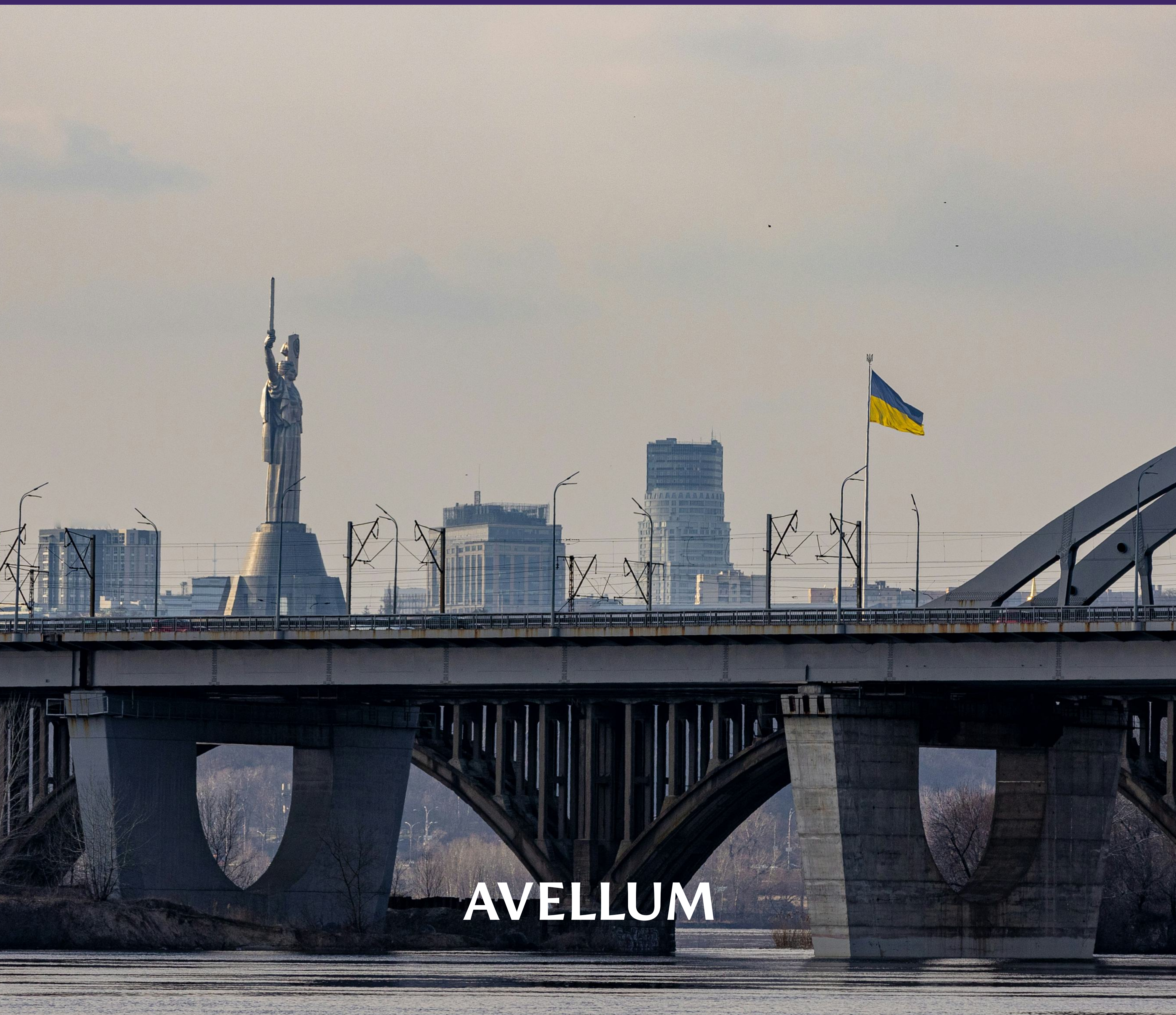


MARKET ENTRY IN UKRAINE

A Practical Guide for Foreign Investors



AVELLUM

This guide outlines the key legal, tax, employment, and regulatory considerations for foreign investors and international law firms exploring business opportunities in Ukraine. It provides essential legal information, reflecting both standard regulations and recent developments related to martial law.

