

FOREIGN INVESTOR ROADMAP, CITY OF CHERNIVTSI

1. FOREIGN INVESTORS IN UKRAINE

Legal entities registered according to legislation other than Ukrainian	Natural persons - foreigners who do not reside in Ukraine and are not otherwise restricted as to investment activity	Foreign countries, international governmental and non-governmental institutions	Other foreign participants in investment activity, as specified in the legislation of Ukraine
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2. KINDS AND FORMS OF FOREIGN INVESTMENTS

FOREIGN INVESTMENTS:						FORMS OF FOREIGN INVESTMENTS:				
Foreign currency designated as convertible by the National Bank of Ukraine; Ukrainian currency for re-investments	Movable and immovable property and related ownership rights; stocks, bonds, other securities, corporate rights defined in convertible currency	Currency claims and rights to demand fulfillment of contract terms, guaranteed by banks and measured in convertible currency, guaranteed according to the laws (procedures) of the foreign investor's country or by international trade procedures	Intellectual property rights, the value of which has been measured and confirmed in convertible currency guaranteed according to the laws (procedures) of the foreign investor's country or by international trade procedures and confirmed by expert evaluation in Ukraine.	Rights to conduct business, including rights for mineral resources mining and processing of natural resources, granted according to state legislation or agreements, the value of which is confirmed and measured in convertible currency according to the laws (procedures) of the foreign investor's country or by international trade procedures.	Other assets according to legislation of Ukraine	Participation in business with Ukrainian legal entities and natural persons or purchase of shares of established legal entities.	Foundation of enterprises owned by foreign investors, affiliated companies and branches of foreign legal entities or purchase of an established business.	Movable and immovable property, including buildings, residences, premises, equipment, automobiles and other objects, acquired in accordance with Ukrainian law by direct purchase of property and businesses or by purchase of stocks, bonds and other securities.	Purchase of rights for land and natural resources processing personally or involving Ukrainian legal entities or natural persons.	Entrepreneurship activity and other forms of business in accordance with the laws of Ukraine and without establishing a legal entity on the basis of agreements with Ukrainian enterprises.



STATUS OF FOREIGN INVESTMENTS:

- (provides benefits according to legislation of Ukraine)
- Actually invested assets;
 - Investments have been registered



