



# Ukraine

Prepared by Lex Mundi member firm,  
Egorov Puginsky Afanasiev & Partners

This guide is part of the Lex Mundi Guides to Doing Business series which provides general information about legal and business infrastructures in jurisdictions around the world. View the complete series at: [www.lexmundi.com/GuidestoDoingBusiness](http://www.lexmundi.com/GuidestoDoingBusiness).

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# GUIDE TO DOING BUSINESS IN UKRAINE

## 1. THE COUNTRY AT THE GLANCE

Ukraine is a country in Eastern Europe. It is bordered by Russia to the east; Belarus to the north; Poland and Slovakia to the west; Hungary, Romania and Moldova to the southwest; and the Black Sea and Sea of Azov to the south. The city of Kyiv (Kiev) is both the capital and the largest city of Ukraine.

Ukraine is a unitary state composed of 24 oblasts (provinces), one autonomous republic (Crimea), and two cities with special status: Kyiv, its capital, and Sevastopol. Ukraine is a unitary republic under a semi-presidential system with separate legislative, executive, and judicial branches. The country is home to 44,5 million people, what makes it the 32nd most populous country in the world.

As of January 2016, the territory of autonomous republic of Crimea (annexed by the Russian Federation in March 2014 and further declared by Ukraine as “temporary occupied area” and “free economic zone”) and certain territories of Donetsk and Luhansk oblasts (affected by the armed conflict with pro-Russian separatist forces) are not under effective control of the Ukrainian Government. Both territories remain internationally recognized as Ukrainian.

### A. What languages are spoken?

Ukrainian (official), Russian widely spoken, English is common in international companies.

### B. What is the exchange rate for the U.S. dollar, the Euro (as of January 01, 2016)?

Currency - Ukrainian Hryvnia (UAH)

National Bank of Ukraine rate:

100 USD – 2400 UAH

100 EUR – 2622 UAH

### C. Describe your country’s geography, proximity to other countries and climate.

Ukraine is the second-largest country in Europe. It is situated in Eastern Europe and occupies a strategic position at the crossroads between Europe and Asia.

**Area:** 603.550 sq. km / 233.100 sq. mi

**Capital city:** Kyiv (Kiev)

**Major rivers:** Dnipro (1.095 km within Ukraine), Danube (170 km)

**Border length:** 4.558 km (2.832 mi)

**Borders:** Russia (1576 km), Belarus (891 km), Poland (428 km), Slovakia (90 km), Hungary (103 km), Romania (531 km), Moldova (939 km), the Black Sea and Sea of Azov coastline (2782 km)

**Distances:** Kyiv is 690 km / 429 miles from Warsaw, 757 km / 470 miles from Moscow, 1182 km / 734 miles from Ankara, 1204 km / 748 miles from Berlin, 2023 km / 1257 miles from Paris, 2131 km / 1324 miles from London

**Natural resources:** iron ore, coal, manganese, natural gas, oil, salt, sulfur, graphite, titanium, magnesium, kaolin, nickel, mercury, timber.

**Arable land:** approx. 56-58% (according to different sources)

**Time zone:** EET (UTC+2)

**Climate:** Ukraine has a mostly temperate continental climate, although on the southern Crimean coast a more Mediterranean climate is found. Generally, Ukraine is one of the climatically comfortable countries. Winters vary from cool along the Black Sea to cold farther inland, summers are warm across the greater part of the country, while hot in the south.

**D. Are there cultural influences or prohibitions on the way business is conducted?**

No

**E. Are there religious influences or prohibitions on the way business is conducted?**

No

**F. Explain your country's infrastructure. Be sure to explain which cities have airports, railroad systems, ports, and public transportation.**

**Airports:** Kyiv (Boryspil), Dnipropetrovsk, Donetsk (heavily damaged by the armed conflict, not under control of the Ukrainian government at the time of writing), Odessa, Simferopol (not under control of the Ukrainian government at the time of writing), Kyiv (Zhulyany), Cherkasy, Chernivtsi, Ivano-Frankivsk, Izmail, Kharkiv, Kryvyi Rih, Luhansk (not under control of the Ukrainian government at the time of writing), Lviv, Mariupol, Rivne, Uzhgorod, Zaporizhia, Berdiansk, Vinnytsia, Kirovograd.

**Highways:** Kyiv-Odessa, Kyiv-Boryspil

**European routes:** E38, E40, E50, E58, E81, E85, E87, E95, E97, E101, E105

**Railroad systems:** The network length is 22 473 km. Ukraine has rail links with adjacent countries (Russia, Belarus, Moldova, Poland, Slovakia, Hungary, Romania). Rail travel is quite slow and underdeveloped, but reliable and progressing year to year.

**Ports:** Black Sea - Odessa, Illichivsk, Yuzhny, Kerch (not under control of the Ukrainian government at the time of writing), Mykolayiv, Sevastopol (not under control of the Ukrainian government at the time of writing), Skadovsk, Feodosiya (not under control of the Ukrainian government at the time of writing), Yalta (not under control of the Ukrainian government at the time of writing), Kherson; Sea of Azov – Berdyansk, Mariupol, Henichesk; Danub – Izmail, Reni.

**Public transport:** A well-established system of city transportation services exists in most metropolitan areas. Public transports in Ukraine consist of subways, trolleys, trams, buses and commuter trains. Cities with subways include: Kyiv, Kharkiv and Dnipropetrovsk. The companies performing public transportation services are both privately and publically owned.

**G. Explain the communication system.**

The country has well-developed Television & Radio broadcasting systems with the penetration of mobile telephone services at 144% (July 2015). The subscriber base of fixed line telephone services is 11.9 million (2013) with dominant market positions belong to Ukrtelecom, the state-owned telecommunication company. The number of Internet users: 21.8 million, excluding Crimea (2015); Internet country code: .ua

**H. Describe the public services - i.e. water, electricity, gas. Are they publicly or privately owned?**

The majority of water supply networks are state-owned and these services are provided by local monopolies. Central water supply is available in cities. Ukrainian law generally allows water intake from any Ukrainian water objects (e.g., rivers, lakes, seas, impoundments, etc.) for commercial and industrial use. Such water use requires prior obtaining of a permit for special water use.

Ukraine imports most of its natural gas, and it is a net importer of electricity. Gas and electricity are available in most areas, distribution is provided by regional monopolies. The gas and electricity distribution industries are currently both privately and publicly owned.

## **II. GENERAL CONSIDERATIONS**

### **A. Investment policies**

#### **1. Does the country generally welcome investment? Are there governmental or private agencies devoted to the promotion of investment?**

Under Ukrainian laws, foreign investors are treated equally with any Ukrainian residents in the context of their investment and business activities (unless otherwise set out by laws or international treaties) and foreign investments are welcomed in Ukraine pursuant to the government policies. The governmental body responsible for implementation of investment policies in Ukraine is the Ministry of Economic Development and Trade of Ukraine.

At the same time, Ukrainian regulatory environment relating to foreign investments is rather underdeveloped and outdated with a quite few regulations addressing foreign investments specifics and protection in the Ukrainian legislation.

#### **2. What is the rate of inflation?**

Year to Year:

|      |        |
|------|--------|
| 2003 | 105.2% |
| 2004 | 109.0% |
| 2005 | 113.5% |
| 2006 | 109.1% |
| 2007 | 112.8% |
| 2008 | 125,2% |
| 2009 | 115.9% |
| 2010 | 109.4% |
| 2011 | 108.0% |
| 2012 | 100.6% |
| 2013 | 99.7%  |
| 2014 | 112.1% |

#### **3. Explain any sector exceptions, incentives or restrictions on foreign investment?**

Ukraine preserves certain state monopolies for certain traditional types of activities, which are restricted for both native and foreign investors (such as production of ammunition, banknotes, etc.). Apart from this, in certain areas there are restrictions relating to performing certain types of activities by non-residents in a particular industry. For instance, the law prohibits performance of insurance activity in Ukraine by non-residents (subject to certain specific exemptions). In the sphere of telecommunications, the law envisages that ownership right to telecommunication networks can belong only to legal entities or individuals – private entrepreneurs, who are residents of Ukraine. Also only residents of Ukraine can perform technical servicing of telecommunication networks.

A special feed-in tariff (“green tariff”) is established for purchase of electric energy produced by the objects of alternative source of energy. Green tariff was introduced for the purpose of promoting development of alternative

sources of energy (e.g. solar energy, wind energy etc.). The wholesale market of electric energy should buy such energy based on green tariff taking into account the extra charge envisaged by the Law of Ukraine “On Electric Energy”. Green tariff applicable to the electric energy generated from the alternative energy sources will vary depending on a date of commissioning of the relevant energy production facility and, in majority of cases, will gradually decrease for newly constructed facilities.

The Land Code provides the following restrictions on foreign investments relating to land in Ukraine:

- foreign individuals and foreign legal entities, individuals without citizenship, and foreign states are prohibited from ownership of agricultural lands;
- foreign individuals and foreign legal entities may acquire non-agricultural lands subject to certain restrictions;
- foreign legal entities may purchase municipal or state- owned land only with the prior consent of the Cabinet of Ministers and / or Verkhovna Rada of Ukraine and / or local counsels, depending on whether the land is municipally or state owned respectively;
- Ukrainian entities with 100% foreign capital are excluded from the list of potential land owners due to defects of legislative technique (although, courts tend not to apply overly formalistic and restrictive approach, and generally uphold the right of such entities to own land).

Please note, however, that many foreign investors purchase land by registering subsequent Ukrainian legal entities. Although this practice is widely used, it is not 100% certain, and many foreign leaders view this as a little defect.

#### **4. Describe de facto restrictions on investment, if any, such as bureaucratic discretion.**

The primary risks relate to business practices not legal. Foreign investors are treated equally with domestic investors and, in most circumstances, are permitted to conduct business on the same terms as domestic business enterprises. Ukraine achieved independence less than 20 years ago and its economy is in a long and arduous transition. The investment in Ukraine carries risks that are not typically associated with investing in more mature markets or even larger developing markets.

Ukraine is a new post-Soviet state that was disproportionately affected by Soviet era policies (forced collectivization, famines plus loss of life during the war of the 20<sup>th</sup> century) as compared to most of the region. Consequently, investors find huge gaps of mentality and mindset between younger (more European minded) and older (more Soviet generations). Hence, many believe it will take another 20 years or so to bridge the gap.

Ukrainian government has taken efforts to liberalize economy and reduce barriers, including bureaucratic, for direct foreign investment into the country. These efforts have produced inconsistent results to date, as they are still thwarted by problems related to corruption of the state apparatus, especially in tax and customs, law enforcement and judicial fields, as well as security concerns in connection with the military conflict in the East of Ukraine.

#### **5. What types of businesses are conducted in the country?**

Wide ranges of business are conducted in Ukraine. Historically, Ukraine has been an agriculture and industrial country with the most common products of grain, sugar beets, sunflower seeds, vegetables; beef, milk and coal, electric power, ferrous and nonferrous metals, machinery and transport equipment, chemicals, food processing (especially sugar), respectively. Over the recent years, services markets and Ukraine’s IT industry and, in particular, software development has shown substantial growth.

Considering the size of the market with the population of 45 million, there is significant upside for local distribution and trade in broad range of products and services, from household goods to gasoline and natural gas. Ukrainian government has taken steps to de-monopolize some of these markets making it interesting for new incoming investors.

## **B. Diplomatic Relations**

### **1. Explain any established diplomatic relations your country may have.**

Ukraine has established diplomatic relations with 167 countries, is a member of over 100 international organizations and attaches significant importance to developing relations with international organizations. Ukraine is a founding member of the United Nations (“UN”), it is also a member of several UN bodies and specialized agencies and participates in the organization’s activities in the areas of security, human rights, economic co-operation and environmental protection. On 1 January 2016, Ukraine will assume its 2-year role as a non-permanent member of the UN Security Council. Ukraine has signed and ratified the Non- Proliferation Treaty and certain other conventions banning weapons of mass destruction. Ukraine is a member of the IMF, the World Bank, the WTO and a number of other international organizations, and it co-operates closely with the Organization for Economic Co-operation and Development (“OECD”) etc.

### **2. Give addresses, and contact information for the embassies or consulates in your country.**

A regularly updated list of contact information for the embassies and consulates in Kyiv is located on the website of Ministry of Foreign Affairs of Ukraine.

### **3. Are there prohibitions or restrictions on certain business dealings with the country?**

In general, there are no prohibitions or restriction on business dealings with Ukraine, other than several anti-dumping investigations and special investigations against Ukrainian products (primarily conducted in relation to Ukrainian metallurgical products, confectionary, sugar and other goods) and anti-dumping investigations and special investigations conducted by Ukraine. Currently, there are about 20 restrictive measures against imports of various Ukrainian products established as a result of conducted investigations. From time to time, Ukraine has imposed import or export duties or quotas that have generally had temporary character.

There are also several rather narrow areas of activity where business is prohibited in Ukraine, such as gambling and operation of casinos.

### **4. Explain any travel restrictions to or within the country?**

Foreigners and apatrides may enter Ukraine by valid passport documents. A visa for entering the country may also be required unless Ukrainian law or a treaty allows foreign nationals of certain countries to enter Ukraine on a visa waiver or without obtaining such visa. No visas are required mainly for citizens of the following countries: EU member-states, Switzerland, Japan, Canada, the United States of America, Mongolia, former USSR countries, etc. The citizens of the above countries may stay in Ukraine without obtaining visa for a period that does not exceed 90 days within a 180-day period. It is advisable to double-check the visa requirements before travelling.

## **C. Government**

### **1. Explain your country’s election system and schedule. Is there an anticipated change in the present government?**

Ukraine elects on national level the head of the state - the President - and the legislature. The president is elected for a five-year term directly by the people, mainly in two-tiered procedure. The Verkhovna Rada (the Parliament of Ukraine) has 450 members, elected for a 5-year term directly by the people. Half of the 450 members of the Verkhovna Rada are elected by proportional representation, with the other half being elected in 225 one-seat constituencies. Ukraine has a multi-party system with numerous parties, in which no one party often has a chance of gaining power alone, and parties must work with each other to form coalition. The majority coalition proposes a candidate for the position of Prime Minister to the President, who makes a further nomination to Parliament for appointment. The Prime Minister (upon a proposal by the majority coalition) submits nominations for the positions of the members of the Government, other than the Minister for Foreign Affairs and the Minister of Defence, to Parliament for approval. The Minister of Defence and the Minister for Foreign Affairs are appointed by Parliament upon nomination by the President.

A major constitutional reform is pending in Ukraine, with the main focus of the proposed reform being delegation of broader authority to local self-government bodies and communities in Ukraine, especially in the economic field. It is not immediately clear how exactly the new governmental layout will look, as the reform is expected to be passed at some point in 2016, but the central government is expected to retain key functions, particularly in

terms of foreign policy and defense, state budgeting and taxation (with the exception of delegation of some of the taxes to the local level), currency control and fiscal policy, as well as general policy making. Ukraine is not expected to assume federal structure.

## **2. Is the present government stable? Briefly explain your country's political history in the last decade.**

Ukraine has experienced significant political instability since presidential election of 2004, when the Supreme Court of Ukraine declared the results of elections void and due to this Victor Yushchenko, leader of opposition, became the President in a repeat election. As a result of political struggle, in 2005 the changes to the Constitution have been introduced significantly reducing authorities of the President. On 2 April 2007, President Yushchenko signed a decree dissolving Parliament. The President's decree stated that the process of forming a majority coalition in Parliament during recent months had breached the procedure set forth in the Constitution of Ukraine. Pursuant to this decree, new parliamentary elections were scheduled for 27 May 2007. On 5 June 2007, the President signed a decree scheduling the parliamentary elections for 30 September 2007 on the grounds of absence of a constitutional quorum in Parliament. On 30 September 2007, early elections to Parliament were held. On 23 November 2007, the newly elected Parliament held its first session. The initial majority coalition in Parliament was established on 29 November 2007. On 18 December 2007, Parliament appointed the new Prime Minister of Ukraine. On 16 September 2008, Speaker of Parliament announced the dissolution of the majority coalition. Pursuant to the Constitution of Ukraine, a new majority coalition would need to be formed within one month from the date of dissolution of the previous coalition. On 9 October 2008, the President issued a decree dissolving Parliament on the basis of a failure by the parliamentary factions to timely form a new coalition, and determined 7 December 2008 as the date for new parliamentary elections. However, the Decree was overturned in court and was subsequently cancelled by the President on 20 October 2008. A new majority coalition was formed and throughout 2009 former Prime Minister Tymoshenko and former President Yushchenko engaged in a bitter political tug of war leading to a political stalemate and inaction at a time of economic crisis. The end result was the defeat of Tymoshenko, mostly due to low voter turnout in the democratic strongholds of Kyiv and Western Ukraine, and the humiliating demise of Yushchenko, who as a sitting president could only gain a little more than 5% of the popular vote in the first round of the presidential elections this past January.

