

Government's influence on businesses under the martial law legal regime introduced in Ukraine

PLAN

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FOREWORD

With effect from 24 February 2022, as a result of the full-scale war unleashed by the Russian Federation against Ukraine, a legal regime of martial law was introduced across Ukraine.

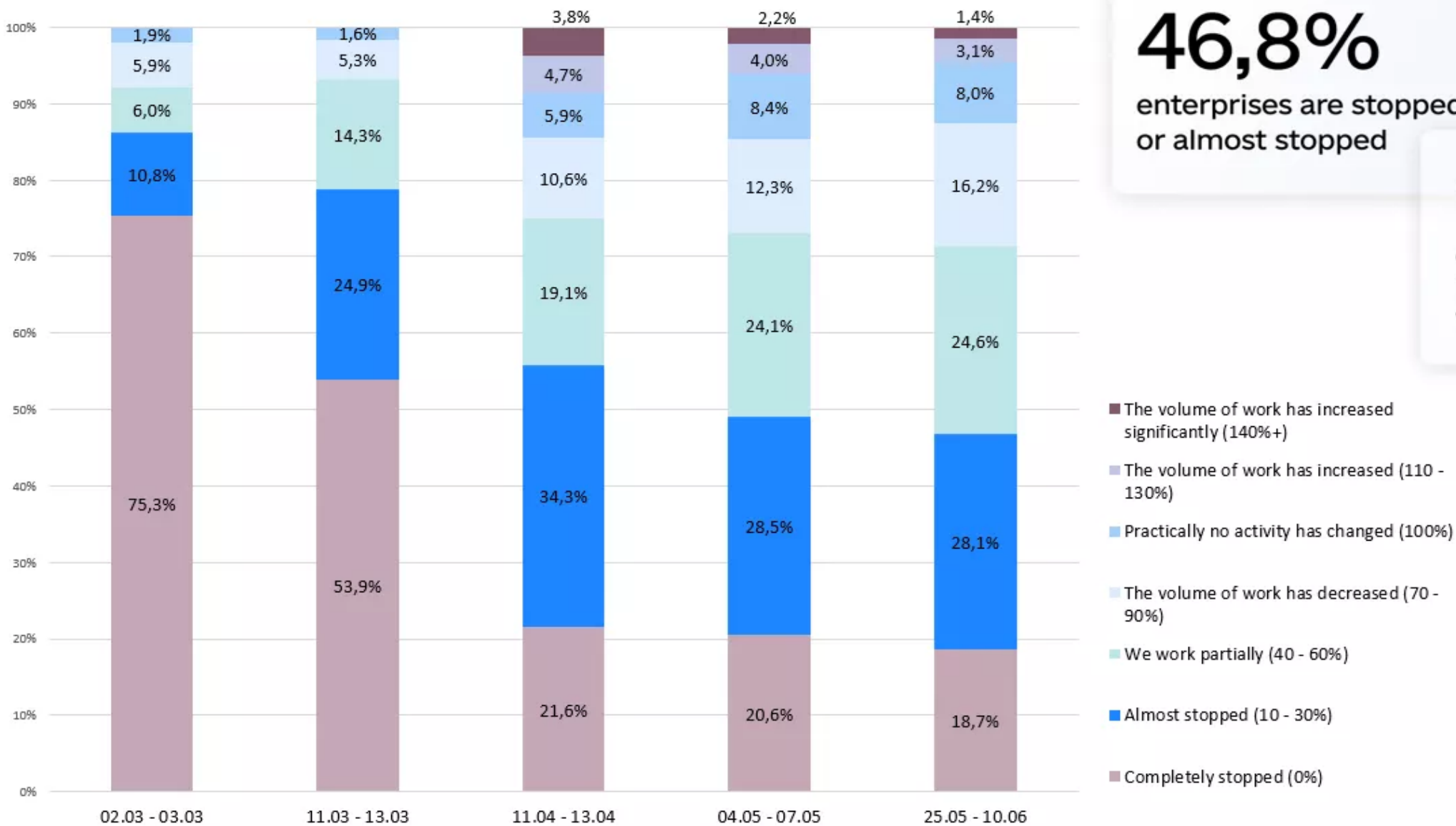
As a result, a significant part of the businesses virtually got paralyzed due to systematic missile attacks, long-term power outages, and other negative factors caused by the Russian Federation.