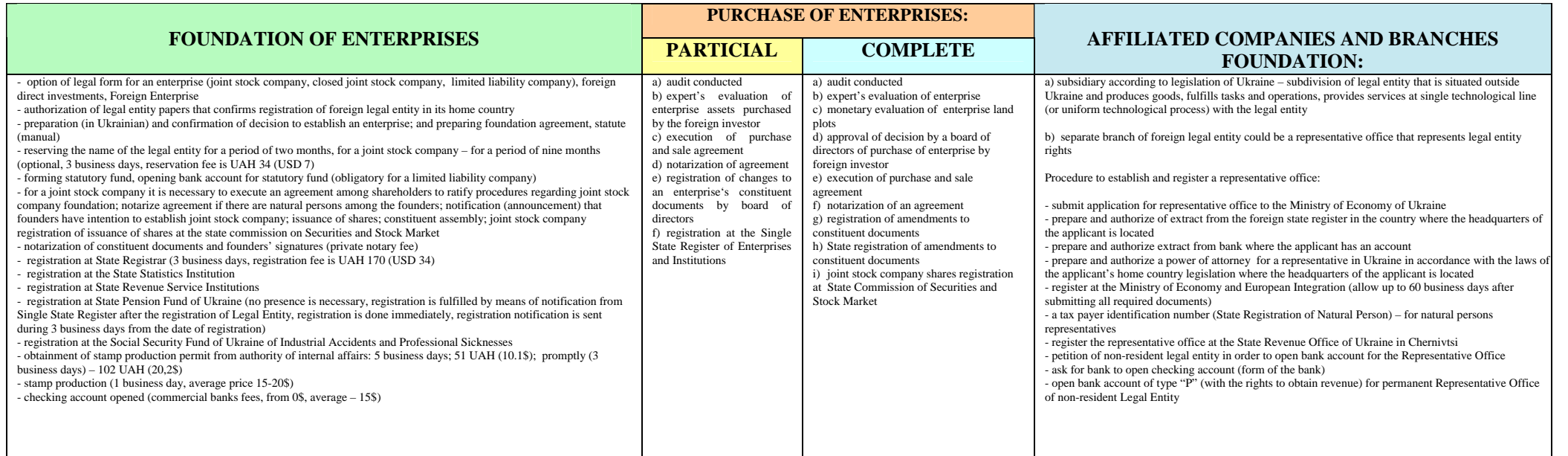
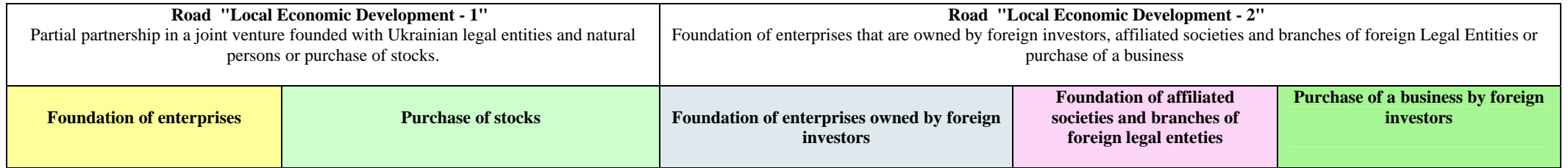
3. ORGANIZATIONAL AND LEGAL FORMS OF INVESTMENTS



ATTENTION! Entering Ukraine foreign investor must have:

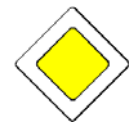
- a) papers of Legal Entity registration at the country of Headquarters authorized by Ukrainian Consulate Institutions
- b) apostille for investors who reside in countries participants of 1961 Convention
- c) international agreement that makes an enterprise exempt from any other confirmation of foreign official papers

Investments can be directed to the following trends – roads of Local Economic Development:





ENTERPRISE IS CONSIDERED TO BE FOUNDED STARTING FROM THE MOMENT OF REGISTRATION AT THE SINGLE STATE REGISTER OF ENTERPRISES AND ORGANIZATIONS OF UKRAINE

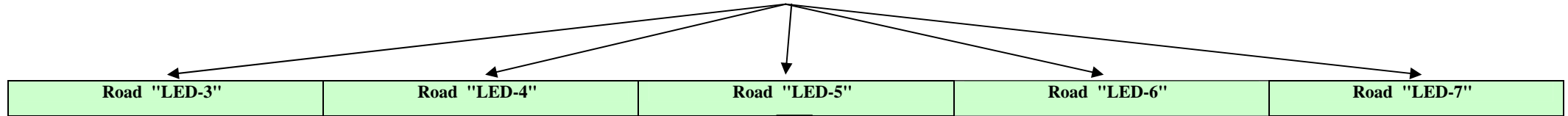


STATE REGISTRATION OF FOREIGN INVESTMENTS

- Opening a temporary investment account in foreign currency (USD, EURO etc.) by the non-resident investor and opening an account in the national currency of Ukraine (Hryvnia) for monetary investments.
- Investment input.
- Filling of informational announcement about investment input approval (three copies stamped by local state revenue office).
- Application documents that approve the form of investments (constituent documents, agreements(contracts) of industrial cooperation, common production and other types of common investment activity, agreements of concession, etc.).
- Application documents that approve the value of foreign investments.
- Application documents that evidence payment of registration fee (20 non-taxable minimum revenues that equals UAH 340 (USD 67)



