

Overview of legislative initiatives likely to impact international business in Ukraine

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I. SUMMARY:

1. Legislative draft Nr. 7311 envisages **to revise several key taxes, import tariffs and other equivalent charges in the light of increasing budget revenues concerns.**
2. Legislative draft Nr. 7313 proposes **to limit imports of medicinal products (drugs) produced in Russia or Belarus** into the territory of Ukraine.
3. Legislative draft Nr. 7324 proposes **unilateral recognition of equivalence of EU-issued declaration of compliance with European technical regulations and standards applicable for industrial products.**

II. FACTS:

1. **Proposal to revise key taxes, import tariffs and equivalent charges.** Introduced on April 24, legislative draft Nr. 7311 seeks to overhaul a number of taxes, import tariffs and equivalent charges, partially reversing an earlier trend toward liberalization of imports, lighter internal taxation and simplified tax reporting formalities and enforcement as a wartime stimulation measure.

Key elements of the draft law:

- offering companies an option of the VAT refund by means of national treasury bills, instead of monetary refunds;
 - Increasing the rate of military charge from 1,5 to 3 per cent;
 - Streamlining the tax inspections regime, in particular, restoring existing tax reporting deadlines;
 - Restoring levy of import duties, excise duties and VAT for a number of imported goods, including passenger cars;
2. **Limiting import and circulation in Ukraine of medicinal products produced in Russia and Belarus.** Legislative draft Nr.7313 (submitted on April 25, 2022) proposes to empower the Ministry of Health of Ukraine and State Service of Ukraine for Medicinal Products and Narcotics Control (SSUMP) to refuse in issuing state registration of a medicinal product required for the release into circulation in the Ukrainian market or annul the valid registration (by cutting short the end date of authorization validity) in cases where it was proven when one, several or all stages of production of a

medicinal product took place on the territories of Russia or Belarus. The evidence required for undertaking the above regulatory decision may be derived from documentation submitted as a part of application for registration.

In particular, the draft law suggests entrusting the Ministry of Health and SSUMP with respective powers to examine the registration documentation submitted by companies to identify cases eligible for the denial or annulment of registration.

The draft law also proposes to confer the Ministry of Health and SSUMP the right to propose to the Cabinet of Ministers temporary export restrictions of medicinal products produced in Ukraine in view of public security considerations, applicable exclusively during the period of martial law.

3. Unilateral recognition of equivalence of declarations of conformity with EU technical regulations and standards. Draft law Nr. 7324 from 27.04.2022, presented by the Government to the Parliament, proposes to introduce unilateral recognition of equivalence of imported industrial products to Ukrainian national technical standards in those cases whereby such products are declared in conformity with EU technical regulations and standards.

Specifically, the recognition of equivalence can be extended to imported industrial products would include:

- Recognition of CE markings on a product as equivalent to the marking of equivalence to Ukrainian technical regulations;
- Recognition of declarations of conformity of industrial products to EU technical regulations which accompany imported industrial products.

In those cases no further formalities to ensure recognition of equivalence will be required from importers.

III. RISKS & OPPORTUNITIES

The legislative drafts as referred to above represent a number of potential risks to international companies operating in Ukraine in terms of new fluctuations in taxation regime, economic operators importing a number of goods, including passenger cars into Ukraine from the EU in terms of changing import charges and customs formalities, pharmaceutical companies marketing medicinal products which have been at least partially produced in Russia and Belarus.

The introduced drafts also offer a prospect of simplification of formalities for importers of industrial products manufactured in compliance with EU technical standards as such formalities relate to confirming equivalence to Ukrainian technical standards.

All legislative drafts are still pending in the Ukrainian Parliament, although their accelerated adoption remains a distinct possibility. Hence, companies are advised to closely follow the parliamentary deliberations to understand the scope of eventual amendments.

UBTA Legal & Policy team offers advice regarding current political, policy and legal developments in Ukraine arising in the context of the ongoing Russia's aggression against Ukraine. The information provided above does not constitute a legal advice. Please contact us if you need more information, advice or legislative follow up.

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