On February 7, 2010 a run-off elections were held in Ukraine and the opposition leader Victor Yanukovich was narrowly elected by a record small margin. Over the following four years, President Yanukovich and his political backers with the Party of Regions have effectively monopolized power, controlling the Cabinet of Ministers, majority in the Parliament and most of local governmental bodies. Late in 2010, the Constitutional Court in a very controversial decision has retroactively reversed the constitutional reform of 2005 that had shifted the powers from the President and the executive branch to the parliament, and thus vested strong powers with President Yanukovich. Over the following years, Yanukovich and his supporters formed a very strong vertically integrated executive branch.

2010-2014 in Ukraine were marked by unprecedented growth of corruption in all facets of life, massive embezzlement of state funds, selective and politically motivated prosecution of Yanukovich's political opponents and increasing disregard of human rights. Several members of the Yulia Tymoshenko government of 2007-2010, including Ms. Tymoshenko herself have been tried and convicted on the basis of the dubious charges.

In 2013, in the face of growing economic hardship in Ukraine caused, in part, by excessive reliance of Ukraine on expensive natural gas imported from Russia in significant volumes (which led to multi-billion losses for the state budgeted each month due to low tariffs for the population), the Government indicated that it wished closer ties with the European Union, and talks over the Association Agreement and the Free Trade Agreement between Ukraine and the EU, which had been going on for years, had intensified. In the Fall of 2013, it became apparent that the key requirements imposed by the EU for signing both instruments included stoppage of political prosecution and, in particular, the release of Ms. Tymoshenko from imprisonment, and increase of utilities tariffs, including gas, for the population to ensure the ongoing viability of the state budget. Both of these requirements were unacceptable for Yanukovich for political reasons, as he feared loss of popularity in the context of presidential elections, upcoming in early 2015. For this reason he sought, and obtained, a politically motivated \$3 billion bailout from Russia in exchange of immediate termination of the talks with the EU on association and free trade agreements just days before the two instruments were supposed to be executed in November 2013.

This decision of the government was met by mass protests in Ukraine, as the vast majority of people supported closer integration with the EU. After the police violently dispersed a peaceful protesting group of mostly students in Kyiv on November 30, 2013, injuring and arresting many of them in the process, the protests have become massive, hundreds of thousands people participated in what became known as Euromaidan. While at first the protesters only demanded continuation of integration processes with the EU and dismissal and prosecution of those responsible for the violence against the protesters, after the government has continued its attempts to disperse the protests with the use of police force, and as the government ramped up political prosecution of the opposition, it became clear that the protests could be resolved only by a major governmental change, including new and immediate presidential elections, as the Yanukovich regime was now seen as a dictatorship. After nearly three months of stalemate between the police and protesters in the streets of Kyiv, with several violent clashes between the parties that have resulted in the deaths of several protesters, and after the police forces conducted an all-out assault against the protesters that resulted in deaths of dozens of protesters, buildings occupied by the protesters purposefully being set on fire, an agreement between the government and the opposition was brokered with participation of foreign intermediaries, according to which elections were to be held in December 2014. It became quickly apparent that the majority of protesters would not accept the terms of this political agreement. The following events were both dramatic and tragic. Yanukovich fled his residence near Kyiv and disappeared, and the police opened sniper rifle fire against the unarmed protesters in downtown Kyiv, bringing death toll to over a hundred.

This led to an emergency session of the Parliament of Ukraine, at which the Parliament ordered the law enforcement authorities to cease any actions against the protesters, declared Yanukovich as being self-removed from the presidential office, elected the new speaker of the Parliament, Oleksandr Turchynov, who, under the Constitution, became the Acting President. All these decisions were taken nearly unanimously, and were supported by all political parties represented in the Parliament, including the Party of Regions. Subsequently, a new coalition was formed, a new Prime Minister – Arseniy Yatseniuk – was appointed, and presidential elections were set for May 25, 2014.

In the meantime, at the end of February, Russia started occupation of the Crimea, by sending troops to take over key governmental buildings in Simferopol and Sevastopol, and to block the Ukrainian military at their bases. Ukrainian government that was reeling from the violent events in Kyiv and that had just been formed, chose not to respond militarily, fearing massive loss of life. Crimea occupation was completed when a so-called “referendum” was held on the peninsula, where at gun point of Russian army the people allegedly voted for independence from Ukraine. Crimea then was annexed by Russia.

In parallel, Russia-inspired protests broke out in the Eastern regions of Ukraine, primarily in Donetsk and Lugansk. The protests were violent, weapons were used. They escalated quickly and turned into a direct military conflict with Ukraine and its armed forces. The “protesters”, some of whom were locals, and some of them came from Russia, were and remain equipped, armed and financed by Russia. With use of violence, terrorism, murders and other illegal activities, they took over local government buildings and proclaimed “DNR” and “LNR” – so called “people’s republics” independent of Ukraine. They were not officially recognized by any government, though they have been openly supported by the Russian government.

The military conflict caused many tragic events, including the downing by Malaysia Airlines MH-17 flight by a rocket launched by the separatists with a Russian-supplied missile. Active military actions lasted till the spring of 2015, when an internationally procured ceasefire was reached. The fighting still goes on, albeit at a lesser scale.

During this turbulence, Ukraine carried out democratic and international recognized presidential, parliamentary and local elections, and a Cabinet has been formed. While there have been some changes at the governmental level, the government itself has been quite stable, even though a number of times it was rocked by corruption scandals, and is heavily criticized for insufficient speed of reforms and inadequate fight against corruption.

Changes in the Cabinet are expected following the most recent local elections, but these changes will be peaceful and democratic, and in all likelihood will be carried out within the existing parliamentary coalition.

### 3. Explain your country's judicial system.

Ukraine's judicial system is made up of courts of general jurisdiction and the Constitutional Court of Ukraine. Courts of general jurisdiction form the unified system of courts.

According to the Constitution of Ukraine, the system of courts of general jurisdiction is designed on the principles of territorial division and specialization:

- Local courts of general jurisdiction consisting of:
  - district, cross-districts, urban district, city and city-and-district courts (combining criminal and civil jurisdiction);
  - commercial courts of regions, Kyiv, Sevastopol and Crimea;
  - regional administrative courts;
- Appeals courts, consisting of:
  - regional court of appeal in cases of criminal, civil and administrative offences jurisdiction;
  - regional courts of appeal in commercial cases;
  - regional courts of appeal in administrative cases;
- High courts (cassation jurisdiction):
  - The High Administrative Court of Ukraine for administrative cases;
  - The High Commercial Court of Ukraine for commercial cases;
  - The High Court in Civil and Criminal Cases;
- The Supreme Court (extraordinary jurisdiction for all cases).

The Constitutional Court of Ukraine is the single body of constitutional jurisdiction in Ukraine, with authority to assess whether legislative acts of the Parliament, President, Cabinet or Crimean Parliament are in line with the Constitution of Ukraine. The Court also passes official interpretation of the Constitution and laws of Ukraine.

*For more information:*

*“Annotation: The Law of Ukraine “On Judiciary and Status of Judges” on <http://zakon.rada.gov.ua>.*

#### **Is the judicial system generally perceived to be impartial?**

Not usually. Courts are formally (under Constitution) independent from other branches of political powers. However, it is a common view that the other branches have been making a serious pressure on courts and judges in political and finance interests. In 2014, a general court reform aiming to ensure courts' independence has been launched. As of autumn 2015, the court reform is still ongoing.

#### **Must disputes be resolved in the country?**

Ukrainian law allows parties of many types of disputes to resolve them outside the country.

But certain matters are reserved for the exclusive jurisdiction of Ukrainian courts. According to the Law of Ukraine “On Private International Law” exclusively the courts of Ukraine shall consider the cases with the participation of foreigners provided that:

- real estate under dispute is located on the territory of Ukraine;
- both parties to the case regarding legal relations between parents and children reside in Ukraine;
- in the case on inheritance the testator is the citizen of Ukraine and resided in it;
- the dispute is connected with the registration of intellectual property right that requires registration or issue of certificate (patent) in Ukraine;

- the dispute is connected with the registration of liquidation on the territory of Ukraine of foreign legal entities, natural persons - entrepreneurs;
- the dispute relates to the authenticity of records in the state register, cadastre of Ukraine;
- in the cases on bankruptcy the debtor was established according to the legislation of Ukraine;
- the case relates to the issue or destruction of securities registered in Ukraine;
- the case relates to the adoption that was performed or is being performed on the territory of Ukraine;
- in other cases determined by the laws of Ukraine.

### **Is there a political method of resolving disputes?**

Justice in Ukraine shall be administered exclusively by courts. It shall not be allowed to delegate the functions of courts, as well as appropriate these functions by other bodies or officials. In the past, disputes could be solved by political means that almost always involved corruption. However, since 2014, Ukraine has been trying to depart from such means.

### **Are alternative methods of dispute resolution permitted?**

Ukrainian law allows for alternative dispute resolution methods, such as arbitration and mediation. The parties can decide to resolve most of their commercial or civil-law disputes (with some exceptions) by means of arbitration or mediation.

*For more information:*

*“Annotation: The Law of Ukraine “On International Commercial Arbitration” on [http://zakon.rada.gov.ua](http://zakon.rada.gov.ua/http://zakon.rada.gov.ua/cgi-bin/laws/annot.cgi?nreg=4002-12)*

*“Annotation: The Law of Ukraine “On Courts of Arbitration” on [http://zakon.rada.gov.ua](http://zakon.rada.gov.ua/http://zakon.rada.gov.ua/cgi-bin/laws/annot.cgi?nreg=1701-15)*

### **How long does it take to resolve disputes?**

The duration of dispute resolution proceedings may vary substantially, depending on the complexity, the chosen method of dispute resolution, the issues in dispute, the fulfillment of legal requirements and deadlines and the conduct of the parties.

According to the legal requirements, the courts at each stage – whether local or appellate – must consider the case within a reasonable time, but not more than two months after opening proceedings. It is not uncommon for them to extend this time, if the circumstances of the case so dictate. Generally, it takes between 7 and 9 months to obtain final resolution of a case, taking into account all the appeals, but in some instances it could take much longer.

### **Can foreign judicial decisions be enforced in the country?**

Ukraine generally recognizes and enforces foreign judicial decisions, if such recognition and execution is envisaged by the international agreements of Ukraine, or, in the absence of such agreement vis-à-vis certain countries, on the basis of reciprocity principle, and reciprocity is presumed until established otherwise. Decision of foreign court may be compulsory executed in Ukraine during three years starting from the day when it enters into force.

Petition for grant of permit to compulsory execution of decision of foreign court shall not be satisfied in the cases provided for by the international agreements of Ukraine. If the international agreements of Ukraine do not cover these issues, satisfaction of petition may be refused, if:

- decision of foreign court under the domestic legislation on the territory of which it was issued has not entered into force;

- the party, as regards to which decision of foreign court has been provided, was deprived of the possibility to participate in judicial proceedings as it was not informed about consideration of case timely and in a proper way;
- decision was made as regards to the case, which shall be considered exclusively by court or other authorized body in compliance with the law of Ukraine;
- the term of presentation of foreign court decision regarding compulsory execution in Ukraine has been missed;
- in other cases envisaged by the laws of Ukraine.

Decision adopted by the respective court of Ukraine regarding grant of permit to compulsory execution of foreign court decision or refusal to satisfy the petition regarding this issue may be appealed under the procedure and in terms provided for by the laws of Ukraine.

In the case of an arbitral award, such award should satisfy the requirements set forth in the 1958 New York Convention Regarding the Recognition and Enforcement of Foreign Arbitral Awards, to which Ukraine is a party.

### **Can decisions from the country be enforced outside the country?**

The enforcement abroad of decisions issued in Ukraine depends upon rules that may be applicable in the country where enforcement is sought, as well as on the existence of reciprocity and relevant international treaties and agreements. There have been many instances where Ukrainian court decisions had been successfully recognized abroad.

### **Are there separate tribunals depending upon the subject matter of the case?**

Establishment of emergency and special courts or separate tribunals shall not be allowed in Ukraine.

### **Are there different legal systems within the country or its political subdivisions?**

No.

### **Can the investor choose to be subject to the country's jurisdiction or not?**

Although parties to an agreement may specify the governing law and form of dispute resolution applicable to their relations in a wide variety of circumstances, an investor may not opt out of Ukrainian jurisdiction altogether. The investor will remain subject to Ukrainian jurisdiction in all areas, where the Ukrainian courts retain exclusive jurisdiction. However, Ukraine is party to more than 70 bilateral and multilateral investment treaties (treaties for encouragement and protection of investment) that set forth strict standards of protection of investors, and afford investors with a possibility to bring legal proceedings against Ukraine in arbitration outside of Ukraine. Ukraine is also a party to the ICSID Convention.

## **4. Explain your country's legislative system.**

Legislative power in Ukraine is vested in the Verkhovna Rada, the Parliament. Parliament adopts laws, which have the highest authority in the hierarchy of normative acts in Ukraine after the Constitution of Ukraine. Parliament is a unicameral body with 450 seats and is elected for five years.

Cabinet of Ministers of Ukraine and the relevant Ministries may issue normative acts in execution of the powers vested in them by the Constitution and various laws. Such acts, however, must not contradict the laws passed by the Parliament, and they do not supercede the laws.

Judicial decisions generally do not have the power of precedent, even though decisions made by the Supreme Court of Ukraine and the High Courts in each of the specialized branches (civil / criminal, commercial, administrative) are highly persuasive. Judicial decisions are generally reported in the Unified State Register of Court Judgments, although irregularities and non-reporting is not uncommon.

## **D. Environmental Considerations**

## **1. What is the public/government attitude toward environmental regulation?**

The country's general attitude toward environmental regulation is focused on protection of environment and based on constitutional principles, such as the right that each citizen has to live in a healthy and balanced environment. Ukraine has established a legal framework for environmental protection, which, however, is rather declarative and requires further development. Following signing of the EU-Ukraine Association Agreement in 2014, environmental issues were determined as one of the priorities in the EU-Ukraine cooperation. The Association Agreement, among other things, provides for gradual approximation of Ukrainian legislation to EU law and policy on environment. In particular, Ukraine has undertaken to approximate its laws to the EU legislation in the following sectors: environmental governance and integration of environment into other policy areas; air quality; waste and resource management; water quality and water resource management, including marine environment; nature protection; industrial pollution and industrial hazards; climate change and protection of ozone layer; and GMO. The Association Agreement lists particular provisions of 29 EU directives and regulations, which should be implemented into Ukrainian regulatory framework. Each particular measure has its own established timeline that ranges from 2 to 10 years of the entry into force of the Association Agreement. Accordingly, in the short-term and mid-term perspective, Ukrainian legal framework for environmental protection is expected to undergo significant change and reform.

## **2. Explain any environmental regulations.**

One of the main pieces of legislation in the area is the Law of Ukraine "On Environmental Protection" adopted in 1991. The law regulates general issues related to environmental protection, including establishment of ecological standards and quotes. The said Law also describes the principles that underlie environmental protection in Ukraine, such as high priority of ecological safety requirements, binding nature of ecological standards and limits for usage of natural resources etc. It also provides for development of state environmental protection programs, concepts and administrative procedures, establishes responsibility for their violation.

