

I. REGULATORY	1
Moratorium on Sale of Agricultural Land Extended until 1 January 2017	1
New Law on Public Procurement	1
Changes to Company's Register under Originals Only	1
The Law on State Service was Adopted	1
Voluntary Certification of Food Products, Services and Systems.....	2
Additional Import Duty Cancelled	2
Cancellation of the Obligatory Certification for Alcoholic Beverages	2
Deregulation in Agro-Industry	2
Almost 13,000 Soviet Standards are Cancelled.....	2
Double Taxation Treaty between Ukraine and Cyprus	2
II. CORPORATE LAW	3
Quorum at General Meeting of Limited Liability Companies Reduced to 50% + 1 vote.....	3
III. FINANCE	3
New Currency Limitations of NBU	3

I. REGULATORY

Moratorium on Sale of Agricultural Land Extended until 1 January 2017

The moratorium on sale of agricultural land is extended for one more year¹. Thus, agricultural land may not be sold or otherwise alienated until 1 January 2017.

New Law on Public Procurement

On 25 December 2015, the Ukrainian Parliament adopted the Law on Public Procurement. The law has not yet been signed by the President of Ukraine, and the final text will be available only after its signing and publication².

According to the available wording of the law, starting from 1 April 2016, new procedures of the public procurement for governmental and state bodies (and for all other entities acting as buyers from 1 August 2016) are in effect.

The new law provides that all public procurement will be made in the electronic format based on the existing e-procurement system ProZorro.

The law provides for three public procurement procedures: two competitive procedures (open bids and a competitive dialogue) and one non-competitive procedure (a negotiable procurement procedure).

Changes to Company's Register under Originals Only

On 13 December 2015, amendments to the Law on State Registration of Companies came into force³.

Starting this date, changes into the Unified State Register of Legal Entities and the Individual Entrepreneurs (Register) and to a company's founding documents may be done based on originals of provided documents (or notarized copies) only. Before said amendments, providing uncertified copies for making changes into the Register was allowed.

The Law on State Service was Adopted

On 10 December 2015, the Ukrainian Parliament adopted a new Law on State Service which reforms the system of the state service in Ukraine.

The new law limits the political activity of state servants. Thus, it separates political positions and positions of state servants, excludes specific categories of positions from the state service.

The law regulates relations when recruiting for the state service, running the service and its termination. Recruiting of state servants is to be conducted on the basis of public competitions, and for this, a commission for electing state servants should be formed.

¹ Law on Amendments to Section X "The Transitional Provisions" of Land Code of Ukraine regarding Extension of Prohibition on Sale of Agricultural Land, dated 10 November 2015, No. 767-VIII

² Draft Law on Public Procurement (No. 3559)

³ Law on Amendments to Law of Ukraine on State Registration of the Legal Entities and the Individual Entrepreneurs Related to Inability to Make Changes into the Unified State Register of Legal Entities and the Individual Entrepreneurs under the Forged Documents, dated 24 November 2015, No. 815-VIII

The law also provides the new principles of classification of state servants' positions into categories and ranks, new position of secretary of the ministry responsible for the reforms implementation, new rules of appointment of the President's administration servants, etc.

The law will come into force on 1 May 2016.

Voluntary Certification of Food Products, Services and Systems

On 8 December 2015, the Ukrainian Parliament adopted the Law on Amendments to the Decree on Standardization and Certification, which came into force on 1 January 2016.

The law stipulates that the certification of food products, services and systems of management in the state certification is not mandatory and is performed on a voluntarily basis. It is expected that such amendments will increase the competitiveness of Ukrainian products and develop their export abroad.

Additional Import Duty Cancelled

Beginning 1 January 2016, the Law on Facilitation of Foreign Economic Activity entered into force⁴. According to the law, additional 5% and 10% import duties have been cancelled. The duty was introduced for a period of 12 months according to Article XII of General Agreement on Tariffs and Trade 1994 and Arrangements on Balance-of-Payments Provisions of the GATT 1994.

Cancellation of the Obligatory Certification for Alcoholic Beverages

Starting from 22 December 2015, alcoholic drinks (wines and champagnes with more than 8.5% alcohol, vodkas, liqueurs, spirits (except for those designated to pharmacy and medicine), etc.) were excluded from the list of products subject to the obligatory certification in Ukraine⁵. The above alcoholic beverages may now be produced and imported in Ukraine without having state certification documents. In the same time, voluntary certification is allowed and may be performed at producers'/importers' own discretion.

Deregulation in Agro-Industry

Starting 1 January 2016, Ukrainian legislation in the spheres of crop pesticides, agrochemicals and fertilizers, veterinary and farm animal productions, fisheries and natural resources was significantly changed. Twenty-two permits have been abolished in agricultural sector along with additional deregulation⁶.

One of the important changes is simplification of the agrochemical registration. As it is now, agrochemical preparations must undergo state registration before they can be imported. However, the new law permits certain agrochemicals to be imported, sold and used in Ukraine without state registration.

The following agrochemicals are now free from registration: ammonia; carbamide; sulphate of ammonium, kalium, magnesium; ammonia nitrate; the fertilizer with nitrogen, phosphate and kalium; etc.

In addition, land-owners and land-users are entitled to mine peat and certain minerals from a total depth of up to 2 meters, to use groundwater (except for mineral water) in a volume of 300 cubic meters per day from each intake, without special permits on such.

