



UKRAINE - January 2018

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Update on Military Occupation of Civilian Property

Housing, land and property issues are key protection concerns for conflict-affected people in Ukraine.

For people living close to the contact line separating government controlled areas (GCA) and non-government controlled areas (NGCA) of Ukraine, expropriation and occupation of residential houses, commercial property and private agricultural land by military actors has been reported.

Military occupation of housing, including looting and damage, has been reported both in GCA and NGCA.

Protection concerns related to military occupation of property include increased risks to life, as the positioning of military bases in civilian areas increases the amount of shelling² and fighting in the area and, consequently, leads to greater number of civilian casualties. People may refuse to flee their homes, even when their lives are at risk due to shelling, because of the fear that their property will be taken for military use if they leave.

In addition to losing access to their homes and property, households who have had their homes occupied by military forces must pay land tax and utility bills for the occupied home, in addition to rent and utility bills in their place of residence, placing households under a heavy financial burden and forcing people into bankruptcy.

Even when military expropriation has ended, property owners are often left without any confirmation that the property was used by the military and have no evidence to apply for compensation for damaged or destroyed property or accrued debts for utilities and unpaid taxes.

Soldiers may leave behind landmines and unexploded ordinances and the use of land plots for military purposes (e.g. mining, digging trenches etc.) means that it is often impossible to conduct farming activities.

Military occupation can also serve as an obstacle to durable solutions, by jeopardizing the potential for the voluntary return of displaced people.

Currently, there are no administrative procedure for the documentation and compensation for military use and damage of occupied civilian property. This leaves civilian households in a situation of uncertainty, not knowing what resource is available.

KEY MESSAGES

- According to UN Guiding Principles on internal displacement, property of displaced people must be respected and protected. Therefore, armed units should be aware of their responsibilities under international law to respect the housing, land and property rights of civilians, especially individuals living along the contact line. The Shelter Cluster and its partners are

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conducting an ongoing verification which shows that secondary incidents of damage to housing are often caused by military occupation of vacant housing. Therefore proper military installations outside of civilian areas is the most preferred option.

- If nevertheless military occupation occurs, is crucially important that authorities acknowledge the fact of the military occupation of civilian property. Authorities should develop a comprehensive mechanism for assessment, compensation or restitution for the cases of military use and damage of civilian property.
- It should be clear for conflict-affected population what is the procedure of getting compensation for military occupation of their properties. Civilians should not fear of repercussions for reporting the cases of military use of private property

Ukraine makes big leap in key World Bank tax ranking

Ukraine took a huge leap in ease of paying taxes, vaulting 41 positions in the World Bank's tax payment index, part of the Doing Business Ranking 2018. It now ranks 43rd among 190 countries, up from 84th a year earlier.

Ukraine managed to improve its position because of several major changes to improve transparency and ease of payments. Among them are an automated and online value-added tax refund system, replacing a secretive and corrupt VAT system.

Ukraine has also moved more tax payments online, making transactions easier and more transparent.

All these changes "had a positive impact on our place in the taxpaying part of the ranking," Ilya Neskhodovskiy, a tax expert at the Reanimation Package of Reforms think tank, told the Kyiv Post.

Despite the success in the tax payment part of the ranking, Ukraine managed to go only four positions higher in overall performance — now 76th among 190 countries, up from 80th place in 2017. The latest World Bank's Doing Business ranking, released in October, measures the ease of doing business and overall success of 190 economies of the world. Ukraine's ranking still places it far behind most of the European Union and former Soviet republics — with Russia ranking 35th, Belarus 38th and Moldova 44th.

The bright spot — the tax payment index of the Doing Business ranking — records taxes and mandatory contributions that a medium-size company must pay in a year and measures the administrative burden of paying taxes.

The 2018 ranking is based on 2016 performance.

According to the report, Ukraine has one of the lowest numbers of tax payments required: 6. Those are value added tax (20 percent), unified social tax (22 percent), corporate income tax (18 percent), military tax (1.5 percent), environmental and land taxes. By comparison, the overall leader Hong Kong has the smallest number of tax payments a year (3), while the average number of taxes that a company needs to pay in Europe and Central Asia region is 16.

However, it still takes a lot of time to pay taxes in Ukraine — 327 hours a year.

According to the Doing Business study, this is the time an entrepreneur spends collecting information, computing tax payable, completing a tax return, filing with agencies, arranging or withholding payments and preparing accounting records. The average time it takes in Europe and Central Asia region is 218 hours per year.

And in Luxembourg, the overall best performer in this category, it takes only 55 hours per year for all the procedures.

An average company in Ukraine pays 37 percent of its profits in taxes. The average for Europe and Central Asia is 33.1 percent of income and 40 percent in high income countries. But companies in 32 economies ranked pay only 18 percent.

Neskhodovskiy said that the decrease of the unified social tax from 41 percent to 22 percent in 2016 helped Ukraine to move from one of the highest tax burdens to the middle of the pack.

"Although the ranking analyzed the 2016 performance of the countries, we already had the automatic VAT refund system working then. It has been improved since then but still is not perfect," Neskhodovskiy said.

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The government reported that, in November and December 2017, the automatic VAT refund system paid more than Hr 4 billion to 3,000 Ukrainian enterprises that filed for reimbursement to the Finance Ministry.

Kernel agro holding is one of the top recipients, getting more than Hr 1 billion in VAT refund. ArcelorMittal, the giant steel maker in Kryviy Rih, got Hr 633 million reimbursed in November and Hr 659 million in December. The Iron Plant of Mariupol that belongs to billionaire oligarch Rinat Akhmetov's Metinvest Holding got Hr 656 million in December and Hr 671 million in November.

Law obliges fiscal service to publish local taxes, duties rates before July 15

The State Fiscal Service is obliged to publish information about the size of local taxes and duties and the date when they were approved no later than July 15, 2018.

The requirement is outlined in the law amending the Tax Code and other legislative acts for the provision of balanced budget revenues in 2018 published in the Holos Ukrainy newspaper.

Before July 10, supervision agencies are to send consolidated information about the size of local taxes and duties and the date when they were approved in the electronic form to the State Fiscal Service.

According to the amendments to the legislation, the State Service for Geodesy, Cartography and Cadastre must send information in electronic form on the pecuniary valuation of land parcels, which was carried out as of the indicated date, to the fiscal service. In turn, the State Fiscal Service will publish this information on its website.

The law also establishes that an individual is exempted from liability for late payment of land tax, if the tax authority has not sent a relevant notification within a certain period of time.

The amendments in the Tax Code also determine a fixed rate of land tax for land of the railways and the mining and metallurgical sector.

At the same time, the law contains a rule, according to which, when determining the basis for taxation by land tax, the indexation coefficient of the pecuniary valuation for 2018 is applied with a value of 1. In addition, the restriction of the application of the privilege to one parcel for the payment of land tax by individuals has been abolished.

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