

Key updates of the month



Members of parliament propose to tax all paid-for orders made by Ukrainians from abroad

If parliament passes draft laws No. 12429 and No. 12430 registered in January, the following changes are expected in the taxation of parcels purchased abroad:

- **Only up to 45 euros without value-added tax (VAT).** Individuals will be able to receive goods worth up to 45 euros without paying VAT only if they are sent from abroad free of charge and without having a commercial purpose.
- **In-store purchases and marketplaces are always subject to VAT.** All purchases on foreign online platforms will be subject to VAT, regardless of the value. Goods costing more than 150 euros will be additionally charged a duty.

At the same time, the draft laws propose a simplified declaration form that allows foreign online retailers to register with the Ukrainian tax authorities and pay VAT and customs duties for buyers of goods.

In addition, the draft laws tighten the requirements for postal operators in Ukraine: they must operate nationwide, and have the appropriate infrastructure and personnel.

According to the authors, these changes are in line with EU Council Directive 2006/112/EC, and were initiated by individual business associations. The draft laws have not yet been considered by the relevant

committee. Read how the initiative was received in Ukraine in the appendices.



Ukrainian businesses aren't able to confirm the preferential origin of goods and take advantage of reduced duty rates

In December, the Verkhovna Rada ratified amendments to the Regional Convention on Pan-Euro-Mediterranean [Preferential](#) Rules of Origin. Confirmation of the origin of goods from the Convention's member states gives the right to apply a reduced rate of import duty.

Since Jan. 1, importers have faced the problem that documents drawn up under the old rules of the Convention are no longer valid to confirm the preferential origin of goods. The reason is that Ukraine did not have time to ratify a separate decision on a one-year transition period, as it was adopted at the level of the Convention member states only on Dec.12, 2024.

To continue to apply customs preferences, businesses must obtain new certificates of origin that comply with the updated Convention. An alternative option would be to ratify the decision on the transitional period. So far, the President has not submitted the relevant document to Parliament.



Parliament given proposal to approve key performance indicators for customs that could be set without a separate law

In December 2024, lawmakers registered draft [law No.12360](#), which proposes to establish criteria for assessing the effectiveness of customs and allow for both external evaluation with the involvement of international partners and internal evaluation.

Currently, there is every opportunity to introduce a CFC system based on the World Customs Organization mechanism without the need to adopt a separate law.

European integration

In 2024, Ukraine made significant progress towards European integration

Key results of Ukraine's approximation to EU customs legislation and development of customs IT systems over the past year:

- **Criminal liability for smuggling.** Amendments to the Criminal Code have entered into force, making smuggling a criminal offense.
- **A new phase of NCTS.** Ukraine has switched to the updated version of NCTS Phase 5.
- **Implementation of the EU Customs Code.** Parliament adopted Law No. 3926-IX, which effectively completes the implementation of the main part of the EU customs law (EU acquis) into Ukrainian legislation. Most provisions of this law will enter into force on April 19, 2025.
- **Digitalization of customs decisions.** Implementation of the CDS system, a Ukrainian analogue of the European Customs Decision System, which ensures common customs processes of EU member states.

As a reminder, the European Commission has positively assessed Ukraine's progress on the way to the Customs Union. Recommendations for 2025 can be found in our [October digest](#).

Customs reform

Customs reform timeline

By December 2024

Not completed

The Cabinet of Ministers approves the forms and procedures for contracts and declarations of integrity, polygraph testing, and defines a catalog of standard positions and principles of remuneration.

The Ministry of Finance approves the procedure for customs competency checks and rotations and establishes the regulations and composition of the Disciplinary Committee.

By January 1, 2025

Not completed

International organizations submit three candidates to the commission for the competitive selection of the Head of the State Customs Service (DMS).

The Ministry of Finance identifies and submits three candidates to the commission for the competitive selection of the Head of the DMS.

The Cabinet of Ministers forms a commission for the competitive selection of the Head of the DMS.

By the end of June 2025

The Cabinet of Ministers appoints the new Head of the DMS.

By the end of September 2025

The new Head of the DMS establishes certification commissions for the re-certification of customs officials.

By January 1, 2027

Completion of the re-certification of the senior leadership of customs authorities.

By the end of June 2028

Completion of the re-certification of other customs staff.

The most significant event in 2024 regarding customs reform was the adoption of Law No. 3977-IX, which introduces a competitive selection procedure for the head of the State Customs Service with international experts participating and the re-certification of customs officers.

