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## THE LEGAL REGIME OF DIIA CITY UNDER MARTIAL LAW

On August 14, 2021, the Law "On stimulating the development of the digital economy in Ukraine" entered into force. The law defines the organizational, legal and financial principles of the operation of the legal regime of Diia City, which is introduced to stimulate the development of the digital economy in Ukraine by creating favorable conditions for conducting innovative business, building digital infrastructure, attracting investments, as well as talented specialists.

On February 8, 2022, the Ministry of Digital Transformation launched the Diia City legal regime during the Diia Summit conference. Already on the first day of the start, dozens of IT companies started the procedure of acquiring the status of residents of Diia City. As of May 13, 2022, 228 companies have already become residents of Diia City. A resident may be a legal entity registered on the territory of Ukraine in accordance with the procedure established by the legislation of Ukraine, regardless of its location and place of business activity, which meets the following requirements:

- ✓ implementation of activities in accordance with the approved list;
- ✓ the amount of the average monthly remuneration for the involved employees and gig specialists is at least 1 200 euros;
- ✓ the average registered number of employees and gig specialists of a legal entity (in case of involvement) is at least 9 people;
- ✓ the amount of income from IT activities is at least 90 percent of the amount of its total income for such period;
- ✓ in relation to a legal entity, there are no circumstances stipulated by the Law of Ukraine "On Stimulating the Development of the Digital Economy in Ukraine", as excluding the possibility of a legal entity being a resident of Diia City [1].

During the martial law, two significant innovations were introduced, which simplify the conditions of the Diia City mode:

1) On March 29, 2022, the Cabinet of Ministers of Ukraine adopted Resolution No. 382 "Some issues of the functioning of the legal regime of Diia City in connection with the introduction of martial law in Ukraine", which simplified the conditions of Diia City, in particular:

- ✓ during the period of martial law and until the 1st of the calendar month following the month of suspension or cancellation of martial law, non-compliance with the criteria regarding the number of employees, average wages, etc. is not a reason for deprivation of Diia City residency status;

✓ by January 1 of the calendar year following the year following the termination or cancellation of martial law, Diia City residents are not required to submit compliance reports and independent audit conclusions.

2) On April 19, 2022, the Cabinet of Ministers of Ukraine adopted Resolution No. 467 "On determining the types of activities, the implementation of which is stimulated by creating the legal regime of Diia City", thanks to which even more companies can join the legal regime of Diia City, namely companies engaged in such types of activities:

✓ development, introduction and technological support of products and solutions of international card payment systems;

✓ production of technological products for use in defense (security), industrial and household spheres;

✓ provision of data processing and storage capacities in the field of informatization (computing infrastructure) in the form of a cloud (virtual) data center, virtual infrastructure resources, provision of information storage and processing services using the functionality of licensed software, as well as provision of infrastructure for data storage and processing and placement (hosting) of computer equipment in the data processing center [2].

As for tax requirements, they remain unchanged. The most important feature of the legal regime of Diia City is the possibility for its residents to apply reduced tax rates:

✓ Income tax – 9% or 18% – depending on the chosen regime;

✓ Personal income tax – 5%;

✓ SSC – 22% of the minimum salary;

✓ 1,5% – military levy [3].

A resident of Diia City can choose an alternative employment model – in addition to employment contracts under the Labor Code of Ukraine (KZpP) or cooperation with the FOP, he can sign a GIG contract available only to residents of this legal regime. It is important that the legal regime of Diia City is established for an unlimited period, but not less than 25 years from the day when the record of the first resident was entered in the Diia City register.

In this way, changes in the conditions of the Action City mode are adapted to new realities. The purpose of these changes is to promote the development of the IT industry in Ukraine and the possibility of more companies joining Diia City. After all, a working business helps bring Ukraine's victory closer.

### **References:**

1. Legal regime of Diia City in Ukraine URL: <https://dlf.ua/ua/pravovij-rezhim-diya-siti-v-ukrayini/>

2. Fedorchuk M. Diia. City under martial law URL: <https://law.chnu.edu.ua/diia-city-v-umovakh-voiennoho-stanu/>

3. Diia City: taxation, calculation of salary and rewards URL: <https://buhplatforma.com.ua/article/9055-zaprovadjennya-dya-city-podatкова-reforma-t-sektoru>