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## Ukraine Introduces VAT on Electronic and Digital Services

On 3 June 2021, the Parliament of Ukraine adopted the law introducing 20% VAT on revenues of non-Ukrainian providers of electronic and digital services if these are rendered to consumers within Ukraine (the "Law").

Services subject to 20% VAT include any service rendered via Internet, web or app, streaming and cloud services and content subscriptions, whereas distance-learning or booking services shall be, generally, tax free.

Non-Ukrainian providers of digital services to Ukrainian consumers must register as VAT payers in Ukraine once their qualifying revenues exceed the equivalent of UAH 1 million (approx. EUR32,000 or USD36,500) in any calendar year. Failure to register as VAT payer in Ukraine will result in a fine amounting to 100% of the relevant service fee. No VAT registration is required for providers that operate a permanent establishment in Ukraine through which these services are rendered.

If signed by the President of Ukraine, the Law will become effective on 1 January 2022.

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