Almost 13,000 Soviet Standards are Cancelled

On December 2015, the Ministry of the Economic Development and Trade issued several orders which cancel almost 13,000 state technical standards (so called GOST) issued in Soviet times (before 1992) but which still were in effect in Ukraine. Cancelled GOSTs established outdated sanitary and environmental requirements, as well as odd requirements for products' design and construction, therefore, their cancellation is expected to modernize technical regulations for creation and development of new products and services.

Double Taxation Treaty between Ukraine and Cyprus

On 11 December 2015, a new Protocol to Double Taxation Treaty between Ukraine and Cyprus (Protocol) was signed. The new rules set forth in the Protocol will enter into force on 1 January 2019 subject to ratification by the Ukrainian Parliament⁷.

The new Protocol amends the provisions of the Convention between the Government of Ukraine and the Government of Republic of Cyprus on Avoidance of Double Taxation and Prevention of Tax Deviation in relation to Income Taxes, dated 8 November 2012, and is aimed to revise withholding tax on dividend and interest, as well as to amend the procedure of capital gains taxation.

The main changes of the Protocol are the following:

- Withholding tax on dividends is 5% provided that the beneficial owner of the dividends (i) holds at least 20% of the capital of the company paying the dividend and (ii) has invested in the acquisition of the shares at least EURO 100,000. In all other cases the rate of withholding tax on dividends is 10% (reduced from 15%);
- Withholding tax on interest paid is increased from 2% to 5%;
- Capital gains arising from the alienation of shares (at least 50% of the value of the assets represents immovable property) are taxed in the country where the immovable property is located. The said provisions of capital gains taxation will not apply if the shares are (i) listed on approved stock exchanges; (ii) being the result of corporate reorganizations; (iii) of a public company; (iv) where the immovable property from which the shares derived their value, is immovable property in which the business is carried on; (v) interests in Real Estate Funds, pensions funds, provident Funds or interests in other similar entities.

4 Law of Ukraine on Facilitation of Foreign Economic Activity, dated 24 December 2015, No. 912-VIII

5 Order by the Ministry of Economic Development and Trade of Ukraine On Amendments to the List of Products subject to the Obligatory Certification in Ukraine and invalidation of the Order by the State Committee of Ukraine on Standardization, Metrology and Certification, dated 13 November 2015, No. 1443

6 Law On Amendments to Certain Legislation Acts of Ukraine related to Deregulation in Agro-Industry, dated 8 December 2015, No. 867-VII

7 Order of the Cabinet of Ministry of Ukraine on Signing the Protocol on Amendment the Convention between Government of Ukraine and Government of Republic of Cyprus on Avoidance of Double Taxation and Prevention Tax Deviation in relation to Income Taxes, dated 25 November 2015, No. 1219-p

II. CORPORATE LAW

Quorum at General Meeting of Limited Liability Companies Reduced to 50% + 1 vote

Beginning 13 December 2015, the law reducing quorum at general meetings of participants of limited liability companies from 60% +1 vote to 50% +1 vote became effective⁸. The law allows limited liability companies without any State ownership to adopt different quorum threshold in their constitutional documents.

III. FINANCE

New Currency Limitations of NBU

Effective 5 December 2015, the National Bank of Ukraine (NBU) enacted new Regulation No. 863 regarding Ukraine's monetary and hard currency market. Regulation No. 863 will be in effect until 4 March 2016.

The new regulation provides for the following changes pertinent to legal entities:

1. 75% Foreign Currency Sale. The requirement to sell 75% foreign currency cash receipts from abroad no longer applies to:

- Credits provided to resident borrowers by a foreign export-import agency solely or jointly with other creditors if such credits are aimed to fulfill liabilities of the resident under a foreign economic contract with a nonresident exporter. The funds under such contract are to be sent directly to the account of the nonresident exporter;
- Bid deposits paid by nonresidents to participate in government procurement tenders.

It is also not required to sell 75% foreign currency cash receipts from abroad if such cash receipts are returned at the initiative of beneficiary to the foreign bank within seven days after the transfer of foreign currency by Ukrainian bank.

2. National Currency Cash Withdrawals. It is now allowed to withdraw cash of up to UAH 300,000 to one person per day if such cash is used for operations of the mission of the International Committee of the Red Cross (ICRC).

3. Purchase/Transfer Abroad of Foreign Currency. Now the NBU:

- Permits to transfer abroad foreign currency received by foreign investors from the sale of Ukraine's government bonds on stock exchanges and otherwise;
- Has the right not to confirm the purchase or transfer of foreign currency if signs of risky operations are detected or if it sees signs of money laundering.

4. Foreign Currency Purchase Ban. The NBU introduced a ban on the purchase of foreign currency for clients who have foreign currency on their balance sheet accounts 2602. Such funds in foreign currency are considered to cover clients' guarantees, counter-guarantees or reserve letters of credit in this or other authorized banks. This ban does not apply to those resident clients which have foreign currency on current and deposit accounts in amount less than USD 25,000.

Contacts

Peter Teluk

Partner, Corporate
T +380 44 591 3140
E peter.teluk@squirepb.com

Olena Bilozor

Of Counsel, Corporate
T +380 44 591 3140
E olena.bilozor@squirepb.com

⁸ Law of Ukraine on Amending Article 60 of Law of Ukraine on Business Entities Relating to Reducing Quorum at General Participants Meeting of Limited Liability Company, dated 24 November 2015, No. 816-VIII