

Anton Zaderyholova
AVELLUM, Kyiv
azaderyholova@avellum.com

Vladyslav Hryhoriev
AVELLUM, Kyiv
vhryhoriev@avellum.com

Tax implications of talent mobility – cross-border movement of employees: Ukraine

This guide reflects Ukrainian legislation and official tax guidance publicly available as of 24 April 2026.

1. Overview of the tax system

1.1. BRIEF OVERVIEW OF UKRAINE'S INDIVIDUAL INCOME TAX SYSTEM

The Ukrainian tax system is governed by the Tax Code of Ukraine, which took effect in 2011, and is administered by the State Tax Service of Ukraine.

Ukraine's tax system currently functions pursuant to the ongoing wartime circumstances. Martial law was imposed on 24 February 2022. Despite this, the tax system continues to operate in a stable manner. Certain special tax provisions apply during the period of martial law, which will be described separately below.

Ukraine maintains close cooperation with the Organisation for Economic Co-operation and Development (OECD), aligning its tax system with the Organisation's recommendations for the enhancement of international tax standards.

In regard to the Ukrainian legal system, international law takes precedence over national legislation. Ukraine is actively broadening its network of double tax treaties (DTTs) and is amending the provisions of existing ones. Currently, around 70 DTTs are in force between Ukraine and other jurisdictions.¹

1.2. BASIS OF TAXATION

Residents are taxed on their worldwide income.

Non-residents are taxed on their Ukrainian-source income, subject to the provisions and limitations of any active DTTs.

1.3. TAX RESIDENCY

In Ukraine, tax residence is determined by a special statutory test. The national residency test is applied step by step, and the criteria do not need to be met cumulatively. If tax residence is established during an earlier step, there is no need to move onto the next one.

¹ Ministry of Finance of Ukraine, 'International agreements of Ukraine on avoidance of double taxation' https://mof.gov.ua/en/international_agreements_of_ukraine_on_avoidance_double_taxation-543 last accessed on 27 April 2026.

The hierarchical tax residency test involves the following steps:

- residents are individuals who have their place of abode in Ukraine;
- if the individual maintains a place of abode in multiple jurisdictions, residency is established in the place where they have a permanent home;
- if the individual has a permanent home in another country as well, they are deemed to be a resident of Ukraine if they have a centre of vital interests in Ukraine;
- if the centre of vital interests cannot be clearly determined, or if no permanent domicile exists in any jurisdiction, the individual is deemed to be a resident of Ukraine if their stays in Ukraine total at least 183 days during the calendar year; and
- if all prior criteria fail to establish residency, the individual is classified as a Ukrainian tax resident by default if they hold Ukrainian citizenship.

Non-residents are individuals who do not qualify as a resident of Ukraine.

It should be noted that according to Ukrainian tax rules a sufficient (but not exclusive) criterion for determining the location of a natural person's centre of vital interests is the location of the permanent home of their family members or their registration as an individual entrepreneur.

Structurally, the Ukrainian domestic residency framework closely mirrors the tiebreaker rules established by the OECD and United Nations Model Tax Conventions. However, the domestic wording diverges from these international standards in two critical ways. First, it replaces the Models' qualitative 'habitual abode' criterion with a rigid, quantitative 183-day physical presence test. Second, the Ukrainian statutory hierarchy concludes definitively with the citizenship criterion.

A non-resident individual who wants to conduct business activities in Ukraine and wants to benefit from a preferable tax rate has the opportunity to obtain electronic resident (e-resident) status.² More details on this are provided in Section 5.3 below.

2. Taxation of employment income

2.1. SCOPE OF TAXABLE INCOME

2.1.1. SALARY

All regular remuneration paid for work performed is taxable employment income, subject to the provisions and limitations of any active DTT.

2.1.2. BONUSES

Cash bonuses paid in connection with the performance of employment duties are taxed under the same general payroll rules as apply to an individual's salary.

2.1.3. ADDITIONAL BENEFITS

An additional benefit is a specific type of taxable employment income that employers should be aware of. It includes money, tangible or intangible assets, services or other income provided to an individual by an employer, if that income:

² Government of Ukraine, uResidency <https://e-resident.dii.gov.ua/> last accessed on 27 April 2026.

- is not salary;
- is not connected with the performance of their employment duties;
- clearly identifies the recipient of such a benefit; and
- is not otherwise excluded by the Tax Code.

An additional benefit is taxable as part of the employee's taxable income:

- if it is provided in cash, it is taxed under the ordinary rules set out in Section 2.3; or
- if it is provided in kind, the applicable personal income tax (PIT) base is calculated by applying the natural coefficient, as described in Section 2.1.6.

