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Navigation the rules on doing construction business in Ukraine

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Recovery Construction Forum 2.0

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New market for you - You would need a help

Local legal support is an absolute must

For construction activity local partner is highly recommended



Corporate structure

Limited Liability Companies (LLCs) It is the most popular, widespread and flexible legal form that both local and foreign founders commonly use to operate in Ukraine

Joint Stock Companies (JSCs)

Joint Ventures (JV)

Representative Offices (RO) which does not amount to a legal entity. It acts on behalf of and as directed by its foreign parent

Each option involves a registration procedure, which vary significantly depending on the company structure selected

Restrictions

Individuals sanctioned by Ukrainian authorities

Except for the individuals sanctioned by Ukrainian authorities, there are no restrictions for foreign nationals having the full legal capacity to be participants/shareholders, managers or employees of the LLC, JSC or RepOffice.

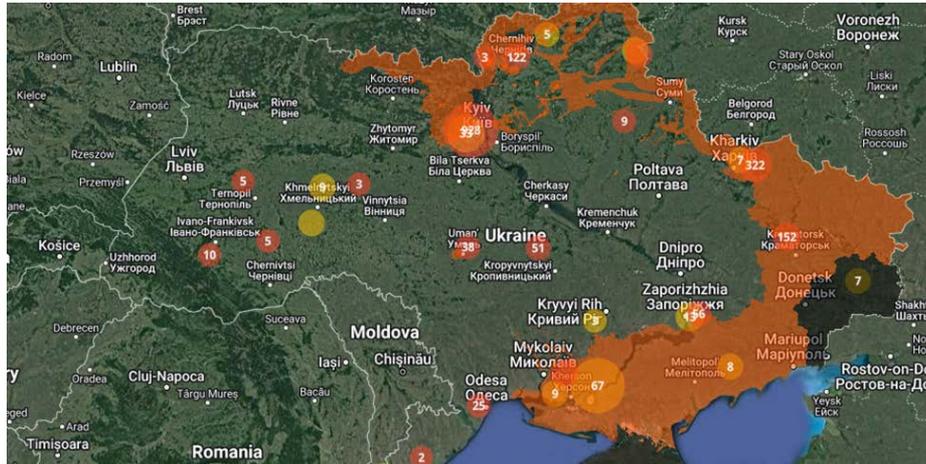
Russian Federation is aggressor (should not have any connection, including business activity)

Restrictions

Business activity on occupied territory is forbidden

Territory might be contaminated by mines and unexploded ordnance

Up to 30% percent of Ukrainian territory might be contaminated by mines and unexploded ordnance



Permit & licenses

The licensing conditions relating to each industry vary but generally include requirements relating to:

- construction activity (for objects with average CC2 and CC3 consequences);
- technology,
- architectural activity;
- some types of works.

Mostly all the licenses and permits could be obtained within **10 working days period.**



Taxes



Corporate income tax (CIT)

CIT applies to taxable profits earned by resident entities in Ukraine and abroad and non-residents with a permanent establishment (PE) in Ukraine. Resident entities are taxed on their worldwide income. Non-resident entities are taxed on their Ukrainian-sourced income.

Ukraine's standard CIT rate is 18%.

Withholding tax (WHT)

WHT at a rate of 15% applies to the majority of passive income payments to non-residents, unless an exemption or reduced rate is provided under a DTT. Ukraine has 72 effective DTTs in place.

VAT (20%) in case of import of equipment and provision of services in Ukraine

Insurances

MIGA

M10 industrial park, with 140,000 square meters of space, is currently being built in Lviv (Ukraine). The new industrial park has six production and storage facility sites and more than 3,000 workplaces. MIGA issued a policy to a company that invested in the construction. It received guarantees against the risks of war and civil unrest for 10 years, for up to \$9.1M.

Polish export credit insurance corporation KUKE

KUKE, ensures investors interested in reconstructing Ukraine. For over a year, KUKE was the only insurance organization in the EU that provided guarantees for selling goods to Ukraine. The insurance helped to increase exports from Poland to Ukraine by almost 55% last year.

DFC

DFC is currently working on several insurance applications for Ukrainian projects worth \$200M.

G7 and G19 countries

Governments of the G7 and G19 countries, the European Commission, the World Bank, export credit agencies, and state insurers are also ready to insure investments against war and political risks in Ukraine.

Benefits

Ukraine strengthens state support for investment for projects with significant investments (12+ mln euro of investments into the project since the conclusion of the special investment agreement)

Benefits:

- exemption from corporate income tax – for 5 years from the moment of filing the application (except for projects in the sphere of extraction for further processing and/or enrichment of minerals)
- exemption from VAT payment for operations on import of new equipment and components to it
- exemption from customs duties for importing of new equipment and components to it
- construction at the expense of state, local budgets of related infrastructure (highways, communication lines, utilities etc.) necessary for the realization of investment project with significant investments
- establishment by the local self-government bodies of land tax rates and rent payments for land of state and communal property in the less amount than a land tax, as well as exemption from land tax
- simplified procedure for granting right for use (lease) of land plots of state or communal property with the pre-emptive right for acquisition of such a land plot to the property after the expiration of a special investment agreement
- construction/compensation for built engineering and transport infrastructure



Thank You!

ARZINGER LAW FIRM

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