UKRANY

DOING BUSINESS IN UKRAINE

The Legal and Accounting Handbook. What foreign companies need to know before, during, and after setting up.

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CURRENT AS AT AUGUST 2026

ABOUT THIS GUIDE

Scope, currency, and limits

A practical handbook for foreign companies working with Ukraine — written in plain English, current as at August 2026.

This guide describes the position as at August 2026. Ukrainian tax and labour rules are reindexed every January, and wartime rules change more often than that. Nothing here is legal or tax advice for a specific situation — the wording of your contracts and the facts of your case decide the answer.

[CONTACT]

Questions on anything in this handbook, or on your own situation:

info@ukrany.com · ukrany.com

Ukrany LLC (EDRPOU 43820915), Molochna St. 15, Lviv, Ukraine
info@ukrany.com · ukrany.com

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Twenty-eight sections, four appendices

PART

00

Start here

Written for the person at a foreign company who has to make decisions about Ukraine without a Ukrainian lawyer sitting next to them.

SECTION 1

Who this guide is for

This guide is written for the person at a foreign company who has to make decisions about Ukraine without a Ukrainian lawyer sitting next to them. A COO deciding whether to open an entity. A finance manager who just found out the company owes payroll tax it never budgeted for. A founder whose engineers are all in Lviv and whose auditor has started asking questions.

You do not need any legal background to read it. Where a Ukrainian term matters, it is explained in plain English the first time it appears, and again in the glossary at the end.

Ukraine is not a difficult country to operate in. It is a country where the rules are specific, written down, and applied literally. Most foreign companies that get into trouble here were not doing anything aggressive. They were doing something normal for their home country that happens to be treated differently in Ukraine.

Not everyone needs to read all of this. Pick your starting point:

IF YOU ARE	YOUR REAL QUESTION	READ FIRST	SKIP FOR NOW
Exploring — Ukraine is one option on a shortlist	What will this cost me, and how fast can it happen?	Sections 3, 5, and Appendix A	Parts 5–8
Committed — decision made, setting up now	What do I sign, in what order, and what am I actually signing?	Parts 1–4 in order	Part 8
Already operating — entity exists, something feels off	What am I getting wrong that nobody has told me about?	Sections 10, 13, 16, 21, 25	Parts 1–2
Using contractors, no entity	Am I exposed, and how would I find out?	Sections 13 and 21	Parts 2 and 5

Two things this guide is not. It is not legal advice for your specific situation — Ukrainian law leaves a lot to the exact wording of your contracts and the exact facts of your case. And it is not permanently accurate: most numbers in Ukraine are reset every January, so every figure here carries a date. Check the date before you rely on a number.

SECTION 2

Five rules that explain everything

Almost every unpleasant surprise a foreign company hits in Ukraine traces back to an assumption imported from home. Five things work differently here. Understand them once and most of the rest of this guide becomes predictable.

Rule 1. Only written law counts

Ukraine is a civil law country. The rules live in codes — the Civil Code, the Tax Code, the Labour Code — and courts apply the text of those codes. Past court decisions guide interpretation but do not create new rules the way precedent does in the UK or the US.

Two practical consequences follow.

The first one costs money. A contract cannot give you something the code does not allow. If you write into an employment contract that an employee waives their annual leave, that clause is simply void, and the leave is still owed when they resign. Agreeing on something in writing does not make it enforceable.

The second one saves money. If a rule is not written down, an official cannot invent it. When a request feels arbitrary — an extra document, an extra approval, an unfamiliar fee — the correct response is a polite question: which article requires this? That question resolves a surprising number of situations, because in a codified system the answer either exists or it doesn't.

Rule 2. No document, no fact

In most Western accounting systems, a bank transfer plus an invoice is enough to prove an expense. In Ukraine it is not. A transaction is proven by a specific set of documents in a specific form, and the central one is the **act** — a short signed statement that services were delivered and accepted, usually signed at the end of each month.

If the act is missing, the tax authority does not treat the service as poorly documented. It treats it as never delivered. The expense comes out of your accounts, your VAT credit comes out with it, and a penalty goes on top. The money left your bank account; that is not the point in dispute.

This is the single biggest adjustment for foreign managers. Ukrainian accounting is not a record of what happened. It is the evidence that it happened. Section 16 covers what a valid document looks like.

Rule 3. The state is an IT system, and one key opens it

Company registration, tax filings, VAT invoices, employment notifications, court filings, extracts from the state register — nearly all of it happens online, and much of it takes minutes rather than weeks. In this respect Ukraine runs ahead of most of Europe.

Access to all of it is a **qualified electronic signature (KEP)**: a file plus a password, usually issued to the director. It is legally equivalent to a wet signature and a company seal combined. Whoever holds that key can file reports, sign contracts, appoint people, and change the state register. Foreign companies routinely hand it to an outsourced accountant for convenience and then discover they have handed over the ability to act as the company. Treat the director's key with the same care as the company's bank credentials, and never let it live only on someone else's laptop.

Rule 4. The numbers move every January

Ukraine's minimum wage and subsistence minimum are set once a year in the budget law, and dozens of other figures are calculated from them: the floor for social contributions on payroll, most fines, several tax thresholds, various filing limits. When those two base numbers move, everything anchored to them moves with them.

So any Ukrainian figure you read — in this guide, in a consultant's proposal, in a blog post from two years ago — has an expiry date. Build a review into your December or January routine, and treat undated numbers as unreliable.

Rule 5. Martial law is a layer, not a replacement

Since February 2022 Ukraine has operated under martial law. It did not replace the legal system. It sits on top of it as a separate layer that adds restrictions in some places and suspends rules in others: limits on moving foreign currency out of the country, mobilisation rules and the ability to reserve critical staff from it, more flexible employment and termination rules, official force majeure certificates, restrictions on certain inspections.

The base law still works normally. Courts sit, registers run, taxes are collected, contracts are enforced. But the wartime layer is amended several times a year, which is exactly why Rule 4 matters so much. Advice about Ukraine ages faster than advice about most countries, and advice written in 2022 about wartime rules is now largely wrong.

The five rules in one table

WHAT YOU EXPECT	HOW IT WORKS IN UKRAINE	WHAT YOU SHOULD DO
"We'll just agree it in the contract"	A contract cannot override the code; conflicting clauses are void	Check what the code allows, then draft
"The payment proves the expense"	The signed act proves it — the payment alone proves nothing	Collect signed acts every month, without exceptions
"Our accountant has our login, that's normal"	Whoever holds the director's KEP can act as the company	Keep the key under the director's control; issue a separate key for the accountant
"We've budgeted this cost for three years"	Payroll floors, fines and thresholds reindex each January	Rebuild the payroll and compliance budget every January
"Everything is frozen because of the war"	Base law runs normally; a wartime layer changes often	Check the date on every rule and figure before relying on it
"Contractors are simpler than employees"	Cheaper on paper, and the most common source of tax reassessment	Read Sections 13 and 21 before you sign anyone

Everything that follows is these five rules applied to specific decisions: which structure to choose, which taxes you pay, how to hire, what to file, and how to get your profit out.

PART

01

Choosing how to be present

Before you think about taxes, you have to answer a simpler question: what kind of presence do you actually need?

SECTION 3

Five ways to enter Ukraine

Before you think about taxes, you have to answer a simpler question: what kind of presence do you actually need?

Foreign companies often skip this step. They ask “how do we open a company in Ukraine?” when the real question is whether they need a company at all. Plenty of businesses run in Ukraine for years without one. Others open an entity on day one because they need to sign a contract with a Ukrainian counterparty, and nothing else will do.

There are five realistic options. They are not five levels of the same thing — they are different tools.

Option 1. Contract directly with Ukrainian sole traders (FOPs)

A FOP is an individual registered as a private entrepreneur. Most FOPs sit on the simplified tax system, invoice their clients, and pay their own tax. This is how a large share of Ukraine’s IT sector works.

You sign a service contract with each person. They invoice you monthly. You have no Ukrainian entity, no payroll, no local filings.

What makes it attractive is obvious. What makes it risky is less so. A contractor is legally a contractor. You are buying a result, not directing a person. The moment your working relationship looks like employment — fixed hours, a manager, a workplace, holidays, a monthly fixed sum that never changes — you have created a problem that surfaces later, usually during an audit or a dispute. Section 13 covers exactly where that line sits.

There is a second issue that catches software companies. In Ukraine, intellectual property created by a contractor does not automatically belong to the client. It has to be transferred by contract, in specific terms. A weak IP clause can be discovered during your own due diligence years later, when a buyer’s lawyer asks who owns the code.

Option 2. Employer of record (EOR)

A Ukrainian company employs the people, and they work for you. You get proper employees — employment contracts, paid leave, sick pay, payroll taxes handled — without opening anything yourself.

This is the practical answer when you want employees rather than contractors but do not want an entity yet. It works well for teams that need to be built quickly, for pilot projects, and for companies whose legal or finance department has no capacity to take on a foreign subsidiary.

What it does not give you is a Ukrainian legal person. You still cannot hold a licence, own property, open a local bank account in your own name, or sign as a Ukrainian party. And the IP chain matters here too: the employer is the provider, so the transfer of rights has to run cleanly from employee, to provider, to you.

Option 3. Representative office

A representative office is the foreign company itself, registered in Ukraine. It is not a separate legal person — it is your company, with an address here.

It comes in two flavours, and the difference is the entire point. A non-commercial office does marketing, liaison, and support work. It does not sell, and it is not taxed on profit. A commercial office does business, and is then treated as a permanent establishment and taxed on what it earns in Ukraine.

Representative offices are less common than they used to be. The accreditation process is heavier than registering a company, and if the office trades, you end up taxed anyway. They still make sense in specific cases: when the head office must remain the contracting party, when a sector regulator expects the foreign company itself to be present, or when you need an official footprint without a new legal person.

Option 4. A Ukrainian company (TOV / LLC)

This is the default, and for most companies with real plans it is the right answer. You get a separate legal person that can do everything a Ukrainian business can do: hire, sign, own, licence, borrow, receive grant money, bid for public and defence contracts, and eventually be sold.

The cost of that is a full compliance stack. Accounting every month, reporting on a calendar, a director carrying personal liability, and a proper procedure required to shut it down if you ever want to leave. Section 4 covers how it is built.

Option 5. A joint venture or an acquisition

Sometimes the thing you need is not a structure but a partner. A joint venture is usually just a Ukrainian company with two owners — you and a local party who brings something you cannot buy quickly: licences, a track record with a state customer, production capacity, distribution.

Buying an existing company gets you the same things, faster, plus everything else that company has ever done. Old tax positions, employment disputes, unclear IP, contracts with terms nobody remembers signing. Due diligence is not optional here.

What each option gives you

[WHAT EACH ENTRY MODEL GIVES YOU]

	FOP CONTRACTS	EOR	REP. OFFICE	TOV (LLC)	JV / ACQ.
Separate Ukrainian legal person	No	No	No	Yes	Yes
Can employ people	No	Limited	Yes	Yes	Yes
Can sign as a Ukrainian party	No	No	Limited	Yes	Yes
Can hold licences and permits	No	No	Limited	Yes	Yes
Can own property and equipment	No	No	Limited	Yes	Yes
Local filings on you	None	None	Full	Full	Full
Admin load on your team	Low	Low	High	High	High
Difficulty of walking away	Low	Low	Medium	Medium	High
Control over how people work	Weak	Medium	Full	Full	Full

FULL / YES LIMITED NO / LOW HIGH BURDEN

Six columns do not fit a portrait table at readable size, so the comparison is drawn as a matrix. Read across a row to compare models on one capability.

Best fit and main risk

MODEL	FITS WHEN	MAIN RISK
FOP contracts	Small remote team, results-based work, testing the market	Being reclassified as an employer; weak IP transfer
EOR	You want real employees fast, without a legal entity	Vendor dependency; IP chain must be checked end to end
Rep. office	Head office must stay the contracting party	Commercial activity turns it into a taxed presence
TOV (LLC)	Long-term operations, local contracts, assets, licences	Full compliance load; director liability
JV / acquisition	You need a licence, a partner, or a running business now	Inherited liabilities; partner and governance disputes

A short way to decide

[A SHORT WAY TO DECIDE]

1. Do you need to sign contracts, hold a licence, own assets, or receive payments in Ukraine as a Ukrainian party?
   YES → You need a company (TOV), or a JV / acquisition if a licence or partner is the point.
2. Do you need people who follow your instructions, keep set hours, and work only for you?
   YES → You need employees: EOR now, your own TOV when the team stabilises.
3. Are you buying delivered results from a handful of specialists, and could you stop within a year?
   YES → FOP contracts, with serious attention to the IP clause.
4. Must the foreign company itself be visibly present, without selling anything here?
   YES → Representative office.

Answer in order and stop at the first “yes”. Reaching the end without one usually means you do not need a presence in Ukraine yet.

Most companies move through these over time: contractors, then EOR, then their own company. That path is fine. What goes wrong is staying on step one after the business has clearly moved to step three.

