



Funded by
the European Union



DRC’s Legal Analysis of the Subsidies for Rent: Issue 110 | December 2024

General information

On 25 October 2024, the Cabinet adopted [Decree №1225](#), launching a two-year pilot project on:

- **Subsidies for rent** – for tenants, and
- **Tax compensation** – for landlords.

The amendments to the Decree №1225 have been adopted even before the pilot project started significantly expanding the eligible categories.

Territorial principle	The pilot project at first was only available in nine oblasts, but after amendments became accessible all over Ukraine ¹ .
Eligibility criteria	
Eligibility for subsidies for rent	<p>Internally displaced persons (IDPs):</p> <ul style="list-style-type: none"> • who have moved (re-moved) from the territories included in the list²; and • those who do not have their own housing with a total area of more than 13.65 square metres per person; or • those whose housing have been destroyed or damaged as a result of war³. <p>NB: In order to participate in the pilot project, eligible IDPs must not receive the allowance for IDPs⁴.</p>
Eligibility for tax compensation	Both private persons and private entrepreneurs, who rent-out their premises to eligible IDPs under an official contract and agreed to apply for compensation are entitled for the tax compensation (in full or in part), including personal income tax and military levy or Unifies Tax for persons or entrepreneurs correspondingly.

¹ Except for those settlements, included in the list of territories where hostilities are (were) conducted or temporarily occupied by the Russian Federation, approved by the Ministry of Reintegration.

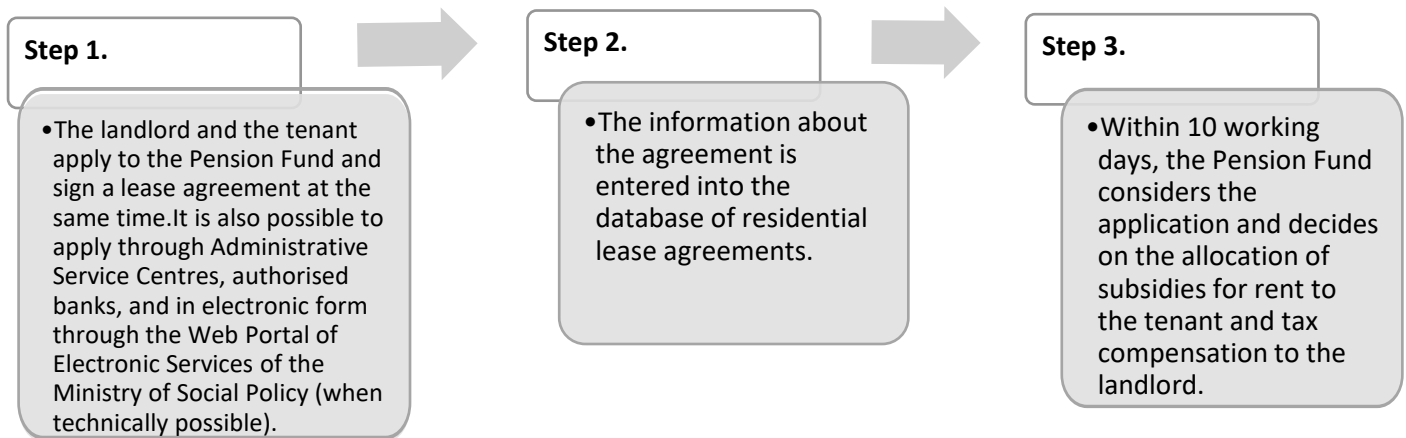
² The list of territories where hostilities are (were) conducted or temporarily occupied by the Russian Federation, approved by the Ministry of Reintegration, for which the date of completion of hostilities (termination of the possibility of hostilities) or temporary occupation is not determined (hereinafter - the list of territories)

³ Such information has to be confirmed through the State Register of Damaged or Destroyed Property, or by an act of commission inspection of the object damaged as a result of war.

