

“Diia City” – a special legal and tax regime for IT companies in Ukraine – is coming into play



Only companies registered in **Ukraine** may become residents meeting the **criteria**:

€1200	IT work	>9 specialists	90% of income	
min average monthly remuneration of employees / gig workers	performance of IT-related activities according to the list defined by the law	min no. of employees or gig workers available at the end of each calendar month	derived from IT-related activities	the company does not fall within a restricted category

Possible options of workforce engagement

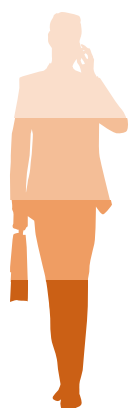


New GIG contract

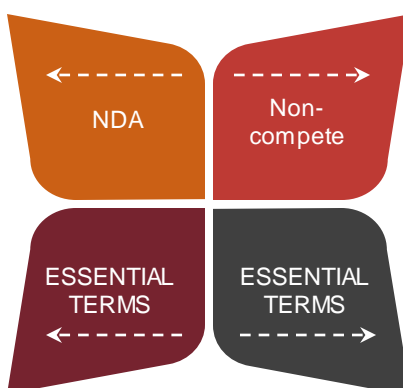
a mix of an employment contract and a services contract that provides social guarantees

	Gig Contract	Services Agreement	Employment Agreement
Basis for regulation	Diia City Law	Civil Code of Ukraine	Labour Code of Ukraine
Form	Can be concluded in electronic form subject to compliance with the Law of Ukraine "On Electronic Trust Services"	Can be concluded in electronic form subject to compliance with the Law of Ukraine "On Electronic Trust Services"	Printed written form is mandatory
Period of validity	Indefinite or set period of time	Set period of time	Employment contract – a set period of time; employment agreement – an indefinite period of time
Social guarantees	Sick leaves, vacations, maternity/paternity leaves, other social guarantees and insurance according to the Diia City Law	Not applicable	Sick leaves, vacations, maternity/paternity leaves, other social guarantees and social insurance according to Ukrainian labour legislation
Taxes	Diia City residents withhold 5% personal income tax (PIT) + 1.5% military levy (ML) from the remuneration payable to gig workers, applicable to annual income up to EUR 240,000. Gig workers pay 18% PIT on their own with respect to amounts of annual income exceeding the limit.	A private entrepreneur (PE) is liable for their payment of taxes. If a PE is registered under the simplified system of taxation, (s)he pays either 5% single tax, or 3% single tax + registers as a VAT payer.	Diia City residents withhold 5% PIT + 1.5% ML from the salary payable to employees, applicable to annual income up to EUR 240,000. Employees pay 18% PIT on their own with respect to amounts of annual income exceeding the limit.
Unified social contribution (USC)	Diia City residents pay minimum USC irrespective of the amount of the remuneration payable to gig workers.	PE pays minimum USC on his/her own.	Diia City residents pay minimum USC, irrespective of the amount of the salary payable to employees.

Non-disclosure and non-compete agreements



- in writing
- compensation is optional



- in writing
- compensation is mandatory



- term (maximum duration of **12 months** upon termination of relations)
- territory
- exhaustive** list of competitive activities
- compensation** for non-compete

Other novelties



Debt for equity swap



Warranties and compensation for misrepresentation



Additional regulation for put/call option agreements



Executive body of Diia City resident – individual or legal entity



Ability to subject Shareholders Agreement to foreign law

Diia City tax regime



CIT 18%

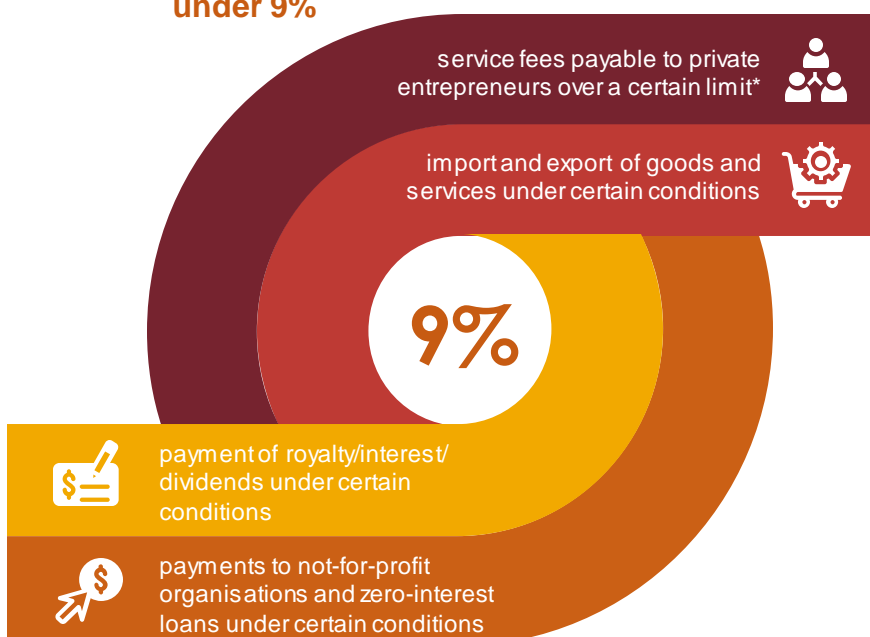
- currently existing corporate income tax
- standard rate of 18% based on profits
- subject to tax adjustments if applicable



