

INDUSTRIAL PARKS IN UKRAINE: TAX AND CUSTOMS INCENTIVES

On 21 June 2022, the Parliament adopted the laws introducing tax and customs incentives for the businesses located in industrial parks ("IP") and qualified as participants of IPs, including exemptions from corporate profit tax, import duties and value-added tax. The laws will come into force after the signature by the President of Ukraine and their official publication.

Exemption from corporate profit tax

IP participants can be exempt from corporate profit tax provided that the following conditions are met:

- the participant of IP carries out its business activity on the territory of IP; and
- the participant of IP applied for the exercise of its right to use the corporate profit tax exemption to the tax authorities. The respective application will be deemed accepted if within ten business days from its receipt the tax authorities have not issued a refusal of the application.

The participant of IP may be exempt from corporate profit tax within ten years from the first day of the first month of the calendar quarter specified in the application, but not earlier than the date of submission of the application to the tax authorities.

To retain qualification for the exemption from corporate profit tax, the participant of IP must meet with the following conditions:

- to carry out business activity in the processing industry, collection, treatment and disposal of waste and collection of materials or research activities exclusively within the territory of IP;
- to abstain from accrual and payment of dividends in favour of its shareholders; and

- to use the profits received from its business activity within the IP for the IP development no later than 31 December of the year following the tax year in which the participant of IP became exempt from corporate profit tax.

The participant of IP may be disqualified from the corporate profit tax exemption if:

- it does not use the profit received from its business activity within the IP for the IP development until 31 December of the year following the tax year in which the IP participant became exempt from income tax; or
- it no longer qualifies for the status of the participant of IP.

Exemption from customs duties and VAT

Equipment import transactions may be exempt from customs duties and value-added tax ("VAT") provided that the following conditions are met:

- the participant of IP uses imported equipment exclusively for its own needs within the territory of IP;
- the imported equipment was manufactured not earlier than three years before its importation into Ukraine and was not previously in use.

Exemption from customs duties and VAT applies only to equipment specified in the law, including electric motors and generators (including wind turbines), electric transformers, machines etc.

Exemption from customs duties and VAT does not apply to equipment originating in or imported from the Russian Federation and/or the occupied territory of Ukraine.

The participant of IP will be disqualified from the right to be exempt from customs duties and VAT regarding imported equipment in the following scenarios:

- alienation of imported equipment and its components earlier than five years from the date of their importation into Ukraine;
- misuse of equipment (including transfer to third parties) earlier than five years from the date of its importation into Ukraine; or
- loss of the IP participant status earlier than five years from the date of import of the relevant equipment into Ukraine.

Property tax and land tax benefits

Local authorities can establish benefits for paying property tax related to non-residential real estate located on the territory of IP and owned by the participants of IP. The size of such benefits is determined depending on the property subject to taxation.

Regarding the land tax, local authorities can:

- establish lower rates of land tax and land lease payment for the participants of IP; and
- exempt the participants of IP from the land tax.

Such benefits and exemptions apply to the land plots within the territory of IP and in respect of which a regulatory monetary assessment was performed.

SOURCES:

- Draft Law on Amendments to the Tax Code of Ukraine to Create Favourable Conditions for Attracting Large-Scale Investments in Industrial Production [No. 5688](#) dated 22 June 2021; and
- Draft Law on Amendments to the Customs Code of Ukraine to Create Favourable Conditions for Attracting Large-Scale Investments in Industrial Production [No. 5689](#) dated 22 June 2021.

HOW WE CAN HELP

Everlegal expertise

- ✎ advising on the establishment and registration of industrial parks in Ukraine;
- ✎ preparation of an agreement on the establishment and operation of an individual entrepreneur;
- ✎ preparation of the agreement on performing business activity within the IP;
- ✎ turnkey legal support of industrial parks projects;
- ✎ dispute resolution.

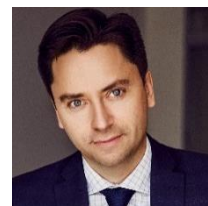
OUR EXPERTS

More about our team



Yevheniy Deyneko
Managing Partner

deyneko@everlegal.ua



Andriy Olenyuk
Partner

olenyuk@everlegal.ua



Lidiia Vatutina
Associate

vatutina@everlegal.ua



Nikita Vorotnikov
Junior Associate

vorotnikov@everlegal.ua