4. OBJECTS OF INVESTMENTS: ALTERNATIVES



Road "LED-3" PURCHASE OF IMMOVABLE AND MOVABLE PROPERTY (houses, residence, vehicles, shares, bonds and other securities)

Investments that move on this road pass through the following stages:

- a) Singing of an agreement with evaluation company regarding movable and immovable property evaluation.
 - b) Signing of a purchase and sale agreement for immovable property.
 - c) Notarization of purchase and sale agreement of immovable property.
 - d) State registration of rights for immovable property
 - e) Singing of a purchase and sale agreement for movable property purchase and its registration if legally required.
- Purchase of shares, bonds and other securities, for which the agreements are made with participants in the stock market.



Road "LED - 4" PURCHASE OF RIGHTS FOR LAND OWNERSHIP PERSONALLY OR WITH HELP OF UKRAINIAN LEGAL ENTITIES OR NATURAL PERSONS



INVESTMENTS ON FLOW THIS ROAD IN THE FOLLOWING CASES:

Obtain (purchase) of rights to lease land plots under state or communal ownership.

The next steps should be done by the investor legal entity:

- a) Register representative office (affiliated company) of foreign company in Ukraine;
- b) Address the city council with petition asking for used or free land plot for lease or construction to establish a business;
- c) Obtain the city council permit to approve the location for construction;
- d) Obtain approval of the construction objects location directly (or with help of a licensed company) from the Department of Land Resources, Department of Nature Protection Sanitary and Epidemiological Work, Department of Architecture and Building, Department of Historical and Cultural Heritage Protection;
- e) Get city council decision about the construction objects location and permit for development of project of the land plot transfer for rent;
- f) Execute an agreement with a licensed land company to develop a project for the land plot transfer for lease;
- g) Obtain documents at the Department of Land Resources regarding an appraisal of the land plot;
- h) Conduct state review of the development project and obtain approval at the local office of the State Committee of Land Resources of Ukraine;
- i) Transmit the project with the conclusion of the state land experts to the city council for approval;
- j) Obtain the decision of the city council about project approval. The land plot can be leased for a short term (up to 5 years) or long-term (up to 50 years);
- k) Prepare an agreement for lease of the land plot ;
- l) Notarize the agreement if required by one of the parties;
- m) Sign the act of transfer of the lease object (land plot);
- n) State registration of the right to lease a land plot.

If two petitions are addressed to the city council for lease and construction the same land plot of state or communal ownership, local authorities conduct an auction regarding the right to rent the land plot. Auction instructions for the right to rent a land plot are developed and approved by the city council.

Purchase of a land plot under state or communal ownership.

After obtaining of the rights to rent a land plot a foreign investor has the right to purchase the non-agricultural land plot from lands of state or communal ownership under the condition of ownership of immovable property located on the land plot necessary for investor.

A foreign investor is obliged to fulfill the following steps while investing in Ukraine in order to purchase a land plot where immovable property is located:

- a) Register (accredit) Representative Office (affiliated office) of foreign legal entity with the right to business in Ukraine;
- b) Send a petition to the city council regarding land plot purchase;
- c) Following documents should be included with the petition: lease agreement for a land plot, representative office registration documents that provide investor with the right to do business in Ukraine, property ownership papers, registered at the Bureau of Technical Inventory;
- d) Obtain approval of the construction project location directly (or with help of a licensed land company) from Department of Land Resources, Department of Nature Protection and Sanitary and Epidemiological Service, State Architectural and Construction Commission and Department of Historical and Cultural Heritage Protection;
- e) Order an appraisal of the land plot and obtain an expert opinion regarding valuation of the land plot from a licensed land appraisal company;
- f) Approve at session of city council the project of the land plot parceling;
- g) Coordinate all terms of the land plot sale contract;
- h) Receive the decision of city council regarding the land plot sale and sign the sale contract;
- i) Sign an agreement of the land plot sale with the city council with help of authorized persons;
- j) Notarize of the land plot sales contract;
- k) Order state certificate on the property rights for the land plot from a licensed land company;
- l) Obtain state certificate for the property right of the land plot;
- m) Conduct state registration for the property right of the land plot;
- n) Sale of the land plot to the foreign investor is carried out after receipt of the corresponding governmental approval (Article 129 of the Land Code of Ukraine).

