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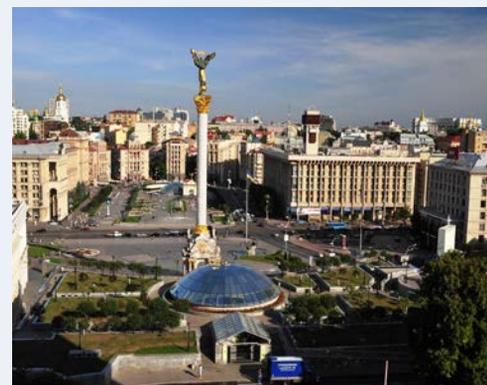


Country Profile: Ukraine

The Facts

Location	Eastern Europe, bordering the Black Sea, between Poland, Romania, and Moldova in the west and Russia in the east
Languages	Official – Ukrainian Spoken – Russian, Belarusian, Moldovan...
Nationality	Ukrainian
Religions	Orthodox (includes Ukrainian Autocephalous Orthodox (UAOC), Ukrainian Orthodox - Kyiv Patriarchate (UOC-KP), Ukrainian Orthodox - Moscow Patriarchate (UOC-MP), Ukrainian Greek Catholic, Roman Catholic, Protestant, Muslim, Jewish
Government	Republic
Head of Government	Prime Minister
Legislature	Unicameral Supreme Council
Constitutional Document	Constitution of Ukraine
Economy	Ukraine is an emerging free market. In Ukraine covering about 20 major industries, namely power generating, fuel, ferrous and non-ferrous metallurgy, chemical and petrochemical and gas, machine-building and metal-working, forest, wood-working and wood pulp and paper, construction materials, light, food and others. The country possesses a massive high-tech industrial base, including electronics, arms industry and space program. More than 60% of Ukraine's exports go to other post-Soviet states, with Russia, Belarus and Kazakhstan the most important.
Currency	Ukrainian Hryvnia (UAH)
GDP (2013)	Total – UAH 688.62 billion Per capita – UAH 15,177 Real GDP growth – 0.4%
Population	44,291,400 (approx.)
Percentage of population	Ukrainian – 77.8% Russian – 17.3% Others – 4.9%
Area	603,550 km ²
Time zone	EET (UTC+2) EEST (UTC+1)
Public Holidays	14
Climate	temperate continental

Sources: Central Intelligence Agency, International Monetary Fund, Wikipedia



Ukraine

Ukraine is the second biggest economy after Russia under the Soviet Union, Ukraine has shown high growth over the past decade. Due to the financial crisis, a deep recession occurred in 2009 but economic growth resumed in 2010 and 2011. Agriculture accounts for 9.3% of GDP, industry for 34.7% and services for 56.1%. Ukraine is an open economy heavily relying on external trade: exports of goods and services accounted for 50% of GDP in 2010, while the ratio of imports to GDP was at 53%. Metallurgy and mechanical industries have always been key sectors for the country's exports. Its main trade partners are CIS countries (36.9% of exports and 47.6% of imports in 2011) and the EU (28.8% of exports and 29% of imports). Market access of the economy includes:

- Free Trade Agreements with Armenia, Belarus, Georgia, Kazakhstan, Moldova, Russia, Tajikistan and the Kyrgyz Republic (235 million people)
- General System of Preferences (GSP+) trade regime with the EU: 6,400 products exported with 0 or reduced customs duties
- Generalized System of Preferences (GSP) with the USA: export of 3,400 products free of duty
- Membership in the WTO (2008): MFN (Most-favoured-nation) regime with all WTO member countries
- Deep and Comprehensive Free-Trade Area (DCFTA) with the EU to be signed very soon
- Customs union with Russia, Belarus and Kazakhstan under discussion

The Ukraine Business Climate

Ukraine has a number of advantages that make it an attractive destination for investment:

- **Large emerging market:** 46-million people country with untapped market potential in many sectors
- **Strategic location:** Largest country in Central and Eastern Europe, on the crossroad with Russia, Central Asia and the Middle East
- **Skilled and competitive labor force:** One of the highly educated population in the world, with comparatively low salaries (around EUR 250 on average)
- **Rich mineral and agricultural resources:** 20,000 deposits of 200 different kinds of minerals and 30% of the world's black soils
- **Well-developed infrastructure:** One of the highest transport index in Europe
- Growing economy with liberal trade regimes, improving investment climate and high innovation potential
- **Investing Across Sectors:** Most of the primary and manufacturing sectors are fully open to foreign capital participation but some ownership restrictions remain in a number of service sectors (TV broadcasting, nationwide newspapers, publishing houses, air transportation)
- **Efficient incorporation:** Establishing a foreign-owned limited liability company (LLC) in Ukraine (Kiev) is faster (28 days, 11 procedures) than the global average and inexpensive (companies are free to open, the minimum capital requirement is UAH 63,000 or approximately EUR 5,900)
- **Accessing Industrial Land:** Leasing and buying non agricultural land from both private and public owners are possible. Most foreign companies prefer to buy private land