To support the economy, Ukraine introduced certain measures to stimulate and partially limit business activity in almost all sectors of the economy.

During this presentation, we would like to address specific activities elaborated by the government and the effect that they have on doing business.

So, let's start...

Business condition in relation to 23.02



46,8%
enterprises are stopped
or almost stopped

12,4%
did not change or
increased the scope of
work compared to 23.02

- The volume of work has increased significantly (140%+)
- The volume of work has increased (110 - 130%)
- Practically no activity has changed (100%)
- The volume of work has decreased (70 - 90%)
- We work partially (40 - 60%)
- Almost stopped (10 - 30%)
- Completely stopped (0%)



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GOVERNMENT'S MEASURES TO STIMULATE BUSINESS ACTIVITIES UNDER MARTIAL LAW

TAXATION

1. Companies with an income of up to USD 250 millions are eligible to become single-tax payers* of the 3rd group. This system provides :

- tax rate of 2% of the generated income (instead of 18% income tax);
- VAT (20%) does not apply to operations in the territory of Ukraine;

2. Cancellation of some scheduled tax audits for the period of martial law.

3. No penalty for violating tax legislation upon the introduction of martial law or a state of emergency; accrued penalty is subject to cancellation.

4. The right to submit tax and other reports within 90 calendar days after the lifting of the legal regime of martial law; no liability for late submission of reports during martial law and 90 days after its lifting.

5. During martial law, financial sanctions for violations related to the use of cash registers do not apply.

***Note:** *a single tax is a special tax regime that allows, as a general rule, avoiding corporate income tax and value added tax.*

AGRICULTURAL BUSINESS

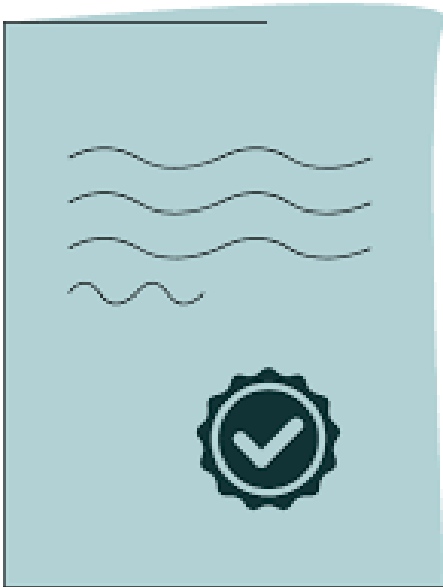
Amendments to the legislation are aimed at reducing the price of fuel and preventing its potential shortage, in particular:

- sales and use of gasoline and diesel fuel compliant with the environmental Euro 2 and Euro 3 standards are permitted;
- a zero excise tax rate for gasoline, other petroleum products, heavy distillates, liquefied gas, propane, isobutane;
- reduction of the VAT rate for fuel sales from 20% to 7%.

In addition, for the period of martial law, the Ministry of Agrarian Policy and Food of Ukraine cancelled additional procedures for seed certification - specifically by recognizing foreign certificates – and the requirement to register agricultural machinery.

The license for storage, transportation and use of pesticides has been extended for 90 days after its termination or cancellation.

LICENSING



The Government has introduced a declarative principle of acquiring the right to conduct business activities without the need to obtain permits, licenses, etc.

That is, during martial law, before starting activities, an entrepreneur must submit a prescribed-form declaration to the Ministry of Economy, and for security business – to the Ministry of Internal Affairs.

However, several exceptions exist, including for activities involving radioactive and other hazardous substances, mining, production of medicines, foreign economic activity, gambling business, conformity assessment according to technical regulations, etc.

