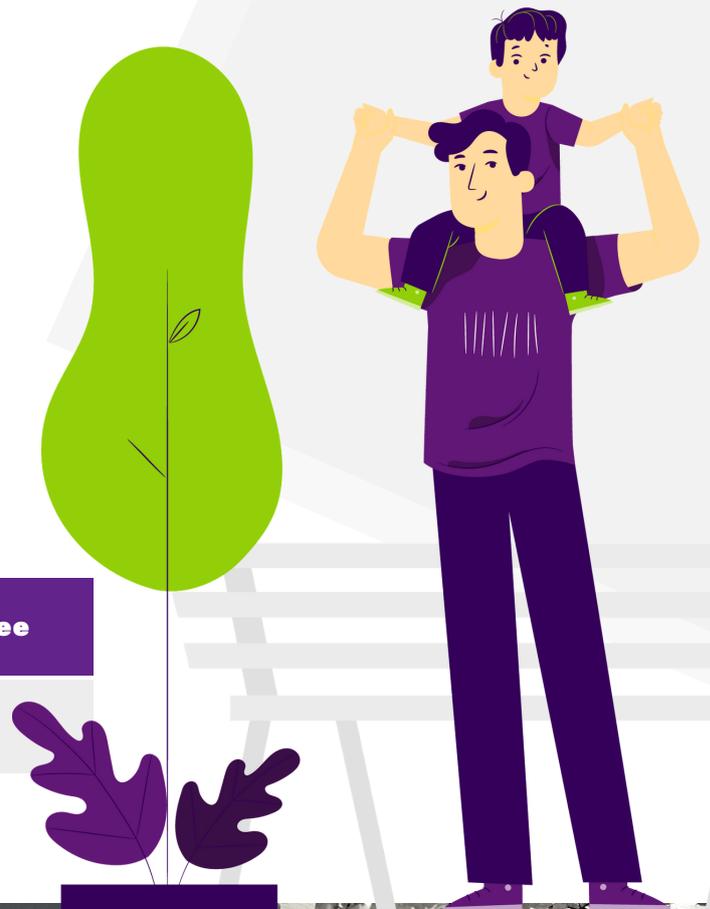
Income Tax	
Employment Income	18%
Passive income (e.g. interest, dividends, royalties, investment profit), unless specified otherwise	18%
Dividends paid by resident CIT payers	5%
Dividends paid by non-residents, mutual investment funds, and non-payers of CIT	9%



Social Security

- Locally paid salaries are subject to the unified social tax, borne by the employer at a flat rate of 22%.
- The base for the contributions is capped by the maximum monthly base (15 minimum salaries), which was UAH62,595 as of 1 October 2019.
- The unified social tax is not payable on salaries paid from outside Ukraine by nonresident employers to their employees.

Contribution	Employer	Employee
Unified Social Tax	22%	-



Deductible Expenses

Personal Deductions

Charitable Contributions

- Donations to registered Ukrainian charities and not-for-profit organizations are deductible in an amount that is not higher than 4% of the taxpayer's taxable income.