The entry model is the decision everything else follows from, and it is easy to over-build. We have taken foreign companies through all three routes — contractors, EOR, and their own entity — and we will say plainly when you do not need an entity yet. Write to us before you commit to a structure.

info@ukrany.com

SECTION 4

The Ukrainian LLC (TOV) explained

TOV — *tovarystvo z obmezhenoiu vidpovidalnistiu* — is a limited liability company. It is the vehicle behind the overwhelming majority of Ukrainian businesses, from two-person studios to large manufacturers. Joint stock companies exist, but unless you plan to raise capital publicly or a regulator demands one, you will not need it.

Owners are called **participants**, and what they hold is a share in the charter capital — expressed as a percentage, not as a number of shares. That difference matters more than it sounds. Ukrainian ownership is a percentage recorded in a public register, not a stock certificate, and every change to it is a registration action.

Who can own it

One participant is enough. A foreign individual can be a founder. A foreign company can be a founder, and it is the usual choice, because it keeps the Ukrainian company inside your group structure and makes dividends and eventual sale cleaner.

Founding documents signed abroad need apostille or legalisation, plus certified translation. Build that into the plan early — it is usually the slowest part of setting up, and it depends on your own country, not on Ukraine.

Charter capital

Ukrainian law does not set a minimum. You choose the amount, state it in the charter, and contribute it — in money or in property — within the deadline the law or your charter sets.

Two practical points. A very small capital looks thin to banks and to serious counterparties, and it leaves you funding the company by loans instead of equity, which brings its own rules. A very large capital ties money into a structure that is harder to unwind than a loan. Pick something that matches the size of what you are building, and expect your bank to form an opinion about it.

Who decides what

BODY	WHAT IT IS	WHAT IT CONTROLS
General meeting of participants	The owners, acting together	Charter changes, capital, appointing and dismissing the director, profit distribution, big deals above the charter threshold, liquidation
Director	One person, named in the public register	Everything operational: signing contracts, hiring, payments, filings, dealing with the state
Supervisory board	Optional	Whatever the charter gives it — usually oversight of the director

The director is the pressure point in any Ukrainian company. That person signs, and that person answers — personally — for tax filings, payroll, labour law, and the accuracy of what is submitted to the state. A director who is a foreign citizen and works here needs immigration paperwork, so confirm this before you name anyone.

For a foreign owner, the practical control tool is the **charter threshold**: deals above a stated value require the participants' approval. Set it deliberately. Set it too low and your director cannot run the business; set it too high and you have handed over the company.

Model charter or your own

Ukraine offers a free model charter — a standard text you adopt with a click. It is fast, and it is fine for a simple company with one owner and no unusual arrangements.

Write your own when any of these apply: more than one owner, a partner you do not fully control, planned investment, veto rights, rules about who can sell to whom, or an exit you want to be able to run without a fight later.

TOPIC	IF YOU SAY NOTHING	WORTH WRITING YOURSELF WHEN
Director's deal limits	Broad authority by default	You want board-style control from abroad
Approval thresholds	Statutory defaults apply	You have a local partner or a large budget
Selling a share	Other participants get first refusal	You want to restrict or free up transfers
Participant leaving	Statutory rules on exit and payout	You want a defined valuation method
Profit distribution	Decided meeting by meeting	You want a policy, not a negotiation
Deadlock between two owners	No mechanism	You have a 50/50 JV — always write this one

The register is public

Ukraine's state register shows the company, its director, its participants, their percentages, and the address. Anyone can look it up in seconds, including your competitors and your counterparties' compliance teams. Plan on that being visible.

Separately, every company must declare its **ultimate beneficial owner** — the real human being at the top of the chain — and file an ownership structure chart. This is not a one-off. It has to be confirmed on a schedule, and foreign groups forget the confirmation more often than any other filing. The penalty falls on the director personally.

PART

02

Setting up

Registering a company is not the hard part. The hard part is everything you have to decide before you register, and the paperwork you have to produce in your own country.

SECTION 5

Registration, step by step

Registering a company in Ukraine is not the hard part. The hard part is everything you have to decide before you register, and the paperwork you have to produce in your own country.

The registration itself is a short administrative act. A registrar, or a notary acting as one, checks your documents and makes an entry in the state register. Once your papers are in order, this stage is measured in days, not months. Foreign founders are often surprised by how quick it is — and then equally surprised by how long the apostille took.

What has to be decided before anything is filed

The founders. One or several, individual or corporate, Ukrainian or foreign. If a foreign company is the founder, you will need its corporate documents — extract from its home register, decision to establish a subsidiary, evidence of who signs for it — apostilled or legalised, then translated by a certified translator, with the translator's signature notarised in Ukraine.

The activity codes (KVED). Ukraine classifies what a business does using a numbered list, and you pick your codes at registration. This is not a formality. Your codes affect whether you can use the simplified tax system, whether a licence is required, and how a bank's compliance officer reads your file. Pick codes that describe what you will actually do, and add the ones you plan to grow into. Adding them later is possible but it is another registration action.

The address. It must be real. Banks check it, the tax authority sends correspondence there, and inspectors have been known to visit. A virtual address bought purely for registration is a common source of trouble later.

The director. One name, filed publicly, personally responsible for the company's filings and compliance from day one. Have this person chosen and available before you start, not after.

The charter. Model text or your own — see Section 4.

What happens, in order

STAGE	WHERE IT HAPPENS	WHAT IT DEPENDS ON
1. Corporate documents prepared and legalised	In the founder's country	Your own country's apostille queue — usually the longest single wait
2. Translation and notarisation	Ukraine	Availability of a certified translator
3. Founder's decision, charter, director appointment signed	Ukraine or abroad	Whether founders sign in person or by proxy
4. State registration — entry in the register	Registrar, notary, or online	Documents being complete; errors mean a fresh submission
5. Automatic tax registration	Happens by itself	Nothing — it follows registration
6. Choice of tax system	Tax authority	A deadline you must not miss (see below)
7. Electronic signature for the director	Trust service provider or bank	The director's presence and ID
8. Bank account	Bank	Compliance review — see Section 7
9. Beneficial ownership filing	Registrar	Your group structure being documented

Steps 4 and 5 are fast. Steps 1, 8, and 9 are where the calendar actually goes.

[THE CRITICAL PATH]

01 Documents legalised abroad › 02 State registration › 03 Tax system + signature keys › 04 Bank account

01 — Apostille and certified translation. The longest wait, and it happens outside Ukraine.

02 — Days, not months, once the papers are complete.

03 — The tax-system application has its own deadline. Keys unlock everything else.

04 — Compliance review of the whole group. Plan it as a project.

The two dark nodes are the slow ones. Both sit outside the registrar's control, and both are routinely underestimated.

Two deadlines people miss

The tax system choice. A new company lands on the general tax system by default. If you want the simplified system, you have to apply for it — and the application has its own deadline tied to registration. Miss it and you wait until the next available quarter, paying the general regime in the meantime. Decide this before registration, not after (Section 9).

The beneficial ownership filing. Every company declares the real human owner at the top of the chain and files an ownership structure chart. Foreign groups with several holding layers need documents for each level, and this takes longer than anyone plans for. It is also not a one-off — see Section 4.

Things that slow foreign founders down

WHAT CAUSES THE DELAY	WHAT TO DO ABOUT IT
Apostille in the founder's country	Start it first, before anything else
Translations that don't match register spelling	Fix the transliteration of names and addresses once, then use it everywhere identically
Founder signing from abroad	Prepare a power of attorney early, apostilled, with clear wording
Wrong or missing activity codes	Confirm codes against your business plan and your tax choice before filing
Group structure with several layers	Assemble the ownership chart and supporting documents in parallel with registration
No director available for signature	Nominate early — nothing after registration can be done without them

After registration, before you trade

Registration gives you a company, not an operating business. Before the first invoice or the first employee:

- get the director's electronic signature and set up access to the tax e-cabinet
- open the bank account
- arrange bookkeeping — someone must be responsible from month one, not from the first reporting deadline
- decide on VAT registration if you are not automatically required to register (Section 10)
- notify the tax authority about each employee before they start work, not after
- if you will take cash or card payments, sort out fiscal receipt software before the first sale

SECTION 6

The electronic signature and the state's IT systems

Ukraine runs most of its public administration online, and it does it well. Registration, tax filings, VAT invoices, employment notifications, court claims, public procurement — all electronic. This is one of the genuinely easy parts of doing business here.

Access to all of it is a **qualified electronic signature**, known by its Ukrainian abbreviation KEP. It is a cryptographic key, usually stored on a token or in a secure cloud service, protected by a password. Under Ukrainian law it carries the same weight as a handwritten signature.

Why this matters more than it sounds

The director's KEP is not a login. It is the company's signature. Anyone holding it can submit tax returns, sign contracts, hire and fire, move the company's positions in the state register, and create liabilities in the company's name.

Outsourced accountants often ask for it, because it makes their work simpler. Handing it over is common, and it is a bad habit. The safer arrangement:

- the director keeps their own key under their own control
- the accountant gets a separate key issued in their own name, with a documented authority to sign specific filings
- keys are revoked immediately when someone leaves — especially the director
- nobody stores the password in the same place as the key file

Keys expire, usually annually. Put the renewal in the calendar; an expired key on a filing deadline is a self-inflicted penalty.

The systems you will actually use

SYSTEM	WHAT IT IS FOR	WHO NEEDS ACCESS
State register (EDR)	Company data, directors, owners, changes	Director; anyone doing due diligence
Taxpayer e-cabinet	Tax returns, payments, reconciliation, correspondence with the tax authority	Director and accountant
Register of tax invoices	Issuing and registering VAT invoices	Accountant, for VAT-registered companies
Diia / Diia.Business	Public services portal, some registration actions	Director
Pension Fund portal	Employment and social contribution reporting	Accountant / HR
NBU E-Limits	Tracking limits on certain cross-border transfers	Finance, via the bank
Prozorro	Public procurement	Anyone bidding for state contracts
Court e-system	Filing and receiving court documents	Your lawyer

Electronic document exchange

Remember Rule 2: no document, no fact. Signing hundreds of monthly acts on paper, by courier, would make that rule unbearable. In practice, Ukrainian companies exchange signed documents through electronic document flow platforms, where both sides sign the same file with their electronic signatures and the platform stores it.

For a foreign parent this is worth understanding early, because your Ukrainian entity will ask you to sign acts this way, and your own signing process may not be set up for it. Agree the mechanism when you sign the contract, not when the first act is due.

SECTION 7

Banking and currency control

Ukrainian retail and business banking is modern. Payments clear quickly, apps are good, larger banks handle English-language service without difficulty. The technology is not the problem.

The friction sits in two other places: compliance when you open the account, and currency rules when money crosses the border.

Opening the account

A foreign-owned company gets a closer look than a local one. Expect the bank to want to understand your whole group, not just the Ukrainian entity: who owns it, where the money comes from, what the business actually does, who your customers are, and which contracts justify the flows you are predicting.

Prepare for questions about:

- the ownership chain, all the way to the human beings at the top
- the source of the funds being put into the company
- your first contracts, or at least concrete plans
- who will control the account, and from where
- your sector — some sectors narrow your choice of bank considerably

The practical advice is to treat bank onboarding as a project with a document pack, not as an errand. And to choose the bank for its appetite for your kind of business rather than for its interface. If your work touches defence, dual-use goods, crypto, gambling, or high-risk jurisdictions, ask that question before you apply rather than after a refusal.

The currency rules in one idea

Ukraine restricts the movement of foreign currency out of the country. That has been true since February 2022, and it is being loosened gradually — the National Bank amends the rules several times a year, usually in the direction of more freedom.

Everything else follows from one principle: **the bank is the checkpoint.** Every cross-border payment your company makes is reviewed by your own bank against the documents behind it. Contract, invoice, act. Rule 2 again, this time enforced by a compliance officer with the power to stop the transfer.

Money in, money out

DIRECTION	TYPICALLY ROUTINE	RESTRICTED OR CONDITIONAL
Money in	Payments from foreign customers; capital contributions; loans from the parent	Loans have conditions during martial law — rate caps and rules on repayment timing
Money out — trade	Payment for genuine imported goods and services with full documents	Prepayments and unusual patterns draw questions
Money out — profit	—	Dividends are allowed but capped per month and only for profits from recent years; older accumulated profit is still stuck
Money out — group	—	Management fees, royalties and interest are possible, but must be real, documented, and priced defensibly (Sections 20–22)

As of mid-2026, dividends can be repatriated for profits earned from 2023 onward, within a monthly ceiling of roughly one million euro equivalent per company, tracked through the National Bank's E-Limits system, with conditions on how long the company has operated and how long the investor has held the stake. Larger amounts are possible for companies that have brought new money into Ukraine — through fresh capital, foreign loans, or documented donations to the armed forces — under a set of special "limits" the National Bank has been adding since 2025.

Two things follow for planning. First, do not build a financial model that assumes free extraction of profit. Second, the details here have a short shelf life; confirm the current position with your bank before you commit to a distribution schedule.

The 180-day rule

Cross-border trade has a settlement clock. As a general rule, an export must be paid for, or an import must be delivered, within about 180 calendar days of the transaction. Some sectors have longer periods; the rule has been shortened and lengthened several times.

If the clock runs out, a penalty accrues for every day of delay, calculated on the unsettled amount. The penalty falls on the Ukrainian party, not on the foreign counterparty who paid late.