In the case of purchase of a land plot free from buildings by the foreign investor from the state or municipal property for construction of facilities for business in Ukraine, sale and purchase of such a land plot is carried out exclusively at land auctions (tenders). Regulations for carrying out land auctions are determined by the Land Code and local regulations which are affirmed by city council. Joint ventures established in Ukraine with participation of foreign legal and natural persons have the right to own the land plots for a non-agricultural purpose according to the regulations for foreign legal persons.



INTERDICTIONS AND RESTRICTION:

- a) Foreign investors (natural persons and legal entities) can't own agricultural land or other natural resources in Ukraine;
- b) Foreign individuals and legal entities may purchase land plots for non-agricultural use outside cities, where buildings, constructions and other facilities owned by these foreign citizens and legal entities are located;
- c) In order to purchase land plots for non-agricultural use a foreign legal entity must register representative office in Ukraine.



Road "LED - 5" RIGHTS FOR BUILDING ON THE LAND-PLOT

Construction on land plots provided for this purpose is carried out after the investor obtains the property right or the right of use of the land plot according to Ukrainian law, and receipt of the construction permit. The right to construction on land plots is determined by the town-planning documentation, local construction rules, i.e. determined by legislative documents approved by local city councils which settle the order of planning and construction and other purpose of the territories and land plots and also all acceptable kinds, conditions and restrictions of construction and other use of territories and land plots within zones defined by the zoning plan.

According to Ukrainian legislation the right of construction gives the owner (or lessee) an opportunity to construct on the land plot, according to legislation, construction, re-building or demolition of houses and constructions. Financing of works on planning of land plots where natural persons or legal entities are going to carry out new construction, reconstruction, restoration, major overhaul of objects or equip territories with modern services and utilities, is carried out, as a rule, according to the means of these persons. Requirements of regional and local construction regulations are obligatory for all persons including foreign investors.

Movement of capital through this investment road consists of performance by the investor of the consecutive stages according to legislation:

- a) Obligatory "movement" on investment road "LED - 4";
- b) Examination of town-planning documentation and receipt by local bodies of architecture where construction is proposed, data from town-planning cadastre in order to start preparatory work (outline, research, conceptual work);
- c) Examination of local construction regulations (zoning) if such regulations were developed and approved by the city council;
- d) Filing an application with the city council for a construction permit; documents on the property right and leasing of lands, papers that certify land plot owner consent to construction if the land plot is leased, and other papers stipulated by regional construction regulations are to be included with the application;
- e) Written statement application to body of town-planning and architecture for preparation of a comprehensive conclusion;
- f) Filing conclusions of land, nature protection, sanitary and other bodies or local authorities with the body of town-planning and architecture (not later than two weeks from the date of the investor's application);
- g) Preparation of a comprehensive conclusion (the maximum term of execution is 30 days from the date of the application);
- h) Consideration of the comprehensive conclusion by local authorities and issuance of a construction permit (not later than two months from the date of the application);
- i) Submission of application statement to the body of town-planning and architecture for issuing the building permit;
- j) The body of town-planning and architecture collects data for planning objects of construction, the body issues architectural-planning tasks and specifications not later than two months from the date of investor's statement application; or development of town-planning substantiation of construction object arrangement if there are no local construction regulations;
- k) Planning and exploration works conducted, development and coordination with local authorities project documentation for construction of an object according to the contract with the licensed planning company;
- l) Receipt of comprehensive conclusion of the state investment experts;
- m) Application of investor's written application to inspection of state architectural-building control to obtain construction permit;
- n) Consideration of presented materials; issue and register construction permit not later than one month from the date of investor's;
- o) Construction of the object;
- p) Construction of the object completed;
- q) State registration of the property right of constructed object and receipt of corresponding papers.



