

Ukrainian Parliament Grants Tax Incentives for Industries Producing and Utilizing Biofuels

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On May 21, 2009 the Ukrainian parliament passed the law “On Amending Certain Ukrainian Laws with respect to Encouraging the Production and Use of Biofuel” (the “Law”). The Law, in particular, provides for the following tax incentives, starting from January 1, 2010¹:

- 10-year corporate profit tax exemption for: (1) profit derived by producers from sales of biofuel; (2) profit from simultaneous production of electrical and heat energy and/or production of heat energy using biofuel; and (3) profit derived by producers from sales of machinery, devices and equipment produced in Ukraine and designed for the production and reconstruction of technical equipment, vehicles (including agricultural machinery) and energy production facilities using biofuel.
- Bonus tax depreciation for new fixed assets until January 1, 2019. In particular, devices using alternative types of fuel and equipment designed for the production of alternative types of fuel may be depreciated at a rate of 50% of their book value upon the end of the first reporting quarter in which such assets were put into operation.
- 9-year VAT exemption for: (1) supplies of machinery, devices and equipment using alternative types of fuel; (2) import of machinery, devices and equipment designed for the reconstruction of existing enterprises and the construction of new enterprises producing

biofuel, production and reconstruction of technical equipment and vehicles consuming biofuel if such machinery, devices and equipment are not produced in Ukraine and do not have equivalents in Ukraine, and import of technical equipment and vehicles using biofuel if such products are not produced in Ukraine.

- 9-year customs duty exemption for machinery, devices and equipment designed for the reconstruction of existing enterprises and the construction of new enterprises producing biofuel, production and reconstruction of technical equipment and vehicles consuming biofuel if such machinery, devices and equipment are not produced in Ukraine and do not have equivalents in Ukraine, and import of technical equipment and vehicles using biofuel if such products are not produced in Ukraine.
- Until January 1, 2014, a zero excise duty rate for ethyl spirit used in bioethanol production and bioethanol used in biofuel production.
- Zero excise duty rate for the production of bio motor fuel and until January 1, 2014 for biofuel that forms a component of motor fuel.

Please note that to become effective the Law will need to be signed by the Ukrainian President.

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