This changes how contracts should be written. Payment terms, milestone schedules, and advance payments all have to fit inside the clock. A generous 12-month payment schedule that a foreign buyer considers normal can create an automatic penalty for your Ukrainian entity.

What to expect in practice

— Your bank will ask for documents before, not after, a cross-border payment. Keep the contract, invoice, and act ready as a set.

- Round-number transfers to related parties with thin documentation attract attention. So do payments that look like disguised dividends.
- Rules change often enough that “we checked last year” is not a defence.
- Banks operate reliably through blackouts and alerts. Continuity planning is a real topic (Section 23), but banking uptime is rarely the weak link.

PART

03

Taxes

Ukraine’s tax system looks complicated from outside and turns out to be fairly narrow in practice. Most foreign-owned companies deal with four things.

All rates and limits in this part are as at 2026. Ukraine reindexes most limits every January (Rule 4), so treat every number here as dated.

SECTION 8

The tax map

Ukraine's tax system looks complicated from outside and turns out to be fairly narrow in practice. Most foreign-owned companies deal with four things: profit tax or single tax, VAT, payroll taxes, and withholding tax on money paid abroad. Everything else is situational.

Here is the whole picture. Five columns will not fit a portrait page at a readable size, so it is split into two tables with the same row order: who pays and at what rate, then what it is charged on and how often.

TAX	WHO PAYS IT	RATE (2026)
Corporate profit tax	Companies on the general system	18% (banks much higher)
Single tax, group 3	Companies and sole traders on the simplified system	5% of turnover, or 3% if VAT-registered
Military levy, single tax	Group 3 payers	1% of revenue
VAT	Registered VAT payers	20% standard; 14% and 7% for specific goods; 0% on exports of goods
Personal income tax	Withheld from employees and contractors	18% (5% for Diia.City specialists)
Military levy, individuals	Withheld from employees and contractors	5%
Social contribution (ESV)	Employer, on top of salary	22%, with a cap; Diia.City residents pay 22% of the minimum wage only
Withholding tax on payments abroad	Ukrainian payer, from the payment	15% by default, often reduced by tax treaty
Exit capital tax	Diia.City residents who choose it	9%
Property, land, environmental, excise, local taxes	Situational	Varies

TAX	WHAT IT IS CHARGED ON	HOW OFTEN
Corporate profit tax	Accounting profit, adjusted for tax differences	Quarterly or annually
Single tax, group 3	Revenue — not profit	Quarterly
Military levy, single tax	Revenue	Quarterly
VAT	Value added on supplies in Ukraine	Monthly
Personal income tax	Gross pay	Each payday
Military levy, individuals	Gross pay	Each payday
Social contribution (ESV)	Gross pay	Monthly
Withholding tax on payments abroad	Dividends, interest, royalties, certain other payments	On payment
Exit capital tax	Profit when distributed, not when earned	On distribution
Property, land, environmental, excise, local taxes	Depends on the tax	Varies

Three observations worth keeping in mind.

Payroll is where the money is. For a services company, employment taxes usually dwarf profit tax. This is why the choice of hiring model (Part 4) matters more to your budget than the choice of tax system.

Turnover tax and profit tax are completely different animals. Under the simplified system you pay on revenue even in a loss-making month. That is the trade for simplicity.

Money leaving Ukraine gets taxed on the way out. Plan the exit route for profit before you build the structure, not after (Section 20).

SECTION 9

General system or simplified — the choice that shapes everything

Ukraine runs two parallel tax regimes for business, and you pick one.

The **general system** works the way most countries do. You keep proper books, calculate profit, and pay 18% of it. Losses carry forward. Expenses reduce the bill.

The **simplified system** taxes revenue and ignores costs. For a company, that means group 3: 5% of everything that comes in if you are not VAT-registered, or 3% if you are, plus a 1% military levy on the same revenue. No profit calculation, much lighter reporting.

The rule that stops most foreign groups at the door

> A company cannot use the simplified system if legal entities that are not themselves single-tax payers own 25% or more of its charter capital. A foreign parent company is a legal entity, and it is not a Ukrainian single-tax payer. So a Ukrainian subsidiary owned by your foreign company is on the general system, full stop. There is no application to be made and no exception to be argued.

If the founder is a foreign *individual* rather than a company, the restriction does not apply, and the simplified system is available. This single structural fact quietly drives a lot of decisions about how foreign groups hold their Ukrainian entities — and it needs to be weighed against everything else, because holding a business personally rather than through the group has consequences of its own.

> The general-versus-simplified question, and the 25% ownership rule sitting behind it, is cheap to resolve before registration and expensive to fix by restructuring afterwards. Ukrany can model both options against your actual numbers.
>
> info@ukrany.com

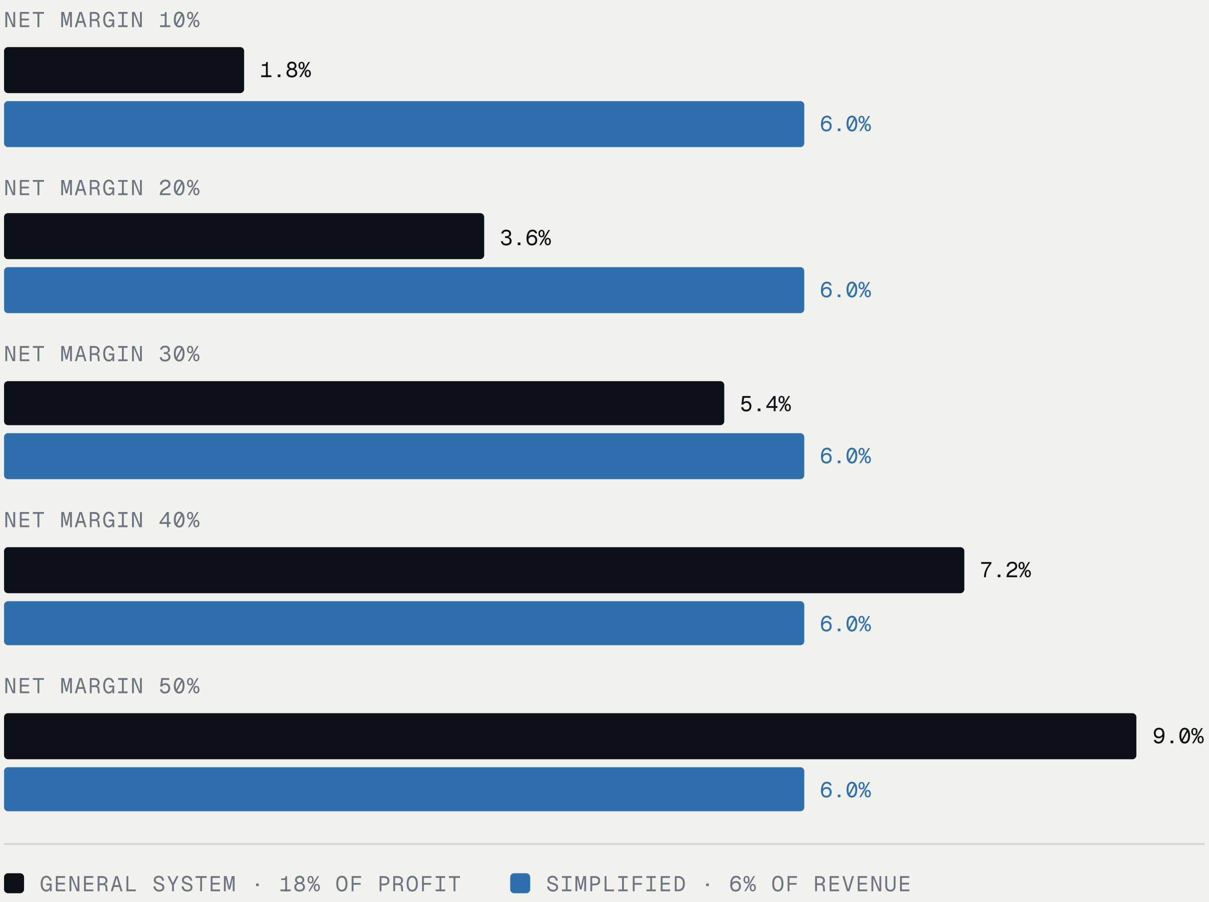
Which one is cheaper

Ignore the rates for a second and think in margins.

Under the simplified system you pay roughly 6% of revenue (5% single tax plus 1% levy). Under the general system you pay 18% of profit. The two produce the same bill when profit is about a third of revenue.

YOUR NET MARGIN	CHEAPER REGIME	WHY
Below ~30%	General system	Costs are real and they reduce the tax base
Around 30%	Roughly equal	Choose on administration and flexibility instead
Above ~30%	Simplified system	You are taxed on a smaller effective base

[EFFECTIVE TAX AS A SHARE OF REVENUE]



Both series are expressed as a percentage of revenue so they can be compared on one scale. The general system is cheaper below a third of margin and more expensive above it; the lines cross between 30% and 40%.

That is why the simplified system is popular with consultants, agencies, and IT companies, and unusable for trading and manufacturing businesses, where a 6% turnover tax can exceed the entire margin.

But margin is not the only test:

ALSO CONSIDER	GENERAL	SIMPLIFIED
Loss-making periods	Pay nothing, carry losses forward	Still pay tax on revenue
Revenue ceiling	None	Group 3 limit, reindexed each January (about UAH 10.09m in 2026)
Non-cash settlements — barter, netting, assignment of debt	Allowed	Prohibited; using them throws you off the system
Prohibited activities	—	Financial services, gambling, excise goods, some others
Reporting burden	Heavier	Lighter
Credibility with large customers	Neutral	Some large buyers prefer VAT-registered suppliers

The netting rule catches groups off guard. If your Ukrainian company is on the simplified system, you cannot settle an intra-group balance by offsetting what each side owes the other. Money has to move, in both directions.

Falling out of the simplified system

You leave the regime — sometimes retroactively, with a penalty — if you exceed the revenue limit, settle in a non-monetary form, take up a prohibited activity, or have your ownership structure cross the 25% line. Exceeding the revenue ceiling is the common one, and it is worth tracking monthly rather than discovering at year end.

Sole traders, in one paragraph

Your Ukrainian contractors will almost all be sole traders (FOPs) on the simplified system, usually group 3 at 5% plus the 1% levy, with the same annual revenue ceiling. Groups 1 and 2 are for very small local businesses and pay a fixed monthly amount instead. You do not pay their tax — but their tax position affects your contracts, their pricing, and the misclassification question in Section 13.

What may change

Draft legislation has been circulating to require VAT registration for simplified-system payers above a revenue threshold and to merge some of the groups. As of mid-2026 none of it is law, and the earliest realistic effect is 2027. Worth watching if your model depends on contractors staying cheap.

SECTION 10

VAT in practice

Ukrainian VAT works on familiar principles — 20% standard rate, output tax on sales, input credit on purchases, the difference paid monthly. What is unfamiliar is the machinery around it, and the machinery is where companies lose money.

When you have to register

Registration is mandatory once your taxable supplies over the last twelve months pass UAH 1 million. This is a rolling window, not a calendar year, so it can be triggered mid-month by a single large invoice. You can also register voluntarily, which is common when your customers are VAT payers and want the credit.

Note that the threshold has not been reindexed for years while everything else has, so more and more businesses cross it.

Exports and services to foreign clients

Exported goods are zero-rated: no VAT charged, input credit preserved, refund available.

Exported *services* work differently, and this trips up IT and consulting companies. Ukrainian VAT applies based on where the service is deemed supplied. For many B2B services — software development, consulting, licensing of IP, data processing — the place of supply follows the customer. When the customer is abroad, the supply sits outside Ukrainian VAT altogether: not zero-rated, simply out of scope.

The practical difference matters. Out-of-scope supplies do not count toward the registration threshold in the same way, and they do not generate refundable input credit the way zero-rated exports do. Get the classification right before you build a model around it.

The tax invoice is the whole system

Every taxable sale requires an electronic tax invoice, signed and submitted to the Unified Register of Tax Invoices within a deadline.

Your customer does not get their input credit from your invoice. They get it from the registered invoice in the state register. If you fail to register it, or register it late, or if it gets blocked, your customer's tax bill goes up — and they will ask you to fix it, or hold your payment until you do.

[THE LIFE OF A TAX INVOICE]

01 **Supply made**
Sale or advance payment triggers a VAT liability. Advance payments are often forgotten.

02 **Invoice issued and signed**
Electronic, with the director's or accountant's key. An expired key stops everything.

03 **Submitted to the register**
The deadline depends on the half of the month the supply falls in.

04 **Risk screening**
Automatic. The invoice can be blocked here.

05 **Registered**
The buyer receives the input credit.

BRANCH · BLOCKED
Registration is suspended. You submit explanations and documents to have it released — on a short deadline.

The buyer's input credit depends on stage five, not on the invoice you sent them. A block at stage four stops the credit until it is resolved.

The registration limit

Here is the feature no one expects: you cannot register tax invoices freely. The system calculates a registration limit for your company from a formula fed mainly by the input invoices you have received and the VAT you have actually paid to the budget and at customs. You can register outgoing invoices only within that limit.