**GOVERNMENT'S MEASURES AIMED AT
RESTRICTING BUSINESS ACTIVITIES IN CERTAIN
AREAS OF BUSINESS**

CURRENCY RESTRICTIONS

- With effect from 24 February 2022, **cross-border transfers of currency values /funds from Ukraine** to non-resident banks' UAH/foreign currency correspondent bank accounts at resident banks, including transfers carried out on behalf of the clients, are prohibited. However, the list of exceptions to this ban is gradually expanding.
- The temporary norms introduced by the NBU do not allow transferring foreign currency abroad for repayment and servicing of debt obligations to foreign creditors by Ukrainian borrowing enterprises. However, interest payments on the relevant loans are allowed, subject to certain conditions.
- The ban does not contain any exception for payment of existing debts to non-residents. If the relevant payment does not fall under the exceptions established by law, the Ukrainian enterprise will not be able to pay for the delivered goods (work, service). For example, imports delivered before 23 February cannot be paid for.
- From 06 September 2022, to make settlements in foreign currency legal entities must first use the foreign currency they have, and then, if necessary, buy it on the foreign exchange market of Ukraine.

DEADLINES FOR SETTLEMENTS

- Banks continue to conduct currency supervision over compliance with deadlines for settlements on export-import transactions.
- Banks are prohibited from terminating currency supervision over compliance with deadlines for settlements for exports or imports of goods under the documents on termination of obligations by netting.
- The deadline for settlements for exports and imports of goods is 180 calendar days and applies to transactions carried out from 05 April 2022. For transactions made before 05 April a period of 365 days applies.

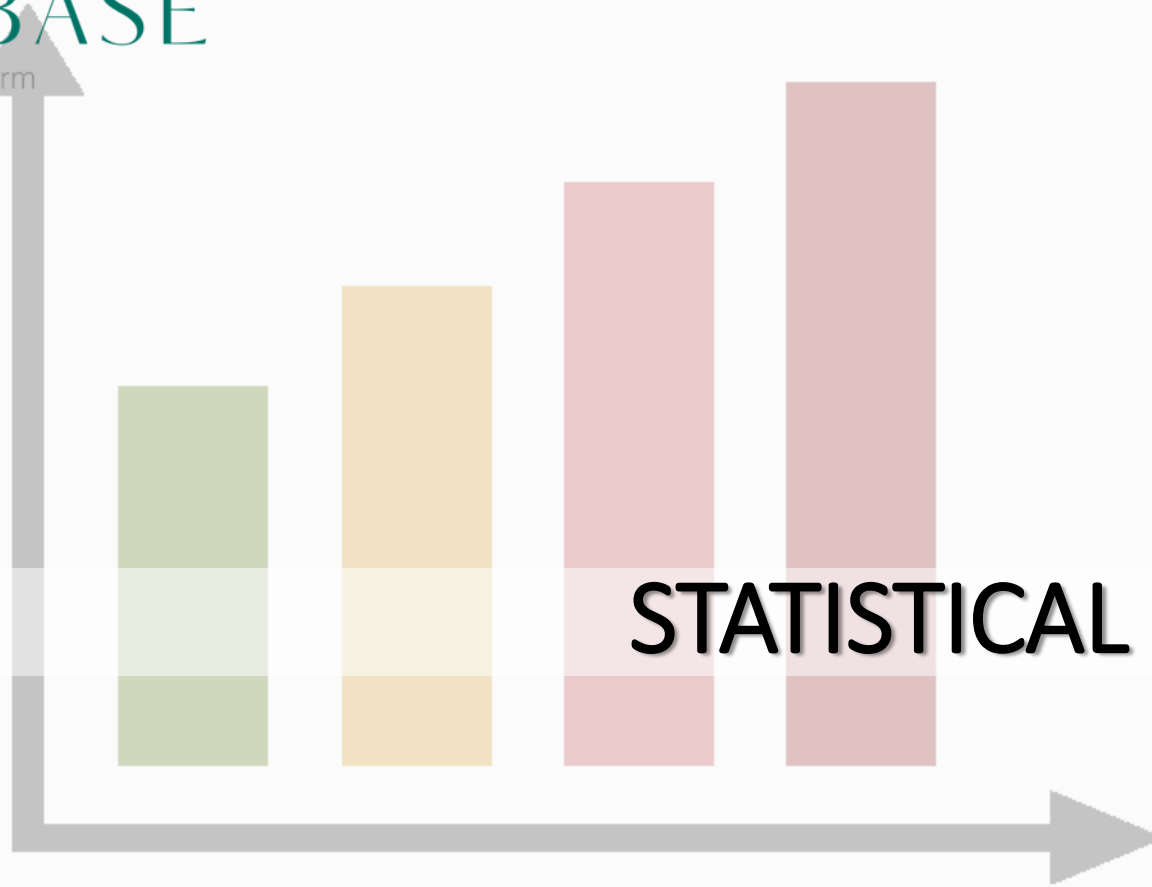


A failure to comply with the deadlines for settlements entails monetary sanctions.