In addition, Ukraine has adopted a number of other laws and regulations governing separate issues in the area of environmental protection. For instance, the Law of Ukraine "On Waste" provides for mandatory waste accounting and passportization; establishment of limits for waste production; registration of locations and objects where waste is accumulated, processed, utilized and/or destructed. Special permits exist for general waste treatment activities. Treatment of hazardous waste is additionally subject to licensing. Ukraine is also a party to a number of international conventions, protocols and agreements regarding the environment protection. Among other things, it participates in mechanisms under the Kyoto Protocol for Climate Change.

## **E. Intellectual Property**

- **Describe the law for the protection of intellectual property, including trademarks, copyrights, patents and know-how.**

Ukrainian intellectual property legislation is well developed, meets international standards, and allows for individual(s) and entities to register, maintain and enforce rights.

Intellectual property (IP) matters are regulated by the relevant chapter of the Civil Code (in force since 2003) and in separate laws addressing in detail almost each IP object.

The enforcement of IP rights is possible through litigation, administrative and criminal proceedings. The proceedings are regulated by general legislative acts on these matters. In addition, antitrust proceedings relating to unfair competition are often brought against alleged IP right violators.

### **Trademarks**

Trademark matters are governed by the Law on the Protection of Rights on Marks for Goods and Services adopted in 1993 and last amended in 2015.

Trademark rights cover signs, which distinguish goods and services of one person/entity from another.

A trademark must be registered with the State Department of Intellectual Property of Ukraine (the Patent Office). The process of obtaining a registration certificate under the ordinary registration procedures may take from one

to two years. However, an official accelerated registration procedure is available. It allows for the registration of trademarks within three to nine months at an additional cost.

It is also possible to obtain recognition of a “well known” trademark in Ukraine and a special procedure exists in order to obtain this status. A well-known trademark has much broader protection than an ordinary trademark: in fact it gives protection for all goods and services even though it is recognized as well-known only for a limited list of goods and/or services.

The registration of license and assignment agreements for trademarks is not obligatory. However, it is possible to register such agreements and changes in title within the respective State Register.

Protection for a trademark is granted for 10 years with the possibility of further indefinite extensions in 10-year periods, provided renewal fees are paid.

## **Copyright**

Copyright matters are regulated by the Law on Copyright and Related Rights adopted in 1993 and last amended in 2012.

Copyright protection includes verbal or written, published or unpublished works of science, literature or art regardless of their purpose or value. Copyright protection also includes computer programs and databases.

The protection covers only the work itself and does not cover any ideas, methods, etc., which contributed to it, even if they are described, explained, etc. in the work.

The following objects are not protected by copyright:

- news;
- folklore;
- state documents and their translations;
- state symbols and signs of entities;
- money;
- schedules for events; and
- telephone directories.

Relevant material is protected from the moment of creation and does not need to be registered. However, upon the owner’s request, the copyright itself and assignment or license copyright agreements can be registered with the Patent Office. The registration procedure does not require an examination of the substance of the copyright material. Registration may take about two months.

Property rights arising out of the copyright are protected for the lifetime of the author plus 70 years after his/her death. Non-pecuniary rights are protected indefinitely.

## **Patents for inventions**

Inventions matters are governed by the Law on Protection of Inventions and Utility Models adopted in 1993 and last amended in 2012.

The rights for inventions cover the results of creative work in the area of technology, which may be a product or method. In order to qualify for protection, an invention should be:

- new;
- have an inventive step; and
- be applicable in industry.

The inventor (or his/her legal successors) or the inventor's employer (if the invention was made in the course of carrying out employment duties) must apply for registration of the invention with the Patent Office to obtain protection. The process usually takes about two years to complete the registration and receive the respective patent.

The registration of license and assignment agreements for inventions is not obligatory. However, it is possible to register such agreements and changes in title within the respective State Register.

The inventor retains indefinitely the right of authorship for the invention. Patents are granted for up to 20 years, provided that patent fees are paid for each year of validity. Patents in the area of medicine may be extended for up to five years.

### **Know-how (or Commercial Secrets)**

Know-how matters are governed by the Civil Code of Ukraine.

Know-how is secret information that is not easily accessible, has commercial value and was subject to adequate protection of its secrecy. Know-how is protected until all of the above elements are observed.

Know-how may cover issues of technical, managerial, production and other nature.

Agreements on transfer or license of know-how are not subject to state registration.

- **Does the country subscribe to international treaties? Describe.**

Ukraine is party to all major international IP treaties and conventions, including:

- Paris Convention for the Protection of Industrial Property;
- Universal Copyright Convention;
- Berne Convention for the Protection of Literary and Artistic Works;
- Madrid Agreement Concerning the International Registration of Marks and the Protocol to the agreement;
- Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks;
- Trademark Law Treaty;
- Patent Cooperation Treaty.

- **Are there substantive prior approvals by national investment boards? What are the notarization requirements?**

It is not required to notarize POAs for representing of foreign companies/individuals before the Ukrainian Patent office. Notarization is necessary for Ukrainian translations of license/assignment agreements and for extracts of the agreements, if filed to the Patent Office for registration.

- **Are there regulatory guidelines for licenses?**

License agreements must meet certain formal requirements to be recognized and registered within the State Register. Irrespective of the governing law, the agreement must be in written and contain at least:

- names and addresses of the parties precisely as in the State Register;
- subject of the agreement; number of certificate/patent; name of invention precisely as in the State Register; list of licensed goods/services (for trademarks); scope of licensed rights; type of license (exclusive, non-exclusive); term of the license;
- territory covered by the license;

- confirmation that quality of licensed goods and services shall be not worse than goods and services of licensor, and that the last will control this (for trademarks); and
- signatures, dates of signing, signatories' surnames and initials, signatories' position, seals of the parties (if available).

The Patent Office will refuse to register a license assignment agreement if at least one of the above elements is absent.

- **Are there specific exceptions or requirements in relation to a particular product(s)?**

There are specific regulations for inventions that are subject to state secret.

Patents for inventions in the area of medicine or other areas requiring special state permit to use respective product may be extended for up to five years.

- **When are royalties from licenses deemed to be excessive?**

Ukrainian law does not provide for an upper limit on royalties. However, in practice, regulatory authorities may deem royalties excessive if they are higher than the average royalties in the respective industry for alike product.

- **Do local antitrust or competition laws apply to licenses?**

It is a general rule that provisions of the Ukrainian antitrust law shall not apply to restrictions on a transferee's business activity under contracts for the transfer of intellectual property rights or under contracts for the use of intellectual property rights to the extent that such restrictions are limited to legally recognized rights of the owner of the intellectual property rights. Such restrictions may inter alia relate to the scope of the transferred rights, timing and territory of the license to use the intellectual property rights, as well as business activity, application area, and minimal production volumes.

- **What typical agreements do foreign corporations enter into with their wholly owned subsidiaries?**

License agreements are the most common IP agreements signed by foreign corporations and their wholly owned Ukrainian subsidiaries.

### **III. INVESTMENT INCENTIVES**

#### **A. Explain any export incentives or guarantees. Be sure to answer the following questions:**

- **Is export financing available from government or private sources?**

The standard form of export financing - financing of certain eligible export projects supported by a guarantee (insurance) from an export agency - is currently not available in Ukraine either from government or private sources. The reason is that, for the time being, no system of state support of export has been developed and no export agency has been established in Ukraine.

- **If so, what forms of financing or guarantees are available?**

Notwithstanding that the most common form of export financing via export agency guarantees (insurance) is not available, Ukrainian legislation generally provides for other forms of financing from private sources. In particular, such traditional financial instruments, as loans (either secured or unsecured), financial leasing, etc. are available for, among other, export project financing, subject to compliance with applicable Ukrainian regulations, including anti-money laundering regulations, regulations governing granting of loans to non-residents, etc. In addition, letter of credit structures may be used by exporters and are considered quite common instruments for the purposes of export financing.

#### **B. Explain any grants, subsidies or funds your country offers foreign investors. Be sure to answer the following questions:**

- **Are grants and subsidies restricted by the type of activity?**

The laws of Ukraine do not provide for any direct grants, subsidies to foreign investors. At the same time, Ukrainian regulations provide certain benefits (such as reduced taxation rate and exemption from import duty) that may apply to investment projects implemented in certain strategic areas of Ukrainian economy. However, in order to qualify for such benefits, the investment project should be registered with the relevant Ukrainian state registry of investment projects, which registration is practically available for domestic legal entities, rather than for foreign investors. Accordingly, to the extent a legal entity is established in Ukraine and is to implement a registered investment project, it may be entitled to the aforesaid benefits.

- **What is the process for obtaining approval for these grants or subsidies?**

Not applicable

- **How long does it take to receive approval?**

Not applicable

- **Can the investor receive loans from the government or governmental agencies?**

As to the loans, foreign investors would not be able to obtain a loan from Ukrainian government or governmental agencies. From a practical standpoint, one of the key priorities of the government and governmental agencies is to support domestic entities, including domestic investors and, in furtherance of this, Ukrainian budget regulations do not envisage possibilities for loans to be granted by state authorities to any non-resident investors. However, a foreign investor may be able to apply for a loan from one of the state-owned banks in Ukraine (as well as from other commercial banks in Ukraine), similarly to Ukrainian legal entities and individuals. However, in view of certain limitations set out by Ukrainian banking regulations, such bank loan would be available to a foreign investor provided, that such investor is registered as a bank under the jurisdiction of its incorporation and subject to compliance with all applicable Ukrainian legislation (including anti-money laundering regulations).

## **C. Tax incentives**

Certain tax incentives are available in the energy efficiency, biofuel and agriculture industries.

## **IV. FINANCIAL FACILITIES**

### **A. Banking/Financial Facilities**

- **What kind of financial institutions exist?**

Under Ukrainian law in order to qualify for status as a financial institution, a legal entity should be duly registered with the State Registry of Financial Institutions and, depending on the financial services to be rendered, obtain the respective license (for instance, securities trading licenses, license for carrying out currency transactions, etc.). Currently, the following types of financial institutions operate in Ukraine: credit unions, pawnshops, financial companies (rendering such financial services as financial leasing, factoring, etc.), trusts, insurance companies, pension funds, investment funds as well as other legal entities, which operate as a financial services provider.

- **Must the investor maintain a bank account in the country?**

Pursuant to Ukrainian laws, a foreign investment may be made either in monetary form or in the form of property, intellectual property rights, rights of claim or other valuables. In case an investment is made in monetary form, such investment could normally be made either directly from the investor's account opened with a foreign bank or through an investment account opened with a Ukrainian bank.

- **What are the requirements for opening a bank account?**

The procedure for opening an investment account in a Ukrainian bank is rather straightforward and, generally, involves:

- submission to the Ukrainian bank of all documents required by the relevant Ukrainian regulations and/or by the bank in order to carry out the identification procedures, "know your customer" or other

checks. The set of documents to be submitted would, normally, include an application for opening an account, the document(s) evidencing registration (incorporation) of the investor, the power of attorney authorising a person to manage the account, etc.; and

- execution by the bank and the investor of a bank account agreement.

- **What are the restrictions, if any, on the investor's use of the account?**

Banking operations in Ukraine, including the transfer of funds to/from bank accounts, are heavily regulated by Ukrainian regulations. Specifically, Ukrainian regulations set out a detailed list of payments (operations) to be made to/from bank accounts depending on a particular type of the account. Accordingly, the use of investor's funds deposited with an investment account would, in fact, be limited to the list of payments (operations) permitted by Ukrainian regulations. Such permitted payments (operations) would include payments for making investment(s) and reinvestment(s), transfers of funds to the investor's deposit account(s), transfers of revenues (profit) from the investment(s), and payments of fees to the Ukrainian bank and related operations.

- **What is the type of financial system in the country?**

The financial system of Ukraine is governed by the Law of Ukraine "On Financial Services and State Regulation of Financial Services Markets of Ukraine" and other Ukrainian laws and regulations setting forth the rules and procedures for rendering of financial services in Ukraine and providing for the framework for the state regulation of the financial services markets of Ukraine.

The financial system is supervised by the following state authorities:

- in respect of the banking sector - by the National Bank of Ukraine (the "NBU") (see below description of the banking system of Ukraine);
- in respect of securities market - by the National Securities and Stock Market Commission of Ukraine (the "NSSMC") (see below description of the stock market in Ukraine);
- in respect of other non-banking financial services - by the National Commission for Regulation of the Financial Services Markets of Ukraine.

In addition, certain other agencies, such as the Anti-Monopoly Committee of Ukraine, State Financial Monitoring Service of Ukraine, are also responsible, within their authority, for supervision and control over activities on the financial services markets of Ukraine as well as over the market-participants.

- **How is the banking system structured?**

The banking system of Ukraine is a two-tier system comprising of (i) the NBU, which supervises commercial banks, and (ii) the commercial banks. Ukrainian commercial banks operate either as multipurpose banks or as specialized banks (mortgage banks, investment banks, savings or clearing banks. In practice, the majority commercial banks in Ukraine are multipurpose banks, as opposed to any specialized banks. The specialized banks status is assigned to a bank pursuant to regulations of the NBU and certain specific economic/financial ratios would mandatorily apply to such banks depending on their specialization.

In addition, starting from 16 May 2008, foreign banks may operate branch offices in Ukraine, subject to certain access criteria established by Ukrainian laws. To date, however, no foreign bank branch has been established in Ukraine and the majority of foreign banks present in Ukraine operate via their subsidiary banks incorporated in Ukraine.

Two of the banks in Ukraine, the State Export- Import Bank of Ukraine (Ukreximbank) and the State Oschadnyi Bank (Savings Bank), are fully state-owned.

As of 1 September 2015, 126 commercial banks were operating in Ukraine 17 of which were fully foreign-owned. In addition, due to recent economic and financial crisis in Ukraine, a number of Ukrainian banks have become insolvent and are currently managed by the State Deposits' Guarantee Fund of Ukraine responsible for temporary administration and liquidation of insolvent banks. As of 1 September 2015, more than 50 Ukrainian banks were under administration and liquidation by the State Deposits' Guarantee Fund.

- **Is there a stock market?**

Taking into account that the Ukrainian stock market emerged only upon Ukraine having achieved independence (less than 30 years ago), it, to certain extent, lacks the up-to-date legal and regulatory framework as compared to the mature stock markets of the developed countries. Pursuant to Ukrainian laws, the stock market of Ukraine comprises of its participants (such as, issuers, investors, professional stock market participants and their self-regulatory' associations) and the legal relationships between them related to placement, circulation and accounting of securities and derivatives.

The Ukrainian stock market includes organized (exchange-based) securities trading as well as over-the-counter securities trading. Exchange-based trading of corporate and municipal securities in Ukraine is carried out on Ukrainian stock exchanges. Currently, there are 10 duly registered stock exchanges in total.

The main regulator of the Ukrainian stock market is the NSSMC, which was established in 1995. The NSSMC is responsible for regulating the primary and secondary securities markets, the licensing and regulation of securities traders, investment funds, as well as stock exchanges, securities custodians and depositaries.

- **Can the investor receive bank loans?**

Assuming that the investor is a non-resident of Ukraine, Ukrainian laws allow a Ukrainian bank granting a loan in a foreign currency to non-residents, provided that

- the Ukrainian bank is authorized by the NBU to perform operations on raising and investing of funds on international markets; and
- the investor is registered as a bank under the jurisdiction of its incorporation.

## **V. EXCHANGE CONTROLS**

### **A. Business Transactions with Nationals, Residents or Non-Residents**

- **How are nationals, residents and non-residents defined?**

Ukrainian laws define nationals as persons acquired the citizenship of Ukraine, either by birth or otherwise, pursuant to the Ukrainian laws and relevant international treaties to which Ukraine is a party. Ukraine does not recognize multiple citizenship and, as a condition to acquisition of the Ukrainian citizenship, formally requires a person to renounce the other existing citizenships.

As to the residents and non-residents, depending on a particular area of concern, the definition of residency/non-residency may vary as different Ukrainian regulations and laws may provide their specific definitions of residents and non-residents of Ukraine. In particular, under currency control regulations, the term "resident of Ukraine" would refer to:

- any individual (either Ukrainian national or foreign citizen or a person without any citizenship), which has a permanent place of residence in Ukraine, including any person who is temporarily outside of Ukraine;
- a legal entity, branch or representative office domiciled in Ukraine and conducting its activities in accordance with the laws of Ukraine; and
- Ukrainian diplomatic, consular and other official representative offices outside of Ukraine as well as branches and representative offices of Ukrainian companies located outside of Ukraine, which do not conduct business activities.