For a new company, or a company that sells much more than it buys, the limit can be too small to register invoices you are legally required to register. The remedy is to transfer money into your VAT account in advance, which means VAT can tie up working capital before any tax is even due. Build this into the cash flow plan, not into the surprise column.

Blocked invoices

Ukraine screens every tax invoice through an automated risk system. If the invoice or the company matches certain risk criteria, registration is suspended and you must submit explanations and documents to have it released.

This is routine, not a scandal — thousands of invoices are blocked and unblocked every month. It becomes expensive only when you are unprepared.

What reduces the pain:

- file the taxpayer data table early, describing what your company actually buys and sells, so your normal operations are recognised as normal
- keep the underlying contracts, acts, and delivery documents in a form that can be sent within a day

— watch registration status daily rather than weekly; deadlines to respond are short
— resolve “risky taxpayer” status immediately if your company is ever assigned it, because everything else follows from it
— if you sell to a company that gets blocked constantly, expect your own payments to be delayed

Refunds

Exporters of goods systematically accumulate more input VAT than output VAT and claim refunds. The process is regulated and largely automated through a public register, and refunds do get paid — but claims are checked, and a claim usually invites an audit of the transactions behind it. Keep the export documentation complete from day one.

SECTION 11

Diia.City — the special regime for tech

Diia.City is a separate legal and tax regime created for technology companies. It is not a place; it is a register you join. For software companies, and increasingly for defence-tech, it changes the economics substantially.

What you get

Payroll at a fraction of the normal cost. Salaries of qualifying specialists are taxed at 5% personal income tax instead of 18%. The military levy is the same 5% everyone pays. The social contribution is 22% — but calculated on the minimum wage, not on the actual salary. For a well-paid engineering team, that last point is the largest saving in the regime.

A choice on profit tax. Either the standard 18% profit tax, or a 9% exit capital tax — no tax on profit as it is earned, tax only when profit leaves the company as dividends or equivalent payments. For a company reinvesting everything into growth, this is a materially different cash position.

Gig-contracts. A contract type that exists only inside this regime, sitting between employment and contracting. The specialist gets paid leave and sick pay; the company gets flexibility that ordinary employment does not allow. Crucially, intellectual property created under a gig-contract belongs to the company by default — which removes the single biggest legal weakness of the contractor model.

What it costs you

Residency comes with tests you must meet every month:

— at least nine specialists on average, counting employees and gig-specialists
— average monthly remuneration per specialist of at least the equivalent of €1,200
— at least 90% of income from qualifying activities

Miss any of these in a given month and the 5% rate does not apply for that month. The personal income tax tops up to 18%, and the company pays the difference — not the employee. Newly created companies get a grace period before the headcount and salary tests bite.

Add to that: an annual independent report confirming compliance, tighter documentation, and the fact that leaving the regime has its own consequences, especially for a company that has been on the exit capital tax.

Diia.City against the alternatives

	DIIA.CITY RESIDENT	ORDINARY EMPLOYER	CONTRACTING FOPS
Tax on specialist pay	5% PIT + 5% levy	18% PIT + 5% levy	Paid by the contractor
Employer social contribution	22% of minimum wage	22% of actual pay, capped	None
Who owns the IP	The company, by default	The company, for work duties	Only what the contract transfers
Control over how people work	Full, including gig flexibility	Full	Weak — they are contractors
Misclassification risk	Low	None	High
Compliance burden	Monthly tests, annual report	Standard	Low, but the risk sits elsewhere
Suits	Teams from roughly ten specialists up	Any size	Small or short-term teams

The regime rewards companies that are already doing the right thing at scale: real salaries, real headcount, real qualifying work. It is a poor fit for a three-person team, and it is not a way to make an artificial structure look legitimate — the monthly tests are designed exactly to catch that.

PART

04

People and payroll

Ukrainian payroll is arithmetically simple; the decision about how you engage people is the most consequential one in this part, and the one most often made by accident.

Rates and thresholds are as at 2026 and are reindexed each January.

SECTION 12

What an employee really costs

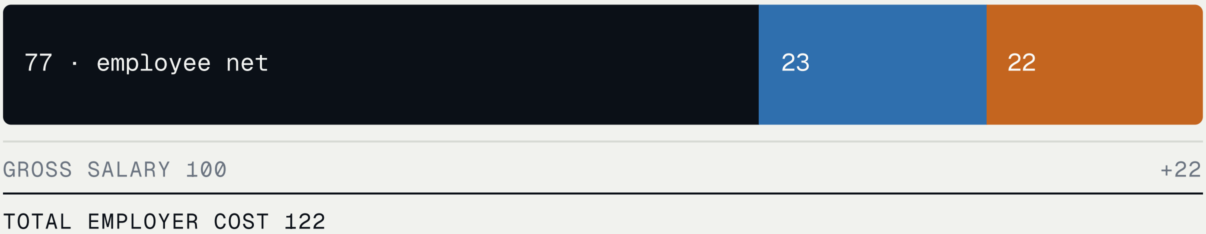
Ukrainian payroll is arithmetically simple. Three numbers do almost all the work.

COMPONENT	RATE	WHO BEARS IT
Personal income tax	18%	Withheld from the employee
Military levy	5%	Withheld from the employee
Social contribution (ESV)	22%	Paid by the employer, on top

So if you agree a gross salary of 100:

- the employee receives 77
- you pay out 122 in total
- 45 goes to the state — roughly 37% of your total cost

[WHERE 100 OF GROSS SALARY GOES]



EMPLOYEE NET 77 · PIT 18 + MILITARY LEVY 5 · EMPLOYER ESV 22

45 of every 122 you spend goes to the state — roughly 37% of total employer cost.

The employer's contribution is capped. Above a salary of about twenty times the minimum wage, the 22% stops growing, which makes senior hires proportionally cheaper than mid-level ones.

MONTHLY GROSS (UAH)	EMPLOYEE RECEIVES	EMPLOYER'S 22%	TOTAL EMPLOYER COST
30,000	23,100	6,600	36,600
100,000	77,000	22,000	122,000
200,000	154,000	38,047 (capped)	238,047

There is a floor as well as a ceiling. For a full-time employee the social contribution cannot be calculated on less than the minimum wage, even if actual pay is lower for some reason, and total monthly pay for a full norm of working time cannot fall below the minimum wage.

The costs that are not tax

Foreign managers usually budget the 22% and forget the rest.

HIDDEN COST	WHAT IT MEANS IN PRACTICE
Paid annual leave	At least 24 calendar days a year, accruing whether taken or not, payable in cash on termination
Sick pay	The employer pays the first days of each sick leave; the state covers the rest
Severance	Owed on redundancy and several other grounds
Twice-monthly payroll	Salary must be paid at least twice a month at regular intervals — one monthly transfer is a violation, not a convenience
Equipment and workplace	Including for remote workers, where the employer either provides tools or compensates for them
Payroll administration	Someone has to run it correctly every month; errors here draw fines quickly

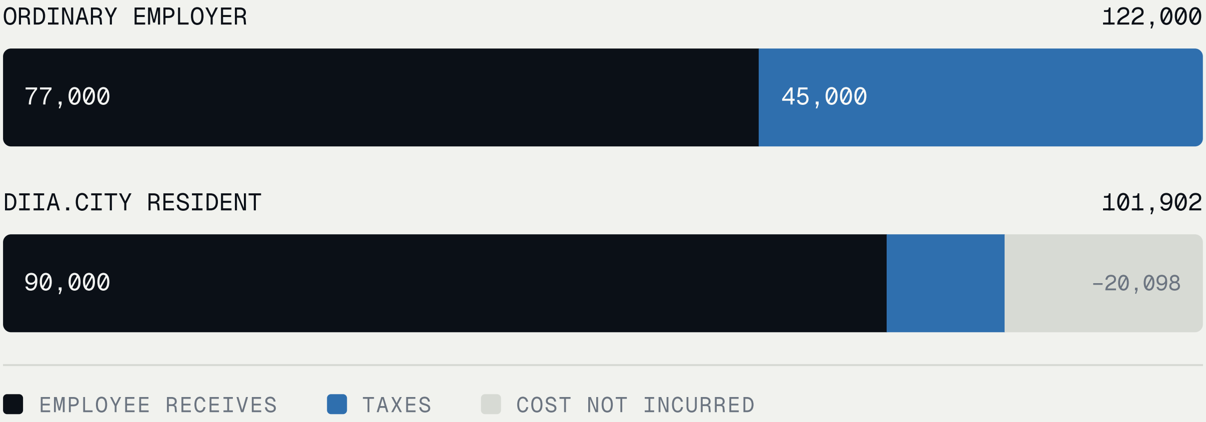
The Diia.City comparison

For a technology company, the same salary produces a very different bill inside the special regime, because personal income tax drops to 5% and the social contribution is calculated on the minimum wage rather than actual pay.

AT A GROSS SALARY OF 100,000 UAH	ORDINARY EMPLOYER	DIIA.CITY RESIDENT
Personal income tax	18,000	5,000
Military levy	5,000	5,000
Employee receives	77,000	90,000
Employer social contribution	22,000	1,902
Total employer cost	122,000	101,902

Same salary, more money in the employee's hands, less money out of the company. This is why Section 11 matters to any tech company of reasonable size — and why the monthly qualification tests exist.

[SAME SALARY, TWO REGIMES · UAH 100,000 GROSS]



Both bars are drawn to the same scale, against a total employer cost of 122,000 UAH. Taxes inside Diia.City are 11,902.

SECTION 13

Employee, FOP, gig-contract, or EOR

This is the most consequential decision in Part 4, and the one most often made by accident.

The four models

Employment. A written contract, full labour law protection, payroll taxes as above. You control how, when, and where the work is done. Intellectual property created in the course of work duties belongs to the employer.

FOP contracting. You buy services from a registered sole trader. They pay their own tax on the simplified system, invoice you monthly, and are legally independent. You have no payroll and no employment obligations — and no right to manage them as employees.

Gig-contracts. Available only to Diia.City residents (Section 11). A hybrid: the specialist gets paid leave and sick pay, the company gets flexibility, and IP belongs to the company by default.

EOR. A Ukrainian provider employs the people and assigns them to you. Real employment, handled by someone else, without your own entity.

Side by side

Split across two tables so that no column is compressed. The row order is identical in both.

	EMPLOYMENT	FOP
Needs your own Ukrainian entity	Yes	No
Who pays the taxes	You	They do
Direct cost of the person	Highest	Lowest
Legal right to direct the work	Full	None
IP by default	Yours	Only what the contract transfers
Paid leave and sick pay	Yes	No
Can be reserved from mobilisation	Yes	No
Reclassification risk	None	High
Ending the relationship	Regulated, with grounds and notice	By contract

	GIG-CONTRACT	EOR
Needs your own Ukrainian entity	Yes, plus Diia.City status	No
Who pays the taxes	You	The provider
Direct cost of the person	Low	Salary plus a fee
Legal right to direct the work	Full	Through the provider
IP by default	Yours	Via the provider's contracts
Paid leave and sick pay	Yes	Yes
Can be reserved from mobilisation	Yes	Through the provider
Reclassification risk	Low	Low
Ending the relationship	By contract, with notice	By contract with the provider

The misclassification problem

The FOP model is cheap on paper because someone else pays the tax. It becomes expensive when a tax inspector, a labour inspector, or a former contractor's lawyer looks at the relationship and concludes it was employment.

They do not read the contract title. They look at how the work actually happened.

[SIGNALS THAT A CONTRACTOR IS REALLY AN EMPLOYEE]

Fixed hours, or a required daily schedule	Employment is about time; contracting is about results
Reports to a manager who assigns daily tasks	Direction and subordination is the core test
The same fixed sum every month, regardless of output	Looks like salary, not a fee for delivered work
Works only for you, for years	Economic dependence points one way
Uses your equipment, your office, your accounts	Contractors normally use their own means
Has a job title, sits in the org chart, attends performance reviews	You are describing an employee
Takes "holidays" that you approve	Contractors do not ask permission
You registered their FOP and pay their accountant	Hard to explain as independence
Acts of work are copy-pasted month to month with no real content	The paperwork itself becomes evidence against you

Each row is a red flag, not a requirement. Any one of them can be explained; several together rarely are.

> If the relationship is reclassified, the bill has several layers: unpaid personal income tax, military levy and social contribution for the whole period, penalties and interest on all of it, labour law fines set as multiples of the minimum wage, and personal exposure for the director. On top of that, the same facts can create a permanent establishment for your foreign company (Section 21), which puts your own profits inside the Ukrainian tax net.