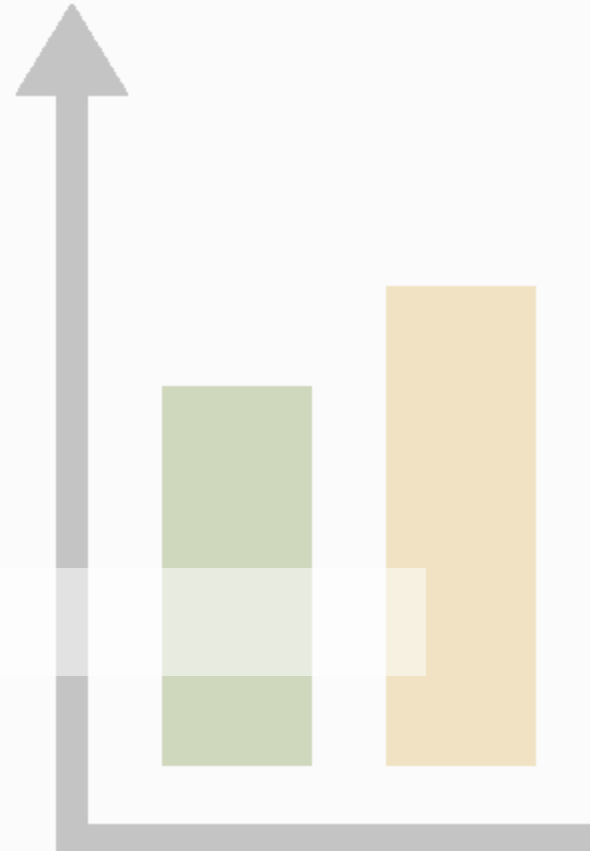


Economic relations with contractors-residents of the russian federation and the republic of belarus

- Imports of goods from the russian federation are completely banned.
- Expenditure transactions by servicing banks on accounts of residents of the russian federation / republic of belarus, on accounts of legal entities (other than banks) whose ultimate beneficial owners are residents of the russian federation / republic of belarus have been suspended.
- From the first day of the war, authorized institutions are prohibited from carrying out any currency transactions:
 - using russian rubles and belarusian rubles;
 - where a participant is a legal entity or individual located (registered/permanently residing) in the russian federation or in the republic of belarus;
 - to fulfill obligations to legal entities or individuals who are located (registered/permanently residing) in the russian federation or in the republic of belarus.