The risk usually arises where the employer pays for something that gives the employee a personal economic benefit, for example: personal accommodation or compensation towards the individual's rent (if not required under the employment contract), personal travel, discounts, the private use of an asset or other employer-funded consumption that cannot be clearly tied to their employment duties.

2.1.4. EQUITY COMPENSATION (STOCK OPTIONS, RESTRICTED STOCK UNITS (RSUS))

Ukraine does not have a separate standalone tax regime for employee stock options or RSUs.

If the employee acquires shares or another investment asset and later disposes of it, the gain should generally be analysed pursuant to the investment profit taxation rules.

Investment profit is the positive difference between:

- the proceeds from the sale of an investment asset; and
- the documented acquisition cost of that asset.

Only the positive difference (the net investment profit) is included in the individual's annual taxable income and is taxed under the general rules set out in Section 2.3. The vesting of RSUs (ie, the moment the employee actually receives the shares) constitutes a taxable event. Taxes paid upon vesting are recognised as the acquisition cost of such shares for the purposes of calculating any subsequent investment profit.

So-called 'phantom shares' do not grant the actual legal ownership of an underlying corporate asset and are cash settled. Because no investment asset is legally acquired or disposed of, payouts derived from phantom shares do not qualify for the investment profit taxation rules. Instead, these cash settlements are treated as ordinary taxable income at the moment of the payout. The gross payout amount is subject to the applicable general tax rates.

2.1.5. ALLOWANCES

The tax treatment of allowances depends on their nature and the relevant documentation. The different types of tax treatment of the most common allowances are outlined below.

- *Per diems* are not subject to PIT or military duty within the statutory limits set by the Tax Code (UAH~860 per day for domestic business trips and €80 for foreign business trips). Amounts exceeding those limits are taxed as employment income.
- Housing allowances are typically classified as an additional benefit and taxed accordingly. The natural coefficient applies for PIT purposes. Accommodation provided free of charge by

an employer is not taxable if it is necessary for the employee's duties and is provided for under the employment contract, a collective agreement or by law, within the prescribed limits, provided that the accommodation belongs to the employer.

- Relocation allowances are generally treated as an additional benefit.
- Car allowances may be taxable as an additional benefit. The car provided free of charge by an employer is not taxable if it is necessary for the carrying out of the employee's duties.

As a general rule, where no express exclusion applies under the Tax Code and the business purpose of the payment is not properly documented, an allowance will be treated as an additional benefit and taxed at the standard rates set out in Section 2.3.

2.1.6. BENEFITS IN KIND

Where an employer provides a non-cash benefit to an employee, the taxable base is calculated using the statutory natural coefficient. The current coefficient for the PIT rate is 1.219512.

For example, if an employer provides a non-cash benefit valued at UAH10,000, the taxable base is calculated as $UAH10,000 \times 1.219512 = UAH12,195.12$. A PIT rate of 18 per cent is then applied to this amount, resulting in a tax liability of UAH2,195.12.

Military duty is calculated without applying the natural coefficient.

2.2. SOURCE RULES

Locally sourced income is any income received by residents or non-residents from any of their activities that are performed in Ukraine.

2.3. TAX RATES

Ukraine does not apply progressive tax rates. Instead, a flat rate system applies.

The general tax rate: 18 per cent PIT + five per cent military duty.

For Diia City specialists: five per cent PIT + five per cent military duty.

Individual entrepreneurs may opt for the application of a simplified taxation regime that provides a reduced tax burden. The applicable tax liability is determined by the entrepreneur's designated tax group, which is based on their permitted business activities and statutory income limits.

The tax rates for individual entrepreneurs as follows:

- Group 1: ten per cent of the subsistence minimum (UAH332/\$~8 per month in 2026) + military duty (ten per cent of the minimum wage, UAH864.70/\$~19.70 per month in 2026);
- Group 2: 20 per cent of the minimum wage (UAH1729/\$~39 per month in 2026) + military duty (ten per cent of the minimum wage, UAH864.70/\$~20 per month in 2026); and
- Group 3: five per cent of the income (without value-added tax (VAT)) or three per cent (with VAT) + one per cent military duty.

An increased tax rate of 15 per cent may apply to the income of individual entrepreneurs in groups 1 to 3 when income limits are exceeded or when in receipt of income from non-permitted activities.

2.4. MISCELLANEOUS ISSUES

2.4.1. EMPLOYER'S WITHHOLDING OBLIGATIONS

Ukraine operates a tax agent model for employment income. The employer is responsible for calculating, withholding and remitting PIT and military duty to the state budget. This obligation arises at the point of accrual or payment, whichever occurs first.