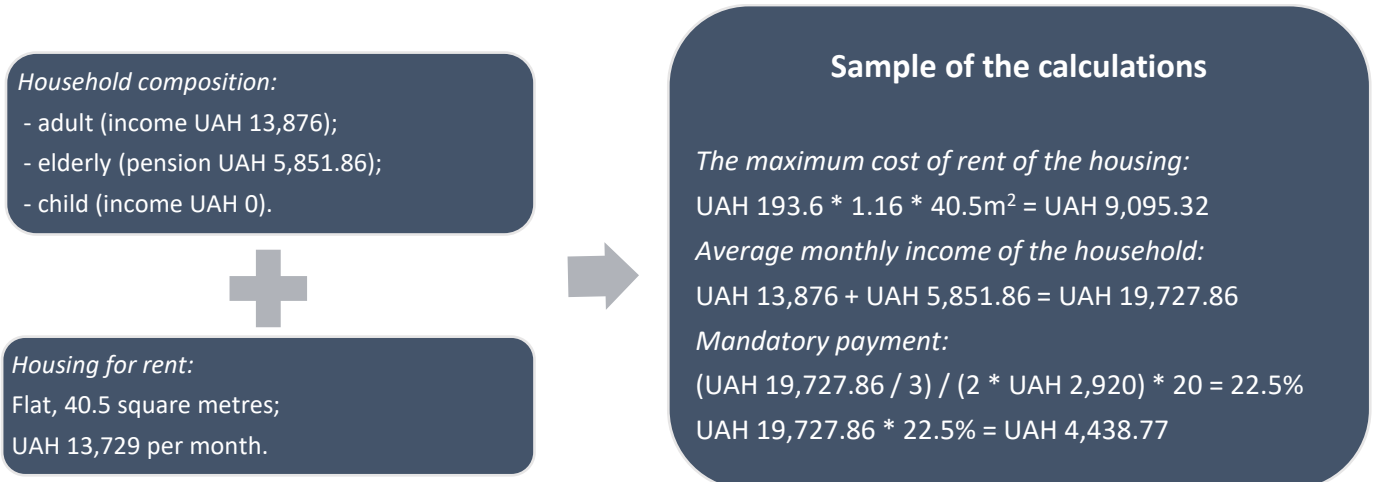
⁴ Allowance for IDPs is the biggest shock-responsive social assistance programme, introduced by the Government of Ukraine in 2022, that covered almost 2.3 million recipients in 2023.

Terms of provision	Both subsidies and compensation are granted for a period of six months, but not more than two consecutive six-month periods until the end of the pilot project.
Amount of benefits	
Amount of Subsidies	The amount of subsidies is calculated individually with a formula, considering average monthly income and the number of persons in household.
Amount of tax compensation	The amount of compensation is calculated individually on a quarterly basis based on the maximum cost of rent of the housing, determined by the Pension Fund.

How to apply for subsidies for rent and for tax compensation



NB: The application must be accompanied by copies of documents confirming household composition, e.g. the powers of the guardian, custodian, foster parent, copies of court decisions confirming information on divorce, establishment of a separate residence regime for spouses, recovery of alimony, determination of the child's place of residence with one of the parents, etc.



Explanatory note to the Sample of the calculations

As an example, we took average household that consists of a working-able adult with the average monthly salary of UAH 13,876⁵, elderly with monthly pension income of UAH 5,851.86⁶ and a child who is not entitled for any income.

The social norm of housing, which is 13.65 square metres of total area per tenant and each person in the tenant's household, but not less than 35.22 square metres per household.

Considering social norm of housing, for the purpose of calculation we have chosen an average size and cost 1-room flat in the city of Dnipro⁷.

Formula of the maximum cost of rent of housing considers the following data:

- UAH 193.6 is the average cost of rent of a one-bedroom apartment with a total area of 35.22 square metres, based on the State Statistics Service's data on the average consumer price for January 2024;
- Multiplied for the relevant regional adjustment coefficients⁸;
- And multiplied for the factual area of the rented housing.

The Mandatory payment for the tenant is determined as the multiplication of the average monthly income of the household (UAH 19,727.86) and the mandatory payment percentage (22.5%).