1. SETTING UP BUSINESS IN UKRAINE

The most common vehicle for doing business in Ukraine is a Limited Liability Company (LLC). An LLC can be established within one business day and does not require a minimum charter capital. Even a nominal amount, such as UAH1,000 (approx. EUR25), is sufficient.

COMPARED TO
A REPRESENTATIVE OFFICE
(REPOFFICE OR A BRANCH),
AN LLC OFFERS MORE
DEVELOPED LEGAL
FRAMEWORK AND
LIMITED LIABILITY
FOR ITS SHAREHOLDERS.

A RepOffice exposes the parent company to direct liability.

The LLC structure is flexible: it may have a sole director or a board of directors, and an optional Supervisory Board. Key issues like distribution of profits, charter amendments, and major transactions are decided by the General Participants Meeting.

All LLCs must have a registered office in Ukraine and open a bank account, which requires standard KYC checks. At the time of incorporation, a Ukrainian citizen must be appointed as the first director. A foreign director can be appointed later, once a work permit is secured.

Foreign investors can reserve their preferred company name, provided it is unique and compliant with Ukrainian law (e.g., no state symbols, misleading terms, or totalitarian references). English versions may be used alongside the Ukrainian name.

As regards exit from the investment, in addition to statutory mechanisms under Ukrainian law (e.g., the sale of a participatory interest in an LLC, subject to pre-emptive rights), typical exit provisions may also be included in a shareholders' agreement – such as put options, tag-along rights, and drag-along rights.

2. TAXATION AND CURRENCY CONTROL

Ukraine has a relatively straightforward tax system. Corporate Profit Tax (**CPT**) is levied at 18%. VAT is generally 20%, with a reduced 7% rate for certain sectors like pharmaceuticals and hospitality. Personal income is taxed at 18% plus a 5% military duty.

Payroll taxes include the Unified Social Security Contribution (**USSC**) of 22%, which is paid by the employer on top of the gross salary, personal income tax of 18%, and military duty of 5% (both to be deducted from the gross salary and paid by the employer).

**EFFECTIVE TOTAL
PAYROLL TAX BURDEN
IS AROUND 37%.**

Independent contractors typically pay a simplified tax of 5% and military duty of 1% from their total income, as well as the USC amounting to not less than 22% of the statutory minimum wage.

Withholding tax of 15% applies to outbound payments (dividends, interest, royalties). This rate can be reduced under Ukraine's network of over 70 double tax treaties, provided a valid tax residency certificate is obtained.

Transfer pricing rules apply to large cross-border and intra-group transactions. Reporting obligations begin if the taxpayer's annual revenue exceeds UAH150 million and relevant transactions exceed UAH10 million (excl. VAT). Documentation must be filed annually.

Due to martial law, currency control measures remain in effect. Cross-border transfers are generally restricted



However, exceptions apply for (i) import payments, (ii) international finance institutions, (iii) dividend distribution with a monthly limit of EUR1,000,000 based on the results of business activity for the period beginning on 1 January 2024, and (iv) repayment of foreign currency loans extended to Ukrainian borrowers after 30 June 2023, with the maximum interest rate of 12% per annum.



3. EMPLOYMENT AND WORK PERMITS

Standard working hours in Ukraine are 40 per week, usually on a five-day schedule. Minimum gross monthly salary is UAH8,647 (approx. EUR160). Wages must be paid in Hryvnia at least twice per month.

Employers are required to withhold income tax and military duty from salaries and remit social contributions. Employment contracts are typically open-ended. Fixed-term contracts are allowed in specific cases (e.g. temporary roles, project-based work).