The law stipulates that by Dec. 1, 2024, the Government and the Ministry of Finance had to approve a number of bylaws to reform the customs authorities. By Jan. 1, 2025, the Cabinet of Ministers had to set up a competitive commission to select the head of the State Customs Service. As of Jan. 23, none of these items have been met.

The delay jeopardizes the implementation of the updated memorandum with the IMF. Under its terms, Ukraine has until the end of June 2025 to appoint a new head of the State Customs Service and permanent heads of regional customs offices.

Instead, the Cabinet of Ministers created the position of the Government Commissioner for Customs Reform. There is currently no publicly available information about his work. So far, we have only the Prime Minister's [promise](#) at the beginning of the year that customs reform will be one of the Government's top priorities for 2025.

Fostering trade

Number of enterprises obtained AEO status in 2024 (monthly):



In 2024, **three times as many companies** received the status of an authorized economic operator (AEO) as in the **previous three years** of the program in Ukraine. Seven companies received this status in December.

As of Jan.1, 2025, 77 companies had the AEO status (74 AEO-C, 3 AEO-C and AEO-B at the same time). This dynamic was facilitated, in particular, by:

- simplification of requirements for obtaining AEO status;
- abolition of the so-called "national customs simplifications" starting from November 2023, which allowed to clear goods without visiting the terminal

(on the basis of the EA customs declaration) and actually competed with AEO status.

Number of completed common transit operations at destination customs

(monthly/year-to-date)

Import of goods



3 493

32 273

Export of goods



5 055

73 566

In December 2024, the number of companies that received customs simplifications almost tripled compared to November. Then, there were only eight such companies.

The most popular simplification among businesses is the «**release at location**» procedure, which allows them to clear goods directly on an enterprise's premises. This saves time and money, as companies do not need to visit the customs terminal.

In December, 10 companies received this simplification.

In just one month, the State Customs Service received 45 applications for authorization to apply the simplified procedures. This demonstrates the steady interest of businesses in this tool.

Authorizations for simplifications

(including transit ones, Dec'24)

Number of businesses authorized for specific simplifications

21

number of issued authorization

27

in particular transition authorization

17

December was a record month for the number of import operations in joint transit. In December 2024, the number of common transit operations (NCTS) for the import of goods into Ukraine increased by 52.8 percent compared to November. This is the highest figure for the entire year. The number of movements in the direction of export decreased by 23 percent. However, compared to December 2023, the fluctuation is only 1.6 percent, which can be considered normal.

As a reminder, NCTS is an IT tool that technically allows businesses to use a single customs declaration with a single guarantee for movements between the 36 member countries of the Convention on a Common Transit Procedure.

Statistics on foreign trade turnover



In 2024, Ukraine exported **\$41.6 billion worth of goods**, which is \$6 billion or 15 percent more than in 2023.

Last year showed a **trend of gradual increase in exports**, which had been almost suspended since the beginning of the full-scale invasion due to logistical problems. This was achieved thanks to:

- unblocking Black Sea shipping lanes;
- Launched by the European Commission in 2022, the program

provided alternative routes for the transportation of goods by rail, road and inland waterways.

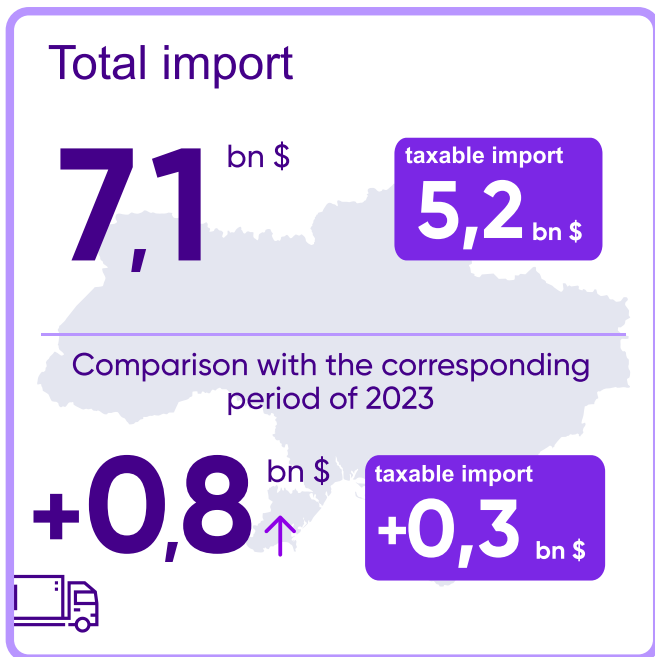
Last year, we exported the most:

- food products – \$24.6 billion;
- metals and products from them – \$4.4 billion;
- machinery, equipment and transport – \$3.5 billion

The main importing countries of Ukrainian goods:

- 🇵🇱 Poland – \$4,7 billion
- 🇪🇸 Spain – \$2,9 billion
- 🇩🇪 Germany – \$2,8 billion

Compared to 2023, the top 3 countries have changed: Spain and Germany replaced Turkey and Romania, respectively.