Education Expenses

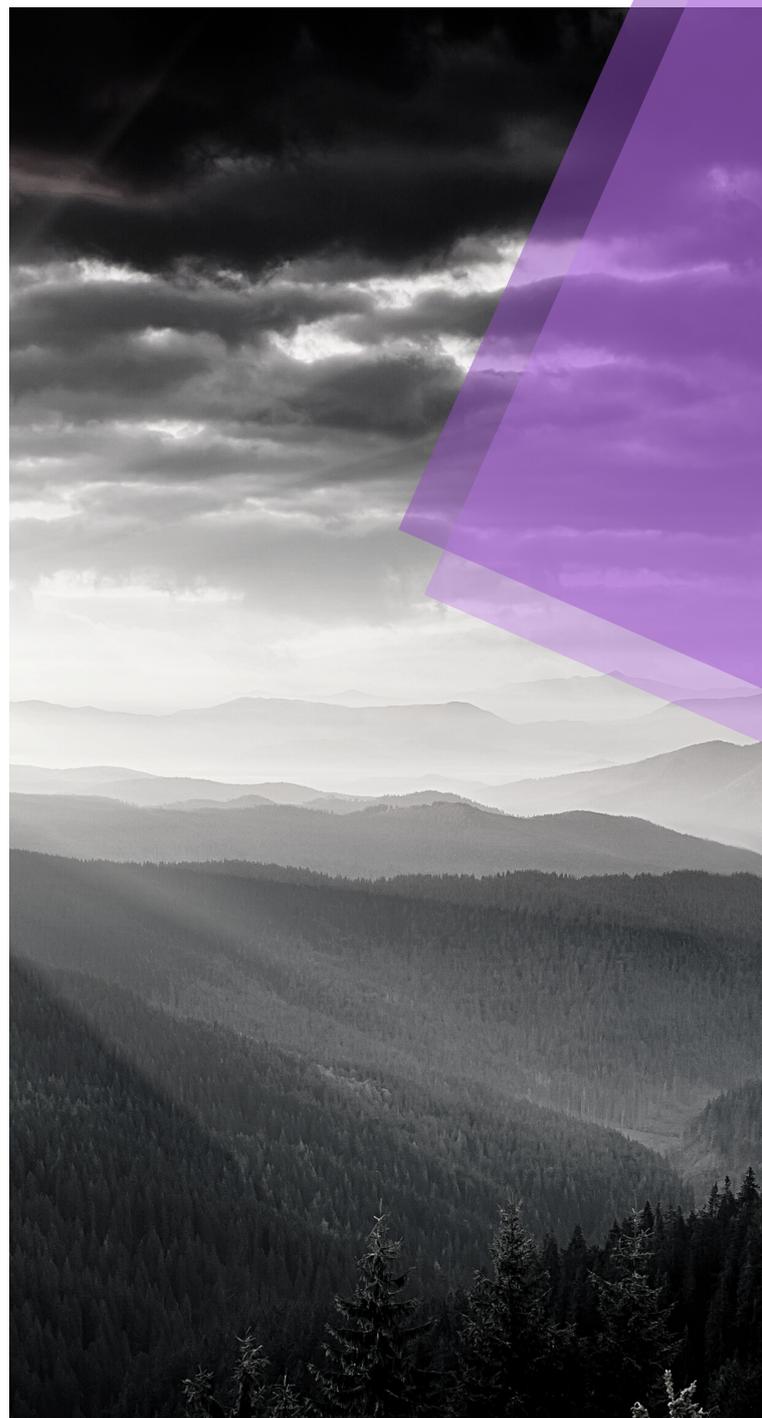
- This includes the pre-school, extracurricular, school, secondary professional or higher education of a taxpayer and his/her family members (spouse, parents, children) in Ukrainian institutions.
- The total amount of the tax deduction charged to the taxpayer in the reporting tax year may not exceed the amount of the annual general taxable income of the taxpayer calculated as a salary.

Insurance Premiums

- Limited premiums for voluntary long-term life insurance or non-state pension insurance for the benefit of a taxpayer and their immediate family members (i.e. spouse, parents, children) are deductible.
- For 2020, the deductible amount is limited to UAH 2,940 per month for a taxpayer.
- Limit for the payment related to the taxpayer's immediate family members is half of the above monthly limit.

