

## UKRAINE INTRODUCES E-RESIDENCY FOR FOREIGNERS

*On 26 October 2022, the President signed a Law on the peculiarities of taxation of business activity of electronic residents (the "Law"). The e-residency will be launched on 1 April 2023.*

### **What opportunities does e-residency create for foreigners?**

E-residency allows foreigners to conduct Ukraine-based business as individual entrepreneurs with their counterparties from outside of Ukraine.

E-residency also allows foreigners to register their business remotely, open bank accounts, carry out communications with regulatory authorities in electronic form and pay individual income tax at 5% rate subject to compliance with certain financial thresholds.

### **Who can become an e-resident?**

To be eligible for obtaining the e-resident status, a foreigner should:

- reach the age of 18;
- be a citizen/resident or permanent resident of a country included in a special list to be adopted by the Ministry of Digital Transformation of Ukraine;
- not have a permanent residence permit in Ukraine;
- not be a tax resident of Ukraine; and
- not receive income from activities in Ukraine (except for passive income, such as dividends or interest).

### **How to obtain the e-resident status?**

The first steps in obtaining the e-resident status are as follows: (1) submitting an application through the information system "E-resident", (2) passing the identification procedures, and (3) obtaining an electronic signature.

The Government should determine the detailed procedure for obtaining and cancellation of the e-resident status. As of the date of publication, such procedure has not been adopted yet.

### How can e-residents start their business in Ukraine?

After foreigners obtain their e-resident status, they should take the following steps via the information system "E-resident":

- submit an application for registration as an individual entrepreneur; and
- open a current account in the bank that is available for selection in the information system.

### Are there any restrictions on e-resident's business activity?

First of all, e-residents can carry out activities exclusively in favour of non-residents of Ukraine.

Also, during the year, e-residents should meet the following criteria:

- e-resident does not employ the citizens or residents of Ukraine;
- (b) e-resident does not receive income from activities in Ukraine (except for passive income, such as dividends); and
- (c) e-resident's annual income does not exceed the established limit (as of the date of publication ≈ approximately EUR 212,800).

### What taxes does the e-resident pay?

The e-resident will automatically be subject to the simplified taxation system (third group) and pay a single tax in the following amount.

- 5% of income; and
- 15% of the excess income over the established limit.

### Should e-residents pay their taxes on their own?

E-residents do not have to self-assess their income tax, file tax returns and pay taxes by themselves. The servicing bank where e-resident has an account will be a tax agent and will pay taxes from the amount of funds received into the e-resident's current account and will submit the relevant returns on behalf of each e-resident.

Follow our updates to find out about the adoption and entry into force of this and other laws.

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## SOURCE:

- [official webportal of the Verkhovna Rada of Ukraine](#)

## HOW WE CAN HELP

- ✎ advising on eligibility for obtaining e-resident status;
- ✎ advising on obtaining the e-resident status;
- ✎ advising on compliance with Ukrainian legislation, in particular, during martial law;
- ✎ preparation of commercial agreements for various businesses.

Everlegal expertise

- ✎ support in appealing decisions, actions or omissions in the field of state registration; and
- ✎ execution of powers of attorney in Ukraine and abroad for various registration actions.

## OUR EXPERTS



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