

Ukrainian Legislative Developments on Real Estate Tax

14 January 2015

Pursuant to the changes introduced to the Tax Code of Ukraine by the new Law of Ukraine No. 71-VIII dated 28 December 2014 which entered into force on 1 January 2015, new tax provisions with respect to immovable property tax have been implemented.

The above tax shall be paid by individuals and legal entities including non-residents who own residential and/or non-residential property.

Residential and non-residential property shall be subject to tax.

The tax rates applicable to residential and/or non-residential property owned by individuals and legal entities shall be determined by a decision of village, town or city councils depending on the location (zone) and the type of such property in the amount not exceeding 2 percent of the minimum wage established by law as of 1 January of a reporting (taxation) year for 1 square meter of the tax base.

Taxpayers that are legal entities determine the tax amount **independently** based on the total area of each taxable property **in accordance with the title documents related to such immovable property**.

Taxpayers that are legal entities calculate the amount of tax as of 1 January of a reporting year and until 20 February of the same year they shall submit a tax return in the form set in the manner as provided for by Article 46 of this Code with the breakdown of the annual amount in equal quarterly instalments to the regulatory authority at the location of the immovable property subject to tax.

The amount of tax to be imposed on non-residential property owned by individuals shall be calculated by the regulatory authority at the tax address (at the place of registration) of the owner of such property based on the total area of each non-residential property **in accordance with the data from the State Register of Property Rights to Immovable Property and/or the taxpayer's respective original documents, in particular title documents**.

The law determines that the tax for a reporting year shall be paid as follows:

- By individuals – during 60 days from the day of service of the tax decision notice.
- By legal entities – in advance quarterly instalments reflected in the annual tax return until 30th day of the month following the reporting quarter.

The following immovable property shall not be subject to tax:

- residential and non-residential property owned by state authorities, local governments and organizations established by them in the prescribed manner, which are fully maintained out of the funds of the respective state budget or local budget and are non-profit (jointly owned by them);
- residential and non-residential property located in exclusion and unconditional (compulsory) evacuation zones as determined by the law, including parts of such immovable property;
- buildings of family-type children's homes;
- hostels;
- residential property unsuitable for use as a dwelling, including due to its emergency condition, which is recognized as such by a decision of the village, town, city council;
- residential property, including parts thereof, belonging to orphans and children deprived of parental care, and persons from among them recognized as such by law, disabled children being raised by single mothers (fathers), but no more than one residential property per child;

- non-residential property used by small and medium-sized business entities carrying out their activities in small architectural forms and markets;
- industrial buildings, in particular production buildings, workshops, warehouses of industrial enterprises;
- buildings, structures of agricultural manufacturers intended for the use directly in the course of agricultural activities;
- residential and non-residential property owned by public organizations of disabled people and their enterprises.

However, the base of taxation of residential property owned by an individual – taxpayer shall be reduced:

- For a flat/flats, regardless of their number – by 60 square meters.
- For a residential house/houses, regardless of their number – by 120 square meters.
- For different types of residential property (in case a taxpayer simultaneously owns a flat/flats and residential house/houses, including parts thereof), – by 180 square meters.

Such reduction shall be provided once for each base taxation (reporting) period (year).

Village, town and city councils may increase the maximum area of residential property, by which the tax base determined in this paragraph shall be reduced.

Tax benefits in respect to tax levied in the relevant territory on residential property shall not be granted to individuals with respect of:

- Taxable property, if the area of such property exceeds fivefold amount of untaxable area determined by a decision of local self-governmental authorities.
- Taxable property used by its owners to earn profit (let on lease, leasing, borrowed, used in the course of entrepreneurial activities).

Tax benefits in respect to tax levied in the relevant territory on non-residential property shall be set depending on the property that is subject to tax.

The amount of tax to be imposed on residential property owned by individuals shall be calculated by the regulatory authority at the tax address (at the place of registration) of the owner of such property in accordance with the following procedure:

- if a taxpayer owns one residential property, including its part, the tax shall be calculated based on the tax base reduced according to sub-paragraphs “a” or “b” of paragraph 266.4.1 of clause 266.4 of this Article, the benefit granted by the local government as untaxable area of such immovable property (if any) and the respective tax rate; or
- if a taxpayer owns more than one residential property of the same type, including parts thereof, the tax shall be calculated based on the aggregated total area of such immovable properties reduced according to sub-paragraphs “a” or “b” of paragraph 266.4.1 of clause 266.4 of the Tax Code of Ukraine, the benefit granted by the local government as untaxable area of such immovable properties (if any) and the respective tax rate.

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