Setting up a Business in Ukraine

Ukrainian legislation provides for a large variety of potential investment and business vehicles, all of which can be grouped into the following two principal categories: corporate and contractual. Corporate investment and business vehicles encompass the variety of business legal entities through which investors may do business in Ukraine. Contractual investment vehicles encompass joint venture agreements, joint cooperation agreements, and other agreements of a similar nature. In addition, Ukrainian legislation provides for special investment vehicles for portfolio, institutional, and/or private investors.

Types of Business Structures in Ukraine

Companies are the basic rules governing various issues concerning the establishment, maintenance and liquidation of business legal entities in Ukraine are provided in the Civil Code of Ukraine (the Civil Code) and the Commercial Code of Ukraine (the Commercial Code), both adopted on 16 January 2003, and effective from 1 January 2004. Apart from the Civil Code and the Commercial Code, the Law of Ukraine "On Companies " (the Company Law) dated 19 September 1991, as amended, and the newly adopted Law of Ukraine "On Joint Stock Companies " (the JSC Law), dated 17 September 2008, govern various issues related to establishing, maintaining and liquidating companies in Ukraine. The Law of Ukraine "On the State Registration of Legal Entities and Individual Entrepreneurs " became effective on 1 July 2004. Under the Civil Code, legal entities, which carry out entrepreneurial activities in order to earn profits, must be established in the form of companies. The following types of companies may be established in Ukraine: company with full liability; company with combined liability; company with additional liability; limited liability company; and joint stock company. Of these, the most common vehicles for conducting business activities in Ukraine are:

- **Joint Stock Companies (JSCs):** JSCs are very similar in form and operation to US corporations, (German AGs, and/or French societies anonym es (SAs). A JSC is a company whose charter capital is divided into shares of equal par value. Shareholders of a JSC are liable for the latter's obligations only to the extent of their respective equity contributions to its charter capital. JSCs may exist in the form of either a public or a private company (the rough equivalents of open and closed JSCs existed under the former legislation). The number of shareholders in a private JSC may not be more than 100. The first issuance of shares upon the establishment of either a public or a private JSC must be made exclusively by means of a private placement of shares among the founders of the JSC.
- **Limited Liability Companies (LLCs):** The legal nature of an LLC is similar to that of a German GmbH and/or a French societe a responsibility Umitee (SARL). Investors in the LLC, i.e., its interest-holders or participants, are liable for the LLC's commitments only to the extent of their capital contributions to its charter capital. Their participatory (i.e., ownership) interests in the LLC are expressed in the form of the respective percentages of the LLC's charter capital owned by them. Participatory interests in an LLC do not qualify as "securities" for purposes of the applicable Ukrainian legislation and, therefore, are not subject to registration with the Securities Commission. Similar to a JSC, an LLC may be established either by a single founder or by a group of founders. Ukrainian law imposes certain restrictions on the establishment and operations of an LLC. In particular, (a) a wholly-owned subsidiary in the legal form of an LLC (the same as with a JSC) may not be established by another wholly- owned subsidiary (either foreign or Ukrainian); (b) an individual or a legal entity (either foreign or Ukrainian) may not be the sole founder of and/or the sole participant in more than one LLC in Ukraine; (c) a subsidiary in the legal form of an LLC (the same as with a JSC), which is wholly-owned by a foreign company, may not own land in Ukraine under the current version of the Land Code; and (d) the maximum number of founders/participants of an LLC may not exceed 10 legal entities or individuals. Those LLCs which are established by less than 10 founders, and later expand to more than 10 participants, are subject to a mandatory reorganization into a JSC within one year. Failure to comply with this reorganization requirement or decrease the number of the participants to 10 may result in court termination of an LLC. There are no legal restrictions on how the participatory interests of an LLC may be distributed; this issue remains entirely within the discretion of the founders of the LLC.



Both of which embody the concept of limited liability for investors.