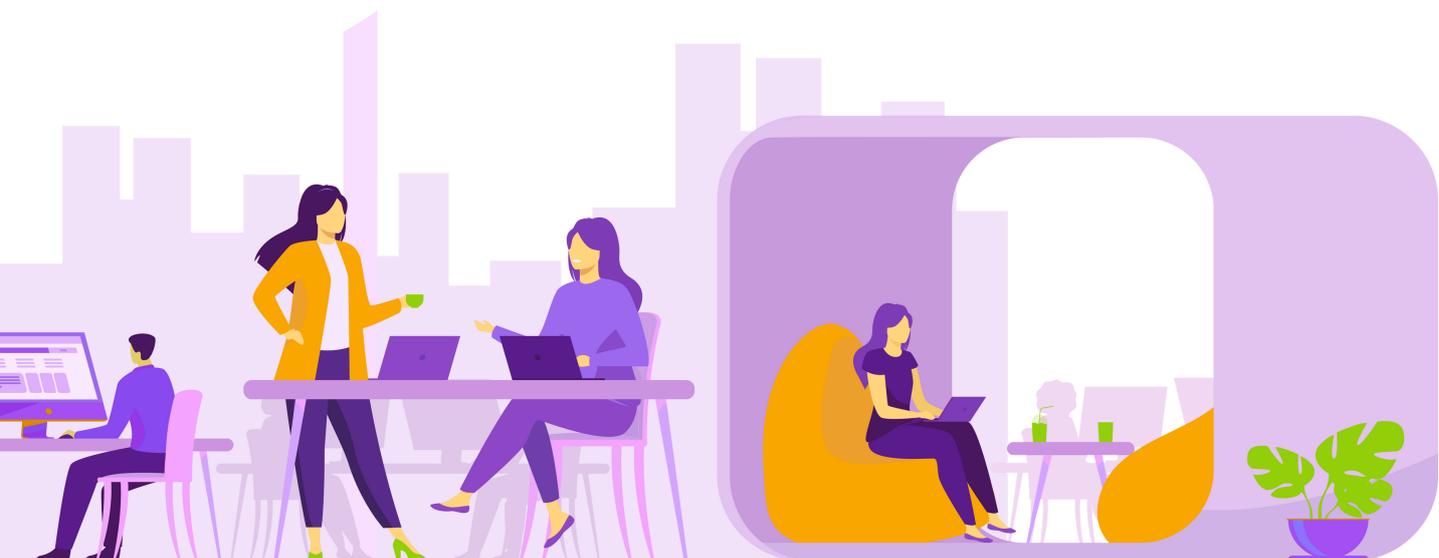
Mortgage Interest Expenses

- A limited amount of interest on a qualified mortgage is deductible, provided it is used to finance the acquisition of a taxpayer's 'main place of residence' (i.e. the apartment/house where the taxpayer is registered).



Personal Deductions

<p>Charitable contributions</p>	<ul style="list-style-type: none"> • Donations to registered Ukrainian charities and not-for-profit organizations are deductible in an amount that is not higher than 4% of the taxpayer's taxable income.
<p>Education expenses</p>	<ul style="list-style-type: none"> • This includes the pre-school, extracurricular, school, secondary professional or higher education of a taxpayer and his/her family members (spouse, parents, children) in Ukrainian institutions. • The total amount of the tax deduction charged to the taxpayer in the reporting tax year may not exceed the amount of the annual general taxable income of the taxpayer calculated as a salary.
<p>Insurance premiums</p>	<ul style="list-style-type: none"> • Limited premiums for voluntary long-term life insurance or non-state pension insurance for the benefit of a taxpayer and their immediate family members (i.e. spouse, parents, children) are deductible. • For 2020, the deductible amount is limited to UAH 2,940 per month for a taxpayer. • Limit for the payment related to the taxpayer's immediate family members is half of the above monthly limit.
<p>Mortgage interest expenses</p>	<ul style="list-style-type: none"> • A limited amount of interest on a qualified mortgage is deductible, provided it is used to finance the acquisition of a taxpayer's 'main place of residence' (i.e. the apartment/house where the taxpayer is registered).



Immigration

Work Permit

- To work in Ukraine (either based on a direct employment agreement or being assigned based on an agreement between a Ukrainian and a foreign legal entity), a foreign national must have a work permit.
 - No comprehensive quota system exists in Ukraine with respect to the issuance of residence and work permits to most foreign nationals.
 - Obtaining a work permit is a rather burdensome and time-consuming procedure.
 - The State Employment Center of the Ministry of Social Policy issues work permits, which are usually valid for a period of up to one year and may be extended for the same period.
 - The employer of a foreign national must apply for a work permit with the local employment center and submit the following documents:
 - An application
 - Copies of passport pages bearing personal data
 - One color matte photograph of 3.5 cm by 4.5 cm
 - Copy of the draft employment agreement between the Ukrainian legal entity and the foreign national
 - All documents issued in foreign countries and in foreign languages must be legalized, apostilled or notarized, depending on the country of issuance, before their translation into Ukrainian.
- In addition, the procedure for obtaining a work permit varies depending on the category of the employee.
 - The rules make a clear distinction between the lists of documents needed to obtain work permits for direct employees, secondees and intracorporate transferees (a specific category of secondees).
 - No special treatment is given to EU nationals.
 - The application procedure is the same for all foreign nationals.
 - The work permit application process may take up to two months.
 - A foreign national's work permit becomes invalid if the individual changes employers.
 - A work permit is a basis for issuing a Long-term Visa D (a special type of entry visa, which may be obtained for the purpose of engaging in employment in Ukraine).
 - This type of visa is a multientry visa (which is issued for a purpose of obtaining a temporary residence permit in Ukraine; a foreign individual is allowed to stay in Ukraine up to 90 days for obtaining his or her temporary residence permit).
 - To commute freely to and from Ukraine, a temporary residence permit must be obtained.



