



# Ukraine Update

April 2017

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## I. Finance

### NBU Eases Currency Limitations

The National Bank of Ukraine (NBU) continues gradual liberalisation of limitations on export and import transactions introduced to stabilise the situation in Ukraine's monetary and currency markets.

Effective 5 April 2017, the NBU by its Resolution No. 30<sup>1</sup> changed the limits for:

- Mandatory sale of foreign currency paid from abroad from 65% to 50%
- Purchase of foreign currency by an individual in one bank from ₾12,000 to ₾150,000 per day (approximately from US\$450 to US\$5,600, respectively)

The resolution will be in effect for an indefinite term until cancelled by the NBU.

### NBU Interest Discount Rate Decreased

Effective 14 April 2017, the NBU interest discount rate is decreased from 14% to 13% per annum.<sup>2</sup>

## II. Regulatory

### Ukraine Adopts New Law on Electricity Market

On 13 April 2017, the Ukrainian Parliament adopted the Law on Ukrainian Electricity Market,<sup>3</sup> which provides for a new market-oriented structure of electricity wholesale in Ukraine and is aimed to separate activity on the distribution and transmission of electric power from other electricity related activities, legally and organizationally. The new law brings the legal framework of Ukraine into compliance with the European Union's Third Energy Package.

The law provides that the wholesale electricity market will consist of the following elements:

- Bilateral agreements
- Intraday market
- "Day-ahead market"
- Balancing market
- Market for ancillary services
- Retail market

The law also introduces a new participant of the market, a trader, to perform re-sale of electric power to other participants, as distinguished from direct supply to customers.

The law provides for a two-year transition period for the implementation of all the new segments of the market.

<sup>1</sup> NBU Resolution on Amendments to NBU Resolution dated 13 December 2016 No. 410, dated 4 April 2017 No. 30.

<sup>2</sup> NBU Decision on Interest Discount Rate dated 13 April 2017 No. 232-RSh.

<sup>3</sup> Law of Ukraine on the Market of Electric Power of Ukraine dated 13 April 2017 (Draft Law No. 4493).

To date, the law has been submitted for signing by the president. The current Laws on Electricity and Framework for Electricity Market in Ukraine dated 1997 and 2013, respectively, will expire as soon as the new law comes into effect.

### Licensing Conditions for Domestic Waste Disposal and Electricity Supply

The National Commission for State Regulation of Power and Utility Industries has adopted the licensing conditions for:

- Domestic waste disposal, which will come into force in two months after the day of their publication, except for certain provisions<sup>4</sup>
- Electricity supply, which will come into force in two months after the day of their publication and will become mandatory from 1 September 2017<sup>5</sup>

With respect to the licensing conditions for domestic waste disposal, companies using landfills put into operation before 16 February 2010 must bring their activity into compliance with the new requirements with respect to (1) checkpoints, control-disinfection zones, boundaries and equipment – by 1 January 2018; (2) drainage systems, hydro-technical utilities, redevelopment of landfill sites, etc. – by 1 January 2019; (3) biogas gathering and extracting systems – by 1 January 2020.

With respect to the licensing conditions for electricity supply, companies supplying electricity at regulated tariffs must bring their activity into compliance with the new requirements within six months after the new licensing conditions become effective.

### Simplification of Construction Requirements

On 13 April 2017, the Ukrainian Parliament adopted a new law simplifying certain procedures in the construction sphere.<sup>6</sup>

The main changes include:

- Project development is no longer obliged to apply for fire and technogenic safety requirements specification from the State Emergency Service of Ukraine
- Safety and durability expertise for the constructions of complexity levels I and II is no longer required

The law will come into force after signing by the president and its official publication.

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4 Resolution of the National Commission for State Regulation of Power and Utility Industries on Approval of Licensing Conditions on the Economic Activity of Domestic Waste Disposal dated 4 April 2017 No. 467.

5 Resolution of the National Commission for State Regulation of Power and Utility Industries on Approval of Licensing Conditions on the Economic Activity of Electricity Supply dated 13 April 2017 No. 504.

6 Law of Ukraine on Amendments to Certain Legislative Acts of Ukraine on the Improvement of Conducting Construction Activity dated 13 April 2017 (Draft Law No. 5587).

## III. Double Taxation

### Double Taxation Treaty Between Ukraine and Malta

On 13 April 2017, the Ukrainian Parliament ratified the Double Taxation Treaty between Ukraine and Malta dated 4 September 2013 and respective Protocol thereto.<sup>7</sup> The treaty and the protocol will apply to income received from 1 January of the year following the year in which both parties accomplish ratification procedures.

The treaty sets forth the tax rates for passive income as follows:

- 5% withholding tax on dividends, provided that the dividend recipient holds at least 20% of the capital of the company paying the dividend. In all other cases, the rate is 15%
- 10% withholding tax on interest and royalties

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