



# Ukraine Update

January 2017

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## I. Regulatory

### Limits for Cash Payments

Effective 4 January 2017, payments for goods (works, services) made in cash by individuals (not individual entrepreneurs) may not exceed €50,000 (earlier €150,000) (approx. US\$1,850 and US\$5,500, respectively) per day.<sup>1</sup>

No limits exist for cashless payments.

In the meantime, the limit for cash payments between legal entities remains unchanged €10,000 (approx. US\$370) per day.

### Liberalisation and Moratorium on Certain State Inspections of Legal Entities

On 1 January 2017, procedures and grounds for scheduled and unscheduled inspections by regulatory authorities were liberalised.<sup>2</sup>

With respect to the scheduled inspections, they now:

- May not last more than 10 business days in the case of legal entity and five business days in the case of private entrepreneur
- Within the calendar year may not last more than 30 business days in case of legal entities and 15 business days in case of private entrepreneurs
- May be executed: (1) no more than once every two years – for high risk legal entities; (2) no more than once every three years – for middle risk legal entities; (3) no more than once every five years – for low risk legal entities

- Making amendments to the annual inspection plans is prohibited

With respect to unscheduled inspections, they may be executed only on the following grounds:

- Written request of a legal entity
- Inaccuracy of data in regulatory filings (failure to correct errors within the prescribed time)
- Inspection of violation rectification
- Individuals' claim about violations which caused damage to their rights, life or health, environment or state security

The law established a moratorium in 2017 for inspections by certain regulatory authorities. The list of such authorities will likely be published soon. However, they may carry out unscheduled inspections but only in the following circumstances:

- Upon approval of the State Regulatory Service of Ukraine
- At written request of a legal entity

<sup>1</sup> NBU Resolution on Amendments to Resolution of the Board of NBU on Limits Set for Cash Payments dated 6 June 2013 No. 210, dated 25 November 2016 No. 407.

<sup>2</sup> Law of Ukraine on Amendments to the Law of Ukraine On the Basic Principles of the State Supervision (Control) in the Sphere of Economic Activity, dated 3 November 2016, No. 1726-VIII.

Law of Ukraine on Temporary Peculiarities of Performing State Supervision (Control) Measures in the Sphere of Economic Activity, dated 3 November 2016, No. 1728-VIII.

- Under a court decision
- In the case of an accident or casualty due to legal entity's activity

The above liberalised rules do not apply to the inspections in the spheres of currency control, customs control at the border, state export control, budget legislation compliance control, banking supervision, economic competition protection legislation control, state supervision in the sphere of television and radio broadcasting.

### Restriction on Importing Books From Russia

Starting from 1 January 2017, Ukraine has restricted importation and distribution of printed materials originating from, manufactured in and/or delivered from Russia or occupied Ukrainian territory. Such printed materials may only be imported and distributed if approved by the Ministry of Information Policy of Ukraine.<sup>3</sup>

The restriction does not apply to individuals who deliver less than ten items of printed materials in their luggage.

### Amendments to Labour Law

Effective 1 January 2017, new laws introducing amendments regarding labour remuneration and penalties for labour law violations came into force.<sup>4</sup>

The new laws introduce a number of important changes, including:

- **Minimum salary.** The minimum salary has been increased from ₴1,600 (approx. US\$60) to ₴3,200 (approx. US\$120) at a monthly rate and from ₴9.59 (approx. US\$0.35) to ₴19.34 (approx. US\$0.7) at an hourly rate.

Previously, the minimum salary was defined as a statutory minimum level of payment for simple, unskilled work. Now, the minimum salary is defined as a statutory minimum level of payment for a monthly (hourly) worktime standard performed by an employee (irrespective of the qualification).

- **Penalties for Labour Law Violations.** The new types of penalties are introduced. In particular:
  - I. Non-admitting or impeding competent officers to conduct a labour law audit. For such violation a fine in the amount of three minimum salaries is foreseen (₴9,600 (approx. US\$360)).
  - II. If such violation is committed during a labour law audit aimed to check hiring and salary payment procedure, a fine in the amount of 100 minimum salaries is foreseen (₴320,000 (approx. US\$12,000)).