If you use contractors anyway — and many do

- pay against real deliverables, with acts that describe what was actually delivered that month
- allow genuine independence over working method and hours, and mean it
- do not mirror employment: no org chart position, no leave approvals, no performance appraisals
- accept that they may work for others
- put a strong, specific IP assignment clause in every contract, and check it survives termination
- avoid a portfolio where every single contractor has you as their only client

— review the whole population once a year and move the ones that have quietly become employees

When each model fits

SITUATION	REASONABLE CHOICE
Testing the market with two or three specialists	FOP contracts
Building a team fast, no entity yet	EOR
Stable team, own entity, non-tech business	Employment
Tech or defence-tech team of roughly ten and up	Diia.City with gig-contracts and employment
Team you need protected from mobilisation	Employment, in a company that can obtain critical status

[WHERE UKRANY FITS]

This is our daily work. Ukrany employs people in Ukraine on behalf of foreign companies — contracts, payroll, taxes, HR, and the paperwork that has to survive an inspection. We also review existing contractor populations and tell you, person by person, which relationships would not hold up if examined. If you are running a team of Ukrainian FOPs today, this is the review worth doing before someone else does it for you.

info@ukrany.com

SECTION 14

Labour law essentials

Ukrainian labour law is protective of employees. It was written that way, and courts apply it that way. A foreign employer used to at-will employment should recalibrate: here, ending a contract requires a legal ground, a procedure, and paperwork that proves both.

Starting the relationship

Employment is documented in writing, and the tax authority must be notified before the person starts work. Not the same day, not the next day. Before.

Contracts are open-ended by default. Fixed-term contracts are allowed only in defined situations — the work itself is temporary, or the employee asks for it — and a fixed-term contract used to avoid permanence tends to be treated as open-ended if challenged.

Probation is available, but limited in length and not automatic: it has to be written into the contract and the order.

While the relationship runs

TOPIC	THE STANDARD RULE
Working week	40 hours; shorter for some categories
Overtime	Limited by law, paid at a premium, not something you can simply schedule
Annual leave	At least 24 calendar days per year; unused days accumulate and are paid out on exit
Sick leave	Electronic sick notes; employer pays the first days, the state pays the rest
Pay frequency	At least twice a month, at regular intervals
Remote work	Fully lawful, agreed in writing; equipment provided or compensated
Personnel records	Orders, timesheets, and signed acknowledgements — the evidence that everything above happened

That last line is Rule 2 again. In a labour dispute, the employer who cannot produce the order and the employee's signature usually loses, regardless of what really occurred.

Ending the relationship

GROUND	NOTICE	PAYMENT	PRACTICAL DIFFICULTY
Mutual agreement	As agreed	Final settlement, unused leave	Lowest — and the most used
Employee resigns	Two weeks as a rule	Final settlement, unused leave	Low
Redundancy	Two months	Severance on top of the final settlement	Procedure-heavy; errors are common
Failed probation	Short, before probation ends	Final settlement	Only if probation was documented properly
Expiry of fixed term	On the end date	Final settlement	Only if the fixed term was valid
Breach of duties, absence, misconduct	None	Final settlement	Highest — needs documented proof, and courts are strict

Two things foreign employers consistently underestimate. First, redundancy is a procedure with steps and deadlines, not a decision. Second, the final settlement — including compensation for accumulated unused leave — is due on the day of dismissal, and late payment carries its own liability.

Under martial law the rules bend in a few useful places: dismissal is possible during a period of sick leave or holiday with the date adjusted, some notice mechanics are relaxed, and employers may restrict annual leave to the statutory minimum for the year. The war-time framework has also been narrowed by court rulings, so verify the current position before relying on a wartime relaxation.

Suspension of the employment contract

A wartime mechanism worth knowing: when hostilities make it impossible for both sides to perform — an occupied site, a destroyed facility — the contract can be suspended rather than terminated. Nobody works, nobody is paid, and the relationship survives.

It is not a cost-cutting tool. It applies only where performance is genuinely impossible for both sides, it is time-limited, and misuse of it has been the subject of both inspections and litigation.

SECTION 15

Mobilisation and staff continuity

For any employer in Ukraine, mobilisation is an operational fact, not a legal footnote. It removes people from teams at short notice, and it makes military records administration a compliance function you cannot skip.

What the employer must do

Every employer keeps military records of employees who are liable for service: maintaining the lists, checking that records match, and reporting changes to the local recruitment centre. This is a real obligation with real inspections and fines attached, and it is usually the weakest area in a young company's HR function.

It is also the foundation for everything below. Reservation runs on the accuracy of these records — wrong data means a rejected booking, and there is no fast appeal when someone has already been called up.

Reservation, in plain terms

Reservation (*bronyuvannia*) defers a specific employee from mobilisation while they work for you. Two conditions matter:

1. The company must hold critically important enterprise status.
2. The employee must be inside the company's reservation quota, with clean military records.

> Only the employer can apply. An individual cannot reserve themselves, and — this is the part that changes hiring decisions — you cannot reserve a contractor. FOPs working for you are not your employees, so they sit outside your quota entirely. For teams where losing a specialist is a serious business risk, this alone is an argument for employment over contracting.

The criteria keep tightening

Critical status is granted against criteria that have been revised repeatedly, and the direction is consistently upward. As at 2026 the framework was overhauled again, with effect from September, and it turns on:

- a minimum number of employees
- a minimum average salary, expressed as a multiple of the minimum wage — currently around three times it, with a lower threshold for businesses in frontline areas
- taxes and social contributions actually paid, at a stated level, in each region where the company operates
- sector-specific criteria, plus separate routes for defence and equipment manufacturers on state programmes
- periodic re-confirmation of the status — companies that miss the re-confirmation lose the right to reserve

The quota is normally up to half of the liable employees, and can go higher for certain activities or by a specific decision of the Ministry of Defence. Exceeding the quota is not a minor administrative slip: the company gets a short window to fix it and can lose critical status altogether if it does not.

What this means for planning

RISK	PRACTICAL RESPONSE
A key specialist is mobilised	Cross-train; never leave one person as the only holder of a process
The director is mobilised	Prepare a second authorised signatory and a valid power of attorney in advance
Critical status not confirmed in time	Track the re-confirmation date like a tax deadline
Military records are inaccurate	Audit the records before you need them, not when a booking is refused
Salary criteria rise again	Model the payroll cost of staying above the threshold before it moves
Contractors cannot be reserved	Convert genuinely critical people to employment

Employees who are called up keep their job. The employment relationship continues in a defined way while they serve, and the position is held. Plan the operational cover; the legal position is not the hard part.

PART

05

Accounting and reporting

Rule 2 in daily practice: Ukrainian accounting is not a record of what happened, it is the evidence that it happened.

Thresholds and deadlines are as at 2026.

SECTION 16

Primary documents: the paperwork is the transaction

Rule 2 said it: no document, no fact. This section is what that means on a Tuesday afternoon.

Ukrainian accounting is built on the **primary document** — the piece of paper, or the signed electronic file, that records a business transaction at the moment it happens. Not the contract, which describes what the parties intend. Not the bank statement, which shows that money moved. The document that says this specific thing was done, on this date, for this amount, and both sides agree.

For services, that document is the **act** — usually called an act of provided services or act of accepted works. It is short, often one page, and it is signed by both sides at the end of each month or on completion.

> If the act is missing, the tax authority's position is not that your records are untidy. It is that the service never happened. The expense is removed, the input VAT is removed, penalties are added, and the fact that you paid for it changes nothing.

What a valid document must contain

ELEMENT	WHAT IT LOOKS LIKE	WHERE PEOPLE GO WRONG
Name of the document	"Act of provided services No. 14"	Untitled files, or a title that contradicts the contract
Date	The date the transaction happened	Backdating, or a date outside the contract period
Name of both parties	Full legal names and codes	Trading names instead of registered names
What was done	The actual content of the operation	"Services under contract" and nothing else
Volume and measure	Hours, units, stages, amount	Missing entirely
Value	Amount, currency, VAT treatment	VAT status not stated
Who is responsible	Position and name of the signatory	Signed by someone with no authority
Signatures	Handwritten or qualified electronic	An unsigned draft sitting in a shared folder

Minor imperfections do not automatically invalidate a document — the law accepts that a typo is a typo, as long as the transaction can be identified. What is fatal is emptiness. A document that does not say what was actually delivered proves nothing, no matter how neatly it is formatted.

The one-line act problem

The most common weakness in foreign-owned companies is the recycled act: the same sentence every month, “consulting services rendered in accordance with the agreement”, same amount, twelve times a year.

That document is not evidence. It is a template. During an audit it invites the obvious question — what, specifically, was delivered? — and the company that cannot answer with deliverables, reports, correspondence, or a scope of work loses the deduction.

Write acts that a stranger could read and understand what happened. Attach a monthly report where the work is not self-evident. It takes minutes and it is the cheapest insurance in Ukrainian tax practice.

Documents from your side of the border

Your foreign parent or supplier does not issue Ukrainian-style acts. That is fine — a foreign document works as a primary document if it carries the same substance, and a translation may be requested. Where the contract with a non-resident provides for it, an invoice can serve as the confirming document instead of a bilateral act.

The practical rule is to agree the document set in the contract itself: what will be issued, by whom, when, in which language, and how it will be signed. Fixing this at signature costs nothing. Fixing it during an audit is not possible.

How documents actually get signed

Nobody couriers hundreds of acts. Ukrainian companies exchange them through electronic document platforms, where both sides sign the same file with their qualified electronic signatures. Agree the platform early, and make sure your own signing process on the foreign side can cope with it.

SECTION 17

Bookkeeping, standards, and audit

Who has to do what

Ukraine sorts companies into four size categories, using assets, revenue, and headcount. The category drives your reporting standard, your audit obligation, and whether your financial statements become public.

CATEGORY	ROUGH THRESHOLDS (ANY TWO OF THREE)	TYPICAL CONSEQUENCES
Micro	Assets up to ~€350k, revenue up to ~€700k, up to 10 people	Simplified statements, no audit
Small	Assets up to ~€4m, revenue up to ~€8m, up to 50 people	Simplified statements, generally no audit
Medium	Assets up to ~€20m, revenue up to ~€40m, up to 250 people	Full statements, mandatory audit
Large	Above the medium thresholds	Full statements, IFRS, mandatory audit, publication

Banks, insurers, and other public-interest entities sit in their own regime regardless of size.

National standards or IFRS

Most Ukrainian companies keep books under **national accounting standards** — similar in logic to IFRS, different in a hundred details. IFRS is mandatory for large companies, financial institutions, public-interest entities, and several specific industries. Everyone else may adopt IFRS voluntarily.

Foreign-owned subsidiaries usually end up doing both in substance: statutory books in national standards for the Ukrainian authorities, plus a reporting pack for the parent. Decide early who produces the group pack and on what timetable, because a Ukrainian accountant hired to keep statutory books will not automatically produce IFRS numbers on a group calendar.

The 40 million line

For profit tax, companies with annual income up to about UAH 40 million may calculate tax straight from accounting profit. Above that, you must apply **tax differences** — a set of statutory adjustments that pull the tax base away from the accounting result (Section 18).

Companies under the threshold can opt out of differences, but the choice is made once and it sticks, so it is worth deciding deliberately rather than letting an accountant tick a box.

Who keeps the books

Three options, and the right one depends on size and complexity.

MODEL	WORKS WHEN	WATCH OUT FOR
In-house accountant	You have volume, staff, and daily transactions	Single point of failure; holiday and mobilisation cover
Outsourced firm	Small to medium operations, standard transactions	Access to your electronic keys; response time during audits; who owns the data
Director keeps the books	Very small companies only	Legal on paper, unwise in practice for a foreign-owned entity

Whichever you choose, three things belong to the company and not to the provider: the electronic signature keys, the accounting database, and the archive of primary documents. Write that into the service contract.

SECTION 18

What is deductible, and what is not

There is no Ukrainian list of “allowed expenses”. Under the general system the tax base starts as accounting profit — so if an expense is properly recorded under accounting rules and relates to your business, it reduces tax. Then, for larger companies, the law pulls some of it back through tax differences.

The differences that hit foreign-owned companies

ADJUSTMENT	WHAT IT DOES	WHO IT AFFECTS
Purchases from low-tax jurisdictions and certain foreign legal forms	Adds back a portion of the cost unless the price is justified under transfer pricing rules	Anyone buying from a related or listed-jurisdiction supplier
Royalty limits	Caps deductible royalties paid to non-residents at a percentage of prior-year revenue; some royalty payments are disallowed outright	Groups licensing IP into Ukraine
Thin capitalisation	Limits deductible interest on loans from related non-residents where debt is several times equity	Groups funding the subsidiary by loan instead of capital
Charitable donations	Deductible only up to a percentage of prior-year profit	Companies donating to the army or to NGOs
Depreciation and provisions	Statutory rules replace accounting policy	Capital-intensive businesses
Fines and penalties to the state	Not deductible	Everyone

The pattern is easy to remember: Ukraine allows normal business costs, and adds friction to money paid out to related parties abroad. Those three lines — management fees, royalties, interest — are the ones an auditor examines first, and they connect directly to Sections 20 to

22.

What actually gets disallowed in practice

Most disallowed expenses in real audits are not exotic. They are:

- costs with no primary document, or with an empty one
- services from a supplier whose own tax profile looks artificial
- expenses that are obviously personal rather than business
- payments to related parties abroad without pricing support
- VAT credit claimed on invoices that were never properly registered

None of that requires clever tax planning to avoid. It requires paperwork discipline, which is the same conclusion as Section 16.

SECTION 19

The reporting calendar

Ukrainian reporting is frequent. Nothing here is difficult in isolation; the risk is volume, because every deadline carries its own penalty and they arrive every month.

