



Effective April 1, 1994

NEW UKRAINIAN LAW DESIGNED TO ENCOURAGE FOREIGN INVESTMENT

Highlights

Aim of the new law

- encouragement of foreign capital investment in priority branches of the Ukrainian economy by means of tax privileges and insurance guarantees...

Priority spheres for foreign investment:

- Agribusiness (agrotechnologies of crop growing and cattle keeping; food processing and packaging technologies; agricultural machinery; small equipment production; chemical agents for plant and livestock protection)
- Light industry (yarn, fabrics, clothes, footwear, leather goods)
- Timber industry (furniture and paper articles)
- Engineering industry (production of small consumer appliances, cargo airplanes, medical and diagnostic equipment, program controlled machine tools)
- Medical industry (production and packaging of modern medicines)
- Metallurgy complex and production of materials (steel melting, rolled stock, powder metallurgy, unconventional materials)
- Fuel and energy complex (nuclear, thermal, and hydroelectric power stations; coal mining and processing; unconventional energy resources)
- Transport infrastructure (roads, airports, pipelines, oil terminals)
- Communication (fiber optic and space communication systems)
- Chemical and petrochemical industry (hydrocarbon and chemical recovery, oil refining, polymeric materials)
- Social infrastructure (health resorts, tourist complexes, recreation facilities, motel complexes)

Incentives available to qualifying investors

- accelerated depreciation of machines and equipment
- extended period of exemption from income tax by size of investment
- tax credits
- 50-100% reimbursement of import duties on capital goods and machine parts
- favourable terms of bank credits
- investment risk insurance

The law identifies necessary improvements in the legal regulations governing foreign investments

- the right to own land
- right to privatization of property
- reimbursement procedures for losses due to illegal activities
- simplified registration procedures
- bilateral agreements to avoid double taxation
- legislation to protect intellectual property

Development of infrastructures of international businesses and other prerequisites for foreign investments

- improvement of activities of Ukrainian stock exchanges, commercial banks and insurance companies
- data bank of foreign investment projects in Ukraine
- creation of a Ukrainian Bank for Reconstruction and Development, as well as a national insurance company
- automated information system for foreign investors
- translation of laws and publications into major business languages
- statistical information on foreign investments
- standardization of training and certification of specialists in business