

1. Government requirements

Registration requirements

State registration

In order to enter the Ukrainian market, the client should register its business presence in Ukraine. If the client contemplates hiring employees in Ukraine, it may register a separate legal entity in Ukraine or register a representative office or a branch. The legal entity, representative office or branch will thus

be considered as an employer. Depending on a form of the business presence, the registration procedures (including for payroll and social security purposes) vary.

Registration of a legal entity

In order to register the legal entity, the client should file with the Ukrainian state registrar a registration application on state registration of the incorporation of a legal entity. The tax registration of the legal entity (including for the general tax purposes, payroll and social security purposes) is performed automatically through the Ukrainian state registrar, as based on the registration application filed by the client, it transfers all the required data to the tax authorities, which registers the legal entity for tax purposes. This procedure is established in the Law of Ukraine "On State Registration of Legal Entities, Private Entrepreneurs, and Public Formations" No. 755-IV dated 15 May 2003 (the "Law on State Registration"), Order on Registration of Taxpayers approved by the Order of the Ministry of Finance of Ukraine No. 1588 dated 9 December 2011 (the "Order on Registration of Taxpayers"), and Order on Registration of Payers of Unified Contribution on Mandatory State Social Insurance approved by the Order of the Ministry of Finance of Ukraine No. 1162 dated 24 November 2014 (the "Order on Registration of Unified Social Contribution Payers").

There is no registration fee applicable for the state registration of the legal entity and tax registration of the legal entity.

Registration of a representative office or a branch

Registration with the Ministry of Economic Development and Trade of Ukraine (the Ministry)

In order to register the representative office or the branch in Ukraine, the client should first undergo the registration procedure with the Ministry. To apply for the registration with the Ministry, the client should file the

registration application, supported with certain documents. Requirements to the registration application and list of the supporting documents to be supplemented, as well as details of the registration procedure are defined in Instruction on Registration of Representative Offices of Foreign Business Entities in the Ukraine approved by Order of the Ministry of Foreign Economic Affairs and Trade of Ukraine No. 30 dated 18 January 1996.

The statutory duty for such registration is USD2,500.

Registration with the Ukrainian statistics authorities

After the representative office (branch) is registered with the Ministry, the client should undergo registration of the representative office (branch) with the

Ukrainian statistics authorities, which introduces information on it to the Unified State Register of Companies and Organizations of Ukraine. The registration with the Ukrainian statistics authorities is ruled by the Resolution of the Cabinet of Ministers of Ukraine "On Establishment of the Unified State Register of

Companies and Organizations of Ukraine" No. 118 dated 22 January 1996. Registration fee is immaterial and does not exceed UAH100.

The statistics authorities assign to the representative office (branch) an identification code, which further also serves as a tax registration number of the representative office (branch).

Registration with the Ukrainian tax authorities for general tax and payroll purposes

After the representative office (branch) is registered with the Ukrainian statistics authorities, it may be registered with the Ukrainian tax authorities for general tax purposes (applicable to the branch only) and payroll purposes.

According to the Order on Registration of Taxpayers, in order to be registered for general tax purposes and payroll purposes, the representative office (branch) should file with the local tax authorities a registration application under form 1-OPP (form 1-RPP for the branch). No registration fee applies.

Registration with the Ukrainian tax authorities for social security purposes

According to the Order on Registration of Unified Social Contribution Payers, in order to be registered for social security purposes, the representative office (branch) should file with the local tax authorities a registration application under form 1-ESV.

No registration fees apply.

New employees

The employer is obliged to inform the State Fiscal Service of Ukraine about new employees at least one day prior to an employee's first day of employment by submitting a notification form. The notification can be submitted electronically or in paper. (Resolution of the Cabinet of Ministers of Ukraine #413 of 17 June 2015).

Ongoing compliance requirements

Personal Income Tax (PIT) withholding obligation The Ukrainian employer should act as a tax agent in respect to the income (both in cash and in kind) paid to its employees through the Ukrainian payroll, and is obliged to withhold and remit PIT to the state budget of Ukraine at the source of payment. PIT arising from the income paid to employees via bank transfer should be remitted to the state budget of Ukraine on the same day that the income is paid. PIT arising from income in the form of benefits in kind and cash payments made through the employer's cash register should be remitted to the state budget of Ukraine the next day after income is paid. Employment income is taxed at a 18% PIT rate (Tax Code of Ukraine No. 2775-VI effective 1 January 2011, as amended).

Military levy withholding obligation

Any income, which is subject to PIT, is also subject to the military levy at a 1.5% rate (Tax Code of Ukraine No. 2775- VI effective 1 January 2011, as amended).

Payroll reporting obligation

The Ukrainian employer shall submit quarterly reports to the State Fiscal Service of Ukraine, disclosing information on the compensation paid to its

employees and taxes withheld from such income. Quarterly reports should be filed within 40 days upon the end of the respective quarter.

