

FOCUS ON DOING BUSINESS IN UKRAINE

Ukraine offers many business opportunities; just a few of the positive qualities Ukraine has as a country to invest in are:

- A good education system has made Ukraine one of the world leaders in IT/programming professionals and has provided their population with a good command of foreign languages.
- Property, labor and services have become extremely price competitive as a result of the crisis, significantly reducing the costs of market entry.
- Ukraine provides visa-free entry for nationals of developed world countries.
- It currently follows a clear plan for modernization to fit Western values.
- Ukraine provides a market of 40MM+ consumers with European cultural traditions.

Business activity continues to be seriously regulated in Ukraine, but the extent of corruption and the black economy remains a problem. Although the country is still currently lagging behind the majority of its neighbors as per the World Bank’s Doing Business Report (#96 for 2015), Ukraine has strengthened its ranking sharply when compared to two years ago (from #137 in 2013).

Multiple deregulatory legislative acts were passed by the pro-European Parliament of Ukraine in 2015 (and many more are expected to be passed in the next session) in order for them to be implemented in 2016. The majority of foreign investors present in the country are optimistic in this respect.

Additionally, The Association Agreement with the EU will come into force on January 1st, 2016. Therefore, we should expect significant further improvement in the ranking of the country in the Doing Business Report for 2016.

It is also important to mention that the business associations (American Chamber of Commerce, EBA, etc.) play an important role as the intermediary between businesses and government officials. The latter is also relatively accessible to discuss initiatives with business representatives.

Common ways to enter the Ukrainian market	Decisions to be made prior to LLC registration
<p>Ukraine is not unique in regards to options available for setting up a local presence:</p> <ol style="list-style-type: none"> 1. Business presence without legal representation via a partnership with a local company 2. Setting up a representative office (non-commercial or commercial) 3. Setting up a local LLC <p>Generally, which option to choose depends on your business strategy. Most often, cautious</p>	<p>In order to start the registration of the company, founders should agree on the new entity’s Charter details and its geographical location.</p> <p>It is also important to know in advance who will be appointed the General Director of the LLC, as Ukrainian law does not allow a Company to operate without a GD.</p> <p>The Company Charter is reviewed very closely by State authorities in all of the large ex-USSR countries, including Ukraine. Relatedly, the General Director position has extensive powers. Therefore, particular attention should be given to</p>

<p>investors start with option #1 and, depending on the growth and model of their business, may eventually expand to option #3 to have a fully functional presence.</p>	<p>these two items. It is advisable to contact the experts with solid local experience for consultation on respective peculiarities.</p>
<p>Market Entry <i>FAST TRACK</i> service to enter Ukraine quickly and with minimum cost / commitment</p>	<p>Peculiarities of appointing a non-Ukrainian General Director in Ukraine</p>
<p>Our service Market Entry <i>FAST TRACK</i> enables you to quickly enter Ukraine without registering a legal entity. You can choose a tailor-made package including business address, outstaffing, virtual or permanent office, etc.</p> <p>This service is very popular among cautious investors who are exploiting opportunities not only in Ukraine, but also in Russia, Kazakhstan and Belarus</p>	<p>Any foreign national should obtain a work permit prior to his/her appointment as the General Director (or at any other position) of the LLC in Ukraine.</p> <p>Therefore, during the period between company registration and obtaining a work permit by such an individual, it is necessary to employ a local interim manager who will be legally responsible for the company.</p> <p>However, please note that the General Director of the representative office (RO) does not require a work permit. The procedure in such a case is substantially simpler.</p>
<p>Setting up an LLC in Ukraine</p>	<p>Employment of foreigners in Ukraine</p>
<p>A 'TOB' in Ukraine is the equivalent of an LLC. This is the most common legal form of an entity in the country. The liability of the TOB shareholders is limited to the amount of their contributions to the charter capital of the company. Moreover, Ukrainian legislation does not prescribe a minimum limit to the charter capital value.</p> <p>In practice, registration of a TOB should not take more than one month, including opening a bank account.</p>	<p>The process of employing foreigners is a bit bureaucratic as it includes providing a job description as well as proving that the respective qualifications cannot be met by local Ukrainian employees.</p> <p>In practice, all the related activities could be completed in a one-month period. Please note though that the application for obtaining a work permit can be admitted only after the registration of the employing company is completed.</p>

Certain limitations imposed on foreign investors with legal representation in Ukraine	Requirements to HR administration in Ukraine
<p>Generally, there are no restrictions on setting up a Ukrainian legal entity by a foreign company, though it is still advisable to check for limitations which may exist in some particular business segments.</p> <p>For example, foreign individuals and entities that include foreign capital do not have the right to own agricultural lands in Ukraine.</p> <p>Thus, before starting the activity, it is strongly advised to get a consult from legal experts</p>	<p>The acting Ukrainian Labour Code is inherited from Soviet times. Therefore, it takes a rather burdensome and bureaucratic approach towards HR activities, including requiring numerous documents and reports to be prepared in established formats.</p> <p>At the same time, we expect the outdated legislation to be replaced with a more modern version in 2016.</p> <p>The new Labour Code is yet to be voted on in the Ukrainian Parliament. It was developed from the best international practices and with the active participation from American Chamber of Commerce and EBA; it includes many business recommendations that improve the rights of the employer.</p>
Doing Accounting in Ukraine	ERP systems and their use in Ukraine
<p>All legal entities or other permanent establishments in Ukraine are obliged to keep accounting records.</p> <p>Currently, the process of accounting is still burdensome. It separates statutory principles from tax accounting as well as demands many formal formats of documents, separate documentation for payments and goods/services acceptance. However, the Ukrainian government is working hard on replacing this “old-style Soviet tax-driven” accounting heritage with the world practices.</p> <p>Consequently, in the short- to mid-term we should expect further simplification of the accounting rules in Ukraine, full introduction of IFRS standards and implementation of other related legislative acts to be voted on in the Parliament that will drastically reduce the time needed for accounting processes.</p>	<p>The Ukrainian law does not restrict the use of any ERP as long as it provides reliable accounting data.</p> <p>At the same time, the vast majority of small and middle sized companies in Ukraine prefer to use “1C: Enterprise” software in view of its simplicity, adaptation to local IFRS, low price and good customization potential.</p> <p>This program also allows for multiple interface solutions with all the major corporate ERPs (SAP, Oracle, etc.).</p>

For more information, please contact:

Yuri Donets, Director, DonetsYE@schneider-group.com
 Artem Barinov, Head of Legal Department, BarinovAA@schneider-group.com
 SCHNEIDER GROUP Ukraine www.schneider-group.com