In 2024, Ukraine imported goods totaling **\$70.7 billion**, which is \$7.2 billion more than in 2023 (\$63.5 billion).

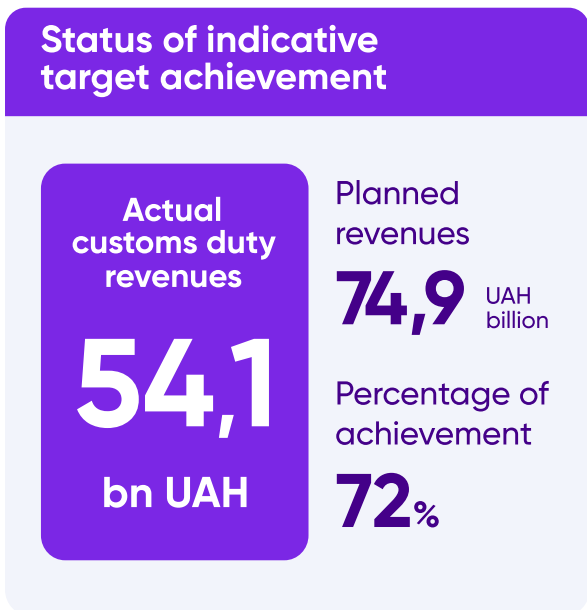
Taxable imports amounted to \$57.4 billion (81 percent of the total), while in 2023 this figure was \$52.6 billion.

In 2024, **the tax burden** per 1 kilogram of taxable imports increased by 5 percent to USD 0.51/kg.

Top importing countries to Ukraine in 2024:

-  China – \$14,4 billion
-  Poland – \$7 billion
-  Germany – \$5,4 billion

Meeting targets



In 2024, the customs authorities transferred **UAH 591.7 billion** to the state budget, which is **94 percent of the target**.

This figure was achieved due to the overfulfillment of the plan at the beginning of the year; in the second half of the year, the customs did not meet the indicative figures for a single month.

Compared to 2023, revenues increased by UAH 132 billion.

According to the State Customs Service, customs revenues in 2024 increased compared to the previous year due to imports:



oil products
(gasoline,
diesel fuel)

↑ increased to UAH
142.3 billion
+ UAH 52 billion



electricity

↑ increased to UAH 7.2
billion
+ UAH 5.7 billion



**passenger
cars**

↑ increased to UAH
44.2 billion
+ UAH 3.4 billion



**coal and
anthracite**

↑ increased to UAH 3.2
billion
+ UAH 1.9 billion



medicines

↑ increased to UAH 5.8
billion
+ UAH 1.6 billion

Status of indicative tax revenues achievement

Import duty

4 bn UAH

86%
of the plan

VAT on imported goods

42 bn UAH

69%
of the plan

Excise tax on imported goods

7,8 bn UAH

89%
of the plan

Export duty

0,04 bn UAH

58%
of the plan

In December 2024, as well as in the second half of the year in general, **customs revenues did not reach the indicative figures for all payments**. In particular, the largest underperformance in December 2024 was recorded for VAT on imported goods - UAH 19 billion.

For the entire year of 2024, customs managed to meet the indicative targets only for the excise tax on imported goods.

Failure to meet the indicative targets in 2024 in terms of taxes:

- including VAT – UAH 40 billion (8 percent);
- from import duties – UAH 0.8 billion (1.6 percent);
- export duties – UAH 0.3 billion (52 percent).

The State Customs Service attributes the failure to meet the 2024 targets to the following factors:

- lower global prices for raw materials, including oil and nitrogen fertilizers;
- expanding the list of tax benefits;

- logistics complications due to military operations and blocking of vehicle checkpoints;
- discrepancy between the actual (40.15 UAH/USD) and forecasted (40.7 UAH/USD) exchange rates. The budget shortfall is estimated at UAH 11.4 billion.

Customs exemptions (UAH)

	Import duty	6,3 bn
	VAT on imported goods	16 bn
	Excise tax on imported goods	4,7 bn
	Export duty	0,3 bn

In December, the volume of customs duty privileges **increased to UAH 27.3 billion** (+UAH 5 billion compared to November). VAT privileges reached their highest level for the year at UAH 16 billion.

