

# Ukraine COVID-19 update

Welcome to the high-level summary of Covid-19 (national quarantine since 12.03.2020 till 31.10.2020 with possible prolongation) related actions by the Ukrainian Government. The details and links below have been split between “Tax Filings Affected”, “Government Employee Wages Benefits Programs” and “Government Loan Programs”; and are extracts from the more detailed information available on the websites of the Ukrainian Praxity Participant firm’s websites, links to which are available at the bottom of this page. Praxity Participant Firm in Ukraine is Kyiv Audit Group

## Tax Filing Affected

- 1) In 2020, funds (value of goods) for combating COVID-19:
- Voluntarily transferred for this purpose are to be included in expenses in total amount when calculating corporate income tax;
  - Are VAT exempt;
  - Import of such goods is exempt from import duties.

2) For March 2020 property tax and land tax (rent) should not be levied on individuals and legal entities in respect of their land plots used in commercial activities.

3) Self-employed entrepreneurs who carry out independent professional activity are exempt from payment of the USC from 01.03.2020 to 31.05.2020 (this period is included in the insurance period).

4) No liability for late submission and disclosure of financial statements (including consolidated and audited ones), if the statements are submitted and disclosed during quarantine or within 90 calendar days from the day following the end of the quarantine, but not later than 31 December 2020.

5) Moratorium on tax audits for the period of the quarantine. However, the moratorium will not apply to the exceptions:

- unscheduled inspections carried out to reimburse VAT;
- factual inspections of violation of the law on excisable goods;
- voluntary inspections / inspections at the request of a taxpayer;
- in case of reorganization / liquidation of a legal entity or termination of entrepreneurial activity of a self-employed person.

In September, the Cabinet of Ministers of Ukraine approved the Schedule to extend the moratorium for 6 months after the end of the quarantine.

6) Fines and penalties for violations of tax laws on many taxes will not be charged for the period of the quarantine. In the period from March 1 to the last calendar day of the month (inclusive) in which the quarantine established by the Cabinet of Ministers ends:

1. No penalties are applied for violation of tax legislation, except for violations of:
  - accrual, declaration and payment of VAT, excise tax, and rent;
  - violation of the legislation on accounting, production, trading of ethyl alcohol, fuel, tobacco and alcohol in terms of the procedures specified in Law No. 540;
  - alienation of property which is in tax lien, without the consent of the regulators;
  - violation of the requirements for long-term life insurance contracts or insurance contracts within non-state pension provision, in particular supplementary pension insurance.
2. Penalties are not applied for late submission of reports and late payment of the USC;
3. There is no late fee for violating the tax and USC legislation. The late fee that was accrued but not paid for this period is subject to write-off.

#### 7) Suspension of running of limitation periods

Until the last calendar day of the month (inclusive) in which the quarantine established by the Cabinet of Ministers ends, the running of limitation periods is suspended when it regards:

- procedures for administrative disputes as to taxpayers' complaints (except for issues related to budget VAT refunds) received during this period (effective from April 2, 2020);
- consideration of complaints of payers of the USC, as well as the deadline for filing complaints for this period is extended (effective from April 2, 2020);
- provision of individual tax advice by regulators in writing (effective from May 29, 2020);
- provision of answers by taxpayers at the request of the regulators (except for questions regarding budget VAT refunds) received during this period (effective from May 29, 2020).

From the first calendar day of the month following the month in which the quarantine ends, the periods suspended shall be continued taking into account the time went by before such suspension.

In addition, new amendments to the Tax Code of Ukraine (TCU) came into force on May 23, 2020 in accordance with the Law of Ukraine of 16.01.2020 №466-IX "On Amendments to the Tax Code of Ukraine to improve tax administration, eliminate technical and logical inconsistencies in tax legislation" (except for some changes that take effect from January 1, 2021).

On the one hand, the law provides for a number of changes aimed at the improvement and simplification of the tax administration system. It also aims to introduce international tax control standards for all participants of the international trade and to implement the provisions of the Plan to Combat the Practice of Erosion of the Tax Base and Withdrawal of Profits from Taxation (BEPS Action Plan).

On the other hand, the representatives of various business lines believe that its implementation by business will be extremely problematic

For now, businesses are expecting rapid and positive changes to the Tax Code.



# Government Employee Wages Benefits Programs

1) During the quarantine it is allowed to change the work mode including the reception and provision of service for individuals and legal entities. Information on such changes must be made known through websites and other means of remote communication.

2) Types of labour relations for the period of the quarantine:

- Remote work. During quarantine, an employer has the right to instruct his/her employees to work at home for a certain period.
- Vacation without pay. An employer may give an employee a vacation with his/her consent. The duration of vacation without pay for the quarantine period is not included in the total period (15 calendar days per year).
- Flexible working hours. May be simply agreed by an employee and an employer, except for the period of threat of epidemic / pandemic extension, when it is enough to indicate such working conditions in the order of the CEO - Art. 60 of the Labor Code.
- Part-time work. According to Art. 56 of the Labor Code, part-time work may be agreed by an employee and an employer or its authorized body. Part-time working day and / or part-time week can be set both when hiring and subsequently. Wages are paid in proportion to the time worked.
- Downtime. Art. 113 of the Labor Code (as amended on 30.03.2020) stipulates that during the downtime through no fault of the employee, including for the period of the quarantine established by the Cabinet of Ministers of Ukraine, the employee shall be paid no less than 2/3 of the pay rate set for his/her category (salary).

3) For the period of the quarantine due to COVID-19, a doctor may open a sick leave on the basis of a request and interview of the patient by a telephone or the Internet telephony. A sick leave certificate reasoned as "isolation from COVID-19 – 11" is the ground for temporary incapacity benefit that is paid to persons in hospitals and those being on self-isolation at home, in the amount of 50% of the average salary (income) regardless of the insurance period.

4) State partial unemployment benefit for the period of the quarantine is provided to employers from among small and medium businesses, given the employer has no arrears of wages and USC.

Partial unemployment benefit is set for each hour by which the employee's (except for the persons receiving a pension) working hours were reduced, at the rate of





2/3 of the pay rate (salary) set for the employee of the relevant category, based on the financial capacity of the Employment Fund and not may exceed the minimum salary (EUR150-160).

Categories of persons entitled to benefits:

- employees who have an underlying document of the employee-employer relations, including those who receive payment for downtime (except for the period of mastering new production (products));
- employees who are on vacation without pay (unpaid leave) during quarantine;
- employees who lost part of their salary or income due to the involuntary statutory reduction of their working hours in connection with the suspension (reduction) of activities at the request of the employer;
- a self-employed person, who is insured (except for persons receiving a pension) and does not receive partial unemployment benefits for the period of the quarantine as an employee.

# Government Loan and Support Programs

1) "Loan holidays" are suggested by many banks for deferral of interests' payment and loan restructuring.

2) The state program "Affordable loans 5-7-9%" aimed to support small business.

According to the Prime Minister of Ukraine the state program "Affordable loans 5-7-9%" will be extended for 2021.

3) List of force majeure circumstances, provided for in Part 2 of Art. 14-1 of the Law of Ukraine "On Chambers of Commerce and Industry in Ukraine" has been supplemented with such circumstance as a quarantine established by the Cabinet of Ministers of Ukraine. However, it does not mean automatic release from any obligation.