

## Market Entry in Ukraine: A Practical Guide for Foreign Investors

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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. Ukrainian law does not set a minimum amount for an LLC's charter capital. Even a nominal amount, such as UAH1,000 (approx. EUR20), is sufficient.

Compared to a Representative Office (RepOffice), an LLC offers simpler setup process, more developed legal framework, and limited liability for its shareholders. In contrast, a RepOffice is slower and more expensive to register and exposes the parent company to direct liability.

The LLC structure is flexible: it may have either a sole director or a board of directors, and may optionally establish a Supervisory Board. Key issues – such as profit distribution, 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 involves standard KYC checks. At the time of incorporation, a Ukrainian citizen must be appointed as the initial director. A foreign national may be appointed as

director later, once a work permit has been obtained.

Foreign investors can reserve their preferred company name, provided it is unique and compliant with Ukrainian law (e.g., no state symbols, misleading terms). An English version of the name 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. Effective total payroll tax burden is around 34%. Independent contractors typically pay a simplified tax of 5%.

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 UAH8,000 (approx. EUR180). 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 (IP) and Data Protection

Ukraine provides protection for all key types of IP: copyrights, trademarks, patents, and industrial designs. Copyright protection (covering, among others, software) arises upon creation of a copyrighted work without the need for registration or other formalities.

By default, economic IP rights to “works for hire” vest in the employer (for employees) or the customer (for contractors). Moral rights remain with the author (employee or contractor, as applicable) and may not be assigned (such assignment would be null and void).

Trademark registration takes up to 18 months and costs approximately EUR120 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 the UDRP.

Ukraine's Personal Data Protection Law generally aligned with the EU Directive 95/46 governs local personal data (PD) operations. GDPR applies to Ukrainian companies only if they target EU residents, or if other GDPR extraterritorial rules apply. Ukraine is not yet regarded as a country with adequate level of data protection for the purposes of the GDPR, so cross-border EEA-Ukraine transfers require appropriate safeguards and data transfer assessments.

Administrative fines for PD violations are capped at approx. EUR700. The Ombudsman is the local data protection authority.

## 5. Real Estate and Construction

Ukrainian law distinguishes between land and buildings as separate real estate objects. Transactions involving ownership must be notarized and registered. Leases under three years do not need to be registered. Foreign investors may own buildings, 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 RepOffice to apply for construction licenses.

## 6. Security Instruments

Ukrainian law permits a broad range of security instruments to secure obligations under both domestic and cross-border transactions. Pledges may 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. Future assets may also be pledged under specific conditions. Suretyships are frequently used, particularly in financing

transactions, and may be governed by either Ukrainian or foreign law depending on the structure of the deal. These instruments are generally enforceable, provided the underlying assets are disposable and properly documented.

## 7. Dispute Resolution and Arbitration

Ukraine recognizes 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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## Disclaimer:

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.