Type of Visa/ Permits	Documentation	Validity	Eligibility
Work Permit	<ul style="list-style-type: none"> • An application • Copies of passport pages bearing personal data • One color matte photograph of 3.5 cm by 4.5 cm • Copy of the draft employment agreement between the Ukrainian legal entity and the foreign national 	1 year	<ul style="list-style-type: none"> • To work in Ukraine (either based on a direct employment agreement or being assigned based on an agreement between a Ukrainian and a foreign legal entity), a foreign national must have a work permit.
Long-term Visa D	<ul style="list-style-type: none"> • Valid Passport • Completed Application Form • One color photo • Work permit • Applicant Bank Statement • Itinerary 	90 days	<ul style="list-style-type: none"> • Foreigners can apply for a long term visa D to gain employment in Ukraine



Value Added Tax (VAT)

- As of 1 January 2019, there are three VAT rates: 20%, 7%, and 0%.
- The rate of 20% applies to almost all transactions subject to VAT except specific transactions subject to 7% and 0% VAT
- The reduced rate of 7% applies to supply and import of registered medicines and specific medical goods, as well as medicines, medical goods, and medical equipment allowed to be used in clinical trials.
- The 0% VAT rate applies to the export of goods and some other specific transactions.

VAT	
Standard Rate	20%
Reduced Rate	7%
Zero Rate	0%



Withholding Tax

Dividends

- A 15% withholding tax is levied on dividends paid to a nonresident, unless the rate is reduced under a tax treaty

Interest

- Interest income received from government securities is not subject to withholding tax
- A 5% withholding tax generally is levied on interest paid to nonresidents on loans made to Ukrainian residents from qualifying Eurobond issuance proceeds
- Otherwise, a 15% withholding tax is levied on interest paid to a nonresident, unless the rate is reduced under a tax treaty

Royalties

- A 15% withholding tax is levied on royalties paid to a nonresident, unless the rate is reduced under a tax treaty

Technical Service Fees

- A 15% withholding tax is levied on technical service fees paid to a nonresident for engineering services, unless the rate is reduced under a tax treaty

WHT	
Dividends	15%
Interest:	
Nonresident	15%
Interest paid to nonresidents on loans made to Ukrainian residents from qualifying Eurobond issuance proceeds	25%
Royalties	15%
Technical Service Fees	15%

Termination

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- Terminating the employment of corporate officers' triggers payment of six months of average salary.

Statutory Benefits

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, overtime pay, and severance pay
- Statutory benefits also include social security benefits

Statutory Benefits

Probationary Period

Annual Leave

Public Holidays

Maternity Leave

Sick Leave

Overtime Pay

Severance Pay

Social Security Benefits



Payments and Invoicing

- The tax year in Ukraine is the calendar year.
- For most individuals, tax is payable through withholding at source of payment by a tax agent.
- The tax is withheld by the tax agents, which are entities that withhold and pay personal income tax on behalf of and at the expense of individual taxpayers in Ukraine.
- Ukrainian entities, including enterprises with foreign investment, must withhold income tax from the salaries of their employees.
- An individual may voluntarily file a tax return even if this is not required by law.
- An individual may want to voluntarily file a tax return to claim a tax refund or a tax discount.
- An individual must file the annual income tax return before 1 May of the year following the reporting year.
- However, to claim a tax discount, an individual may file a tax return by 31 December of the year following the reporting year.
- Under the tax law, the deadline for the settlement of tax liability is 1 August of the year following the reporting year.
- Tax residents who intend to leave Ukraine for permanent residence must file a departure tax return no later than two months before departure.
- After the liability is settled, the tax authorities issue a tax certificate, which must be presented by the individual to the Ukrainian Immigration Services when leaving Ukraine.
- In Ukraine, for delinquent filing, the tax authorities may impose an administrative fine and financial sanctions of up to UAH306.
- In addition, the tax authorities are monitoring the timing of tax payments very closely.
- The tax authorities impose late payment penalties of 0.05% of the tax due for each day of delay starting with the 91st day of non-payment.
- They also impose an additional fine of 10% of the tax due.
- This fine is increased to 20% if the payment delay exceeds 30 days.



Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Ukraine ranked 64th in the World in 2019 in terms of ease of doing business.



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