The rhythm

[THE REPORTING RHYTHM]

CONTINUOUS	VAT invoices registered in the state register	Within a deadline that depends on the half of the month the invoice falls in
EACH PAYDAY	Personal income tax and military levy withheld and paid	At the moment salary is paid
MONTHLY	VAT return; payroll report on income tax, military levy and social contribution for companies; social contribution payment	Return around the 20th of the following month, payment shortly after
QUARTERLY	Single tax return with the 1% military levy; profit tax for quarterly filers; interim financial statements; payroll report for sole traders	Within about 40 days after quarter end
ANNUALLY	Profit tax return; annual financial statements; audit report where required; beneficial ownership confirmation; transfer pricing report where applicable	Late February to March for most; TP report later in the year; ownership confirmation on the anniversary of registration

Read top to bottom: the shorter the cycle, the less warning you get. The annual band carries the filings foreign groups forget most often.

Two changes worth flagging, because they are recent and people still get them wrong: companies file the combined payroll report **monthly**, while sole traders moved back to **quarterly** filing in 2026 — and the forms themselves were replaced during the year.

Practical notes

- If a deadline falls on a weekend or holiday it shifts, but do not build a process that relies on that.
- Notifications in the tax e-cabinet are helpful and not authoritative. The deadline exists whether or not the system reminds you.
- An expired electronic signature key on a filing date is one of the most common causes of a late return. Renew keys ahead of time.
- Filing a return without paying is still a violation. Both halves matter.
- If your accountant is outsourced, ask for a monthly confirmation that filings went through and receipts were received — not a promise that they were sent.

A minimum monthly routine

STEP	WHY
Collect and sign all acts for the month	Rule 2 — nothing else works without this
Check every tax invoice registered, none blocked	Blocked invoices break your customers' credit and your relationships
Reconcile the bank against the books	Catches missing documents while people still remember
Review the VAT registration limit before it bites	Section 10 — it constrains what you can register
Confirm filings were accepted, not just submitted	Rejected filings are late filings
Track revenue against the single tax ceiling, if applicable	Exceeding it retroactively is expensive

PART

06

Cross-border money and risk

Money comes into Ukraine easily. Getting it out is the part that needs planning, and the planning has to happen before you build the structure.

Rates, lists, and thresholds are as at 2026.

SECTION 20

Getting profit out

Money comes into Ukraine easily. Getting it out is the part that needs planning, and the planning has to happen before you build the structure, not after the first profitable year.

Three separate layers apply to every payment leaving the country, and all three have to clear:

1. **Currency control** — is the National Bank allowing this type of transfer at all, and within what limit? (Section 7)
2. **Withholding tax** — what does Ukraine take from the payment on the way out?
3. **Substance** — can you prove the payment is for something real, priced defensibly? (Sections 21–22)

Most foreign groups think about the second one and get caught by the first and third.

[WHAT EVERY PAYMENT OUT HAS TO CLEAR]

DIVIDENDS
Profit after tax, once the accounts are approved

SERVICE FEES
Priced at arm's length, backed by signed acts

ROYALTIES
Licence in place, deductibility limited

INTEREST
Loan registered, thin-cap limits apply

01 · CURRENCY CONTROL
The bank must see the contract, the invoices, and the closing documents before it will send anything.

→

02 · WITHHOLDING TAX
Tax comes off at source at the domestic rate unless a treaty rate is properly claimed and evidenced.

→

03 · SUBSTANCE
The charge has to be real, at arm's length, and documented in the year it was made — not after the audit letter.

FUNDS ABROAD

All four routes clear the same three layers; only the rate and the paperwork differ. A payment stopped at any one of them does not fail politely — the bank simply will not send it, or the tax comes off at the domestic rate instead of the treaty rate.

The routes out

ROUTE	WHAT IT IS	MAIN CONSTRAINT
Dividends	Distribution of taxed profit to the owner	Currency limits; withholding tax; profit must be earned and formally distributed
Service fees	Payment for real services provided by the group to the Ukrainian company	Must be genuine, documented, and priced at arm's length
Royalties	Payment for use of IP owned by the group	Deduction is capped; some royalty payments are disallowed entirely
Interest	Return on a loan from the group	Thin capitalisation limits; loan terms restricted during martial law
Capital reduction or sale	Returning invested capital, or selling the company	Exit-level planning, not routine cash flow

The healthy pattern is a mix: the Ukrainian company pays for what it genuinely receives from the group, and distributes what is left as dividends. The unhealthy pattern is a single large management fee sized to move whatever profit happens to exist. Auditors recognise the second one instantly.

Withholding tax, in plain terms

When a Ukrainian company pays certain kinds of income to a non-resident, it must withhold tax and pay it to the budget. The standard domestic rate is 15%, and it applies to dividends, interest, royalties, lease payments, and a broad catch-all category of "other income from Ukrainian sources".

The most useful thing to know is what is *not* caught. Ordinary payments for services — consulting, software development, marketing, support — are generally not subject to withholding tax in Ukraine. A few specific items have their own rates, including freight, insurance payments, and advertising services paid to a non-resident, where the tax is borne by the Ukrainian payer rather than deducted from the payment.

PAYMENT TYPE	DOMESTIC DEFAULT
Dividends	15%
Interest	15%
Royalties	15%
Lease and rent	15%
Ordinary services	Generally none
Freight	Reduced special rate
Advertising services	Special rate, paid on top by the Ukrainian payer
Other Ukrainian-source income	15%

How tax treaties change it

Ukraine has a wide treaty network, and treaties override the domestic rate. Typical ceilings look like this — treat them as indicative and check the current text of the specific treaty, including changes made through the multilateral instrument.

TREATY PARTNER	DIVIDENDS	INTEREST	ROYALTIES
United States	5% / 15%	0%	10%
United Kingdom	5% / 15%	5%	5%
Germany	5% / 10%	2% / 5%	0% / 5%
Netherlands	5% / 15%	5%	5%
Poland	5% / 15%	10%	10%
Cyprus	5% / 10%	5%	5% / 10%

Where two rates are shown, the lower one usually requires a minimum shareholding, and sometimes a minimum invested amount.

One change to watch: Ukraine and Germany signed a new double tax treaty and protocol in May 2026. Until it enters into force the existing rates apply, but if your group is German-owned, confirm which text governs before you plan a distribution.

Three conditions have to be satisfied before the treaty rate can be used:

- A **residency certificate** from the recipient's tax authority, valid for the relevant year, in the Ukrainian payer's hands at the time of payment — not obtained later during the audit.
- **Beneficial ownership.** The recipient must actually own the income, not pass it through to someone else. A holding company with no substance that immediately forwards the money is the classic failure.

— **A real business reason** for the structure. Arrangements whose main purpose is obtaining the treaty benefit can be denied it.

> If the certificate is missing on payment day, the Ukrainian company withholds at the domestic rate and then has a refund problem. Make this a payment-run checklist item.

Payments that become dividends whether you call them that or not

Ukrainian law treats certain adjustments as dividends in substance. If a payment to a related non-resident is priced above arm's length, the excess can be reclassified as a distribution and taxed accordingly — even though the contract says "services".

This is what links Sections 20 and 22. Transfer pricing is not only about deductions; it can generate withholding tax on money you have already sent.

SECTION 21

Permanent establishment: getting taxed by accident

This is the risk foreign companies understand least and create most often.

A **permanent establishment (PE)** is a taxable presence of a foreign company in Ukraine that arises from what the company actually does here, regardless of whether it has registered anything. Once a PE exists, Ukraine taxes the profit attributable to it at the standard profit tax rate, and the foreign company is required to register with the Ukrainian tax authority before starting that activity. Operating without that registration carries a substantial penalty of its own, separate from the tax.

Nobody sends a notification. The PE is created by facts, and it usually surfaces years later.

What creates one

TRIGGER	TYPICAL REAL-WORLD VERSION
A fixed place of business	An office, workshop, or site in Ukraine used by the foreign company
A construction or installation project	A project running beyond the period set in the treaty
A dependent agent	Someone in Ukraine who habitually concludes contracts for you, or negotiates their essential terms
Stock of goods	Someone holding inventory in Ukraine and delivering it on your behalf
People acting on your instructions	Contractors who, in practice, do your business rather than provide a service

The agent case is the one that catches modern companies. It does not require an office, a lease, or a Ukrainian entity. One person, working from home, with a company email address and the authority to agree deal terms, is enough.

The two common patterns

The country manager. A foreign company hires a Ukrainian “consultant” as a FOP to develop the market. Over time they represent the company at meetings, negotiate with clients, agree pricing, and are introduced as the company’s head of the region. They are, functionally, the company’s agent — and the company now has a PE.

The contractor team. A foreign company contracts twenty Ukrainian FOPs who work full-time under its management, using its systems, following its schedules. This is the misclassification problem from Section 13, viewed from the other end: the same facts that make them look like employees make the foreign company look present in Ukraine.

Green, amber, red

[PERMANENT ESTABLISHMENT RISK LADDER]

Buying delivered work from independent contractors who serve other clients too	SAFE
Market research, information gathering, or purely support work done here Preparatory and auxiliary activity is excluded	SAFE
Using a genuinely independent local distributor or agent acting in their own name	SAFE
A single contractor working exclusively for you, long term, under your direction	WATCH
Ukrainian staff with your job titles on LinkedIn and your email domain	WATCH
Someone here negotiating prices and terms with your customers	EXPOSED
Someone signing contracts on your behalf	EXPOSED
A local team that is, in practice, your Ukrainian office without an entity	EXPOSED

SAFE WATCH EXPOSED

Ordered safest to riskiest. Nothing on this ladder depends on having registered anything in Ukraine — the facts alone decide.

How to keep it clean

- Keep contract-signing authority outside Ukraine, and mean it — not just on paper.
- Do not give Ukrainian contractors negotiating mandates, discount authority, or “head of” titles.

— If people here genuinely need to act for the business, stop improvising and open an entity (Section 3). An LLC paying its taxes is cheaper than a PE discovered in an audit.

— Watch the small signals: business cards, email signatures, website team pages, LinkedIn. Auditors read them, and so do opposing lawyers.

— Reassess annually. PE risk rarely appears on day one; it grows quietly as a contractor becomes indispensable.

[WORTH CHECKING BEFORE AN AUDITOR DOES]

Ukrany reviews how your people in Ukraine actually work — titles, authority, contracts, who negotiates what — and tells you where you sit on the green-to-red scale. Where the honest answer is that you need an entity, we set it up and run it.

info@ukrany.com

SECTION 22

Transfer pricing and related-party transactions

If your Ukrainian company trades with your group, transfer pricing rules decide whether those prices are accepted.

Who is caught

A transaction is **controlled** when both financial tests are met:

— the company's annual income exceeds about UAH 150 million, and

— transactions with that one counterparty exceed about UAH 10 million in the year.

The counterparty must also fall into one of the covered categories: a related non-resident, a resident of a listed low-tax jurisdiction, an entity in a listed foreign legal form, a non-resident agent in certain arrangements, or a related-party chain routed through intermediaries.

Two recent shifts matter for foreign groups.

The low-tax jurisdiction list was cut sharply — from 78 territories to 46 — and several jurisdictions used by international groups came off it, including Cyprus, Hong Kong, the UAE, Mauritius, and Moldova. If your structure was built around the old list, revisit the analysis; the exposure may have changed in your favour.

"Related party" now reaches further. Beyond formal ownership, relatedness can be established through economic connection — for example, where a very large share of a company's turnover runs through one non-resident counterparty — and the tax authority can establish it during an audit rather than having to go to court.

The 30% rule for everyone else

Below the controlled-transaction thresholds, a separate adjustment can still apply. If you buy from a counterparty on either of the two government lists — low-tax jurisdictions, or specified foreign legal forms — and the transaction is not controlled, you may be required to increase your taxable result by 30% of the cost, unless you prove the price meets the arm's length standard using transfer pricing methodology.

This catches mid-sized companies who assume transfer pricing is a large-company problem. It is not — the lists apply regardless of size.

What you have to produce

OBLIGATION	WHO	ROUGHLY WHEN
Report on controlled transactions	Companies with controlled transactions	Annually, by 1 October for the previous year
Notification of participation in an international group	The same companies	With the report
Transfer pricing documentation	On request from the tax authority	Within about 30 days of the request
Master file	Groups above a consolidated revenue threshold	On request, with a longer deadline
Country-by-country report	Very large groups	Per the group's filing rules

Documentation is prepared after the year, but it describes decisions made during it. A company that never documented why it pays what it pays is writing a defence from memory, against a deadline, with an inspector already interested.

Penalties

Non-filing carries a fixed penalty set as a multiple of the subsistence minimum, and late or incomplete declaration accrues daily up to a ceiling. On top of that sits the substantive risk: the price adjustment itself, the extra profit tax, interest, and — as noted in Section 20 — possible reclassification of the excess as a dividend with withholding tax attached.

Practical rules for intra-group charges

- **Charge for real things.** A management fee has to correspond to services someone actually performed, with evidence of who, when, and what.
- **Pass the business purpose test.** Ask whether an unrelated company would have bought this service at this price. If the honest answer is no, expect the deduction to fail.
- **Use a defensible method.** Cost-plus for services, with a margin you can support by benchmarks, is the usual approach.