Subsidies for rent: UAH 9,095.32 – UAH 4,438.77 = **UAH 4,656.55**

The amount of tax compensation is calculated based on the maximum cost of rent of the housing:

- For private persons: UAH 9,095.32 * (18% + 5%) = **UAH 2,092**
- For private entrepreneurs: UAH 9,095.32 *(5% + 1%) = **UAH 545.72**

	Incomes	Outcomes
Household of tenant	Monthly incomes UAH 19,727.86 Subsidy UAH 4,656.55	Rental cost UAH 13,729
Landlord (private person)	Rental cost UAH 13,729 Tax compensation UAH 2,092	Income tax UAH 2,471.22 Military levy UAH 686.45
Landlord (private entrepreneur)	Rental cost UAH 13,729 Tax compensation UAH 545.72	Unified tax UAH 686.45 Military levy UAH 137.29

⁵ The average monthly salary as of September 2024, according to the Pension Fund of Ukraine, taxes excluded. Link: <https://www.pfu.gov.ua/2165179-pokaznyk-serednoyi-zarobitnoyi-platy-za-2024-rik/>

⁶ The average pension payment as of 1 October 2024, according to the Pension Fund of Ukraine. Link: <https://www.pfu.gov.ua/2167997-serednij-rozmir-pryznachenoyi-pensijnoyi-vyplaty-ta-pytoma-vaga-pensioneriv-za-rozmiramy-pryznachenyh-misyachnyh-pensij-u-zagalnij-yih-chyselnosti-stanom-na-01-10-2024>

⁷ The average cost for 1-room flat in Dnipro as of February 2024, Link: <https://minfin.com.ua/ua/2024/03/06/122741947/>

⁸ For this calculation, it is considered the adjustment coefficient for the city of Dnipro. Link: <https://zakon.rada.gov.ua/laws/file/text/121/f539670n313.docx>

Comparative calculations of the incomes of the household (HH),
receiving Allowance for IDPs vs. Subsidies for rent

	Allowance for IDPs	Subsidies for rent
Monthly income of the HH	UAH 19,727.86	UAH 19,727.86
Social payments (allowance / subsidy)	UAH 7,000 ⁹	UAH 4,656.55
Total monthly income of the HH	UAH 26,727.86	UAH 24,384.41
Total monthly income of the HH, rental cost excluded (UAH 13,729)	UAH 12,998.86	UAH 10,655.41
Total monthly income of the HH, per person	UAH 4,332.95 (148.4% of the Subsistence Minimum)	UAH 3,551.80 (121.6% of the Subsistence Minimum)

Analysis:

1. Subsidies for rent were introduced for IDP households who spend more than 20% of their total income on rent. If a family has an income of less than 2 subsistence minimums per person (UAH 5,840), the subsidy will cover a higher percentage of the rent.
2. Subsidies for rent are calculated individually for each IDP household, considering the social housing standard (13,65 m² per person), income level and rental price. Such an approach is considered as socially just, as it prioritises the most vulnerable.
3. The State compensates to the landlords only a part of taxes to be paid on the income received considering maximum cost of rent. The latest amendments also envisaged possibility of compensation of part of taxes for private entrepreneurs. If the amount of income is over the maximum cost of rent, calculated by the Pension Fund, the landlords should pay the difference at their own cost — this fact can become potential access barrier for IDPs as the agreement of landlord is obligatory for getting assistance under this pilot project.
4. Comparing to the Subsidies for Rent, the Allowance for IDPs does not take into account the difference in rental prices in different regions, does not protect IDPs from sudden changes in living conditions, and does not encourage landlords to enter into formal agreements which does not address insecurity of tenure issues faced by IDPs.
5. The provision of subsidies for rent does not restrict IDPs from receiving another targeted state assistance for rented premises such as subsidies for housing and utilities services.

This Legal Alert was produced under the project funded by the European Union through its Civil Protection and Humanitarian Aid Operations.

Some of the terminology used in this issue of the Legal Alert was taken from draft laws or current legislation. The contents of this brochure are the sole responsibility of the author/authors. The views expressed herein should not be taken, in any way, to reflect the official opinion of the European Union or the Danish Refugee Council (DRC). Neither the European Commission nor the DRC is responsible for any use that may be made of the information it contains.

⁹ UAH 3,000 for child + UAH 2,000 * 2 for adults = UAH 7,000