Accordingly, the non-residents of Ukraine would include:

- individuals (either Ukrainian nationals or foreign citizens or a persons without any citizenship) who have permanent place of residency outside of Ukraine, including those who are temporarily in Ukraine;
- foreign legal entities, branched and representative offices, which are not located in Ukraine and carry out their activities in accordance with the laws of their respective jurisdictions, including any such legal entities owned wholly or partially by any Ukrainian stakeholders; and

- foreign diplomatic, consular and other official representative offices in Ukraine.

- **Are there restrictions on conducting business with nationals, residents or non-residents?**

Ukrainian laws do not provide for any general restrictions on conducting of business with nationals, residents or non-residents. As a general rules, any business activities, which are not contradictive to the laws of Ukraine, could be carried out by Ukrainian residents and non-residents subject to compliance with the applicable law. At the same time, regulations governing particular areas of business in Ukraine may contain certain limitations or specifics that would apply in case any relevant business activities are carried out by, or with, non-residents of Ukraine.

In particular, the laws on the regulated markets of Ukraine, such as banking services, financial services, securities trading, etc., generally, do not allow non-residents to conduct the respective professional activities in Ukraine (namely, to render banking or financial services within the territory of Ukraine or to act as a professional securities trader or custodian in Ukraine). Such activities could be carried out by duly licensed Ukrainian residents. At the same time, Ukrainian laws do not restrict non-residents of Ukraine in establishing business relations with Ukrainian licensed banks, financial institutions, securities traders and to receive banking or financial services or purchase, hold and sell the Ukrainian securities within the Ukrainian stock market.

In addition, non-residents of Ukrainian may be restricted in acquiring certain properties in Ukraine, such as agricultural land, etc.

- **Are there reporting requirements?**

Depending on a particular business transactions or activities, certain reporting requirements may apply under Ukrainian regulations. Ukrainian residents are usually obliged to provide respective tax reports to the Ukrainian tax authorities. In addition, certain reporting requirements would apply to maintaining bank accounts in Ukraine, including investment accounts, pursuant to which the Ukrainian banks would request holders of accounts to provide KYC information, identification documents and other financial information on transactions for the purposes of financial monitoring reporting and reporting to the NBU. Furthermore, in the event any license was granted to a person by the Ukrainian authorities for carrying out any business activities or for performance of a particular transaction, as the case may be, the respective licensing regulations or conditions of such license may also set out reporting requirements, depending on the kind of such license.

- **Can the investor receive loans from nationals, residents or non-residents?**

Pursuant to Ukrainian legislation, a foreign investor may obtain a loan only in foreign currencies and only from (1) Ukrainian legal entities (including banks and financial institutions) or (2) individuals, registered as entrepreneurs in Ukraine. In order to grant a loan to a foreign investor, a Ukrainian resident (other than a Ukrainian bank or a financial institution) would need to obtain from the NBU an individual license for transfer of funds abroad. Please also see above the discussion on loans from Ukrainian banks.

Furthermore, for the purposes of obtaining a loan from a Ukrainian resident, a foreign investor is required to obtain an irrevocable guarantee from a first-class bank having the rating of not less than “A” category assigned by an international rating agency. This rule, however, would not apply if a loan is granted by a Ukrainian bank. Granting loans to non-residents would be subject to compliance with anti-money laundering laws as well as other applicable rules and regulations.

## **B. Investment Controls**

- **Are there restrictions on investments in the country?**

As mentioned in Section II, item A.1 above, foreign investors are treated equally with domestic investors and, in most circumstances, are permitted to conduct business on the same terms as domestic business enterprises. At the same time, foreign investments into Ukraine as well as stock market activities are deemed heavily regulated areas and, accordingly, various restrictions would apply depending on the method of investment, object of investment, etc. In particular, foreign investors are permitted to own up to 100 per cent of a Ukrainian company. This is however subject to foreign ownership restrictions in certain industry sectors such as publishing, television and radio broadcasting services, etc. Further, methods of investing funds into Ukraine as well as remittance of

revenues (profit) abroad are also strictly regulated by Ukrainian legislation and may be made only in the manner set out in respective Ukrainian regulations. Currently, such investment may be made from either the respective investor's account abroad or an investment account opened by such investor with a Ukrainian bank. In addition, investment of funds into Ukraine may only be made in freely convertible currencies, such as USD, EUR, GBP, etc.

### **C. Money Transfer**

- **Is there free determination of exchange rates?**

Under Ukrainian laws, the official exchange rate of Ukrainian Hryvnia to foreign currencies is established by the NBU in accordance with the procedure set forth by the applicable regulations. In addition to the official exchange rate, there are

- an interbank exchange rate, which is used by Ukrainian banks when purchasing/selling foreign currencies on the interbank foreign currency market (either for the purposes of their own operations or for the purposes of operations of their customers); and
- cash exchange rate, under which banks and certain financial institutions purchase/sell foreign currencies in cash.

The interbank and cash exchange rates are, as a rule, determined by Ukrainian banks/financial institutions and reflect current trends in the foreign currency markets. At the same time, the NBU may restrict in certain circumstances these exchange rates, as it was made in 2008 due to drastic fluctuations of foreign currency demand and supply during the global economic downturn.

- **Are there restrictions on the transfer of money into or out of the country?**

Restrictions applicable to the transfer of funds into or out of Ukraine depend on the nature of the transfer. Specifically, Ukrainian regulations on bank accounts provide for a fairly detailed list of permitted payments. If a particular transfer of funds does not fall under any of the permitted payment categories, a Ukrainian bank may be unable to process or receive (as the case may be) such transfer.

Furthermore, in terms of the transfer of funds out of Ukraine, Ukrainian legislation envisages a general concept, according to which a payer (either a Ukrainian resident or non-resident) is permitted to make a payment abroad only after having obtained a relevant NBU payment license, unless such payment falls under a statutory exemption from the licensing regime of the NBU. Such exemptions include payments to non-residents for goods, services, works, intellectual property and other property rights; certain transfers of funds by individuals-residents of Ukraine; remittance of revenues (profit) from a foreign investment, etc. In addition, all such payments (whether exempted from the NBU licensing regime or not) are subject to provision of relevant substantiation documents, compliance with anti-money laundering and other applicable rules and procedures.

- **Are there restrictions on the remittance of profits abroad?**

As mentioned above, the remittance of revenues (profit) gained from a foreign investment is exempted from the NBU licensing regime and, thus, may be made without obtaining an NBU payment license, subject to compliance with tax requirements (e.g. withholding tax deduction) and anti-money laundering regulations. Such remittance of revenues (profit) as well as return of the investment itself may only be made in the freely convertible currencies, such as EUR, USD, GBP, etc. For the purposes of funds transfer, substantiating documents would have to be provided to the Ukrainian bank in order to purchase the respective foreign currency as well as to process the transfer of funds, such as confirmation that the investment was made into Ukraine, investor's residency documents, etc.

- **Are there reporting requirements?**

Certain reporting requirements may apply to the transfer of funds into or out of Ukraine by virtue of bank account regulations and anti-money laundering regulations of Ukraine. Although, such reporting requirements primarily apply to banks making or receiving such transfer of funds, the Ukrainian bank would usually request all the respective documents from the account holder, including documents substantiating the legality of payment,

identification documents, etc. Further, additional reporting requirement may apply depending on the purpose of the transfer of funds, a particular asset to be acquired, etc.

- **Can hard currency be taken out of the country?**

In terms of the physical movement of hard currencies out of Ukraine, Ukrainian regulations, generally, allow the physical movement of cash funds for both legal entities and individuals. Individuals (either residents or non-residents of Ukraine) can take out

- cash funds in an amount not exceeding the equivalent of EUR 10,000 without declaring such funds for custom control purposes, or
- cash funds in an amount exceeding the equivalent of EUR 10,000 subject to mandatory provision of a customs declaration.

In addition, in case a non-resident of Ukraine takes more than EUR 10,000 from Ukraine, the amounts of such cash funds to be moved out of Ukraine would be restricted by the amount previously moved into Ukraine by such person. Legal entities are entitled to take cash funds out of Ukraine in any amount subject to mandatory declaration of all such funds for custom control purposes.

Certain restrictions may apply, depending on the nature of funds to be taken out of Ukraine. For instance, Ukrainian laws do not permit movement of previously invested funds (in case of the withdrawal of a foreign investment) or the revenues (profits) from such investment in any way other than via bank transfer of funds.

## **VI. IMPORT/EXPORT REGULATIONS**

Ukraine has been a member of WTO since May 16, 2008 and a party to a number of bilateral free trade agreements, mainly with CIS countries. Ukraine is not a member of the EEC.

Customs treatment is regulated by the Customs Code of Ukraine (effective from 2012). In addition to the Customs Code, the applicable Ukrainian legislation on customs consists of the Law of Ukraine “On Customs Tariffs of Ukraine” (effective from 2014) and other customs regulations, which are largely based on WTO principles. The principal law governing import and export VAT as well as export VAT refund, applicable to the import/export of goods (products) through the customs territory of Ukraine is the Section V of the Tax Code of Ukraine (effective from 2011).

Customs authorities are still active in the field of post-entry audits, especially with regard to the customs value of imported goods. Customs valuation rules are generally based on the Agreement on the Implementation of Article VII of GATT 1994 but require further harmonization with WTO legislation and practices.

Ukraine practices liberal trade legislation and maintains a liberal trade regime. Export duties, licensing and or quantitative restrictions on exports, as well as licenses for imports may apply in limited cases.

## **VII. STRUCTURES FOR DOING BUSINESS**

### **A. Governmental Participation**

- **Will the government seek to participate in the ownership or operation of the entity (e.g. depending on the type of activity involved)?**

As one of the remaining Soviet legacies, Ukraine still has a considerable state economy sector, which includes a long list of state-owned entities. It is widely believed, however, that government’s participation in ownership or operation of business entities is not efficient and should be limited to most important industries only. To this end, an extensive privatization plan is being discussed and expected to be launched in a short- or mid-term perspective. It is currently premature to state whether local and foreign investors will be granted equal access to the future privatization process, but it should be noted that the government declares it wants to ensure a competitive sales process and therefore foreign investors are broadly invited.

While the above mainly relates to the already existing state-owned entities, government participations in new businesses along with private investors are rare. Exceptions are usual arrangements with respect to natural resources (e.g. joint venture agreements, production sharing agreements etc.).

Another possible form of government participation is PPP, but there have been no high profile business cases so far. Lack of interest in PPP is mainly due to complications in legal framework and downsides of economic rationale.

Finally, state monopoly is preserved for certain types of activities such as the safeguarding of state property objects defined by the Cabinet of Ministries of Ukraine, carrying out of a criminal expert examination, forensic psychiatric examination, development, production, testing, and use (launching) of missiles, ammunition and weapons production, printing of currency, maintenance of cemeteries and crematoria, etc.

- **If so, to what extent?**

The type and extent of the government's participation are determined on a case-by-case basis, depending upon the industry and other factors.

Overall, government's ownership participation varies from 100% control to holding a minority interest in the entity. Representatives of various state authorities of Ukraine are required to participate in the management and operation of the entities by e.g. participation in the general shareholders meeting of such entities and vote according to the voting instructions, provided to them by respective management entity. In certain cases, voting instruction should be also pre-approved by the Cabinet of Ministers of Ukraine.

- **What is the investor's potential liability to partners, investors or others?**

Ukrainian law does not envisage special liability requirements to foreign investors participating in Ukrainian entities established by such foreign investors in conjunction with the government of Ukraine or other local partners. As in many other jurisdictions, the scope of liability of an investor depends upon such general legal considerations as type of respective entity, specific contractual obligations or provisions of constituent documents, political and country' risks, etc.

Also, as regards enforcement of investment claims, the available options include both local courts and international arbitration, including under the ICSID Convention, to which Ukraine is a party.

- **Are there restrictions on capitalization?**

Yes. Such restrictions are inter alia related to increases in the charter capital of companies with direct and under certain conditions, also indirect government participation. Specifically, current legislation of Ukraine envisages the mandatory payment of dividends accrued to the government share (or, under certain conditions, to the share of the entities owned by the government) to the state budget of Ukraine. In addition, purchase of additional offering shares (participatory interest) is performed by financing, assigned for such purposes by the state budget of Ukraine for the relevant year.

## **B. Limited Liability Companies**

- **Are limited liability companies permitted?**

Yes. Limited liability companies are permitted by the effective laws of Ukraine.

- **If so, how are they registered or incorporated?**

Limited liability companies are incorporated on the basis of a founders' decision (which inter alia requires appointment of management and an approval of the charter of the company to be incorporated) and subsequent state registration of the entity (and its charter) in the respective State Register.

Prior to the state registration of the company, its founders are required to:

- hold the founding meeting of the company and approve its establishment with the execution of the respective minutes of the founders;

- execute and notarize the company's charter (if the founders wish to govern incorporation matters by a separate instrument, a foundation agreement must be concluded and notarized in addition to the charter), and
- chose the company's office location (registered address) and ensure document certifying the company's entitlement to occupy the office premises (e.g. sale-and-purchase agreement or lease agreement).

- **How long do these procedures take?**

Generally, the overall registration procedure takes 1 business day unless any technical delays occur in registration data exchange between the state registrar and the tax authorities involved in registration process.

- **What costs and fees are involved?**

The Founders of the company can determine the company's charter capital amount at their discretion (depending on the commercial need in funds required for the company's start up) as Ukrainian law does not provide for a minimum charter capital of a limited liability company. The Founders of the company are required to pay their respective contribution in full within one year of state registration.

The costs involved are notary's fees mainly for the certification of the charter and the decision on establishment, official payments for obtaining a seal (not mandatory) and the opening of bank accounts, as well as the fees of consultants, if necessary.

- **Must a national of the country or a related state be a participant, manager or director?**

Ukrainian law does not require the compulsory appointment of Ukrainian nationals (as well as nationals of related states) as managers or directors of limited liability companies. Neither does the law require that nationals of Ukraine (or related states) participate in all limited liability companies established in Ukraine.

It should be noted, however, that the appointment of foreign citizens to such positions requires that work permits are obtained by the legal entities acting as employers for such citizens prior to their appointment. Work permits are issued by the State Employment Service (its local employment centers). In addition, newly established legal entities can not obtain work permits for foreign citizens for the position of managing directors in the initial stages of their establishment and operation (prior to the payment of taxes and payroll). Because of that, it has become a widespread practice in Ukraine to appoint Ukrainian nationals as directors of a newly established legal entity for an interim period of 1-3 months after its state registration with simultaneous application for obtaining relevant work permit(s) for foreign national(s).

- **Are there restrictions on capitalization?**

Yes. Such restrictions inter alia include:

- prohibition of the use of borrowed and pledged funds and property, as well as promissory notes, for the purposes of charter capital formation; and
- prohibition from increasing the company's charter capital prior to full payment by the participants of previous charter capital amount.

### C. **Liability Companies, Unlimited**

- **What are the forms of liability companies?**

Ukrainian law allows the establishment of additional liability companies in Ukraine in addition to the general and limited partnerships described below.

- **How are these companies registered or incorporated?**

Additional liability companies in Ukraine are incorporated and registered under the same rules as limited liability companies.

- **How long do these procedures take?**

The duration of registration procedures is similar to that established and described for limited liability companies.

- **What costs and fees are involved?**

Similar to those established and described for limited liability companies.

- **Must a national of the country be a participant, manager or director?**

No. See comment to the relevant question in Section B above.

#### **D. Partnerships, General or Limited**

- **Are partnerships recognized or permitted?**

Yes, but they are rather rarely used.

Partnerships in Ukraine can exist in the following three forms:

- general partnership (in Ukrainian: “Povne tovarystvo”), in which all of the participants (partners) are jointly engaged in the partnership’s business activity;
- limited partnership (in Ukrainian: “Komandytne tovarystvo”), in which only part of the partners are engaged in the business activity of the partnership (general partners) while the rest (limited partners) are not - they benefit only from their investments to the partnership; and
- simple partnerships (in Ukrainian: “Proste tovarystvo”), which does not have a status of legal entity and is rather a specific form of joint activity agreements.