CIT 9%

- based on volumes of certain transactions
- with non-payers of CIT under 9%
- a type of exit capital tax

Payments to non-payers of CIT under 9%



EXCEPTIONS

18%

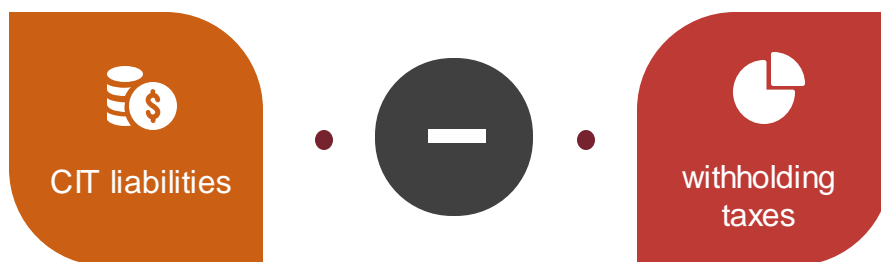
Differences between the price of a controlled transaction and arm's-length prices

Adjusted profits of Controlled Foreign Companies

18%

* This operation is exempt from taxation until 2024 and has transition period during 2024

Reduction of CIT liabilities

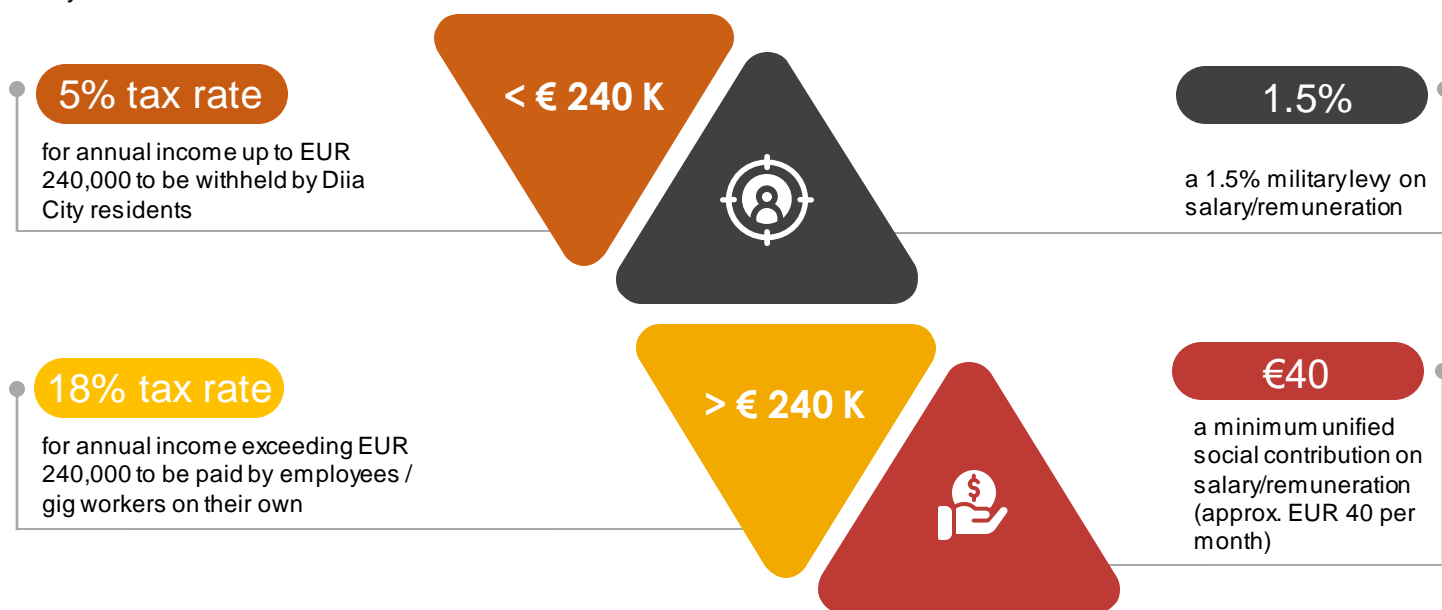


The Diia City Tax Draft Law allows Diia City residents to reduce their CIT liabilities on the amounts of withholding taxes arising on transactions subject to CIT.

Individual taxes



Progressive personal income tax on salary/remuneration:



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