Where income is paid by a person that is not a tax agent (eg, a foreign employer with no Ukrainian presence), the individual is required to self-report and pay the taxes personally via an annual tax return.

2.4.2. INTERPLAY WITH SOCIAL SECURITY CONTRIBUTIONS (SSCS)

In Ukraine, a SSC is a separate mandatory employer contribution. Employers pay SSCs at a rate of 22 per cent of the salary or other employment-related compensation.

The maximum SSC payment is capped at UAH38,046.80/\$~866.73, calculated as 22 per cent of 20 minimum statutory wages (UAH8,647.00/\$196.98 * 20 * 22 per cent = UAH38,046.80/\$~866.73).

2.4.3. EXEMPTIONS

Ukraine does not provide broad domestic tax exemptions specifically for foreign employees. Relief may arise either under specific exemptions contained within the Tax Code or pursuant to an applicable DTT.

Domestic exemptions under the Tax Code

Certain employer-funded payments are excluded from taxable income, including:

- premiums paid by an employer resident into an employee's non-state pension and/or voluntary health insurance up to a limit equal to 30 per cent of the employee's monthly salary;
- accommodation provided free of charge by an employer if it is necessary for the employee's duties and is provided for under the employment contract, a collective agreement or by law, within the prescribed limits, provided that the accommodation belongs to the employer;
- education and professional training payments; and
- charitable assistance provided to an employee, to the extent it qualifies for an exemption under the Tax Code, including within statutory thresholds, or when provided for specific purposes (such as medical treatment).

DTT relief

Treaty relief is not automatic and must be claimed at the time of payment. The non-resident must provide a valid residence certificate issued by the competent foreign authority, which is legal and translated. If such a certificate is not available, the relevant income is taxed in Ukraine under domestic rules.

3. PE risks

3.1. DEPENDENT AGENT PE

A PE risk may arise where a person in Ukraine habitually concludes contracts on behalf of a non-resident or habitually plays the principal role leading to the conclusion of contracts, including

negotiating their essential terms, as a result of which the non-resident concludes contracts without material modification, provided such activities are carried out in the interest of exclusively one non-resident and/or its related non-residents.

This approach is broadly aligned with the dependent agent PE provision set out in the OECD Model Tax Convention, which similarly extends a PE status to cases where a person plays the principal role leading to the conclusion of contracts that are routinely finalised without material modification. Ukrainian rules additionally emphasise exclusivity (ie, acting in the interest of one or related non-residents) and provide more detailed factual indicators of such authority.

The Supreme Court of Ukraine has confirmed, with reference to the OECD Model Tax Convention Commentary, that the activity of a representative cannot be considered preparatory or auxiliary in nature where it predominantly performs the same functions as the parent company. The Court has further emphasised that the more significant the representative's activity is within the context of the overall activity of the organisation, the greater the likelihood of a PE being established. Preparatory or auxiliary activity, by its nature, cannot have the same purpose as the core activity of the non-resident and cannot be aimed at generating profit.³

3.2. *FIXED-PLACE PES*

HOME OFFICE RISKS

A home office may create a PE risk where it is used as a specific place through which the foreign company carries out business in Ukraine, rather than merely being used for the employee's personal convenience.

LONG-TERM PROJECT OFFICES

A fixed office may constitute a PE if the foreign company uses the premises to conduct its business activities. Under Ukrainian domestic law, a building site, construction, assembly or installation project constitutes a PE if the activity lasts for more than 12 months.

A comparison between the OECD Model Tax Convention and Ukrainian legislation shows that, while both frameworks rely on the core concept of a 'fixed place of business', the Ukrainian definition is broader and more detailed. In particular, the OECD Model focuses on whether the place is at the disposal of the enterprise and whether business activity is carried on through it, with further clarification provided in the OECD Commentary. By contrast, Ukrainian law does not explicitly refer to the 'disposal' test and instead provides an extensive list of examples and factual indicators, which allows the tax authorities to apply a more formalistic and expansive interpretation of what constitutes a PE.

3.3. *SERVICE PES*

A PE may arise under Ukrainian domestic law if services are provided in Ukraine through employees or other personnel for more than 183 days within any 12-month period in respect of the same or a connected project. However, such 'service PE' provision is not typically included in double tax treaties based on the OECD Model Tax Convention. Therefore, in practice, this rule is often overridden by applicable DTTs, such as those concluded with Cyprus, the Netherlands and the United Kingdom, which do not recognise service PEs.

4. Exit tax/departure rules

³ Supreme Court ruling of 4 July 2024 in case no 160/11095/23.