Probation periods are common (1–6 months), and standard benefits include at least 24 days of paid annual leave. Parental leave, maternity protection, and sick leave entitlements are also available. Childcare leave is unpaid but may extend until the child is six.

Non-compete and non-solicitation clauses are generally unenforceable. Employers must be cautious in performing background checks and are prohibited from requesting sensitive information (e.g. political views, place of residence, etc.).

To hire a foreign national, a Ukrainian entity must obtain a work permit, typically issued within seven business days. Due to administrative sequencing, companies usually appoint a Ukrainian citizen as initial director and transition to a foreign director later.

4. INTELLECTUAL PROPERTY R(IP) AND DATA PROTECTION

Ukraine provides protection for all key types of intellectual property (**IP**): copyrights, trademarks, patents, and industrial designs. Copyright arises upon creation without the need for registration. Software is protected as a literary work.

By default, economic IP rights to “works for hire” vest in the employer (for employees) or the customer (for contractors) unless otherwise agreed. Moral rights remain with the creator and may not be assigned.

Trademark registration takes up to 18 months and costs approximately EUR80 in government fees. Ukraine follows a 'first-to-file' rule. An international exhaustion regime applies, and enforcement options include court actions and domain disputes under UDRP.

Ukraine's Personal Data Protection Law (aligned with the EU Directive 95/46) is the primary local statute regulating personal data (**PD**). GDPR applies to Ukrainian companies only if they target EU residents.

Ukraine is not yet deemed to provide adequate protection under EU standards, so transfers from the EEA require appropriate safeguards and data transfer assessments.

ADMINISTRATIVE FINES FOR PD VIOLATIONS ARE CAPPED AT APPROX. EUR700. THE OMBUDSMAN IS THE SUPERVISORY AUTHORITY FOR PD VIOLATIONS.

5. REAL ESTATE AND CONSTRUCTION

Ukrainian law distinguishes between land and buildings as separate real estate objects. Transactions involving ownership must be notarised and registered. Leases under three years need not be registered. Buildings may be owned by foreign investors, but agricultural land ownership remains largely restricted.

There are three complexity categories for construction projects. Low-complexity projects require only notification. Medium and high-complexity projects require permits issued within 10 days. Foreign entities must establish a subsidiary or Representative Office to apply for construction licenses.

6. SECURITY INSTRUMENTS

Ukrainian law permits a broad range of security instruments to secure obligations in both domestic and cross-border transactions. Pledges can be granted over movable property, including equipment, inventory, receivables, and participatory interests in LLCs.

MORTGAGES ARE COMMONLY USED FOR IMMOVABLE PROPERTY, INCLUDING REAL ESTATE, UNFINISHED CONSTRUCTION, AND CERTAIN LAND USE RIGHTS SUCH AS EMPHYTEUSIS AND SUPERFICIES

7. DISPUTE RESOLUTION AND ARBITRATION

Ukraine recognises foreign judgments based on treaties or reciprocity. The 1958 New York Convention and UNCITRAL Model Law are fully incorporated, supporting strong arbitration frameworks.

Commercial and administrative litigation is handled in a three-tiered court system. Cases are generally resolved within 4–8 months per instance. Costs can be recovered proportionally to the success of the claim.

The International Commercial Arbitration Court (ICAC) at the Ukrainian Chamber of Commerce handles over 200 cases annually. Ukraine is a signatory to more than 75 bilateral investment treaties, as well as the ICSID and Energy Charter Treaty, allowing investors to access investment arbitration.



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This guide is provided for informational purposes only and does not constitute legal advice. While it reflects the legal and regulatory framework in Ukraine as of 1 June 2025, it may not address all circumstances or recent changes, particularly those arising from ongoing martial law measures. Readers are strongly advised to seek independent legal counsel before making any investment decisions or taking steps to enter the Ukrainian market.