There are a number of restrictions related to possibility of a partner to simultaneously participate in several partnerships of the same or different types.

- **Must a national of the country or related state be a partner?**

No. See comment to Section C above.

- **If so, to what extent?**

N/A

- **What costs and fees are involved?**

Ukrainian law does not require obligatory formation of charter capital in the three types of partnerships described above. The rest of the standard costs and fees are similar to those described for a limited liability company, except that simple partnerships are not registered with the State Register of Ukraine and, hence, no respective costs are borne.

- **What is the investor’s potential liability?**

In general partnerships all of the participants (partners) bear additional joint and several liability for the partnership’s obligations - by all their assets. In limited partnerships joint and several liability is only borne by general partners, whereas the rest of the partners (limited partners) are only liable by their respective contributions made to the partnership. In simple partnerships established for commercial purposes, all of the partners bear joint and several liability for all joint obligations of the partnership.

#### **E. Partnerships, Undisclosed**

- **Do undisclosed partnerships exist?**

No. General and limited partnerships are registered in the State Register of Ukraine, and the partnership agreements of simple partnerships are required to be executed in writing and registered with tax authorities for tax reporting purposes.

- **If so, how are they formed?**

N/A

- **What costs and fees are involved?**

N/A

- **Must a national of the country or a related state be a participant, manager or director?**

N/A

- **What is the investor's potential liability?**

N/A

## **F. Sole Proprietorships**

- **Can the investor be a sole proprietor?**

Yes. It is possible for an individual or a group of individuals, either national residents or foreigners, to establish a sole proprietorship in Ukraine in the form of legal entity. Certain limitations, however, may be applicable depending on the types of activities to be performed by the company.

Also, an individual can do business in Ukraine in capacity of private entrepreneur (without incorporation of a legal entity). To this end, he / she needs to apply to the State Registrar for his / her registration as a private entrepreneur.

- **How is the sole proprietorship registered or established?**

The sole proprietorship is established upon a decision of its owner or application (registration card) of an individual in case of private entrepreneur registration. The sole proprietorship is then registered with the state registrar, the statistics and tax authorities as well as mandatory pension fund. After registration is completed, the sole proprietorship gets its seal (not mandatory), activates its bank account and may start operations.

- **How long does this process take?**

Usually the registration process takes 1 business day unless any technical delays occur in registration data exchange between the state registrar and the tax authorities involved in registration process.

- **What costs and fees are involved?**

The costs involved are notary's fees for the certification of the charter (not applicable in case of registration of private entrepreneur) and the decision on establishment (not applicable in case of registration of private entrepreneur), official payments for obtaining a seal (not mandatory) and the opening of bank accounts, as well as fees of consultants, if necessary.

- **What is the investor's potential liability?**

The investor's potential liability is limited by its contribution to the charter capital of the sole proprietorship (in case of legal entity and subject to its charter). However, a private entrepreneur bears full liability with all of its assets.

- **Are there restrictions on capitalization?**

Generally, there are no restrictions on the capitalization of a sole proprietorship, including requirements as to the minimum or maximum amount of the charter capital.

## **G. Subsidiaries/Branches/Representative Offices**

- **Can the investor establish a branch, subsidiary or representative office?**

Foreign investor's presence in Ukraine is possible in either of the mentioned forms, though subsidiaries and representative offices are more common. Branches are rarely used – due to absence of clear incorporation procedures (with few exceptions relating to specific sectors, e.g. banking and insurance sectors, where such procedures exist).

- **If so, how long does registration or incorporation take?**

The term for the establishment of a subsidiary depends on the type of subsidiary (a limited liability company, a joint-stock company etc.). Please refer to above sections for the term for the establishment of a specific company.

Registration and incorporation of a representative office of a foreign investor takes approximately 3 - 4 months (and even longer in the regulated sectors, e.g. banking, finance, insurance, where the additional regulator is involved). Such long term is conditioned by lengthy processing time for the registration procedures given by law to the registration authority (i.e. the Ministry of Economic Development) – 60 business days.

- **What costs and fees are involved?**

The costs of the establishment of a branch or representative office by a national investor include only registration and consultants' fees. The costs of the establishment of a representative office by a foreign investor include state duty for registration, notary's and consultants' fees. Generally, the costs of establishing a representative office by a foreign investor do not exceed EUR 2.000, excluding consultants' fees.

Please refer above for the costs of establishing a subsidiary in the form of a specific company.

- **What is the investor's potential liability?**

Since a representative office (as well as a branch) are not separate legal entities, but structural subdivisions of a legal entity (the parent company), the liability for their obligations and activities will be on the parent company. Accordingly, the investor's liability will depend on regulations applicable to the parent company.

As to a subsidiary, the extent of the investor's liability will be defined by the specific type of the subsidiary. Please refer to the above sections for more details.

- **Must a national of the country be a participant, manager or director?**

As a rule, there are no restrictions as to nationals/foreigners being managers or directors of a representative office or branch; similarly, there are no restrictions as to being a participant, manager or director of a subsidiary, subject to the following specifics:

- employment of a foreign national with a subsidiary is only possible based on the work permit. Based on this, a newly-incorporated company will need to have a Ukrainian director for a temporary period of at least several months following its incorporation since obtaining of the work permit by the company is only possible after a certain initial operation period (please refer to section XI (F.) Labor Permits below);
- employment of a foreign national in a Ukraine-based representative office of a foreign company is only possible based on the accreditation card, issued by the Ministry of economic development of Ukraine.

- **Are there restrictions on capitalization?**

There are no restrictions on capitalization of branches and representative offices, except for certain regulated sectors (e.g. banking).

Please refer to the above sections for details on restriction on the capitalization of specific company types, which can be used for subsidiaries.

## **H. Trusts and other Fiduciary Entities**

- **Are trusts or other fiduciary entities recognized?**

Yes. Fiduciary entities are recognized under Ukrainian law. In practice, however, they are rarely established.

- **If so, how are each defined?**

A fiduciary company is a company with additional liability (for details on incorporation please refer to the sections above) performing representative activity in accordance with an agreement executed with the grantor of

assets to exercise its rights of the assets owner. The assets of the grantor may include funds, securities and documents certifying the title of the grantor.

- **What are the legal consequences of a transfer of assets to a trust or fiduciary?**

The fiduciary company shall act on the terms and conditions of the agreement, in the interests of the owner.

The scope of authorities of the fiduciary company vary depending of whether the grantor is an individual entity or a legal entity. In particular, fiduciary company's authorities with respect to assets granted by an individual are limited by safekeeping as well as by representative functions, whereas with respect to assets granted by a legal entity the fiduciary company may also dispose of assets, perform agency services, manage voting shares, including by way of participation in the general meeting of shareholders.

The grantor, however, always remains the owner of the assets.

- **Can the investor be the grantor, trustee or beneficiary?**

It is possible for an investor to establish or enter a fiduciary company (please refer above for details) as well as to be a grantor of the assets.

## **VIII. REQUIREMENTS FOR THE ESTABLISHMENT OF A BUSINESS**

### **A. Alien Business Law**

- **Is the business subject to any alien business law?**

Not applicable. However, foreign investors are prevented from engaging in certain types of business activity, which is subject to state monopoly. Please refer to Section VII-A for details.

- **Are there registrations or reporting requirements?**

There are standard registration requirements for starting a corporate entity. The procedure is substantially similar for foreigners and locals and depends on a type of entity. According to recent changes, a new business registration, including corporate and tax, can be performed in just one day (subject to the availability of a set of documents).

If a person wishes to conduct business as an individual entrepreneur (i.e. without registering a corporate entity) it is also possible subject to separate registration.

Specific business structures and forms are often tax driven.

Applicable laws envisage an obligation of a legal entity to disclose to the state registrar the information about the ownership structure of such legal entity including all entities, which directly/indirectly hold 10% or more of the share capital up to the beneficiary owners, namely:

- for legal entities – disclosing of full name, state of residence, registered office, identification code, and
- for individuals – disclosing full name, citizenship, address of residence, passport details, identification code.

Also there may be additional requirements with respect to reporting obligations depending on the organizational form and sphere of activity of legal entities (e.g. for banking institutions).

### **B. Antitrust Laws**

- **Do the entity's operations comply with anti-trust laws?**

Yes, the undertaking's operation shall comply with anti-trust laws, which, among others, regulate relationships of undertakings, state authorities, which influence or can influence the competition in Ukraine, including the following: concerted practices, abuse of dominance, merger control, unfair trading etc.

The authority responsible for conducting control on compliance with the laws on protection of economic competition in Ukraine is the Antimonopoly Committee of Ukraine (the AMC).

- **Are there filing requirements?**

Certain business transactions in Ukraine are considered as “concentration” and may require obtaining of a concentration permit of the AMC. Such transactions include, among others, the following:

- acquisition of 25% or more of shares or voting rights;
- acquisition of 50% or more of shares or voting rights;
- acquisition of assets in the form of integral property complex (e.g. acquisition of business or a part of business);
- establishment by two or more entities not connected with each other by control relations of an undertaking which will perform commercial activity during substantial period of time;
- acquisition of control over an undertaking in any other way.

A concentration requires obtaining of the AMC permit subject to meeting by parties of certain thresholds, which include economic thresholds (volume of sales and amount of assets as of the end of the year preceding the concentration), as well as the market share thresholds.

The AMC concentration permit shall be obtained before closing the transaction and does not provide for a possibility of obtaining a concentration permit after closing.

Applicable laws also envisage certain requirements when concerted actions permit shall be obtained. Such requirements, among others, envisage necessity to obtain a separate concerted actions permit for non-compete obligations of the parties, which arise in the result of a concentration.

The filing requirements are currently under review by the AMC and the government so that significant changes towards softening the requirement and simplification of the filing process are quite possible.

### **C. Environmental Regulations**

- **Is the business of the investor subject to environmental regulation?**

The Law of Ukraine “On Environmental Protection” stipulates ecological requirements to placement, projecting, construction, reconstruction, putting in operation and exploitation of enterprises, buildings and other objects. It establishes the procedure of environmental protection during conducting of plant protective measures, use of chemical fertilizers, oil and oil products, toxic chemical agents and other. The Law regulates legal relations that arise during environmental protection due to:

- use of plant protection agents, mineral fertilizers, petrol and petrol products, toxic chemical products, and others;
- uncontrolled and harmful biological influence;
- acoustic, electromagnetic, ionizing and other harmful influence of physical factors and radiation pollution;
- waste pollution;
- harmful influence of transport vehicles.

In certain cases, ecological examinations are compulsory in the process of investment. The objects of ecological examinations comprise, among others, the following:

- drafts of technical documents (instructions, methodologies, etc.) regulating commercial activity of enterprises and other objects that can negatively influence on the environment;
- documents for creation of new technical equipment, technology, materials and substances;

- materials, substances, production, economic decisions, systems and objects, implementation of which can negatively influence on the environment;
- documents concerning genetically modified organisms, designated for use in the open system.

Business entities are subject to regular or ad hoc inspections by environmental authorities. In case violations are detected, operation can be put on hold and/or entity and its responsible officials can be fined and violation should be remedied.

- **If so, are there added costs involved (e.g. audit requirements)?**

Ensuring compliance with environmental requirements is a part of standard operational costs. Also, as described above, ecological examinations are compulsory in certain cases. Ecological examinations shall be financed by the investor.

#### **D. Government Approvals**

- **Are government approvals required for the anticipated business?**
- **If so, how long does this process take?**
- **What fees are involved?**

Ukrainian legislation envisages the principles of freedom of entrepreneurial activity. It is the right of any person to conduct any business activity unless prohibited by the law or the law requires a license for such activity. Please refer to Clause F “Licenses/Permits” of Section VIII for information regarding licenses and permits, envisaged by the Ukrainian law.

#### **E. Insurance**

- **Must the enterprise earn insurance?**

Applicable legislation provides for specific cases, in which the enterprise is obliged to carry insurance. Please see below.

- **If so, what kind of risks must be insured?**

The effective Ukrainian law provides for the following mandatory insurance requirements:

- Standard set of insurance applicable to almost every business entity: temporary disability of employees, accidents in the work place and professional diseases, unemployment;
- Industry-specific insurances: ship owner liability insurance, liability insurance of transporters of dangerous freight etc.
- **Is there a state monopoly on insurance?**

No. Insurance activity can be carried out by either private or state companies.

#### **F. Licenses/Permits**

- **Are licenses or permits required for the anticipated activity?**

Ukrainian laws contain exhaustive lists of activities, which require licenses and/or permits. If the anticipated activity is indicated in such lists, it will require respective license and/or permits.

- **If so, how does the investor apply for and receive the necessary license or permit?**

Only a company engaged in activities, which require a license and/or permit directly or through its representatives may apply for, and receive the, necessary license or permit. In many cases, licenses or permits could only be issued to Ukrainian residents, so their obtaining may require foreign investor to establish a local presence in Ukraine. To obtain a license / permit for certain activity, a company should apply to the relevant state authority

and provide the required package of documents and information, including those confirming the compliance of the applicant with licensing terms required for the respective activity. Normally, issuance of a license or permit also requires a fee to be paid by the applicant. For some types of activity, special procedures may apply. For instance, to obtain a license for manufacturing of, or trading with, medicinal products, a company has to additionally go through an on-site inspection by licensing authority intended to verify its compliance with licensing requirements. Permits for subsoil use are granted through special auctions, subject to certain exceptions. Licenses and permits are generally not transferable under Ukrainian law.

- **How long does it take to receive the license or permit?**

The time required to receive a license or permit varies depending on the established procedure. It usually takes up to 10 working days or 1 month from the day that the state licensing authorities obtain all required documents and information. However, timelines could also be longer for certain types of permits and have to be analyzed on a case-by-case basis.

## **IX. OPERATION OF THE BUSINESS**

### **A. Advertising**

Ukrainian law requires that the subject matter of advertising must be lawful and the advertising must be precise, reliable and cause no harm to the audience. In pursuance of these requirements, the law generally restricts, among other things, the following practices in advertising:

- any discrimination against people or discrediting the products of other entities;
- methods and technologies aimed at influencing a person's subconscious;
- use of national symbols, symbols of other states, names of Ukrainian authorities;
- encouraging the breach of law, harm to environment or personal health and security;
- advertising products prohibited from being produced / sold in, or brought to, Ukraine;
- elements of cruelty, violence, pornography, cynicism, humiliation of human honor and dignity;
- hidden advertising.

Additional rules and restrictions apply depending on the form, type and audience of advertising. For instance, outdoor advertising may require obtaining of a permit from local authorities. For television and radio advertising, there are limitations on timing that could be allocated to commercials. Special rules exist for involvement of children in advertising or promoting products intended for children.

There are also specific restrictions and requirements to advertising of sensitive categories of products/services, such as:

- medicines, healthcare products and services (for example, medicines may be advertised only after receipt of relevant approval for their use in Ukraine, advertising of prescription and certain other categories of drugs is prohibited, etc.);
- alcoholic beverages and tobacco products, trademarks and other IP objects used for the production (sale) of alcoholic beverages and tobacco products (for example, the prohibition of tobacco product advertising on radio and television; prohibition of alcoholic beverage advertising on radio and television from 6 A.M. till 11 P.M. etc.);
- weapons (for example, advertising of weapons is allowed only in specialized publications, on the premises of entities selling weapons or at specialized exhibitions, etc.);
- securities and stock market services (for example, there are restrictions on who can order this type of advertising, information it can contain, etc.);

- fundraising services (banking, insurance, investment etc.) and construction objects (for example, an advertiser must hold a license for relevant type of service, etc.);
- employment services (for example, any discrimination of potential employees, including age limitations, are prohibited in the advertising, etc.).

## **B. Attorneys**

- **Is it necessary to have local counsel?**

No. Ukrainian law does not require the compulsory engagement of local legal counsels for the purpose of operating a business.