- **Keep the paperwork contemporaneous.** Contract, scope, monthly acts with content, deliverables, correspondence.
- **Do not size the fee to the profit.** A charge that moves inversely with local profitability tells the whole story.
- **Watch three lines especially:** management fees, royalties, and interest. Those are the ones examined first, every time.

PART

07

Operating in wartime

Martial law did not replace the legal system. It sits on top of it as a separate layer — and it is the fastest-moving part of this guide.

Position as at 2026. This is the fastest-moving part of the guide.

SECTION 23

What martial law actually changes

Martial law has been in force since February 2022 and has been extended roughly every ninety days ever since — the most recent extension at the time of writing runs to the end of October 2026. Each extension is a separate law, and each one is an opportunity for the rules to shift.

The important thing for a foreign company to understand is what martial law is *not*. It is not a suspension of the legal system. Courts sit, registers work, contracts bind, taxes are collected, and companies are bought and sold. Ukraine did not become a legal vacuum; it acquired an extra layer of rules on top of the normal ones.

Changed and unchanged

AREA	STATUS
Company registration and corporate changes	Unchanged — registers operate normally
Courts and enforcement	Working, with adjusted procedure and some delays
Tax obligations	Unchanged — filing and payment continue as normal
Banking	Working, with currency restrictions on outbound payments (Section 7)
Moving profit abroad	Restricted — limits, conditions, and monthly ceilings
Employment	Modified — more flexibility on leave, notice, dismissal timing, suspension
Mobilisation	Active — affects staffing continuously (Section 15)
Inspections	Partially restricted, but tax and labour inspections have largely resumed
Force majeure	Available, but not automatic — see below
Physical operations	Affected — alerts, blackouts, regional restrictions, curfew

Force majeure is not a free pass

This is the single most misunderstood topic in wartime contracts, on both sides of the border.

At the start of the full-scale invasion, the Ukrainian Chamber of Commerce and Industry issued a general letter confirming that the war constitutes force majeure. Many companies still cite it as if it excused everything.

> It does not. Ukrainian courts have consistently taken the position that a party must show a **causal link** between the war and its specific failure to perform, usually supported by an individual certificate issued for that contract and that obligation. The general letter establishes the circumstance; it does not establish that the circumstance stopped you, in particular, from doing what you promised.

Two more limits worth knowing:

- Force majeure suspends liability for the period it lasts. It does not cancel the obligation, and it does not usually cancel the debt.
- A shortage of money is not force majeure. Neither is a general worsening of the business environment.

For contract drafting, the practical conclusions are simple. Define force majeure events explicitly rather than relying on statute. Set a notification deadline and a procedure. Agree what evidence is acceptable. And decide in advance what happens if the event lasts for months — suspension, price review, or termination.

Physical operations

REALITY	WHAT IT MEANS FOR THE EMPLOYER
Air alerts	Staff must be able to reach shelter; that time cannot simply be treated as absence
Power outages	Generators, batteries, and backup connectivity are normal capital expenditure here, not luxury
Regional differences	Risk in Lviv, Kyiv, and a frontline city are not comparable — plan by region, not by country
Curfew	Affects logistics, shift patterns, and delivery windows
Relocation	Moving a team or a site is common; it has employment and registration consequences
Insurance	War-risk cover exists for cargo, assets, and some investments through state and international programmes; terms vary widely

Continuity planning that is actually used

RISK	PRACTICAL MEASURE
Key person unavailable — mobilised, relocated, offline	Second authorised signatory with a valid power of attorney, prepared in advance
Office or site unusable	Documented remote-work regime; the ability to operate from anywhere
Power and connectivity	Generators, batteries, satellite internet, staggered shifts
Data loss	Backups outside the country; cloud rather than a server in the office
Bank disruption	Accounts in more than one bank
Documents lost	Electronic document flow with off-site storage — Rule 2 does not pause for a missile
Team safety	Shelter access, clear alert procedures, and a communication tree that works without the office

Ukrainian companies have been doing this for years, and they are good at it. The most common failure among foreign parents is not the absence of a plan but the absence of authority: everything routes through one person abroad, and nothing can be signed when that person is unreachable.

SECTION 24

Sanctions, screening, and knowing who you deal with

Every company operating in Ukraine sits inside several sanctions regimes at once: Ukraine's own, plus those of the EU, the US, and the UK, depending on your group, your banks, and your customers. Compliance is not optional, and the consequences of getting it wrong land in the same place — your bank account.

Ukraine's own regime

Ukrainian sanctions are imposed by decisions of the National Security and Defence Council enacted by presidential decree, and they are published in a public register. They apply to individuals and to companies, and they can include asset freezes, transaction bans, licence revocation, and exclusion from public contracts.

Two features matter for foreign businesses. First, Ukrainian lists are not identical to EU, US, or UK lists — a counterparty clean in Brussels can be listed in Kyiv, and the reverse happens too. Second, ownership matters as much as the name on the contract: a Ukrainian company with a listed beneficial owner several layers up carries the problem with it.

What to check, and where

SOURCE	WHAT IT TELLS YOU
State register of companies	Who owns it, who the director is, address, status, registered activities
Beneficial ownership data	The humans at the top of the chain — the part that actually matters for sanctions
Sanctions registers — Ukraine, EU, US, UK	Whether the company, its owners, or its managers are listed
Court register	Litigation history, insolvency proceedings, disputes with the state
Enforcement proceedings register	Unpaid judgments
Tax status	VAT registration, tax debt, and whether they carry “risky taxpayer” status
Licences and permits	Whether they can legally do what they are selling you

Most of this is public, online, and takes minutes rather than days. There is no excuse for skipping it, and a Ukrainian lawyer or compliance provider can produce a full picture quickly.

Why it is not just a compliance exercise

A counterparty with a bad tax profile costs you money even when nothing illegal happens. If your supplier is designated as a risky taxpayer, their tax invoices get blocked, your input VAT disappears, and your own filings start attracting attention (Section 10). If your customer is sanctioned, your bank freezes the payment and asks you to explain the relationship.

RED FLAG	WHAT IT USUALLY MEANS
Company registered weeks before a large deal	No trading history to verify
Ownership chain that stops at an opaque foreign holding	You cannot see the beneficial owner — assume the risk
Director who is also director of dozens of unrelated companies	Nominee structure
Address shared with hundreds of other companies	Registration address, not a business
Activity codes that do not match what they are selling	The paperwork will not survive an audit
Pressure to pay to a third party or a different jurisdiction	Stop and escalate
Prices well outside the market	Someone is planning to explain the difference to a tax inspector — probably you

Export controls and dual-use goods

If your business touches defence, drones, components, electronics, or anything with a possible military application, sanctions screening is only half the picture. Export and re-export of controlled and dual-use items requires permits, both from Ukraine and often from the country of origin of the technology. Get this analysis done before the first order, not before the first shipment.

Clauses worth having in every contract

- A sanctions representation: each side confirms it is not listed and is not owned or controlled by a listed person.
- A continuing obligation to notify if that changes, including on a change of ownership.
- A right to suspend and terminate without liability if the counterparty becomes sanctioned.
- Payment routing fixed to named accounts, with changes requiring a signed amendment — this also defends against a common invoice-fraud pattern.
- For goods: end-use and re-export undertakings where the items are controlled.

None of this is exotic drafting. It is the standard package, and Ukrainian counterparties are used to it — most of them are screening you as carefully as you are screening them.

PART

08

Risk, disputes, and exit

Ukrainian inspections are not arbitrary events. They follow written procedures, and the outcome depends mostly on whether your documents exist and match each other.

Position as at 2026. Penalties are expressed as multiples of the minimum wage, because that is how the law sets them and it is the only way the numbers stay meaningful after the next indexation.

SECTION 25

Inspections and penalties

Ukrainian inspections are not the arbitrary events foreign managers sometimes expect. They follow written procedures, they arrive for identifiable reasons, and the outcome depends mostly on whether your documents exist and match each other.

Who can turn up

AUTHORITY	WHAT THEY LOOK AT
State Tax Service	Taxes, VAT invoices, employment of unregistered staff, cash operations
State Labour Service	Employment documentation, pay, working time, safety
Pension Fund	Social contribution reporting and records
Customs	Import and export declarations, classification, valuation
Bureau of Economic Security	Criminal-level economic offences
Your own bank	Currency control and financial monitoring — not an inspection, but the same effect on your day
Sector regulators	Whatever your licence covers

How tax audits arrive

Desk checks happen automatically. The system compares your returns against registers and against each other and asks questions when the numbers do not agree.

Planned audits come from a published annual plan. If your company is on it, you know in advance and can prepare properly.

Unplanned audits are triggered by something specific: a mismatch the desk check found and you did not explain, a counterparty who turned out to be problematic, a VAT refund claim, a liquidation, a complaint, or an unanswered request for information.

Actual audits are on-site visits, usually about cash operations and undeclared workers, and they arrive without notice.

The pattern worth internalising is that most unplanned audits are avoidable. They start with an unanswered letter or an unexplained discrepancy. Answer the letters.

What things cost

VIOLATION	PENALTY
Employing someone without documentation	10 minimum wages per person; 30 for a repeat within two years
Paying wages late or incompletely	3 minimum wages
Breaching minimum pay guarantees	2 minimum wages per employee
Obstructing an inspection into undeclared work	Substantially higher multiple
Other labour law breaches	Around 1 minimum wage
Late registration of a VAT invoice	A percentage of the VAT amount, rising with the delay
Understating tax	A percentage of the understatement, higher if the tax authority proves intent, higher again if repeated — plus interest
Late filing of a return	A fixed amount per return, low on its own
Missing the cross-border settlement deadline	A daily percentage of the unsettled amount (Section 7)
A non-resident operating through a PE without registering	A substantial fixed penalty, separate from the tax
Failure to file the controlled transactions report	A fixed penalty set in subsistence minimums, plus daily accrual for late declaration

To put the labour figures in context: with the 2026 minimum wage of roughly UAH 8,600, one undocumented employee costs about UAH 86,000 on first discovery, and around UAH 260,000 if it happens again within two years. Per person.

The wartime relief that many employers miss

During martial law, the labour law fines above are not applied if the violation was found during an unscheduled inspection and the employer fully complies with the inspector's order within the stated deadline.

> That is a real and useful protection, and it converts a large fine into a deadline. It also means the worst possible response to a labour inspection is to ignore the order or comply halfway.

Behaving well during an audit

— Check the paperwork the inspectors arrive with — the grounds, the scope, the period, the named officials. An audit outside its stated scope can be challenged later.

— Give documents through a written inventory. Never hand over originals without a signed list.

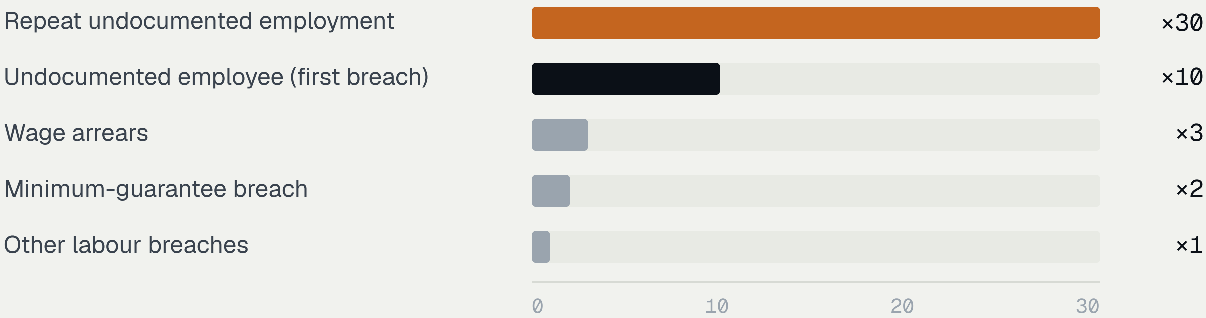
— Answer in writing, within the deadline, in the language of the request.

— Do not improvise explanations. Anything said casually can end up in the audit act.

— Read the audit act carefully and file written objections before it becomes a tax notice.

— Escalate internally early. The director signs the consequences.

[LABOUR PENALTIES, IN MULTIPLES OF THE MINIMUM WAGE]



Multiples of the minimum wage, the way the law sets them, so the comparison survives the January indexation. The figures are per person and per breach: the repeat multiple is what turns one misclassified team into a serious number.

We handle labour and payroll inspections for the companies we work with, from the first document request to the written objections. If an inspection has already started, talk to us early — the options narrow quickly once the audit act is signed.

info@ukrany.com

SECTION 26

When things go wrong

Where disputes go

TYPE OF DISPUTE	COURT
Business against business	Commercial courts
Business against the state, including tax	Administrative courts
Employment, and disputes involving individuals	General courts
Corporate disputes between owners	Commercial courts

Each track runs first instance, appeal, and cassation to the Supreme Court. Expect months per stage rather than weeks, with wartime adding some delay. Ukrainian courts function properly and produce reasoned decisions, but they are slower than most foreign counterparties expect and far more document-driven.

Tax disputes specifically

After an audit you have two routes, and you choose one.

Administrative appeal — a complaint inside the tax service, on a short deadline measured in working days. It is quick and free, it suspends enforcement of the assessment while it runs, and it occasionally resolves clear errors. It rarely reverses a substantive position.

