



# Thinking beyond borders: Management of extended business travelers - Ukraine

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**01**

**Key message**

# 1 Key message

Individuals are subject to Ukrainian income tax as either tax residents or tax non-residents. Residents are taxable in Ukraine on their worldwide income, whereas non-residents are taxable on their Ukrainian-sourced income, which, inter alia, includes remuneration for the work performed in Ukraine, whether paid by a resident or by a non-resident company. Nevertheless, both residents and non-residents are taxable at the same tax rates.

However, if double tax treaties concluded by Ukraine provide for other taxation rules than those provided in the domestic legislation, provisions of the treaties prevail.

**02**

# **Income tax**

# 2 Income Tax

## 2.1 Liability for income tax

An individual's tax liability in Ukraine depends on whether the individual is viewed as a Ukrainian tax resident or a non-resident. While Ukrainian tax residents are taxable in Ukraine on their worldwide income, tax non-residents are taxable on their Ukrainian-sourced income which, inter alia, includes remuneration for the work performed in Ukraine, whether paid by a resident or by a non-resident company.

The concept of tax residency incorporated in Ukrainian law is similar to that of most international double taxation agreements.

According to the Ukrainian law, an individual can choose Ukraine as the country/jurisdiction of their tax residency if they determine that their main permanent place of residence (either owned or leased) is on the territory of Ukraine.

## 2.2 Tax trigger points

Under domestic law, there is no threshold/minimum number of days that exempts the individual from the requirements to pay tax in Ukraine. However, if a relevant double tax treaty provides for different taxation rules, the provisions of the treaty will prevail.

## 2.3 Types of taxable income

In general, taxable income includes any income received in-cash, in-kind and in the form of a material benefit. For extended business travelers, the types of income, which are generally taxed, are employment income and any Ukrainian-sourced income.

## 2.4 Tax rates

Most type of the income is taxed at 18 percent personal income tax rate.

**03**

# **Military tax**

# 3 Military tax

## 3.1 Liability for military tax

Since December 2024 the Ukrainian parliament introduced the 5 percent military tax for the needs of the Ukrainian army.

The base for taxation is the same as for personal income tax. The payers of the military tax are both - residents and non-residents of Ukraine.

**04**

# **Social security**

# 4 Social security

## 4.1 Liability for social security

According to the provisions of the Ukrainian legislation, an individual becomes enrolled in the Ukrainian state social security system upon signing an employment agreement with his/her Ukrainian employer. Starting the date of the signing of the employment agreement, the employer is responsible for accrual and payment of social security contributions (SSC) at its own expense to the state budget. Payment of the SSC is ceased when the employment is terminated.

The taxable base for the SSC is capped at 15 statutory minimum wages, which is 129 705 Ukrainian hryvnia (UAH) in 2026 (approximately 2,555 Euros (EUR) at the current exchange rate per month).

Foreign individuals working in the representative office of a non-resident company are not usually a subject to the SSC.

Also, the remuneration paid by a non-resident company to an individual working in Ukraine is not a subject to the SSC.

**05**

# **Compliance obligations**

# 5 Compliance obligations

## 5.1 Employee compliance obligations

A reporting year in Ukraine is a calendar year.

Income paid by a Ukrainian entity is taxed at the source of payment. Such income is not usually a subject to additional reporting in Ukraine.

Income received from a non-Ukrainian entity is a subject to tax based on the annual tax return, which is due on 30 April of the year following the reporting. The tax is due on 31 July of the year following the reporting year.

## 5.2 Employer reporting and withholding requirements

A tax withholding and reporting requirements with respect to the employment remuneration payable to individuals in Ukraine arise only for employers (Ukrainian entities and the representative offices of foreign companies in Ukraine).

Non-resident entities, which pay the employment remuneration to individuals working in Ukraine, are not a subject to tax withholding and reporting requirements in Ukraine.

**06**

# **Other issues**

# 6 Other issues

## 6.1 Double taxation treaties

According to the Ukrainian legislation, if an international double tax treaty concluded by Ukraine provides for other taxation rules than those provided in the domestic legislation, provisions of the double tax treaty would prevail. Currently Ukraine has double tax treaties with about 70 countries/jurisdictions.

Double taxation treaties between Ukraine and the Russian Federation and the Republic of Belarus have been denounced as of January 1, 2023.

## 6.2 Permanent establishment implications

There is a potential risk that a permanent establishment could be created in Ukraine as a result of extended business travel, but, if structured properly, this risk may generally be mitigated.