Road "LED - 6" OBTAINING CONCESSION RIGHTS OF STATE OR COMMUNAL PROPERTY

Movement of foreign investments by this road can be attractive for long-term investments, as far as in Ukraine the concession provides rights for construction and (or) management (operation) of the object of concession (payment for use for a certain period of time), under condition that the concessionaire accepts obligations on creation (construction) and (or) management (operation) of the object of concession, property responsibility and possible business risk. Concession objects are offer in operation of an investor with purpose of social needs satisfaction by local authority according to concession contract on paid and urgent basis legal entities or natural person (businesses). Concession investment capital may move only those ways which are open for concession, i.e. investor has access to those objects which are approved by the Government of Ukraine and local authorities. Foreign investment in the objects of concession is complicated by the fact that investor under certain conditions is obliged also to pass other investment roads of this "roadmap" to reach the object of concession. If the investor needs a land plot for concession than on a certain stage he should return to investment road "LED - 4" and pass this road, obtain a land plot to rent, and move to investment road "LED - 6", it is necessary to pass all stages of registration of the concession rights and move further on this road according to regulations of the land plot construction. Obtaining of concession rights of an object of state and communal property is fulfilled on a competitive basis that includes the following stages:

- a) Concession application notice announced in media;
- b) Investor submits application for concession with required documentation;
- c) Considering applications by the commission of concession fulfilled;
- d) Preparing concession decision about the winner of concession by the commission of concession;
- e) Concession decision accepted by local authorities;
- f) Coordination of concession contract terms with local authorities that transmit an object into concession;
- g) Concession contract signing;
- h) Concession contract registration.

Foreign investor should receive a land plot to rent and pass all stages on road "LED - 4" if needed, investor should receive necessary licenses and permits according to legislation if needed. Construction of concession objects is fulfilled according to regulations of Road "LED - 5".



**Road "LED - 7" OTHER FORMS OF INVESTMENTS,
IF NOT FORBIDDEN BY LEGISLATION OF UKRAINE
(including without founding legal entities, according to agreements with enterprises in Ukraine)**

Movement of investments by this road may be very intensive, it should be based on agreements of cooperation, international financial leasing, other agreements, that concerns opportunities of other kinds and forms of investments in Ukraine.



5. "ROADS" THAT ARE CLOSED FOR FOREIGN INVESTMENTS IN UKRAINE

Investments into objects (construction and operation) that don't meet requirements of sanitary, radiation, ecological, architectural and other conditions according to legislation are forbidden. Investments into objects (construction and operation) that infringe rights and interests of citizens, legal entities and state, the rights protected by the law are forbidden.

Objects of residential construction financed by private capital of natural persons and legal entities may not become an investment object. Construction of such objects may be financed by construction funds, funds of operations with property, funds of mutual investments, private pension funds, through non-profitable (specified) bonds emission approved by the property that are founded and work according to legislation.



6. NATIONAL STATUS OF FOREIGN INVESTMENTS

NATIONAL STATUS CONCERNING FOREIGN INVESTMENTS IS ESTABLISHED IN UKRAINE

6.1. LICENCEING



Licence is a document of state pattern that certifies the rights to conduct specific kind of economic activity during a certain period of time under condition of meeting licence terms. Licence fees are fixed by the Government of Ukraine for each kind of economic activity. The fee is paid after the decision to issue a licence is accepted. Licence is issued in three days after the payment of the fee.