In just one year, customs duty exemptions increased by one third. In 2024, customs granted benefits worth UAH 230 billion, which is UAH 56 billion or 33

percent more than in 2023. This figure does not take into account taxes on goods declared as humanitarian aid, so the actual amount may be much higher.

Among the factors that influenced the growth of benefits last year:

- 1 Increased imports of goods that are eligible for preferential treatment (e.g., defense goods);
- 2 New tax breaks (e.g., tax breaks on goods for the restoration of energy infrastructure, on components for the production of drones and ammunition).

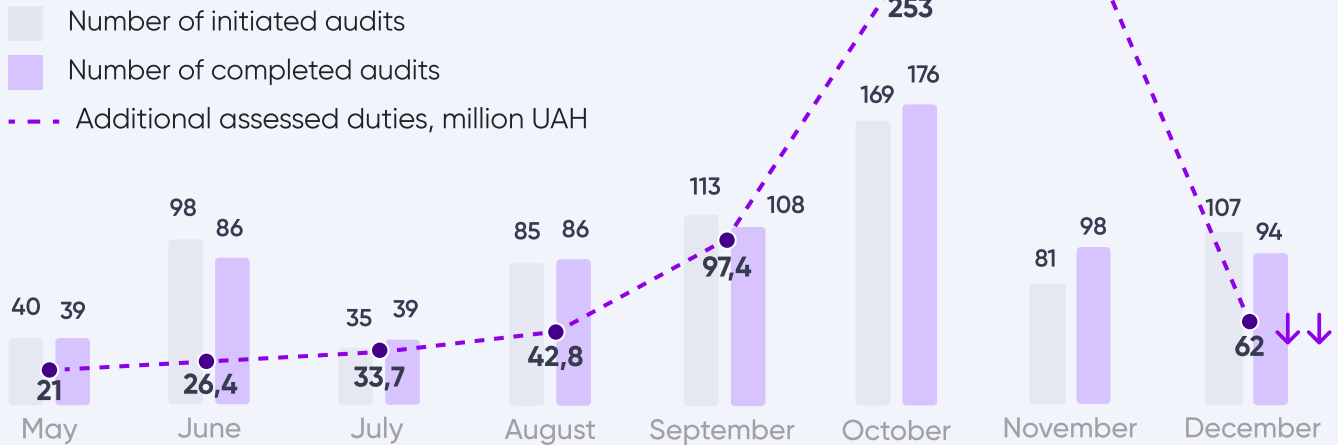
The largest amounts of benefits were granted in 2024:

- defense goods – UAH 101 billion;
- excisable goods imported as raw materials (mainly tobacco) – UAH 58 billion;
- imports under free trade agreements – UAH 35 billion, electric vehicles - UAH 11 billion.

The current import duty and VAT exemptions are not in line with European legislation. As part of the Association Agreement with the EU, Ukraine has committed to gradually approximating its legislation to EU legislation, in particular Regulation (EC) No. 1186/2009 and Council Directive 112/2006 regulating import duties and VAT. The National Revenue Strategy through 2030 also envisages bringing preferential taxation in line with EU requirements in 2024-2026.

Implementation of customs control functions

Documentary audits (post-audit)



In May 2024, the Verkhovna Rada lifted the moratorium on documentary customs inspections that had been in effect since March 2022. During the year, customs completed **726 inspections**, which resulted in additional **UAH 1.123 billion**.

For comparison, in 2021, before the moratorium, 868 inspections were conducted, and additional charges amounted to only **UAH 342 million**. The increase in the amount of additional charges may be due to the fact that most of the audits in 2024 concerned violations detected in 2022-2023.

Despite the high additional charges last year, the budget actually received only **UAH 28 million** (3 percent of the additional amount). Businesses paid UAH 62.8 million voluntarily (i.e. without inspections). As of January 2025, the customs office recorded a debt of **UAH 372 million**, which is being collected by the tax authorities.

These figures indicate a **low level of voluntary payment of additional accrued amounts** and **unsatisfactory work of the tax authorities** in collecting debts from taxpayers.

Number of decisions on customs value adjustments

Year-to-date:

14 421
(+ 1367)

Amount, (UAH):

2,7 bn
(+241 mln)

Number of decisions on goods classification

Year-to-date:

1 643
(+148)

Amount, (UAH):

0,4 bn
(+35 mln)

In 2024, customs made 173 fewer **decisions on the classification of goods** than in 2023. At the same time, the amount of additional payments under these decisions almost doubled.

Decisions on adjustments to the customs value of goods showed the same trend: fewer decisions, but larger amounts of additional charges.

