

Ukraine Legal News



TAX REFORM 10-10-10. CHANGES AND IMPROVEMENTS

In Ukraine, the development of the "All by 10" tax bill, which provided for the reduction of the tax rate for some business niches in Ukraine to 10% instead of 18%, is underway.

In August 2022, the Office of the President of Ukraine announced the idea of a globally new tax model:

- The new model was called "10-10-10" because it provided for a reduction in the income tax rate, as well as personal income tax to 10% (currently 18%), VAT to 10% (currently 20%).

- It is proposed to cancel the EUV and the military levy in general.

- But instead, the cancellation of all benefits and increased liability for violations of tax legislation were foreseen.

At the end of 2022, the authorities returned to this idea, but radically changed it. At the beginning of December, a group appeared in the Verkhovna Rada, which was developing a concept for this tax reform.

As of today, the Verkhovna Rada is considering the following innovations:

- A tax on withdrawn capital is being introduced, which will replace the classic corporate income tax (18%). While in the case of income tax, the difference between income and expenses is taxed, for tax on capital withdrawn, the tax base is the amount that the owner of the company withdraws from it as profit (for example, dividends). The tax on withdrawn capital is already being tested in Ukraine by residents of "Diya City" (it is used by a third of the IT companies participating in this regime).

Such a system is convenient if the owner of the company will keep the money in the turnover of the company and will not withdraw it to his own accounts.

The tax rate on withdrawn capital can be 10%, but it can be higher.

- The rate of value added tax (VAT) can also be reduced, even to 10% (as proposed earlier), but this is not a very likely option. According to the requirements of the European Union (hereinafter - the EU), its level cannot be less than 15%.



■ Personal income tax can also be reduced. For this purpose, personal income tax (18%) can be combined with the Single Social Contribution (22% of the minimum wage), which is also a mandatory payment for employed citizens and entrepreneurs. The new tax rate can be left at 10% (as proposed earlier). [read more](#)

FORCED SALE OF SANCTIONED RUSSIAN PROPERTY ON ELECTRONIC AUCTIONS

The Verkhovna Rada of Ukraine submitted draft law № 8311 "On Amendments to Certain Legislative Acts on Improving the Sanctions Policy and Increasing the Efficiency of Management of State, Communal Property and Seized Assets", according to which sanctioned Russian property will be compulsorily sold on electronic auctions.

The document provides for the introduction of an additional subtype of sanction — the forced sale of assets of citizens of the aggressor country at electronic auctions. These are assets worth billions of hryvnias, which, according to the decision of the High Anti-Corruption Court, will be transferred to the



management of the National Agency of Ukraine for the Identification, Search and Management of Assets Obtained from Corruption and Other Crimes for further forced sale. For this purpose, the document proposes to return to the Agency the ability to sell real estate.

Draft Law № 8311 proposes that money from the sale of sanctioned property may be used for the duration of martial law and for another year after that to be used for the needs of the Armed Forces of Ukraine. The specified document will oblige Assets Obtained from Corruption and Other Crimes to direct part of the funds from the sale of these assets to the purchase of domestic state loan bonds. [read more](#)

ONLINE RESOURCES ARE LEGALLY COMPARED TO MEDIA

Media or mass media, regardless of form, is a means of disseminating mass information that is regularly released to the world under editorial control and a permanent name as an individualizing feature. Such a new concept is contained in the law "About Media" dated 13.12.2022 № 2849-IX, which was published on the eve of the New Year but will enter into force on 31.03.2023.

Among other things, the procedure for refutation of information that does not correspond to reality (stated incompletely or inaccurately) and degrades the honor, dignity, or business reputation of a person, disseminated in the media, is established. A person, who believes



that an entity in the field of audiovisual, print, or online media has disseminated such information about him, has the right to demand the refutation of inaccurate information or exercise the right of reply. [read more](#)

THE MINISTRY OF FINANCE OF UKRAINE PROPOSES TO CANCEL BENEFITS FOR BUSINESSES AND INDIVIDUAL ENTREPRENEURS FROM JULY 1, 2023

What does the Ministry of Finance offer? The draft law states that tax benefits are effective until the termination or cancellation of the state of war or emergency in Ukraine, but no later than July 1, 2023. In general, this will repeal the following provisions:

- The possibility for sole proprietorships and legal entities to be payers of the uniform tax of the III group with the application of a rate of 2% of the amount of income;
- The possibility for Individual entrepreneurs I and II groups not to pay a single tax;
- Moratorium on document checks;
- Absence of fines for non-use of cash registers;
- Absence of fines for violation of tax legislation.

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HOW IS THE INITIATIVE TO CONFISCATE RUSSIAN ASSETS IN FAVOR OF UKRAINE SPREAD?



On the eve, it became known that Estonia is the first country among the members of the European Union that plans to introduce a legal framework for the confiscation of Russian assets.

While the European Commission is developing a document on the use of 300 billion euros from the reserves of the Russian central bank and tens of billions of frozen assets of Russian individuals who have been subject to sanctions, Estonia intends to present a plan for the implementation of its own asset confiscation project soon.

Currently, Estonia's specialized state body for fight money laundering estimates the amount of Russian funds frozen in the country at 20 million euros.

At the same time, as is known, Canada became the first country in the world whose legislation allows the collection of frozen Russian assets for their transfer to Ukraine.

A corresponding mechanism in Canada was proposed by the government based on a decision of the parliament. Confiscation will be applied exclusively to sanctioned assets, instead of creating a separate list of individuals and legal entities, as well as specifying specific assets and their monetary counterpart, which was previously proposed. Following the example of the Canadian government, at the end of 2022, the US Senate voted to include an amendment in the draft budget of the country, which would allow confiscation of the frozen assets of Russian oligarchs in favor of Ukraine.

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THE EUROPEAN COURT OF HUMAN RIGHTS RECOGNIZED THAT RUSSIA OCCUPIED PART OF DONBASS SINCE MAY 11, 2014

The court established that the territories in the east of Ukraine captured by the separatists were under the jurisdiction of the Russian Federation from May 11, 2014 until at least January 26, 2022. It referred to the presence of Russian troops in eastern Ukraine since April 2014 and the large-scale deployment of Russian troops since August 2014 at the latest.

It also found that the defendant state had significant influence over the separatists' military strategy; that it provided weapons and other military equipment to the separatists on a significant scale from the beginning of the creation of the «DPR» and «LPR» and in the following months and years; that it carried out artillery fire at the request of the separatists; and that it provided political and economic support to the separatists.

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TAX BENEFITS IN UKRAINE WILL BE VALID UNTIL JULY 1, 2023

If the war does not end in the next 5 months, then from July 1, 2023, the norms that currently provide for:

- the possibility for private entrepreneurs and legal entities to pay a single tax of group III at the rate of 2% of the amount of income;
- the possibility for payers of the "single tax" of groups I and II not to pay a "single tax";
- stopping of documentary checks;
- stopping the passage of time periods (submission of tax returns, conducting audits, conducting administrative appeal procedures, etc.) determined by tax legislation and other legislation, the control of compliance with which is entrusted to supervisory bodies;
- non-application of fines for violation of tax legislation;
- non-application of fines for violation of the correctness of accrual, calculation, and payment of Single social contribution;
- non-application of fines for violation of the procedure for using settlement transaction recorders/ software cash registers.

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*The legal system of Ukraine is **based on the framework of civil law and belongs to the Romano-Germanic legal tradition**. The main source of legal information is codified law. Customary law and case law are not as common, though case law is often used in support of the written law, as in many other legal systems.