In choosing between an LLC and a closed JSC in establishing a wholly-owned subsidiary, an LLC appears to be more popular than a closed JSC, due to the various establishment and operations considerations discussed above. Generally speaking, the main general corporate benefit of an LLC in comparison with a JSC is that the procedure for the establishment and the operations of an LLC is significantly less burdensome and time-consuming, since there is no legal requirement that an LLC must issue shares or perform the procedural steps required in connection with the issuance of securities (e.g., the establishment and maintenance of a securities register, etc.). The absence of shares in an LLC makes this form of legal entity more mobile and flexible when it is necessary for the participants of the LLC to change (increase or decrease) the charter capital of the company. The below table shows the set up procedures for LLC and JSC:

LLC	JSC
Step 1 Holding a meeting of founders and approval of a charter LLC	Step 1 Holding a meeting of founders
Step 2 Registration with the State Registrar	Step 2 Opening of bank accounts and security accounts
Step 3 Registration with the State Statistics Committee	Step 3 Payment of share capital
Step 4 Registration with the Pension Fund of Ukraine	Step 4 Registration of shares issuance with state regulator
Step 5 Registration with the Tax Inspection	Step 5 Issuance of shares by depository
Step 6 Obtaining of a seal of LLC	Step 6 Holding a second meeting of shareholders and approval of a charter
Step 7 Opening of bank accounts	Step 7 Registration with the State Registrar
Obtaining of a VAT certificate (if possible)	Step 8 Registration with the State Statistics Committee
Registration of foreign investment (if required)	Step 9 Obtaining of a seal
Registration with Customs Office (if required)	Step 10 Registration with the Pension Fund of Ukraine
	Step 11 Registration with the Tax Inspection
	Step 12 Obtaining of a VAT certificate (if possible)
	Step 13 Registration of shares placement report with state regulator

Timeframes: 10-15 business days

Timeframes: up to 3 months



Taxation

Thanks to the adoption of a New Tax Code, Ukraine offers an increasingly attractive tax regime:

- **Corporate income tax:** 21%, down from 25% on 1 January 2012, to be further reduced to 19% in 2013 and 16% in 2014;
- **Personal income tax:** 15%, or 17% for monthly income exceeding 10 times the minimum monthly salary;
- **Dividend tax:** 5%, down from 15%;
- **VAT:** 20%, scheduled to be reduced to 17% as of 1 January 2014;
- Automatic VAT refund for exporters and introduction of delayed refund penalty;
- International Agreements for the Avoidance of Double Taxation signed with 63 countries.

Investment Incentives in Ukraine

Besides, the Ukrainian law provides for special regimes:

- **Sector-based incentives:** total exemption from taxation until 1 January 2021 for aircraft manufacturers, shipbuilders, hotels, light industries and agricultural machinery producers;
- **Simplified tax regime for SMEs (annual turnover below UAH 1 million, i.e. about EUR 93,000, and less than 50 employees):** 6% on the sales revenue plus 20% VAT, or 10% rate including VAT.
- **Advantageous customs regimes:** exemption from import duties for in-kind contributions to the charter fund of an enterprise with foreign investment, exemption from import duties and taxes for goods imported and stored at bonded warehouses, no tariff for goods imported to or exported from special economic zones, etc.
- **Industrial parks:** co-financing of infrastructure development by the State

Additional incentives may be granted by city councils according to their strategic development plans.

Immigration and Visa Requirements

Like many other countries, Ukraine has special entry procedures for foreign citizens. These include presentation of valid travel documents and permits to enter the country, such as visas. As of January 2007 Ukraine had visa-free regimes with the following countries: member countries of the EU, Switzerland, the Vatican, The Principality of Monaco, Canada, the US, Japan and South Korea. Citizens of these countries do not require a visa if they enter the territory of Ukraine for the period of up to 90 days. In case a visa is required, a foreign citizen should present a valid national (or for foreign trips) passport, an invitation from a physical person or from an organization in Ukraine (unless otherwise specified by agreements between the countries) along with payment of the consular fee to the nearest Consulate or Embassy of Ukraine. A detailed information can be obtained from the Ukrainian consulates abroad.



All foreigners, except those with permanent residency status, are required to have a work permit to work in Ukraine. The employer in Ukraine must obtain a work permit from the Ministry of Labor. The foreigner should then apply for a 'D' type visa at a Ukrainian Embassy or Consulate abroad. 'D' visas are single-entry and are valid for 45 days (the validity dates determine when you can enter the country, not how long you can stay). The holder then must apply for a temporary residence permit at the local GIRFO office. The temporary residence permit provides full legal status in Ukraine and allows free travel in and out of Ukraine for as long as it is valid. The holder need not apply for a new visa after leaving Ukraine and does not need to re-register with OVIR during the permit's validity period.

Banking Requirements

In order to open a bank account in Ukraine, you may need to prepare:

- Passport.
- Proof of residential address.
- Some sort of verification of stay in Ukraine, this can be as basic as showing your entry stamp (and visa if required)
- Proof of source of income (e.g. copy of pay slip)
- Some banks may require a bank statement

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Contact

Website: www.cmltrust.com

Email: inquire@cmltrust.com

Tel: +852 2162 7371