An analysis of the State Customs Service data

shows that revenues from customs value adjustments are the main additional revenues resulting from customs control. However, the accrued amounts from customs value adjustments for 2024 amount to less than 0.5 percent of the total amount of customs payments. A significant part of these decisions is also appealed in courts, so the budget revenues are even lower.

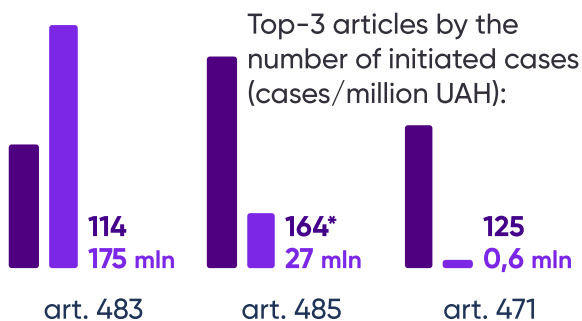
This means that the **vast majority of customs duties in Ukraine are paid voluntarily by taxpayers**, and the financial result of customs control measures does not always justify the complications of export and import operations caused by them.

Number of initiated cases

661

by amount of

185,5 million UAH



* the amount of unpaid customs duties is indicated

In 2024, the customs service recorded **9,409 violations of customs regulations (VCR)** worth **UAH 18 billion**. The main share is made up of the movement of goods across the border concealed from customs control (Article 483 of the CCU), which amounted to **UAH 17.6 billion**. The cost of such violations in 2024 more than doubled compared to 2023 (UAH 7 billion).

Despite billions of dollars in detected violations, budget revenues remain

insignificant:

- In 2024, fines amounting to UAH 86 million were imposed in 2,680 cases, of which **UAH 79 million** were paid;

- Out of 5,306 cases submitted to the court worth almost UAH 18 billion, only **UAH 3.8 billion** was recovered;
- of the confiscated property worth UAH 111.6 million transferred to the State Enforcement Service, the budget received only **UAH 15 million** from its sale.

The low state budget revenues based on the results of the recorded PMPs can be explained by the following factors:

- only individuals can be held administratively liable, not the legal entity whose employees committed the offense;
- significant fines on paper, which are impossible to collect in practice. For example, for moving goods concealed from customs control, the fine is 100 percent of the value of the goods and can amount to hundreds of thousands of hryvnias, but offenders often do not have the relevant property or income to recover for the state.

In December, the Verkhovna Rada adopted in the first reading draft law [No.10257](#), which revises approaches to determining the amount of fines. However, the draft does not solve the problem holding the legal entity accountable.



In 2024, the customs complied with the deadlines for customs clearance set by the Customs Code.

Draft law [No.12248](#), which allows border guards to additionally check cargo, poses a risk of increasing customs control time. The draft law has already been criticized for undue interference by the [European Business Association](#) and [the Federation of Employers of Ukraine](#).

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Appendixes

Appendix 1

Initiatives to change the taxation of parcels from abroad have sparked a heated debate in Ukrainian society. They are supported by some business associations in Ukraine, which argue that it is necessary to equalize the conditions of VAT taxation for importers/manufacturers in Ukraine compared to foreign players who send their products by mail without paying taxes if the value does not exceed EUR 150.

Instead, ordinary citizens are against such an initiative, as the existing privilege allows them to buy foreign goods online much cheaper than in Ukraine, as well as to have access to a wider range of products. Ukrainian volunteers are also against this initiative, as they have well-founded concerns about the rise in price of UAV components and other goods purchased by them for the military if the laws are adopted. The issue of the State Customs Service's ability to process such a flow of declarations should be noted separately. For example, in 2024, according to preliminary data, the country received more than 70 million parcels, of which less than 1 percent were cleared through customs. There is also no understanding of the readiness of online stores from different countries to register in Ukraine and pay VAT and customs duties for customers.

Maksym Nefyodov, co-founder of the NGO "Technologies of Progress," analyzed and commented on the ideas of the draft laws in more detail, pointed out potential risks of their implementation and necessary preparatory steps in his post on [Facebook](#).

In addition to all of the above, it is worth noting that many countries are currently [reviewing](#) the conditions for sending parcels in the direction of introducing additional controls. In particular, the EU member states, where the VAT tax base "starting from 0 euros" is effective from July 1, 2021, are currently considering lowering the tax base for import duties as well.

It should also be noted that the [European Commission's Report](#) published on Oct. 30, 2024 as part of the enlargement package recommended that Ukraine bring its VAT exemptions (including the exemption for the tax base of parcels) in line with EU legislation.