Ukraine does not have a standalone individual exit tax regime. However, Ukrainian tax residents leaving Ukraine in order to establish a permanent residence abroad should file a final departure tax return no later than 60 days before their departure.

Non-compliance can severely complicate the formal cessation of Ukraine tax residency, potentially exposing the individual to prolonged disputes with the tax authorities regarding their ongoing reporting obligations and residency status. In addition, under Ukrainian legislation, the statute of limitations for tax audits (generally 1,095 days) does not begin where a tax return has not been filed. As a result, the failure to submit a departure tax return may effectively expose the individual to an unlimited audit period.

5. Recent developments

5.1. *THE DIIA CITY REGIME*

The Diia City legal regime is a special framework developed to support Ukraine's IT industry by offering favourable conditions for innovation and business growth. Launched as a forward-looking initiative, Diia City seeks to attract both Ukrainian and foreign tech companies, fostering a high-tech business environment, with modern regulatory, tax and legal infrastructure.

The main criteria for registration as a resident of Diia City include the following:

- performance of special types of economic activities (predominantly research and development (R&D/IT) activities);
- the net income from such activities constitutes more than 90 per cent of the total income;
- the average monthly remuneration for employees/gig specialists exceeds €1,200; and
- the average headcount of employees/gig specialists is at least nine at the end of each calendar month.

The taxation of employment is as follows:

- PIT – five per cent is applicable from the calendar month following the month in which the company obtains Diia City resident status. The five per cent rate only applies up to €240,000 per specialist per year, any excess is taxed at 18 per cent and must be declared by the individual personally;
- SSC – a Diia City resident pays a SSC of 22 per cent of the minimum wage, regardless of the amount of remuneration actually paid to employees of a Diia City resident or gig specialists; and
- Military duty – five per cent.

5.2. *MILITARY DUTY*

On 8 April 2026, the Ukrainian Parliament approved Bill No 15110, extending the five per cent rate for three additional years after martial law ends.

5.3. *E-RESIDENTS*

Ukraine has launched a dedicated e-Residency (uResidency) programme. This framework allows foreign nationals to conduct business in Ukraine without the requirement to establish a physical presence in the country or relocate.

The applicable tax rate is five per cent of the income received, provided that the annual limit is not exceeded. The annual limit is equivalent to approximately \$230,000. The rate of 15 per cent applies to the amount of income that exceeds this limit.

A unique feature of the Ukrainian e-Residency scheme is the role of the bank as a tax agent. The Ukrainian bank where the e-resident opens an account automatically calculates, withholds and remits the taxes due from the individual's incoming payments.

Currently, only citizens of Pakistan, Thailand, India and Slovenia can become an e-resident. The list of countries will expand over time.

6. Key takeaways

6.1. MAJOR RISKS FOR EMPLOYERS

Deploying employees to Ukraine without a registered presence risks creating a dependent agent or service PE, triggering corporate tax and payroll registration obligations.

Payroll tax understatements may arise where goods, services or other non-cash benefits provided to employees are not properly classified as taxable additional benefits. This risk is particularly relevant for benefits in kind, as the PIT base may need to be calculated using the statutory natural coefficient.

Engaging individuals through individual entrepreneur structures may create a risk of requalification of such relationships into employment relationships. Under Ukrainian legislation, if the factual circumstances indicate elements of employment, the tax authorities may reclassify such arrangements as employment. This may result in additional payroll tax liabilities, penalties and SSCs for the employer.

6.2. MAJOR RISKS FOR EMPLOYEES

A foreign employee may become a Ukrainian tax resident because of the time spent in Ukraine or the existence of strong personal and economic ties with Ukraine.

A Ukrainian tax resident leaving Ukraine for permanent residence abroad should be aware of the risks arising due to a failure to file the required declaration in time.

6.3. KEY PLANNING CONSIDERATIONS

MONITOR ANY PHYSICAL PRESENCE

Both employers and employees must rigorously track the physical location of their work-related performance and the cumulative days spent within Ukraine to accurately assess the applicable tax residency and liabilities.

REVIEW TREATY RELIEF EARLY

The applicability of DTT protections must be evaluated prior to or upon the commencement of an assignment.

DOCUMENT THE BUSINESS PURPOSE FOR EMPLOYER-FUNDED ITEMS

Employers must maintain robust documentation establishing the legitimate business purpose of any payments or benefits provided to employees, clearly distinguishing them from taxable personal income.

CHECK THE PE RISKS

Conduct an early assessment of any PE exposure, particularly if local personnel are engaged in negotiating or concluding contracts, overseeing local operations or operating from a fixed base on a continuous basis. This review is essential for individuals involved in sales, management and project-based functions.