STATISTICAL DATA



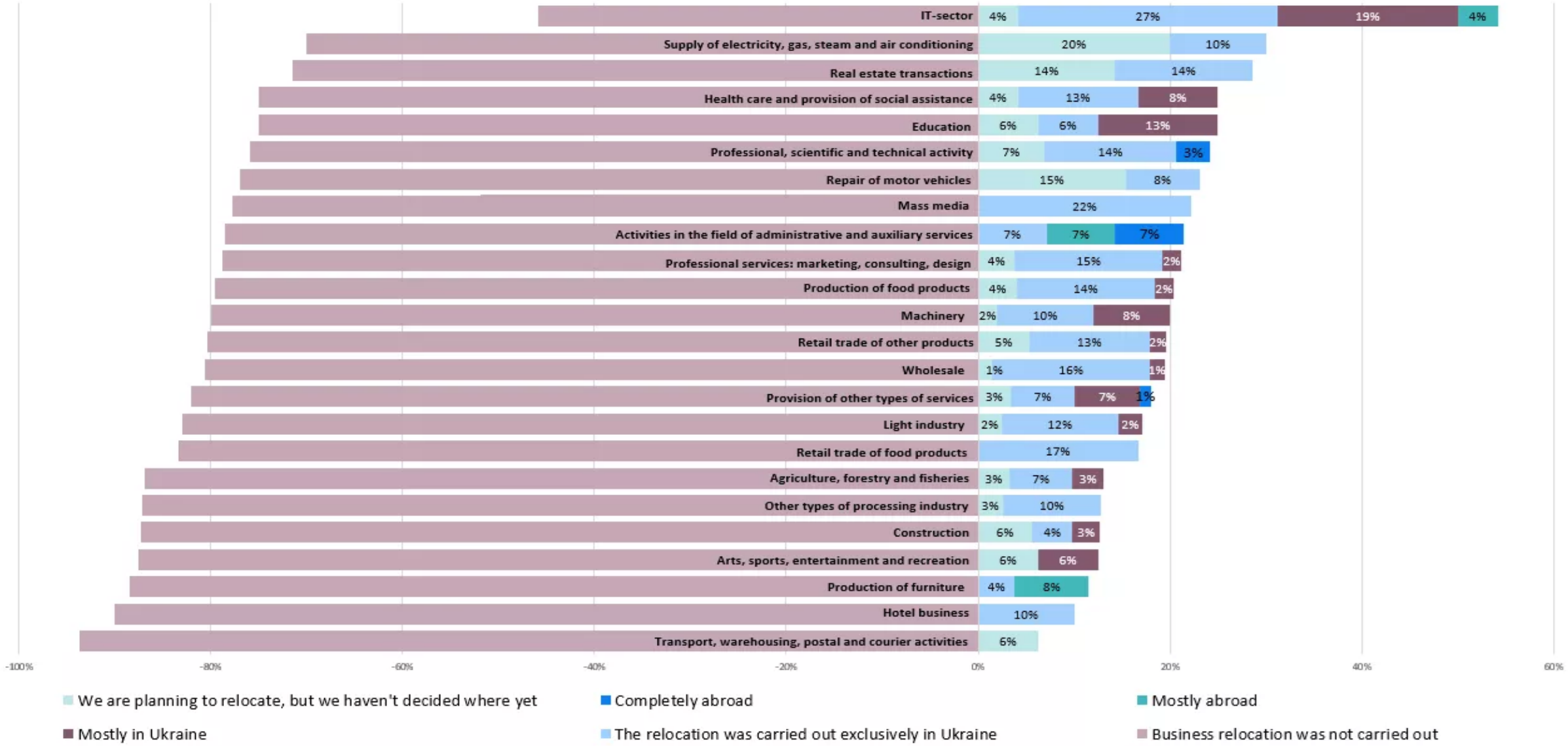
Average losses of enterprises by size

The total direct losses of SMEs from February 24, 2022, are estimated at

\$85 billion

	Quantity in Ukraine for 2021	Average direct losses, \$
Micro-enterprises (excluding FOP)	307 871	\$37 384
Small enterprises	47 837	\$300 871
Medium enterprises	17 946	\$2 687 886

