INVESTMENT DEVELOPMENT OF UKRAINE IN THE CONTEXT OF THE UPDATED "STATE AID" PRINCIPLES

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Investment tax policy tools according to Investment Tax Incentives database (ITID)

Tool	Characteristics of the incentive tool
Reduced tax rate	The reduced rate refers to the income or VAT tax rate that is set below the standard rate
Tax exemption	Tax exemption provides for full or partial exemption from taxable income. Qualified taxable income may refer to income from certain sources (e.g., export income) or be not limited to certain sources of income
Tax relief	Deductions from taxable income related to capital or current expenses for a specific purpose
Tax credit	Tax credits – deductions from the amount of taxes payable that relate to capital or current expenses for a specific purpose

Trends of investment tax incentives usage

- Tax exemption is the most common tool in developing countries: 45 of the 52 economies covered (87%).
- Reduced rates and tax incentives are the next most widely used tool in 36 and 34 of the 52 countries, respectively (69% and 65%).
- Tax credits are used by 12 countries (23%). Empirical studies do not confirm the impact of tax holidays on new investments.
- Countries differ in the type of incentives used:
  - high-income countries rely more on investment tax incentives and a favorable research and development (R&D) tax regime;
  - low-income countries are relatively more likely to offer tax holidays and reduced tax rates;
  - middle-income countries most often have special zones and preferential tax regimes.

Genesis of the main directions of of State Economic Policy in EU

State Aid direc-tions

- Support for selected industries in a state of crisis
- Regional support - government assistance to certain depressed regions
- Support for selected segments (SME)
- Support for green economic development

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Regulatory framework for tax support of investments related to the implementation of the Clean Industrial Deal in the EU

Clean Industrial Deal (CID). The CID is a key initiative of the European Commission that supports the European Union's strategy "to build a competitive, climate-neutral industrial base". A joint roadmap for competitiveness and decarbonisation"
26 February 2025

Clean Industrial Deal State aid Framework (**CISAF**). The CISAF sets out the conditions under which State aid for certain investments that seek "to accelerate the roll-out of renewable energy, deploy industrial decarbonisation and ensure sufficient capacity of clean tech manufacturing in Europe", including selective tax incentives, would be compatible with the internal market.
25 June 2025

Recommendations on Tax Incentives to Support Clean Industrial Transition
2 July 2025

The Recommendations include the following tax incentives:

- **tax credits** to ensure sufficient manufacturing capacity in clean technologies and for industrial decarbonization;
- **enhanced tax credits** for investment projects with a contribution to resilience;
- **accelerated depreciation** for tax purposes to support demand for clean technology equipment, up to full and immediate expensing; and
- **enhanced accelerated depreciation** for acquiring clean technology equipment that contributes to resilience.

Guiding principles for design and implementation of these tax incentives:

- targeted support: the tax incentives should only apply to clean technologies and industrial decarbonisation; any support for fossil fuel-related investments is outside the scope;
- simplicity and certainty: the tax incentives must be easy for companies and tax authorities to implement, and should be based on clear eligibility criteria; and
- timeliness: the tax incentives provided to companies making investment decisions must be timely.

Thanks
for your attention