## 6.3 Indirect taxes

In Ukraine, value-added tax (VAT) is imposed on the supply of goods and services within the customs territory of Ukraine and on the importation of goods and services into Ukraine, with the standard rate of 20% applying to most taxable transactions.

There are also reduced VAT rates under the Tax Code of Ukraine:

- A 14% rate applies to the import and supply of certain agricultural products (e.g., products of plant origin such as corn, soybeans, sunflower seeds, and other goods specified in law).
- A 7% rate applies to the import and supply of registered medicines and medical goods, certain cultural and entertainment services (including cinema, theater, circus, and other cultural events), and limited other transactions defined in law.
- A 0% (zero) rate applies to export and qualifying re-export transactions.

Under the Tax Code, Ukrainian VAT payers are generally required to charge VAT on top of the price of goods and services and report this VAT in the tax period in which the taxable supply occurred or an advance payment was received, whichever comes first (so-called “first event rule”). Input VAT paid on goods and services can normally be claimed as credits in the VAT return subject to the conditions of the law.

Every VAT payer in Ukraine has an individual electronic VAT account within the State Treasury of Ukraine. A VAT payer is required to register each issued VAT invoice for every taxable supply in the Electronic Register of VAT Invoices. The Ukrainian VAT system is relatively complex, and VAT payers must maintain detailed accounting of VAT and ensure proper registration of VAT invoices. This effectively means that a VAT payer is liable to pay 20% VAT on output (VAT liabilities) arising from the sale or other disposal of taxable goods or services, unless the VAT payer has sufficient input VAT credits to offset these liabilities. Furthermore, the tax authorities have the authority to block the registration of a VAT invoice if it meets certain risk criteria defined by law.

There are also special VAT incentives and exemptions under current legislation:

- Certain defence-related imports (e.g., combat simulators used for training) and equipment for strategic projects are VAT-exempt.
- Supply transactions including imports of waste and scrap of ferrous and non-ferrous metals, as well as paper and cardboard for recycling, are exempt from VAT until 1 January 2027.

- Import of equipment related to specially envisaged projects with significant investments is VAT-exempt until 1 January 2035.

The administration of VAT in Ukraine is conducted electronically, including the registration of VAT invoices and reporting of VAT liabilities and credits.

## 6.4 Transfer pricing

### 1. General Principles

Transactions between related parties and certain cross-border transactions are subject to transfer pricing rules under the Tax Code of Ukraine. Income derived from such transactions must be determined in accordance with the arm's length principle, meaning prices and profitability should be comparable to those established between independent parties.

Controlled transactions are those that may affect a Ukrainian taxpayer's corporate income tax base and include business transactions with:

- Non-resident related parties,
- Non-resident non-related parties registered in low-tax jurisdictions or with special legal forms listed by the Cabinet of Ministers of Ukraine,
- Transactions through non-resident commission agents, or through a nominal conduit.

Transactions are deemed controlled if the following cumulative criteria are met:

- The Ukrainian taxpayer's gross annual income exceeds UAH 150 million (approx. EUR 3.7 million as of 2023); and
- The annual volume of transactions with each counterparty exceeds UAH 10 million (approx. EUR 250,000 as of 2023).

Transactions between non-residents and their permanent establishments in Ukraine are deemed controlled if the volume exceeds UAH 10 million.

### 2. Reporting and Documentation Requirements

To comply with TP rules, companies must:

1. Prepare and submit a Report on Controlled Transactions to the tax authorities by 1 October of the year following the reporting year.
2. Prepare and submit a Notification of participation in an international group of companies (MNE) by 1 October of the following year.
3. Prepare Local TP documentation (Local File) supporting arm's length pricing and provide it within 30 calendar days upon request.

All reporting documents (Report, Notification, Local File) must be prepared in Ukrainian only.

Master File (global documentation) must be submitted within 90 calendar days upon request but not earlier than 12 and not later than 36 months from the financial year-end established by the international group.

### 3. Master File and Country-by-Country Reporting (CbCR)

- Master File: mandatory if the taxpayer belongs to an MNE whose total consolidated income exceeds EUR 50 million; submitted upon request within 90 calendar days.
- CbCR: mandatory if the taxpayer belongs to an MNE with total consolidated income  $\geq$  EUR 750 million; submitted within 12 months after the financial year-end as defined by the parent company.

#### 4. Advance Pricing Agreements (APA)

Taxpayers can enter into APAs with the tax authorities to pre-agree on pricing methodologies. Once an APA is in effect, tax authorities cannot change the agreed TP methodology during audits.