2. Pension requirements

Registration requirements

Pension contributions are included into the social security contributions (the Unified Social Tax). There is no need for the company to separately register for pension contributions. As mentioned earlier, the registration of the legal entity for social security purposes is performed automatically through the Ukrainian state registrar, while registering the new legal entity in Ukraine.

The representative office (branch) should file with the State Fiscal Service a registration application (form 1-ESV) to register for social security (including pension) contributions.

Ongoing compliance requirements

Social security contributions (the Unified Social Tax (UST))

Social security contributions in Ukraine are due in the form of the Unified Social Tax (the UST). The UST is a single payment, which includes pension, unemployment, temporary disability and accidents at workplace insurance contributions. The employer accrues the UST on top of the employees' compensation paid through the Ukrainian payroll at a 22% rate. The maximum monthly base for the UST accruals is 15 minimum wages (currently UAH90,000 as of 1 January 2021). The UST contributions are processed by the State Fiscal Service of Ukraine.

Special UST accrual rates (8.41%, 5.3% and 5.5%) apply to income of disabled individuals. (The Law of Ukraine "On collection and accounting of a unified tax for mandatory state social insurance" #2464-VI of 08.07.2010)

3. Employment obligations

Minimum wages

The minimum monthly wage is currently established at the level of UAH6,000 as of 1 January 2021 - the amount changes throughout the year (usually on a quarterly basis). The minimum hourly wage currently

constitutes UAH36.11 as of 1 January 2021. It is forbidden to pay the full-time employees less than the minimum monthly salary. (Labor Code of Ukraine #322-VIII of 10 December 1971, as amended; The Law of Ukraine "On payment for labor" #108/95-BP of 24 March 1995)

Working hours

The standard duration of working hours shall not exceed 40 hours per week. The regular working hours must not exceed seven hours per working day in six working days week and eight hours per working day in five working days week. Normal duration of working hours per month is established each year by the letter of the Ministry of Social Policy of Ukraine, considering all the statutory holidays and non-working days. Work beyond normal working hours is compensated at the increase rates, as follows:

- Overtime work: double regular pay rate
- Work on weekends and holidays: double regular pay rate (or another day-off)
- Work at night (work from 10 p.m. till 6 a.m.): 1.2 times the regular pay rate (Labor Code of Ukraine #322-VIII of 10 December 1971, as amended)

Rest periods

The duration of weekly uninterrupted rest shall be not less than 42 hours. There are 11 statutory holidays in Ukraine. If a holiday falls on the weekend, the day off is shifted to the following working day. The duration of a working day prior to a statutory holiday is shortened by one hour.

The employee is entitled to a break of up to two hours per shift (working day). Start time and end time of the break should be established by the internal documents of the company. Normally, a break for lunch shall be granted to employees after four hours of work (Labor Code of Ukraine No. 322-VIII of 10 December 1971, as amended).

Leave days

The employee is entitled to an annual vacation of 24 calendar days per year. The employee receives a right to take an annual vacation after six months of continuous employment at a company. The employee is also entitled to have 15 calendar days of unpaid vacation. Moreover, additional types of vacation could be taken by employees if

certain criteria are met, e.g., an employee has two children under 15; is a single parent, etc. Pregnant employees are provided with paid maternity leave for 126 calendar days (70 days before going into labor and 56 days after giving birth). The employees could also take unpaid childcare vacation until a child turns three years old (Labor Code of Ukraine No. 322-VIII of 10 December 1971, as amended; The Law of Ukraine "On vacations" No. 504/96-BP of 15 November 1996).

Employment matters are governed by the Ministry of Social Policy of Ukraine.

4. Payroll requirements

Payslips

The employer is obliged to inform employees on their earnings. Payslips can be provided either in electronic form or hard copy. (The Law of Ukraine "On payment for labor" No. 108/95-BP of 24 March 1995).

Payment frequency

The employee's salary should be paid twice a month over the period of time, not exceeding 16 days between the payments, and not later than 7 days after the end of the period for which the salary payment is made.

An advance payment should not be less than the remuneration for the actual time worked during the reporting period (i.e., the first part of the month). If the salary payment day falls on a weekend day, a holiday or a day off, the salary shall be paid the day before. Apart from the two regular salary payments mentioned above, there are certain types of unscheduled payments, such as vacation allowance, that should be paid three days prior to the start of vacation, and final settlement with a terminated employee that should be executed on his or her last working day (Labor Code of Ukraine No. 322-VIII of 10 December 1971, as amended; The Law of Ukraine "On payment for labor" No. 108/95-BP of 24 March 1995).

5. Banking requirements related to payroll

Currency of payment

All the employee's salary and related payments should be done in local currency (hryvnia - UAH). It is impossible for the Ukrainian companies to

pay salary in foreign currency.

Payment control process

Banks are acting as a control authority while processing the salary payments, ensuring that the taxes (PIT, military levy, the UST) out of the employee's respective compensation are paid to the budget of Ukraine.