- 1) Exploration (prospecting) of minerals
- 2) Production and repair of fire-arms and ammunition of non-military purpose
- 3) Production of explosive materials for industrial use
- 4) Production of dangerous chemical substances
- 5) Extraction of minerals from deposits of the state which have nation-wide value and are included into the State Fund of Minerals Deposits
- 6) Extraction of precious metals and stones, semiprecious stones
- 7) Production of precious metals and stones, semiprecious stones
- 8) Production of goods from precious metals and stones, semiprecious stones, sale of stones
- 9) Production of medicine, wholesale and retail trade in medicines
- 10) Production of veterinary medicines and drugs, wholesale and retail trade in veterinary medicines and drugs
- 11) Production of pesticides and chemicals for agriculture, wholesale and retail trade in pesticides and chemicals for agriculture
- 12) Production and sale of special devices for individual defense that contain teargas and irritating substances,
- 13) Development, manufacture and sale of special means for information extraction from communication channels, and other means of private information extraction, trade
- 14) Development, production, use, operation, certified test, thematic researches, examination, import, export and sale of crypto systems and means of cryptographic protection of information (except of services of the electronic digital signature)

- 15) Development, production, introduction, certified tests, import, export of holographic protective elements
- 16) Development, production, introduction, service, research of efficiency of systems and means of technical protection of information, services in the field of technical protection of information
- 17) Production of forms for securities, documents for obligatory reporting
- 18) Transportation of oil and petroleum products through the main pipeline, transportation of natural gas and oil gas through pipelines and its distribution
- 19) Supply of natural gas under regulated or non-regulated tariffs
- 20) Storage of natural gas in volumes that exceed the level established by terms of the license
- 21) Centralized water supply and drainage (removal)
- 22) Development, examination, production, operation of rocket-carriers, space ships and their components, ground space infrastructure and its components, equipment which is a part of space satellite systems
- 23) Development, production, manufacturing, storage, transportation, purchase, transfer, import, export, destruction of narcotics and psychotropic substances
- 24) Cultivation and use of plants which contain narcotic substances for industrial purposes
- 25) Disinfection works
- 26) Medical practice
- 27) Processing donor blood and its components, manufacturing medicine from them
- 28) Veterinary practice
- 29) Establishment and maintenance of totalizators, gambling establishments, organization of lotteries and gamblings
- 30) Construction
- 31) Services for transportation of passengers and cargo by air transport
- 32) Services for transportation of passengers and cargo by river and sea transport
- 33) Services for transportation of passengers and cargo by motor transport
- 34) Services for transportation of passengers and cargo by railway transport
- 35) Preparation, processing, metallurgical processing of metal scrap, color and ferrous metals
- 36) Collecting, primary processing of waste and precious metals and stones, semiprecious stones
- 37) Collecting, preparation of certain kinds of waste as secondary raw material
- 38) Hazardous waste processing
- 39) Design, installation, maintenance and service of means of fire-prevention and protection; systems of heating. Evaluation of fire-prevention systems
- 40) Examination of fire safety of substances, materials, constructions, products and equipment, fire technical equipment and fire-prevention products to assess conformity with established requirements
- 41) Services on protection of state and other property, services on protection of citizens
- 42) Performance of land, cartographical works
- 43) Performance of aviation-chemical works
- 44) Transfer of postal envelopes and letters, postcards, parcels that weigh up to 30 kilograms
- 45) Tourism operators and tourism agencies
- 46) Sports activities: organization and carrying out of coaching activities for professionals and amateurs; preparation of sportsmen for competitions in various kinds of sports, certified in Ukraine
- 47) Activity of arbitration managers (managers in charge of property, readjustment and liquidators)
- 48) Intermediary in employment abroad
- 49) Works on land management, land evaluation and land tenders
- 50) Designing, construction and reconstruction of existing meliorative (reclamation) systems