## **C. Bookkeeping Requirements**

Both national and international (IFRS) accounting standards are allowed in Ukraine. Under general rule, a company is free to choose, which of the two types of standards to choose. However, for certain types of the companies, as well as for certain sectors, it is mandatory to apply the international standards, in particular, for Public JSCs, banks, insurance companies, as well as other regulated entities as the case may be.

## **D. Business Ethics/Codes**

- **Are there certain business ethics or codes, which the investor must follow (e.g. GAAP for accountants, etc.)?**

There are no generally accepted business ethics or codes, which a foreign investor must follow when carrying out business in Ukraine, unless the ones are approved and obligatory according to company's by-laws.

- **Are there consumer protection laws, which apply to the investor's operations?**

Consumer protection legislation can be divided into special legislation and legal acts of a general nature. Special legislation is composed of the Law of Ukraine "On the Protection of Consumer Rights", the Civil Code of Ukraine, Decree of Cabinet of Ministers of Ukraine "On Standardization and Certification" and by-laws adopted in its pursuance, for example, the Order of the State Committee of Technical Regulation and Consumer Policy "On the Approval of a List of Production Subject to Obligatory Certification in Ukraine". The second type of regulation applicable to consumer protection is laws and by-laws of general nature, which provide for the due quality of goods and the compliance of products and services with sanitary regulations, for example, the Law of Ukraine "On Safety and the Quality of Food Products", the Law of Ukraine "On Guaranteeing the Sanitary Welfare of the Population" etc.

## **E. Construction**

- **Are permits required for construction?**
- **How is authorization to construct obtained?**
- **How long does it take to receive authorization?**
- **What fees are involved?**

### Permits and approvals required for construction

The procedure of obtaining construction permits/approvals has improved significantly over the recent years, but still requires considerable time and effort.

It should be mentioned that Ukraine has recently adopted a so-called decentralization reform, which provides *inter alia* for the transfer of the function on control over constructions to local authorities. Therefore, because of the ongoing reform, the procedure may vary depending on the exact location of the land plot and project details.

We have briefly outlined the main steps of the applicable procedure for obtaining construction permits/approvals below. Please note that the below overview assumes the developer already has valid title to the land plot enabling it to start construction.

Step 1 - The developer applies to the relevant municipal or state authority (depending on the location of the land plot) for city-planning terms and limitations for the development of a land plot. As long as the contemplated construction complies with the local planning and zoning documentation (which is to be determined by the local authority upon its review of the application), the authority should issue (free of charge) the requested terms and limitations within *7 business days* upon submission of the application.

Step 2 - The developer applies to the relevant infrastructure operators (electricity, heat and gas supply, cable networks, television, sewage, fire service, etc.) to obtain their technical conditions for connection. The operators are obliged to provide the requested technical conditions within *10 business days*. The fees for providing technical conditions are determined by relevant operators in accordance with the rules set forth by the state authorities.

Step 3 - For commencement of preparatory works (installation of fence, demolition of buildings, preparation of the construction site, etc.), the developer applies to the relevant state architecture and construction control agency (a local division of the State Architecture and Construction Inspection of Ukraine or a special department of the local authorities, depending on the construction complexity and location of the construction object). The relevant agency is obliged to register (free of charge) the above-mentioned declaration within *5 business days*. Such declaration, once registered, enables the developer to commence only preparatory works but not construction works.

#### Step 4 - *Preparing design documentation*

Prior to applying for a document authorizing performance of construction works, the developer shall ensure preparing design documentation for the construction object and performing its approval. The design documentation is prepared under the basis of city-planning terms and limitations, design assignment and technical conditions as well as relevant state regulations and standards. The design documentation does not require any approval by the state or municipal authorities. However, it may require the state expertise.

#### *State expertise of design documentation*

Such expertise is mandatory for the construction objects related to complexity categories IV-V and certain other objects including those to be constructed on the territory with difficult geodesic or technogeneous conditions, etc. The developer shall perform such expertise through engagement of expertise organization.

Step 5 - Applying for a document authorizing performance of construction works. Depending on complexity of the contemplated construction object (which is determined by an architect on the basis of the criteria provided in the law and then set in the design documentation), the developer applies to the relevant state architecture and construction control agency with either (i) a declaration on commencement of construction works or (ii) an application for construction permit.

#### *Submitting declaration on commencement of construction works*

If the construction object relates to I-III category of complexity, the developer submits a declaration on commencement of construction works to relevant state architecture and construction control agency. The developer can proceed with construction works only after registration of such declaration by relevant state architecture and construction control agency. The state architecture and construction control agency shall consider the declaration within *5 business days* from the date of submission and put relevant data on construction works into the relevant register (free of charge).

#### *Applying for a permit for the performance of construction works*

If the construction object relates to IV-V category of complexity, the developer applies to relevant state architecture and construction control agency for construction permit. The state architecture and construction control agency is obliged to consider the developer's application within *10 business days* and adopt a respective decision (free of charge).

Step 6 – As a necessary pre-condition for operation of the newly constructed object and registering owner's title to it, the object is subject to commissioning. For objects related to complexity categories I-III, commissioning is carried out under a declaration of readiness, and for objects related to complexity categories IV-V – a certificate of conformity of the constructed object with project documentation, state standards, construction norms and regulations.

The declaration of readiness is subject to registration by the relevant state architecture and construction control agency. Such registration is done free of charge within *10 business days* from the date of application. The date of commissioning of a building in the I-III categories of complexity is the date of registration of the declaration of readiness.

To obtain the certificate of conformity, the developer applies to the relevant state architecture and construction control agency, which will then review the submitted documentation and conduct a closing inspection of the construction object. The relevant inspection of the state architecture and construction control is obliged to issue the certificate of conformity within *10 business days* from the date of application free of charge. The date of the commissioning of the newly constructed object is the date of the issuance of the certificate of conformity.

#### Cost of construction

It should be noted that the cost of construction in Ukraine, in addition to the value of works and materials, salaries paid to employees etc., also includes the mandatory contribution to the city engineering, transport and social infrastructure. The developer has to conclude the agreement providing the amount of the contribution and its payment term with the local authorities. In case of non-residential construction, the maximum amount of contribution is limited to 10% of the total estimated value of the construction, and in the case of residential construction, contribution cannot exceed 4% of the total estimated value of the construction. The contribution shall be paid in full prior to commissioning of the object.

#### **F. Contracts**

- **Can the investor freely enter into local contracts?**

A foreign investor can enter into local contracts subject only to standard legal requirements, which are inherent to most legal systems, such as:

- Tax registration and reporting requirements;
- Necessary customs registrations (for export / import operations);
- Obtaining permits/licenses and other industry-specific regulatory requirements;
- General restrictions to carry out activities subject to state monopoly;
- Special requirements for state procurement contracts.

- **Can the law of another country govern the contracts?**

Yes, with certain exemptions. Pursuant to Ukrainian law, the parties to the contract may choose the law governing their relations (including a foreign law), provided such relations are characterized with the foreign element. A foreign element is considered to be present in relations if one of the following requirements is met:

- at least one of the parties is an alien, apatriote or a foreign legal entity;
- the object of the contract is located outside Ukraine: or
- the legal fact, which triggers the arising, alteration or termination of legal relations, took or is taking place outside Ukraine.

Still, in certain cases the law requires the application of Ukrainian law despite the availability of a foreign element. For instance, relations shall be governed by Ukrainian law (or other law, that has the most connection with the relations) if the application of a foreign law can lead to consequences incompatible with Ukrainian public order.

Also, in case the parties have not agreed on the law of the contract, the law that has most connection with the transaction shall be applied. Unless the opposite falls from the provisions, purpose of the contract or other terms of the transaction, the transaction is more connected with the legislation of the country, in which the party, performing the contract, is registered or resides. Depending on the type of the contract, the legislation of Ukraine names the parties to particular contracts, who are considered to be the parties, performing it.

At the same time, for the following contracts, the law, to which the contract is most connected, is:

- Regarding the contracts on real estate objects – the law of the country, where the real estate object is situated, and, in case such real estate object required registration – the place where it is registered;
- Regarding the contracts on joint ventures or performing works – the law of the country, in which such activity is performed or the results prescribed under the agreement, are reached;
- Regarding the contract, entered into at the auction, based on the results of a competition or at stock exchange – the law of the country, where the auction or competition took place or where the stock exchange is situated.

## **G. Price Controls**

- **Are there applicable price controls?**

In accordance with Ukrainian law, prices may be free or controlled by the government. Free prices are established for all kinds of products and services, except for those, which are subject to price control. Price controls could have different forms, including establishment of fixed prices, threshold prices; limitation of wholesale and retail price mark-ups; profitability thresholds; limits on discounts or amount of supplier's consideration; price registration or declaration.

In general, pricing policy in Ukraine is relatively liberal and the prices are regulated only with respect to resources (products and services) of crucial social significance (for example, natural gas and energy resources, certain types of medicines, limited list of food products, tobacco etc.) or products and services, produced (rendered) by companies, which have a monopoly (dominant) position in the market (tariffs for the use of main pipelines, airport fees for the maintenance of aircrafts, etc.).

## **H. Product Registration**

- **Must the entity register its product? If so, how is registration obtained? How long does the process take? Are there fees involved?**

Ukrainian law requires mandatory state registration only for certain categories of products. In particular, medicinal products, new food products or ingredients (significantly different from regular products already available in the market), food supplements, flavoring agents, enzymes, natural mineral water, preparatory forms of pesticides and agrochemicals, disinfectants, GMO containing cosmetics and medicines, as well as certain other products are subject to state registration. The registration procedure may differ depending on the type of product; therefore, precise analysis should be done on a case-by-case basis. It should be noted that in certain cases (for instance, for medicinal products, pesticides and agrochemicals etc.) applicable laws may require a special expertise and/or testing to be conducted as part of the registration process or as a pre-requisite to the registration.

The timing for state registration varies significantly, depending on the product. For example, for medicines the statutory registration timeline ranges from approximately 120 to 250 business days (depending on the type of drug), however, in practice the registration process could take over 1 year. Statutory timing for registration of new food products is 180 business days, while for flavoring agents it is only 30 business days. The duties for state registration are usually not significant (for instance, up to EUR 100 per one medicinal product) or not charged at all. At the same time, expertise, testing and other similar procedures are normally subject to separate charges and could significantly increase the registration cost. For instance, the fee for expertise of registration materials for one medicinal product is currently up to approximately EUR 3,000, excluding laboratory testing.

In addition, Ukrainian laws provide for mandatory state certification of certain types of products (including, for instance, certain types of machinery, alcohol, tobacco products, fuel, weapons etc.). This system is currently being replaced with procedures for assessment of product conformity based on technical regulations specific for different groups of products. Such transition is expected to be finalized by 1 January 2018.

Failure to comply with state registration, certification or conformity assessment requirements can, inter alia, prevent products' import to, or distribution in, Ukraine, or result in liability for officials of companies engaged in such activities.

## **I. Reductions or Return on Capital**

- **Can capital be repatriated while the corporation is still ongoing?**

Ukrainian law generally permits repatriation of capital of an ongoing company, including by means of payment of dividends, reduction of company's capital, payment of interest accrued on loan and/or royalty payments.

More generally, Ukraine declares investor-friendly regime and provides foreign investors with a right of transfer of funds (income) received from their investments in Ukraine, including those made as charter capital contributions into Ukrainian companies, after payment of the applicable taxes and compliance with the relevant currency control formalities. In practice, however, repatriation of capital by foreign investors may sometimes be impeded by the applicable currency control and investment registration procedures and may significantly depend upon the flexibility of the involved servicing bank and the regulator.

As a temporary exception to the above, due to economic turbulence in Ukraine as at the time of writing, the regulator (National Bank of Ukraine) has imposed a prohibition on payment of dividends outside Ukraine and subjected foreign capital repatriation to certain additional restrictions.

For example, the prohibition on purchase of foreign currency and its transfer abroad is currently introduced in Ukraine, with regard, among others, to the following cases:

- cross-border payment of dividends to foreign investors;
- transfers by foreign investors of funds obtained as a result of over-the-counter sale of Ukrainian local debts securities or sale of shares and ownership interests in legal entities, decrease of share capital of legal entities, as well as withdrawal by foreign participants from Ukrainian companies.

Furthermore, it is prohibited to introduce amendments that provide for replacement of a lender/borrower (except if any such cross-border loan was raised by a Ukrainian bank) to cross-border loans, as well as to assign loan claims from resident-lender to a non-resident lender. Exceptionally, the replacement of foreign lender in the loan agreements is allowed in cases of:

- substitution of a lender as a result of its merger or in connection with its liquidation;
- in cases related to loan agreements executed with participation of a foreign export credit agency.

The above temporary restrictions are regulated by the resolutions of the National Bank of Ukraine No. 581 dated September 3, 2015 and No. 718 dated October 22, 2015. Aforementioned resolutions will be in force until December 04, 2015 and may be subject to further prolongation.

## **J. Sale of Goods**

- **Are there restrictions on the manner, time or place of sale of goods?**

Ukraine applies certain age and other types of restrictions on the sale of such goods as tobacco, alcohol, weapons, drugs and certain other potentially hazardous goods. Generally, the restrictions are similar to the ones applied in the EU. Sale of alcohol, tobacco, weapons, drugs are subject to licensing. Specific requirements are usually provided in respect of qualification of salesmen and premises where the alcohol products are being sold. Special rules are envisaged for itinerant trade.

## **X. CESSATION OR TERMINATION OF BUSINESS**

### **A. Termination**

- **What costs are involved in termination?**

Termination of business by means of liquidation entails the following costs:

- costs of official publication and for written notifications to all creditors of the company on the termination of its business;
- notary's fee for the certification of liquidation documents;
- auditor's review of the liquidation balance-sheet (in cases prescribed by law);
- consultants' fees (optional);
- liquidator's fees (optional).

Generally, in case of a voluntary liquidation of a company (i.e. by decision of the shareholder(s)) with no material litigation, the above costs should not exceed EUR 15,000-25,000. This amount does not cover Company's obligations (vis-à-vis its creditors, employees, state authorities), that need to be settled as well.

Forced termination of the company, i.e. based on decision of the court, regulator and/or in terms of the insolvency procedure, as well as voluntary liquidation in certain specific sectors involving regulator(s) (e.g. banking, insurance) is likely to imply larger costs (mainly for settlement of the creditor's claims and the consultancy fees).

- **How long does it take to terminate the business?**

Voluntary termination of a business takes from 4 to 18 months, depending on the type of business, organizational form of the company, its assets and employees, number of creditors' claims, material litigation, tax issues etc. Voluntary liquidation in certain specific sectors involving regulator(s) (e.g. banking) as well as forced liquidation can take much longer.

- **How is the investor's particular form of business treated in termination?**

In most of the cases, all investors of a company have equal rights to receive part of a company's assets on its liquidation pro rata to their contributions to the company after settlement with all company's creditors has been concluded. An exception to this rule is an investor of a joint stock company, holding privileged shares, which grants it a preference in obtaining part of company's assets in comparison with a holder of ordinary shares.

The investor's form of business is not taken into account, i.e. both individuals and legal entities of any form of business have the equal rights described above.

- **Can the business be terminated without government approval or intervention?**

Generally, a business can be terminated without government approval or intervention – based on the decision of its owners (shareholders). However, the termination procedure always involves close interaction with different state authorities (state registrars, tax authorities, state archive institutions etc.)

Furthermore, liquidation of a regulated entity (e.g. a JSC, a bank, an insurance company etc.) additionally entails involvement of the respective regulator (National Commission for Securities and Stock Market, National Bank of Ukraine and other).

- **What are the obligations toward creditors, employees and others upon termination?**

During the standard voluntary liquidation process of a solvent company, all of a company's assets are evaluated and distributed among the company's creditors in the following order:

- 1) compensation of damage caused by mutilation, other damage to health or in relation to death as well as secured creditor's demands (by pledge or otherwise);
- 2) claims related to labor issues and copyright remuneration;

- 3) tax duties and other mandatory payments claims;
- 4) all other claims of the creditors.

The claims of creditors of the same level are satisfied in proportion to the claim amount. Still, certain sector specific peculiarities may apply (e.g. for insurance sector).