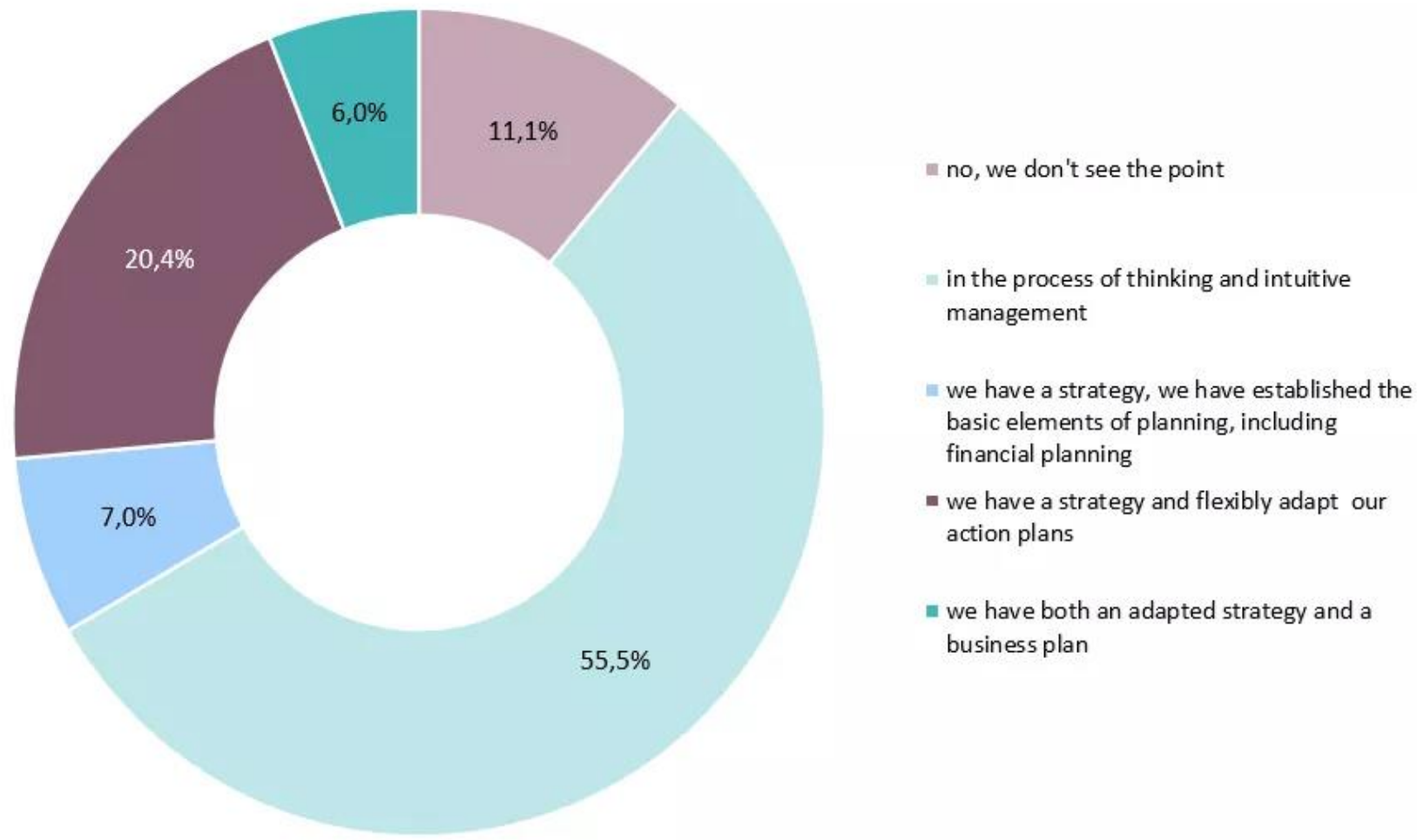
Relocation by industry



*Official statistics published by the state at the link: [Український бізнес в умовах повномасштабної війни: аналітика стану за шість місяців \(diia.gov.ua\)](https://diia.gov.ua)

Does the business have a strategy, business development plan considered new realities?

33,4%
business already
have adapted and have a strategy
of action



*Official statistics published by the state at the link: [Український бізнес в умовах повномасштабної війни: аналітика стану за шість місяців \(diia.gov.ua\)](https://diia.gov.ua)

Thank you for your attention!



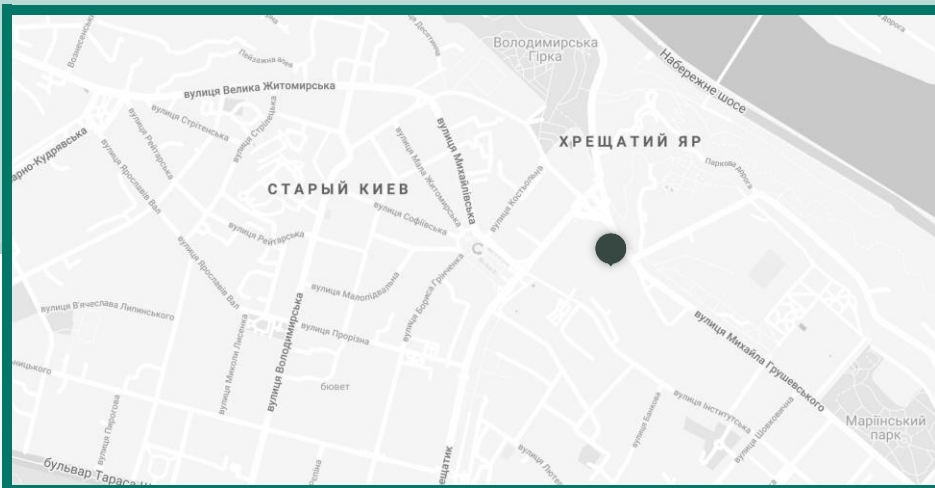
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