Due to the increase of a minimum salary amount, based on which the amounts of fines are settled, fines for labour law violations already provided by Ukrainian law were increased as well.

### State Support of Ukrainian Exporters

To encourage Ukrainian companies to export goods, the Parliament approved establishment of Export Credit Agency, which will provide the following state support to Ukrainian exporters:<sup>5</sup>

- Insurance and reinsurance of loans provided to exporters or its purchasers, insurance of FEC for exporter, insurance of direct investment from Ukraine aimed to develop export of Ukrainian goods, insurance of confirmed letters of credit and bank guaranties
- Provision of securitisation guarantees, counter-guarantees and tender guarantees
- Partial compensation of interest rate under export loans as will be approved by the Cabinet of Ministers of Ukraine

The law provides for a list of restrictions when the state support may not be provided, for example, if FEC is concluded with a resident of offshore country or a non-resident from Russia or an entity indirectly owned/ controlled by persons who are in the Ukrainian and international sanctions lists.

The above support may only be provided in relation to certain types of goods as classified by Ukrainian Classification of Goods for Foreign Economic Activity, such as: furniture, apparel, ready-made food (made from meat, fish, milk, grain etc.), pharmaceutical products, different equipment and tools, aircrafts, vehicles, transport and some others.

### Electronic Tickets in Public Transport

On 17 January 2017, the Parliament adopted the law that introduces electronic tickets in public transport.<sup>6</sup>

The law introduces the powers of Ukrainian municipal governments to use the automated system of fare collection in public transport, electronic tickets, electronic registration of travel documents, etc.

The full text of the law will be available upon the law publication.

The law comes into force three months after from the date of its publication.

## II. Corporate Law

### Draft Laws on Corporate Governance and Corporate Agreements

On 17 January 2017, the Parliament approved at first reading the drafts laws on improving corporate governance in joint-stock companies and introducing corporate agreements.

<sup>3</sup> Law of Ukraine on Amendments to Certain Laws of Ukraine in Relation to Restricting Access of Foreign Printed Materials with Anti-Ukrainian Content to the Ukrainian Market, dated 8 December 2016, No.1780-VIII.

<sup>4</sup> Law of Ukraine on Amendments to Certain Legislative Acts of Ukraine, dated 6 December 2016, No. 1774-VIII.  
Law of Ukraine on the State Budget of Ukraine for 2017, dated 21 December 2016, No. 1801-VIII.

<sup>5</sup> Law of Ukraine on Provision of Extensive Expansion of Export of Goods (Works, Services) Originated from Ukraine by Means of Insuring, Guaranteeing and Reducing the Cost of Lending, dated 20 December 2016, No.1792-VIII.

<sup>6</sup> Draft Law of Ukraine on Amending Certain Laws of Ukraine regarding Implementation of the Automated System of Fares Collection in Public Passenger Transport, No. 4121.

The drafts laws will introduce the following new mechanisms with respect to joint-stock companies:

- The obligatory sale of shares by shareholders at the request of a shareholder owning 95% or more company's shares
- The obligatory buy-out of shares by a shareholder owning 95% or more company's shares, at the request of shareholders owning these shares

For shareholders of joint-stock companies and participants of limited liability companies, the laws when adopted would make it possible to enter into a corporate agreement in order to regulate their relations in company's governance.

## IV. Intellectual Property

### New Ukrainian Versions of Intellectual Property Classifications

Beginning 1 January 2017, the new editions of international classifications translated into Ukrainian entered into force:<sup>7</sup>

- The International Classification of Goods and Services for the purposes of the registration of marks (Nice Classification) – 11th edition
- The International Classification for Industrial Designs (Locarno Classification) – 11th edition
- The International Patent Classification (IPC)

The above classifications will be used for the expertise of applications for registration of trademarks, inventions and industrial designs, filed after 1 January 2017.

## 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

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<sup>7</sup> Orders of the State Intellectual Property Service of Ukraine dated 28 November 2016, No. 432-N, dated 7 December 2016, No.450-N, and dated 30 December 2016, No.476-N.