In case of a JSC, upon completion of stage 4) the company starts respective payments to its shareholders, also in queues:

- payment of accrued but non-paid dividends under privileged shares, if any;
- payment for obligatory buyout of privileged shares if the JSC has such obligations;
- payment of liquidation value of the privileged shares, if any;
- payment for obligatory buyout of ordinary shares if the JSC has such obligations.

After completion of the settlements mentioned above, any remaining assets, if any, shall be distributed among the participants / shareholders of the company (except for holders of the privileged shares, if any, of a JSC, as settlement with them is provided within an earlier stage as listed above).

In case of a forced liquidation the procedure and order of claims settlement will be different and will depend mainly on sectors of activity (e.g. banking, insurance, agriculture) and status (e.g. those having significant value for communities) of the company.

## **B. Insolvency/Bankruptcy**

- **What is the extent of the investor's liability in the event of insolvency or bankruptcy?**

The investor's liability depends on the type of company. The investor in a joint-stock company may be liable only for the value of its stake. The investor of a limited liability company may only be liable to the extent of its contribution in the company's charter capital. The investors of an additional liability company a full liability company or a general partnership may be subject to additional liability or full liability to the extent of all the assets owned by them. If the investors have not paid their contributions in full, they may also be subject to additional liability in the amount of unpaid contributions.

Moreover, bankruptcy law provisions state that investors must take timely measures in order to prevent debtor bankruptcy. Such provisions create additional risks for investors, however there is no established court practice in this matter.

## **XI. LABOR LEGISLATION, RELATION, AND SUPPLY**

### **A. Employer/Employee Relations**

- **What laws govern employer/employee relations?**

Labor issues in Ukraine are governed primarily by the Labor Code of Ukraine, which regulates inter alia wages and salaries, work time and vacations, employment agreements, collective bargaining agreements, termination of employment and employee guarantees. Related issues, including salary payment, social security, mandatory withholdings, taxation, pensions, and work permits are regulated by a number of other legislative acts and regulations, such as laws on the "Remuneration of Labor", "On Employment", "On Labor Safety", "On Vacations", "On Collective Agreements and Contracts", "On Trade Unions. Their Rights and Guarantees of Activity" and others.

- **Are there obligations to train employees?**

The Labor Code of Ukraine provides for employer's obligation to conduct introductory and regular training for its employees on labor and fire safety rules. There are no direct obligations for the employer to conduct

professional training of its employees, unless specifically required by law for particular industry or by employer's bylaws.

## **B. Employment Regulations**

- **Must the investor hire nationals of the country?**

Ukrainian law does not directly provide any thresholds for the employment of Ukrainian nationals, with certain exceptions that are in more details addressed below herein, in particular:

- the state employment office may refuse to issue labor permits for employment of foreign citizens if it believes that there are qualified nationals in Ukraine capable of performing the same work;
  - the state employment office has to refuse in issuing of labour permits to foreign nationals that were seconded to a Ukrainian customer based on the agreement between the latter and the foreign employer(s) of such secondees, if the total number of foreign staff used by such Ukrainian customer exceeds 50 %;
  - the law prohibits employment of foreigners to positions or work that are conditioned by Ukrainian citizenship (e.g. state officials, judges, notaries, positions requiring access to state secrets, etc.).
- **Is there a minimum wage?**

Yes. The minimum wage is established by Ukrainian laws. Currently and up to December 31, 2015 it amounts to UAH 1378 (approx. EUR 50) per month or UAH 8,29 (approx. EUR 0.31) per hour.

- **Is there a maximum number of hours an employee can work each week?**

Yes, the maximum number of working hours is 40 hours per week. Certain categories of employees (e.g. those under 18 y.o.) and employees engaged in certain types of works / activities (doctors, teachers, those engaged in dangerous works) are entitled to shorter work week. Overtime is generally prohibited and may only be introduced in certain limited exceptional cases provided by law. Overtime working hours for any employee shall not exceed four hours in any 48-hour period or 120 hours per year. Certain deviations from the mentioned limitations are allowed if the employee works based on open-ended working day regime (that has to be compensated by additional paid vacation 1-7 calendar days annually).

- **Is there a minimum number of vacation and sick days to be given?**

The general minimum number of annual vacation days is 24 calendar days per year, but this indicator may be higher for certain categories of employees (e.g. minors, disabled, teachers, state officials, those engaged in dangerous works etc.). Moreover, under Ukrainian law, certain categories of employees are entitled to additional paid vacations, the duration of which varies depending on the category of the employees (e.g. single parent) and the type of work performed by them (e.g. open-ended working day regime).

Ukrainian law does not provide a minimum number of days for sick leave.

## **C. Hiring and Firing Requirements**

- **Must the investor employ a minimum number of people?**

Ukrainian law does not directly establish a minimum number of employees to be employed by the subsidiary, branch or representative office of the investor. However, certain requirements as to personnel may be provided for by licensing terms for certain type of activity, which requires a license or permit.

- **Must the investor employ a minimum number of nationals?**

Ukrainian law does not provide for a minimum number of nationals to be employed by the employing company in Ukraine. However, there are certain indirect requirements as to personnel (please refer to section B above).

- **Must nationals hold certain positions in the company?**

There is a general requirement that nationals should hold positions or perform work requiring access to state secrets and/or conditioned by Ukrainian citizenship (such as state officers, judges, notaries, etc.)

Also, from the practical point of view, a newly-incorporated company will need to have a Ukrainian director for a temporary period of at least several months following its incorporation since employment of foreign individuals requires prior obtaining of a work permit by the company, which is only possible after a certain initial operation period.

- **Are there rules to follow in hiring/dismissing personnel (e.g. notice)?**

Yes, there are such rules in hiring/dismissing personnel. Rules for dismissing personnel vary, depending on the reason for the dismissal.

- **Does the investor have a continuing obligation towards dismissed employees?**

The investor shall have no continuing obligation towards employees dismissed from the subsidiary, branch or representative office of the investor. Certain cases of dismissal of employees of protected categories may fall under exception with employer's obligation to mandatory employ such employees or pay them wages for a specific period of time.

#### **D. Labor Availability**

- **Is adequate skilled or unskilled labor available for the anticipated business?**

Both skilled and unskilled labor is available for the anticipated business - experienced employees and workers, graduates from Ukrainian and foreign universities, working students.

#### **E. Labor Permits**

- **Are labor permits required?**

Yes, labor permits are required for foreign citizens and apatrides to work in Ukraine if they are

- employed by a Ukrainian company, or
- seconded by a foreign company for work in a Ukrainian company under an agreement between the foreign company and the Ukrainian company, or
- fall under the category of "intra-corporate transferees". They may not start working in Ukraine prior to obtaining labor permits for them by the future Ukrainian employer.

Several categories of foreign citizens / apatrides are exempted from the requirement to obtain labor permits, inter alia: those who permanently reside in Ukraine on the basis of permanent residence permits or have obtained the immigration permit; those who are professional sportsmen or artists that came to Ukraine to work according to their specialization; those who are professional journalists of a foreign mass-media accredited in Ukraine; those who are the staff of rescue teams that arrived for performance rescue works in case of emergencies; those who are the staff of foreign air/marine/river craft, maintaining such craft on the Ukrainian territory; those who are academic lecturers invited by Ukrainian higher-educational institutions; those who are officially registered in Ukraine as refugees; those who work for Ukraine-based representative offices of foreign companies (such employees must receive service cards of the representative office instead of the work permit); and several others.

- **If so, how are they obtained?**

To obtain a labor permit for a foreigner, an employer must submit fairly wide range of documents and information to the Employment Office and pay a fee. Labor permits are primarily issued for one year and may be extended for subsequent 1-year periods. For such extension, the employer must submit simplified package of documents to the Employment Office not later than 20 calendar days prior to expiration of the issued labor permit.

- **How long does the process take?**

Processing time by the Employment Office is 7 business days from the date of the application filing. This does not include 15-days waiting period after the vacancy announcement by the employer, that is a part of the filing process and must be performed at least 15 days in advance of the application filing (with several rare exceptions where the waiting period can be skipped – e.g. if the applicant is a graduate of a top-100 universities listed in the respective reputable rankings).

- **What fees are involved?**

The fees involved are: the state duty for issuance of the work permit, payable by the employer, in the amount of four minimum statutory wages (that currently totals to UAH 5,512 or approx. EUR 205); and notary and translator's fees for certification of certain respective documents from the filing set.

## F. Safety Standards

- **Are there safety codes that must be followed?**

The general scope of labor safety is determined by the Labor Code and the law “On Labour Safety”. Detailed safety codes for almost every sector of the economy can be found in regulations adopted by the respective state authorities.

Based on the above, each employer has to have its own labour safety manuals, procure initial and regular labour safety trainings for all the staff, engage a specifically qualified person (and in certain cases even a unit) responsible for maintenance of the labour safety system at the employer.

## G. Unions

- **Are unions recognized?**

Trade unions and their associations are legally recognized. They may be established and act freely. Their establishment does not require registration at or any permit from state authorities. Instead, trade unions should be legalized by means of notification to the respective state authorities. Ukrainian law provides certain guarantees of the activity and benefits for trade unions and members of their elective bodies and representatives.

- **What are the unions in the investor's business?**

Trade unions or associations of trade unions can have one of the following statuses: primary, local, district (oblast), regional, republican, and all-Ukrainian. Trade unions can organize associations. One such association is the Federation of Trade Unions of Ukraine, which has a status of an all-Ukrainian association.

- **What are these unions' political affiliations, if any?**

The trade union movement in Ukraine has no clear political affiliation. Moreover, the law explicitly declares that trade unions are independent from political parties.

- **Is there an obligation on the part of the employer to organize unions?**

The employer has no obligations to create trade unions.

Citizens can establish trade unions on the basis of the expression of free will and without any permit, enter into, or withdraw from them as determined by their charters. Foreign citizens and apatrides cannot establish trade unions, but can obtain membership in them if such possibility is provided by the trade union's charter.

Once a duly established trade union is represented at the employer, the latter is obliged to procure conditions for its maintenance (e.g. premises, deductions of trade union fee from payroll etc.) as well as guarantees for employees being members of the trade union's governing bodies.

- **Are there mandatory collective bargaining agreements for the business involved?**

There are no such rules whereby the employer is obliged to initiate negotiations with labor personnel to enter into a collective bargaining agreement. However, Ukrainian law provides for the liability of the employer's officials who refuse to participate in negotiations with labor personnel or trade union on entering into a collective

bargaining agreement or its amending when the latter initiate such negotiations. The above liability consists of a fine, and in specific circumstances may also provide for a dismissal as an ultimate disciplinary action.

## **XII. TAX ON CORPORATIONS**

### **A. Corporate Income (Profits) Tax**

Resident companies and foreign entities conducting business in Ukraine through their permanent establishments are taxed on their worldwide profits at a rate of 18%.

Non-resident companies are taxed on their Ukrainian-source income.

### **B. Calculation of Tax**

Taxable base for corporate profit tax (CPT) is “profit before tax” determined as per financial accounting, adjusted for certain “tax” differences, which either increase or decrease the tax base (losses carry-forward, depreciation, royalty and interest payments, reserves, payments to low-tax jurisdictions and some other).

Small enterprises (with annual income of below UAH 20 million) may pay CPT based on their financial accounting results without adjustments.

### **C. Capital Gains**

Capital gains are taxed as ordinary business income (18%).

### **D. Tax Losses**

Tax losses may be carried forward to future tax periods indefinitely, but may not be carried back.

### **E. Filing and Payment Requirements**

Corporate income tax returns are filed on annual basis before 1 June of the year following the reporting year. The tax due must be paid within 10 days after the deadline for filing the tax return.

Taxpayers with the annual taxable income for the previous year of more than UAH 20 million, must also make monthly advance payment of tax in the amount of 1/12 of the tax liability for the previous year. Advance payments are then offset against the final tax liability indicated in the annual tax return for the reporting year.

### **F. Withholding Tax (WHT)**

WHT at 15% standard rate applies to payments of Ukrainian source income to non-resident entities, to include: interest, dividends, royalty, rental income, capital gains from the sale of securities and immovable property, certain types of services fees (e.g. engineering services). There are specific rates for freight income, insurance premiums and income from advertising services.

Compensation payable to non-residents for goods or services is generally not subject to WHT (except as noted above).

Withholding tax can be reduced or eliminated under a relevant income tax treaty.

### **J. Value added tax (VAT)**

VAT legislation of Ukraine is largely based on the principles of the EU Sixth Directive. However, there are several substantial deviations from EU practices (e.g. place of supply rules and VAT accounts).

The rates are as follows:

- The standard rate for domestic supplies of goods and services and the importation of goods and services is 20%;
- The reduced rate of 7% applies to supply and import of medicines and certain medical goods;
- The export of goods and limited range of services from Ukraine is zero-rated.

Some important transactions exempted from VAT include financial services, transactions with securities, insurance services.

VAT returns are due within 20 calendar days following the end of the reporting month, and tax is due within 10 calendar days following the deadline for filing the tax returns. Tax due shall be paid from special VAT account opened with State Treasury.

A person registered for VAT purpose may recover input VAT on its purchases, provided that seller registers VAT invoice in the special registry administered by the tax office.

In 2015, a special system of VAT accounts has been implemented to combat VAT fraud. In this system, a supplier may register a VAT invoice to customer, provided that the supplier deposited relevant amount of money to its special VAT account opened in State Treasury (i.e. supplier is effectively required to prepay its VAT liabilities to the state).

Obtaining VAT refunds is difficult and substantial delays are common. VAT compliance is a serious burden for businesses.

## **K. Other Taxes**

Other material taxes applicable to Ukrainian businesses include:

- Payroll taxes (personal income tax, single social security tax, military tax);
- Customs duties on importation of goods;
- Land tax payable by landowners, and land rent payable by lessees of state and municipal land;
- Property tax on commercial real estate;
- Excise tax on certain products;
- Ecology taxes;
- Rent for extracting mineral resources;
- Transactional taxes (e.g. stamp duty, pension fund levy on real estate transactions).

## **L. Registration Duties**

- **Are there registration duties due upon the incorporation of a company?**

Incorporation of the company is exempt from state registration duty.

- **Are there registration duties due upon an increase in capital?**

Registration of charter capital increase is subject to state duty of approximately USD 4 (EUR 3).

- **Are there registration duties due upon the transfer of the company's shares?**

The transfer of the company's shares, except for the cases, when a company's charter does not contain the information on shareholders of the company (most of joint-stock companies), requires payment of state duty of approximately USD 4 (EUR 3).

In the case of joint-stock companies, the transfer of a company's shares will require the payment of fees to the depository institution (according to their tariffs) and to the notary in case of the notarization of shares transfer agreements (depends on the value of the agreements).

- **Are there registration duties due upon a transfer of corporate assets?**

There are registration duties due upon a transfer of real estate objects or land plots, the amount whereof depends on the object of transfer, its value, location and terms of registration (may vary in different regions).

Transfer of real estate (buildings) is subject to stamp duty of 1% and special pension tax of 1%.

- **Are there any other registration duties due?**

There are registration duties due for the registration of any changes to the charter of a company, including its name, location, management bodies. For other cases indicated above (company registration, capital increase, transfer of shares etc.) notary and legal fees may apply.

### **XIII. PERSONAL INCOME TAX AND OTHER PAYROLL TAXES.**

#### **A. Personal Income Tax**

Resident individuals are subject to personal income tax ("PIT") on their worldwide income. Most types of income are taxed at the progressive rates: 15% and 20% (for income in excess 10 minimum statutory salaries or UAH 12,180 per month in 2015). Capital gains, dividends and royalties are subject to flat 20% tax, except for dividends from Ukrainian companies (5% tax). A lower rate under tax treaty may apply.

#### **B. Tax Residence**

An individual is a tax resident of Ukraine if he resides in Ukraine. If an individual also resides in another state, there are a number of other criteria (centre of vital interest, duration of stay, citizenship), under which an individual may be treated as a tax resident.

If an individual is considered a non-resident for tax purposes if he does not quality as a resident under applicable rules.

#### **C. Taxable Income. Exemptions**

Residents are subject to tax on any type of income received or accrued in Ukraine or abroad except for certain items that are specifically excluded from taxable income.