- 51) Fishing industry on industrial sites of fishing reservoirs, except of internal reservoirs (ponds)
- 52) Intermediary activity of customs broker and customs carrier
- 53) Production of disks for laser reading systems
- 54) Export and import of disks and matrices for laser reading systems
- 55) Production of perfumes and cosmetics with use of ethyl alcohol
- 56) Seed wholesale
- 57) Production, storage and realization of breeding (genetic) resources, carrying out of genetic examination of animals origin and anomalies
- 58) Disinfection of materials and objects which are carried across the border of Ukraine and quarantine zones
- 59) Professional activity in the sphere of social services
- 60) Development of projects and performance of works on preservation, restoration, rehabilitation, museum activity, repair, adaptation of monuments
- 61) Production and trade with pyrotechnic products
- 62) Operating of shooting galleries, shooting-ranges of non-military purpose, hunting stands
- 63) Production of cars and buses
- 64) Production of thermal energy, its transportation by main and local (distributive) thermal networks and supply of thermal energy
- 65) Collection, processing, storage, protection and operation of credit history information
- 66) Development, production, realization, repair, modernization and recycling of arms, military technical equipment, military weapons and ammunition
- 67) Production of chemical sources of electricity, import of chemical sources of electricity, preparation and recycling of used chemical sources of electricity
- 68) Breeding of pets (dogs, cats, exotic and decorative animals) in breeding nurseries, training of dogs and preparation of experts in these spheres
- 69) Sale of objects of art, collection and antiques; organization of auctions with objects of art, collection and antiques.

6.2. PATENTING



Trade patent is a state certificate that certifies the right of an enterprise or its structural subdivision (separate office) to conduct certain economic activities in accordance with Ukrainian laws.

- Trade for cash using also other forms of payments and credit cards in Ukraine
- Currency exchange (including operations with cash means of payments including foreign currency and credit cards)
- Services related to gambling business
- Personal services

6.3. TAXATION

State taxes and fees (obligatory payments)

State taxes and fees (obligatory payments) are established by the Verhovna Rada (Parliament) of Ukraine and are paid on the territory of Ukraine

- value added tax (basic rate – 20%; for export – 0%; tax credit mechanism is applicable)
- profits tax (basic rate - 25% of taxable profit)
- excise tax (certain goods including ethyl alcohol, alcohol and tobacco, petrol, diesel fuel)
- duty (mostly applied valorem duty, for certain kinds of economic activity, mixed duty (meat, milk products, certain vegetables, fruits and grain-crops, sugar, wines, alcohol beverages, tobacco products, products from oil, automobile tires, carpets, certain textile products, lamps)
- a tax on profits of individuals (basic rate - 15%)
- pension fund contribution (33.2% from employment remuneration)
- state duty (for certain activities of state authority)
- land tax
- tax for vehicle owners
- tax for use of natural resources
- tax for environment pollution
- fixed agricultural tax
- tax for wine-growing, gardening (tax payers – wholesale and retail sellers of alcoholic beverages and beer; rate – 1% of earnings)
- unitary tax is paid at the border-crossings
- tax for use of radio frequency of Ukraine
- tax in the form of an extra charge to the current tariff for electricity and heating, except for electricity produced by qualified cogenerative equipment
- tax in the form of an extra charge to the fixed tariff for natural gas for consumers of all forms of property
- tax paid at the Fund of natural persons deposits guarantee (for commercial banks)
- tax for concert activity
- court tax



Local taxes and fees (obligatory payments)
Mechanism of their payment is established by city councils according to the list and of certain margin rates according to legislation of Ukraine

- advertising tax (not more than 0,1% of the allocated cost of services for a single advertisement and 0,5% of the allocated cost of advertisement for long-term period)
- communal tax (not more that 10% of annual employee remuneration)
- local symbols usage fee (not more that 0,1% of the cost of produced goods, and conducted works and services provided using local symbols);
- permit fee for trade objects allocation (20 untaxed profits of citizens (minimum tax-free individual incomes) for entrepreneurs who permanently trade in a fixed territory and 1 untaxed profit of citizens (minimum tax-free individual incomes) is paid for one time sale per day (or per-day trade licensing)

WELCOME TO CHERNIVTSI!