#### 5. Transfer Pricing Adjustments

- If prices or profitability in controlled transactions deviate from the arm's length principle, the tax authorities may adjust prices or profitability for tax purposes.
- Portions of income exceeding arm's length pricing may be treated as constructive dividends, taxed at 15% unless reduced by an applicable international agreement.
- Self-adjustments by the taxpayer may only align with the minimum or maximum of the arm's length range, and adjustments cannot reduce overall tax liability.
- TP documentation supporting the arm's length nature of royalty payments allows the taxpayer to attribute such costs to gross expenditures.
- The taxpayer should also increase financial results by 30% of the transaction value for transactions with related or non-related parties in low-tax jurisdictions, unless proper TP documentation is prepared.

#### 6. Penalties (2026)

Penalties for TP non-compliance include:

Violation	Penalty
Failure to submit Report on Controlled Transactions	300 subsistence minimums for all undeclared transactions (~EUR 20,000 in 2023; adjusts with 2026 minimum)
Failure to include a transaction in the Report	1% of transaction value, max 300 subsistence minimums
Late submission of Local File	3% of transaction volume, max 200 subsistence minimums (~EUR 13,500 in 2023)
Late submission of Master File or CbCR	2 subsistence minimums per day, max 200 subsistence minimums
Repeated failure >30 days	5 subsistence minimums per day (~EUR 340/day in 2023)

- Payment of penalties does not exempt from submitting the required TP documentation.
- Non-compliance may trigger blocking of document registration, audits, and additional adjustments.

## **7. Limitation Period**

The statute of limitations for TP adjustments and audits is 7 years (2,555 days) from the end of the reporting year.

## **8. Notes**

- The list of low-tax jurisdictions is updated by the Cabinet of Ministers.
- TP rules in Ukraine continue to align with OECD and EU standards.
- All thresholds, minimums, and penalties are tied to the subsistence minimum, which may change annually.

**07**

# **Immigration**

# 7 Immigration

## 7.1 Work permit/visa requirements

The period for reviewing applications for obtaining, extending or amending a work permit is:

- obtaining a work permit – up to 7 working days
- extension of the work permit or amendments to it – up to 3 working days.

The period for reviewing applications for citizens of the Russian Federation and the Republic of Belarus can be extended or applications may be rejected.

Starting from 2022, the legislation no longer contains any minimum wage requirements for foreigners. This means that it is not necessary to set a salary of at least 10 minimum living costs and it is sufficient to comply with the general rules of the Ukrainian employment legislation.

There is no need to obtain a visa for applying a work permit. The requirement to apply for a visa will depend on the physical presence of the individual in Ukraine.

Ukraine has a visa free regime for citizens of CIS countries. The EU, US and Japanese citizens and citizens of some other countries/jurisdictions may also enjoy visa free presence in Ukraine for 90 days within 180 days period.

In case a foreign individual intends to obtain a temporary residence permit in Ukraine, he/she has to obtain visa D (despite of the visa regime with the country/jurisdiction of the nationality).

## 7.2 Local data privacy requirements

According to the Ukrainian law on personal data protection, any entity can process an individual's personal data only upon having the individual's consent. Illegal collection, storage, use, destruction, distribution or change of personal confidential information (including personal data) is subject to both criminal and administrative liability.

## 7.3 Exchange control

Bank system of Ukraine is operating under Martial Law as follows:

- Cash withdrawals from client accounts shall be limited to UAH 100,000 per day (excluding salaries and social benefits), except for businesses and institutions that ensure the implementation of the government's mobilization plans (objectives) and entities that have the NBU's special permission to operate without paying commissions
- All cashless payments shall be made without limitation
- Release of cash from client accounts in foreign currency shall be prohibited, except for businesses and institutions that ensure the implementation of the government's mobilization plans (objectives) and entities that have the NBU's special permission
- Payments to and by the Ukrainian government shall be made without restrictions, in accordance with legislation governing this special period
- A moratorium on cross-border foreign currency payments (except for payments of enterprises and institutions ensuring mobilization plans (tasks) and the Government, and payments under special permits by the NBU)

- Banks shall stop debit transactions on the accounts of the residents of the state that effected the armed aggression against Ukraine.
- Banks issuing e-money shall suspend issuance of e-money, replenishing e-wallets with e-money, and e-money distribution.

## 7.4 Non-deductible costs for assignees

The deduction of assignee-related costs is very limited and is possible in case:

- an assignee is treated as a tax resident of Ukraine
- the costs are borne on the territory of Ukraine
- there are costs of certain type: donations to charitable organizations, tuition payments, life insurance premiums and pension contributions, interests on a mortgage loan etc.
- the amount of the costs does not exceed the amount of the salary from the Ukrainian company.

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