Some important items of income that are not subject to PIT include:

- additional shares received from the capitalization of retained earnings in a company provided that the ratio of shares allocated to each shareholder remains unchanged.

#### **D. Employment Income**

Salaries, wages and any other remuneration of resident employees ("employment-related income") are subject to personal income tax (PIT) levied at progressive rates. The standard rate is 15%, with a 20% rate applying to amounts of income exceeding 10 minimum statutory salaries (the official indicator, which is subject to changes) per month for Ukrainian tax residents and for non-residents (subject to the provisions of any applicable tax treaties). Tax is withheld by the employer.

As a rule, benefits in kind are taxable as employment income, except for some non-taxable items, for example:

- accommodation or other tangible or intangible assets owned by employer and provided to employee for free-of-charge use (subject to the condition that such provision is required for the performance of labor functions by the employee and is stipulated in the employment contract, within the limits specified therein).

- payments (up to a certain limit) by employers for the education of employees;
- amounts received from an employer in respect of certain medical treatment and services.

The standard personal allowance amount is relatively low (approximately USD 26 in 2015). Important deductions include: part of interest on mortgage, expenses for the education of the taxpayer or his family members, premiums under voluntary long-term life insurance contracts or private pension insurance.

#### **E. Capital Gains (Investment Profit)**

Gains from transactions with investment assets (e.g. shares in joint-stock companies or interest in LLCs) are subject to flat 20% PIT.

#### **F. Sale of Real Estate**

Gross proceeds from sale of real estate are subject to PIT at 0%, 5% or 15/20% rate depending on a number of criteria (e.g. how long the seller owned the asset, number of real estate transactions per year, tax residency of the seller).

#### **G. Taxation of Inheritance and Gifts**

Property inherited or received as a gift is subject to PIT at 0%, 5% or 15/20% rate depending on family relation of donor (testator) and donee (heir) and their tax residence.

#### **H. Tax Agents**

Employers and other legal entities, which pay salary or other types of income to individuals are defined as tax agents responsible for withholding PIT and remitting tax to the relevant budget. Tax agents who fail to withhold the tax are responsible for the payment of tax liability (plus fines). An individual is required to file a personal income tax return only if there is income received not from tax agents or if the individual claims tax deductions.

#### **I. Other Payroll Taxes**

In addition to PIT, employment-related income is subject to Unified Social Security Contribution (“USSC”). USSC is payable at the rate of 3.6%, to be withheld from the remuneration due to employee and remitted by the employer. The taxable base for USSC is subject to a monthly cap (17 minimums of subsistence, the official indicator, which is subject to changes). Apart from deducting USSC from the employee’s income, the employer must pay the employer portion of USSC at a rate that ranges from 36.76% to 49.7% (depending on the type of industry) based on the gross payroll.

The taxable base for the contributions is capped at UAH 20,706 (about US\$ 900) per employee per month in 2015. The cap is reviewed annually.

Military tax on salaries at 1.5% has been introduced in 2014 as a temporary measure to finance military expense, and the tax will remain in effect until separate decision of the parliament.

### **XIV. GENERAL TAX CONSIDERATIONS**

#### **A. Tax Systems**

The Ukrainian system of tax legislation is complex with 11 major state and local taxes. Tax laws are consolidated in the form of Tax Code, effective from 2011.

Taxation laws are subject to frequent change, and sometimes lack clarity and predictability.

A World Bank study “Paying Taxes 2015” ranked Ukraine as 108 (out of 189 economies) in terms of the ease of paying taxes.

## **B. Anti-avoidance**

The ambiguity of tax legislation and the complexity of compliance result in a high level of avoidance. According to recent reports as of the 1st half of 2015 about 47 percent of Ukraine's economy remained in the shadows.

Anti-avoidance legislation targets transfer pricing, dealings with tax havens and deductibility of interest expenses. Detailed transfer pricing laws and regulations largely based on EOCED guidelines have been implemented since 2013, while practice of their enforcement is still developing.

## **C. Tax Rulings**

Tax authorities are required to issue tax rulings upon taxpayer's request. Such rulings are not legally binding but may be used in disputes with local tax authorities if there is uncertainty regarding the application of the tax law.

There is no system of advanced tax rulings or advanced pricing arrangements in their traditional meaning.

## **D. Tax Treaties**

Ukraine has around 70 effective double taxation treaties.

# **XV. IMMIGRATION REQUIREMENTS**

## **A. Immigration Controls**

- **Are there immigration quotas?**

Yes. There are immigration quotas, which are set annually. They are allocated with regard to immigrants' categories and regions of Ukraine. Certain categories of the foreigners (mainly, those who have strong Ukrainian connections – via family or origination) may apply for the permit beyond the quota.

- **Are vaccinations required?**

No mandatory vaccinations of foreign citizens or apatrides entering Ukraine are required.

- **Are medical certificates required?**

Generally, no medical certificates are required for foreign citizens or apatrides entering Ukraine. However, medical certificates will be required for obtaining the immigration permit (that is the basis for obtaining the permanent residence permit) and the work permit (that is one of the grounds for obtaining the temporary residence permit).

- **Are entry permits required? If so, must you apply for an entry permit before entering the country? Are exit permits required? Are re-entry permits required?**

No entry, re-entry or exit permits for foreign citizens or apatrides are required. Instead, they need to obtain an entry visa in accordance with the procedure specified by the law unless such foreign citizens are exempt from the visa requirement by the law or international agreements of Ukraine (please refer to section C below).

## **B. Immigration Requirements/Formalities**

- **Is a residence permit required?**

Under general rule, for the purposes of business or leisure, foreign citizens and apatrides may enter and stay in Ukraine without any residence permit but on the basis of their passports (with visas – where applicable), which are duly registered at the state border of Ukraine.

Entrance with the purpose of permanent stay (based on the earlier obtained valid immigration permit), employment, family reunion, participation in international technical aid programs, participation in cultural, scientific, education activities based on respective international treaties; participation in duly accredited

volunteers' initiatives; participation in activities of religious organizations or units of foreign NGOs would generally require respective residence permit (permanent or temporary).

- **If so, does the investor have to apply for one before entering the country?**

No. The applications can only be done after entering the country. Still, to be entitled to enter Ukraine with the purpose of filing for the residence permit, the foreign national / apatriide will have to apply for the special type entry visa, i.e. visa type D, unless an exemption apply to her/him (citizens of Russia, Belarus, Georgia and certain other post-soviet countries), – such visa filings have to be done before entering the country.

- **What information must be supplied to the immigration authorities?**

The scope of documents and information required varies depending on the type of residence permit, the category of immigrants and the purpose of stay. There are two types of residence permit: temporary or permanent. The key document for both types are: valid passport with the special type visa D (unless the visa exemption apply, - please refer to the bullet point above). Additionally, for the permanent residence permit the key specific document will be the immigration permit (that has to be obtained from the Ukrainian migration authorities in advance); and for the temporary residence permit – the document(s) that substantiate the purpose of stay (e.g. work permit in case of employment, marriage certificate and/or birth certificate in case of family reunion, etc.) A number of other supporting documents will be required as well.

- **How long does it take to receive authorization?**

The permanent residence permit should normally be obtained within 7 calendar days from the date of the application filing to the immigration authorities. This term does not include the timing (up to 1 year) required to obtain the immigration permit that is the key ground for obtaining the permanent residence permit.

As for the temporary residence permit, the processing time by the immigration authorities is 15 calendar days from filing of the application.

## C. Visas

- **Is a visa required for travel or stay in the country?**

Yes. A visa is required for entering and travel or stay in Ukraine unless an individual is a citizen of a country, the citizens of which enjoy a visa-free regime. Citizens of more than 50 countries may stay in Ukraine without any visa - on the basis of their passports, provided that their cumulative stay in Ukraine does not exceed 90 days within any 180 days period, and with no right of employment. There is still a visa-free regime with EU countries, USA, Canada, UK, certain post-soviet countries including, inter alia, Russia, Belarus, Georgia, as well as with a number of other countries, according to either Ukrainian laws or bilateral treaties between Ukraine and the respective countries. However, there may be some specific features for the implementation of such a regime, depending on the country of residence of the foreign citizen. The actual information about entry regime to Ukraine, by nationalities of the travelers, is available at the web-site of the Ministry of Foreign Affairs, on the following link: <http://mfa.gov.ua/en/consular-affairs/entering-ukraine/visa-requirements-for-foreigners>.

- **If so, how long is the visa valid for?**

The validity of the visa depends on its type. There are 3 types of visa's:

- transit visa – type B: valid for up to 1 year, can be one-, two- and multi-entry, but with maximum duration of one-time stay in Ukraine during each of the transits not exceeding 5 days;
- short-term visa – type C, usually used for tourism or business (except employment): validity period ranges from 6 months to 5 years, can be one-, double- and multi-entry, allowed period of stay in Ukraine – cumulatively 90 days within a 180 day period (under general rule);
- long-term visa – type D: used for the cases when there is a need to enter Ukraine with a purpose of formalizing long-term stay, i.e. to obtain temporary or permanent residence permit (e.g. due to employment, family reunion, immigration etc.), one-entry, valid for 45 days (with several rare exceptions when it can be issued for or up to 3 years).

- **How does the investor apply for a visa?**

Under general rule, the investor should apply for a visa to the respective Ukraine's diplomatic mission or consular office in the respective jurisdiction, i.e. outside of Ukraine; in person (as a general rule) or through the authorized person (as an exception), with all the required documents and information.

In certain exceptional cases, e.g. a duly substantiated emergency or bilateral treaty obligations, visa applications can be filed on the territory of Ukraine: at the port of entry or consular department of the Ministry of foreign affairs of Ukraine.

- **What documents are required?**

The scope of documents depends on the type of visa, purpose of the entry and the issuing authority. Under general rule, the key documents are: visa application, valid passport, photographs, document(s) substantiating the purpose of the trip (e.g. work permit in case of employment, marriage/birth certificate in case of family reunion), pay-slip confirming payment of the consular fee (unless fee exemptions apply), travel documents, information on accommodation in Ukraine, etc. One should check the list of required documents with the respective issuing authority (Ukraine's diplomatic mission or consular office) before visit for the application. Please note that that consular institutions are entitled to request additional documents as they deem necessary.

- **How long does it take to receive a visa?**

Standard processing time – within 15 calendar days, but may be extended up to 30 days as the consular institution deems necessary. Accelerated procedure (i.e. less than within 15 calendar days, usually – 2-3 business days) is subject to availability of the respective consular institution and is usually subject to double-fee.

- **What fees are involved?**

Standard consular fee rates are: USD 85 for one-entry visa, USD 130 for double-entry visa and USD 200 for multi-entry visa, but may vary subject to international treaties' provisions and/or reciprocity principles. Certain categories of applicants are exempted from consular fees, e.g. children under 6 y.o., diplomatic staff, official delegations etc.

The fees are doubled, if the expedite procedure is requested.

## **XVI. EXPATRIATE EMPLOYEES**

### **A. Cost of Living and Immigration**

- **How does the cost of living compare to that in the investor's home country?**

The cost of living in Ukraine can be considered relatively cheap, as compared with Western Europe or the United States. The most expensive city in Ukraine in terms of cost of living is Kyiv. The cost of living in other cities and towns of Ukraine is considerably lower.

- **What is the rate of inflation?**

During recent 2 years the inflation has been rather high – this is mainly due to Ukrainian national currency depreciation that reached ca.300 % since early 2014 and increase of the price for imported fuel. Most rapid fluctuations and inflation took place in 2014, while in 2015 they have slowed down.

### **B. Drivers' Licenses**

- **Must the investor obtain a driver's license for that country?**

For being entitled to drive in Ukraine, an investor must use either her/his domestic driver's license or international driver's license, provided that such licenses are compliant with the requirements of the UN Convention on Road Traffic dated November 8, 1968 (as amended) and that records in such licenses are made or backed up by Latin alphabet.

Otherwise or in case she/he moves for permanent residence to Ukraine, for being entitled to drive in Ukraine, the investor will have to obtain Ukrainian driver's license according to the Ukrainian procedure.

- **How does the investor obtain a driver's license?**

An investor wishing to obtain Ukrainian license for driving a vehicle of a certain category or type must undergo a medical examination, training or retraining in accordance with the standard study program, pass theoretical (written) and practical examinations.

- **What fees are involved?**

Fees for obtaining a driver's license in Ukraine include the cost for studying in the driving school (the exact amount of which depending on school) and fees for the examination and issue of a driver's license from the division of the State Automobile Inspectorate of Ministry for Internal Affairs of Ukraine, the amounts of which depend on the category of vehicle.

- **Is an examination, either practical or written, required?**

Yes. Both practical and written examinations are required (please refer above).

### **C. Education**

- **What types of schools are available for the investor's family?**

Both state and private schools are available for the investor's family.

- **What fees are involved?**

Education in public primary and secondary schools is free. Every private school determines its own fees.

- **What is required for enrollment?**

Pupils are usually enrolled in primary schools starting from the age of 6. The effective law of Ukraine does not provide for specific requirements for enrollment in school. This means that every school has its own requirements depending on the status and specialization of the school and sometimes including tests and an interview. Requirements of private schools are usually higher and include obligatory admission and tuition fees.

### **D. Housing**

- **What type of housing is available for the investor?**

The investor can either own or rent a house (apartment). Hotel accommodation is also allowed, unless the investor needs to apply for the residence permit, in which case only a house or apartment can be used.

- **Can the investor own property?**

Yes, the investor may own property with certain restrictions related to agricultural land plots.

- **Must the investor have housing before entering the country?**

No. There are no such direct requirements. However, investors from countries, the citizens of which do not enjoy a visa-free regime, may be required by the visa issuing authorities of Ukraine to provide proof of the availability of funds necessary for staying in Ukraine as well as housing or hotel booking.

Furthermore, investors entering Ukraine with the purpose of formalizing long-term stay, i.e. with the purpose to obtain a residence permit, has to own or rent an apartment (or house) in Ukraine.

### **E. Importing Personal Possessions**

- **How can the investor import personal belongings? Are import duties payable? Are there requirements for clearing the belongings through customs?**

The investor may import personal belongings into Ukraine in accompanied or unaccompanied luggage, the import of which is allowed under Ukrainian law. Such personal belongings are free of taxes and customs duties. They are not subject to mandatory clearing through customs unless required by the customs authority.

#### **F. Medical Care**

- **What level of medical care is available?**

All levels of medical care are available for foreign citizens and apatrides.

- **Is there national health care?**

Yes, there is national health care in Ukraine.

#### **G. Moving Costs**

- **What costs are involved in moving?**

Foreign citizens and apatrides staying in Ukraine on legal grounds enjoy freedom of movement within the territory of Ukraine except as provided by law. The costs involved in moving in Ukraine vary widely subject to distance and type of transportation.

#### **H. Tax Liability**

Generally a company may deduct cost of education and housing of employees provided the company is able to demonstrate that such costs are business related.

#### **I. Work Contracts**

- **Does the investor need a work contract to work in the country? If so, does the contract have to be for a certain duration, for the performance of a specific job or for a specific position? Does the contract have to be with a national or resident of the country or related state?**

Employment in Ukraine implies execution of employment agreement between the Ukrainian employer and the foreign employee. Duration of such employment agreements has to be limited by the duration of the work permit (or, if the employer is a Ukraine - based representative office of a foreign company – by the duration of the accreditation card).

Employment agreements have to be executed for specific position – the one indicated in the work permit or, in case if the employer is a Ukraine - based representative office(s) of a foreign company(-ies) – the one indicated in the accreditation card.

No dual employment is allowed, either with different or within one and the same employer. The exception is when one of the employments is with a Ukrainian company, i.e. the one based on work permit, and the other(s) are with the Ukraine - based representative office(s) of a foreign company(-ies), i.e. the one(s) based on the accreditation card(s).

#### **J. Work Permits**

- **Does the investor need a work permit to work in the country? How and where does the investor apply for the permit? What documents are required? What fees are involved? How long does it take to receive the permit? For how long is the permit valid?**

Under general rule, - yes. Please refer to section XI (F.) *Labor Permits* above.