Court — a longer road with a much better record on substantive disputes. The assessment is not enforced while the case is live.

The practical rule: use the administrative appeal for arithmetic and procedural mistakes, go to court for anything that turns on how the law applies to your facts. Either way, the case is won or lost on the file you built during the year — the contracts, the acts, the correspondence. There is no way to construct that afterwards.

Contracts with foreign parties

Ukraine is a party to the New York Convention, so foreign arbitral awards are recognised and enforced here through a court procedure. Foreign governing law is allowed in contracts with a foreign element.

Both of those are useful and neither is a shortcut. If the assets you would eventually chase are in Ukraine, the enforcement stage happens in Ukraine regardless of which law governs the contract or where the award was made. Foreign arbitration buys you a better forum, not a faster recovery.

ROUTE	SPEED	COST	BEST FOR
Negotiated settlement	Fastest	Lowest	Almost everything, honestly
Ukrainian commercial court	Moderate	Low	Domestic counterparties, debt claims with clean documents
International arbitration	Slow	High	Large cross-border contracts where neutrality matters
Enforcement of a foreign award	Adds a stage	Moderate	Only when the underlying dispute is already decided

Collecting money

Judgments are enforced by the state enforcement service or by private enforcement officers. Private officers are paid on results and are generally more effective, and choosing one is a decision the creditor makes.

Before litigating, check what you are chasing. A debtor with no assets, no employees, and a nominee director will produce a judgment and nothing else. The screening in Section 24 is far cheaper before the contract than after it.

SECTION 27

Closing down or moving on

Companies get built into structures far more carefully than they get taken out of them. Plan the exit at the start; the options differ enormously in effort.

The four ways out

ROUTE	WHAT HAPPENS	MAIN CONSIDERATION
Sell the corporate rights	The company continues with a new owner	Buyer does due diligence on everything you ever did; payment to a non-resident seller has currency and tax implications
Liquidate	The company ceases to exist	A tax audit is part of the process — this is what sets the timeline
Keep it dormant	The company exists but does not trade	Cheapest to start, and quietly accumulates obligations and risk
Merge or reorganise	The entity is absorbed within the group	Useful in a restructuring, not a way to disappear

What liquidation actually involves

The sequence is fixed: the owners decide, a liquidation commission is appointed, creditors are notified and given a statutory window to submit claims, employees are dismissed with the required notice and payments, assets are realised, debts are settled, the tax authority carries out an audit, accounts are closed, documents are transferred to an archive, and only then is the company struck from the register.

The tax audit is the part that governs the calendar and the part nobody can speed up. Anything unclear in your history — missing acts, an old VAT position, an unexplained related-party payment — surfaces here rather than quietly disappearing. A company with clean records closes in months; a company with a messy history stays open until the mess is resolved.

Two more things people forget. Employees have to be handled properly, with notice and final payments, and a rushed liquidation is a common source of labour claims. And documents cannot simply be shredded — personnel records in particular have long statutory retention periods and must go to an archive.

Selling instead

Selling corporate rights is usually faster than liquidating, because you hand the history to someone else. The buyer will look hard at exactly the things this guide has covered: employment documentation, IP ownership from contractors, VAT invoice history, related-party pricing, and whether the beneficial ownership filings were kept current.

That is the argument for doing all of it properly from the start. Every shortcut in Sections 13, 16, and 22 comes back as a price reduction or an indemnity at the moment you try to leave.

Before you exit, whichever route

CHECK	WHY
IP formally transferred to where it belongs	Contractor-created IP is the most common gap found in due diligence
Employment properly closed out, including unused leave	Unpaid final settlements become claims
Electronic signature keys collected and revoked	The director’s key can bind a company you no longer control
Bank accounts closed in the right order	Closing too early strands the final tax payments
Documents archived, not discarded	Retention periods outlive the company
Outstanding cross-border settlements closed	The 180-day clock does not stop because you are leaving
Beneficial ownership filings current	An outstanding compliance issue delays the exit

PART

09

Appendices

What to budget for, the vocabulary, the pre-launch checklist, and the mistakes foreign companies actually make.

APPENDIX A

What to budget for

No amounts here, because they depend entirely on your size, sector, city, and how complicated your group is. What does not vary is the list. Most foreign companies plan the obvious items and get surprised by the rest.

One-off, before you trade

LINE ITEM	NOTES
Legalisation or apostille of founder documents	Priced and timed by your own country, not Ukraine
Certified translation and notarisation	Every foreign document, every layer of the group
State registration	Small in itself
Charter capital	Real money that has to be contributed
Electronic signature keys	Per person who signs, renewed annually
Bank onboarding	Mostly your time, plus whoever assembles the compliance pack
Registered address	A real one, not a mailbox
Contract templates adapted to Ukrainian law	Cheaper now than after the first dispute

Running, every month

LINE ITEM	NOTES
Bookkeeping	In-house salary or outsourced fee
Payroll administration	Frequent filings, unforgiving deadlines
Legal support	Even a small retainer beats hourly panic
Electronic document platform	Needed to make Rule 2 workable at scale
Bank charges, including on cross-border payments	Currency conversion adds up
VAT working capital	The registration limit can tie up cash before tax is even due (Section 10)

People

LINE ITEM	NOTES
Gross salaries	The visible part
Employer social contribution	22% on top, capped
Accrued annual leave	A liability from day one, paid out on exit
Sick pay	Employer covers the first days of each absence
Severance reserve	Redundancy is expensive and procedural
Equipment, including for remote staff	Provided or compensated
Recruitment	Competitive market for engineers and finance people

Wartime line items

LINE ITEM	NOTES
Power and connectivity backup	Generators, batteries, satellite internet
Shelter arrangements	An employer obligation, not a perk
Insurance	War-risk cover for cargo, assets, and sometimes investment
Salary floor for critical status	Reservation requires an average salary above a moving threshold (Section 15)
Military records administration	A real HR function with fines attached

Periodic and easy to forget

LINE ITEM	WHEN
Statutory audit	Annually, if your size category requires it
Group reporting pack	On the parent's calendar, not the Ukrainian one
Transfer pricing documentation	Annually, if you have controlled transactions
Beneficial ownership confirmation	Annually, on the anniversary of registration
Counterparty screening	Ongoing
Exit reserve	Liquidation involves a tax audit and professional support

APPENDIX B

Glossary

TERM	WHAT IT MEANS
TOV	Limited liability company — the standard Ukrainian business entity
FOP	A registered sole trader; most Ukrainian contractors are FOPs
EDR	The state register of companies and sole traders — public and searchable
EDRPOU code	A company's unique registration number, used everywhere
KVED	Activity classification codes chosen at registration
KEP	Qualified electronic signature — legally equal to a handwritten signature
Diia	The state's digital services portal
Diia.City	The special legal and tax regime for technology companies
Gig-contract	A contract type available only inside Diia.City, between employment and contracting
Akt	The document confirming that services were delivered and accepted
Vydatkova nakladna	Delivery note for goods
PDV	Value added tax
Tax invoice	The electronic VAT document registered in the state register; the buyer's input credit depends on it
YeRPN	The unified register of tax invoices
SMKOR	The automated system that screens and can block tax invoices
Yedynyi podatok	Single tax — the simplified regime taxing revenue instead of profit
ESV	The unified social contribution, paid by the employer on top of salary
PDFO	Personal income tax
Viiskovyi zbir	Military levy
PnVK	Exit capital tax — the Diia.City alternative to profit tax
DPS	State Tax Service
Derzhpratsi	State Labour Service
BEB	Bureau of Economic Security
NBU	National Bank of Ukraine

TPP	Chamber of Commerce and Industry, which issues force majeure certificates
TTsK	The local military recruitment centre
Bronyuvannia	Reservation of an employee from mobilisation
ZED	Foreign economic activity — cross-border trade
IPK	An individual tax ruling: a written answer from the tax authority to your specific question, which protects you if you follow it
KZpP	The Labour Code
PKU	The Tax Code

APPENDIX C

Pre-launch checklist

Before registration

- [ ] Entry model chosen deliberately, not by default (Section 3)
- [ ] Founder structure decided — corporate or individual, with the 25% single-tax rule understood (Section 9)
- [ ] Tax regime chosen before registration, not after
- [ ] Director identified and available, with immigration status checked if foreign
- [ ] Activity codes matched to the real business and to the tax choice
- [ ] Real registered address secured
- [ ] Charter decided: model text or your own
- [ ] Ownership chart assembled for the beneficial ownership filing
- [ ] Apostille and translation started early
- [ ] Name transliteration fixed once, then used identically everywhere

At registration

- [ ] Company entered in the state register
- [ ] Tax system application filed within its deadline
- [ ] Electronic signature obtained for the director
- [ ] Access to the tax e-cabinet confirmed and tested

- [ ] Beneficial ownership and structure chart filed
- [ ] Bank account opened, with the compliance pack ready in advance

Before the first hire

- [ ] Bookkeeping arranged and responsible person named
- [ ] Employment contract templates prepared under Ukrainian law
- [ ] Tax authority notification process in place — it must happen before the first day
- [ ] Payroll calendar set for twice-monthly payment
- [ ] Military records function assigned to someone
- [ ] Personnel document set ready: orders, timesheets, acknowledgement signatures
- [ ] Hiring model decided per role — employment, FOP, gig, or EOR (Section 13)
- [ ] IP assignment clauses in every contractor agreement

Before the first invoice

- [ ] VAT registration decided or triggered correctly
- [ ] Tax invoice process tested end to end, including registration
- [ ] Taxpayer data table submitted to reduce invoice blocking
- [ ] Electronic document exchange platform agreed with counterparties
- [ ] Act templates that describe real deliverables, not one recycled line
- [ ] Contract terms checked against the cross-border settlement deadline
- [ ] Counterparty screening process in place

Every month

- [ ] All acts collected and signed
- [ ] Every tax invoice registered, none blocked
- [ ] Bank reconciled against the books
- [ ] Filings confirmed accepted, not merely submitted
- [ ] Revenue tracked against the single tax ceiling, if applicable
- [ ] VAT registration limit checked before it constrains you

Every year

- [ ] Beneficial ownership confirmation filed on the registration anniversary
- [ ] Electronic signature keys renewed before they expire
- [ ] All statutory numbers rebuilt after the January indexation
- [ ] Contractor population reviewed for anyone who became an employee
- [ ] Permanent establishment exposure reassessed (Section 21)
- [ ] Transfer pricing position and documentation reviewed (Section 22)
- [ ] Critical status re-confirmed if you rely on reservation
- [ ] Business continuity plan tested, including the second signatory

APPENDIX D

The mistakes foreign companies actually make

Not exotic tax planning gone wrong. These are the ordinary ones, in rough order of how often they show up.

MISTAKE	WHY IT HAPPENS	WHAT IT COSTS
Contractors managed like employees	It is cheaper and nobody objects at the time	Back taxes and social contributions for the whole period, labour fines per person, plus permanent establishment exposure for the parent
The one-line act	Templates are convenient	Expenses and VAT credit disallowed during audit
The director's electronic key kept by an outsourced accountant	It makes their work easier	Someone outside the company can bind it
Assuming a contract can override the code	Habit imported from common law countries	The clause is void exactly when you need it
Model charter used for a joint venture	It is free and fast	No deadlock mechanism when the partners disagree
Budgeting three years on today's numbers	Ignoring the January indexation	Payroll floors, fines, and thresholds all move
No plan for getting profit out	The first profitable year feels far away	Currency limits, withholding tax, and pricing questions arrive together
Beneficial ownership confirmation missed	It is annual and nobody owns the task	Penalty on the director personally

Trusting the general force majeure letter	It was widely quoted in 2022	Courts require a causal link and a specific certificate
Ignoring an inspection order instead of complying	It looks like a fight worth having	The wartime relief from labour fines is lost
Relying on the tax e-cabinet to remind you	The notifications look official	The deadline exists regardless
IP never properly transferred from contractors	It works fine until due diligence	Price reduction or indemnity at exit
Only one person abroad can sign anything	Nobody planned for unavailability	Operations stop during exactly the weeks they should not

Almost all of these are cheap to prevent and expensive to fix. That asymmetry is the practical summary of doing business in Ukraine: the system is workable, it is documented, and it rewards companies that do ordinary things carefully.

About Ukrany

Ukrany is a Ukrainian company that helps foreign businesses operate here without building a compliance department first. We provide employer of record and staffing services, payroll, HR administration, and ongoing legal and tax compliance — and we help companies decide, at the start, which of those they actually need.

We work with technology, defence-tech, manufacturing, non-profit, and fulfilment clients, and we have been doing it through every version of the rules described in this guide, including the ones that changed three times in a year.

If you are weighing up Ukraine, setting up, or already operating and unsure what you might be getting wrong — write to info@ukrany.com. A short conversation usually costs less than the alternative.

This guide describes the position as at August 2026. Ukrainian tax and labour rules are reindexed every January, and wartime rules change more often than that. Nothing here is legal or tax advice for a specific situation — the wording of your contracts and the facts of your case decide the answer.

UKRANY.COM/CONTACT

UKRANY

info@ukrany.com