



POSLOVANJE

Tržne poti, distribucija

First of all, Slovenian exporters should define whether Ukrainian market with 42 million populations is a right market for their goods/services.

The following factors should be considered while making a decision: needs for products on the local market, availability of similar domestically produced goods, availability of similar goods supplied from other EU countries, availability of local distributor familiar with a product, price, foreign exchange rate, tariff and non-tariff regulations affecting the product (according to EU-Ukraine AA/DCFTA Ukraine should gradually remove customs tariffs and quotas). In this regard, conducting or ordering a separate marketing research will be an advantage.

Exporters to Ukraine are also recommended to connect with local agents/ distributors who can provide important knowledge, especially knowledge of the domestic market. It is advisable to initiate personal contacts with potential partners in order to discuss marketing opportunities and strategies. In some cases, choosing a reliable local business partner is not an easy way. In each case it is recommended to check company's credentials and credit ratings before engaging into business activities and to seek further local legal aid and counselling.

Usually, the simplest option to enter Ukrainian market is to conclude direct sales contracts with the Ukrainian potential customers. Accordingly, Slovenian exporters which would sell goods or services to customers/distributors in Ukraine from abroad directly would not be subject to Ukrainian taxes on income. Depending on the agreed delivery terms, rarely Ukrainian customers/distributors would be responsible for customs clearance and would have to pay customs duties and taxes (import VAT, import duties, if any). The possibility to choose the foreign law to govern the contract makes direct sales a viable option for business. However, in choosing the foreign law, the public order rules and mandatory provisions of Ukrainian laws (e.g. currency control regulations, etc.), should be taken into account.

Also, during initial stage of exploring the market, participation in major national trade fairs/exhibitions is strongly recommended.

Thus, Slovenian exporter should consider the following options for entering the Ukrainian market:

- direct sales;
- agent/distributor commission arrangements;
- joint venture with a Ukrainian partner;
- registration of the representative office (commercial and non-commercial);
- registration of the Ukrainian subsidiary.

Ukraine introduced series of legislative changes aimed at simplifying the start-up and conducting of business, in particular:

- establishment of a "one-stop shop" for corporate registration;
- registration could be performed by local councils, local state administrations and notaries;
- establishment of personal cabinet that allows to perform electronic submission of documents;

- online access to the Unified State Register of Legal Entities, Individual and Non-Government Organizations (“USR”) (country-wide list of business entities, individual entrepreneurs and non-government organizations) and the Unified License Register;
- abolishment of mandatory company seals for private companies, as well as the requirement to notarize copies of documents for registration purposes;
- abolishment of an annual confirmation of data about the legal entity;
- simplification of liquidation and restructuring procedures;
- enabling successors of legal entities, terminated by way of merger, accession or change of a legal form to carry out the economic activities during 3-month transitional period under the former license (i.e. issued for the entity which was terminated) until the new license is obtained by such successor. In addition, mandatory licensing or other state authorizations were abolished in many industry sectors through introduction of the ‘silent consent’ concept and declaratory principle (i.e., a company may undertake certain types of business upon making a relevant declaration to the state authorities). If export supplies are not established through general sale/agent/distributor contract, it is important to mention that the most common form to carry out day-to-day business in Ukraine is through a representative office (RO). A RO is not a legal entity but a subdivision of a foreign company registered in Ukraine. Its head office assumes all rights and obligations of the RO and bears the liability for its actions. A RO which carries out commercial activities in Ukraine is deemed to be a commercial RO and triggers a permanent establishment of the foreign company in Ukraine for tax purposes. This, in turn, implies that if the relevant double taxation treaty is in place between Ukraine and the jurisdiction of the foreign company’s tax residence, only a portion of the company’s profits attributable to the RO will be taxed in Ukraine. A RO which undertakes activities of a preparatory or auxiliary nature usually does not create a permanent establishment and is not subject to corporate income taxes in Ukraine. Generally, a RO would be subject to registration in the Ministry of Economic Development and Trade.

A foreign bank’s RO shall be registered with the National Bank of Ukraine (NBU). However, the list of registration authorities may be expanded due to specific industry requirements. Registration takes up to 30-60 days following submission of all necessary documents and payment of the state duties. The preparation of documents may take additional time as in many cases they would require approval, notarization, and/or legalization. Therefore, registration of RO takes longer time than registration of a limited liability company.

Slovenian investors, according to the Ukrainian laws, are granted the right to enter into a joint venture with a Ukrainian partner (formally referred to as “a joint activity agreement” which can take the form of a simple partnership agreement, a joint production or a joint co-operation agreement with a Ukrainian partner. Investment of this kind may be subject to state guarantees and should be registered with local state authorities of Ukraine.

Slovenian company may also decide to establish a Ukrainian subsidiary for doing business in Ukraine. A Ukrainian subsidiary controlled by foreign companies or nationals generally enjoys the same legal treatment as legal entities without foreign participation. Such company, with minor limitations justified by national interests, may enter into agreements, assume legal obligations, acquire property as well as sue and be sued in its own name.

The choice made by the company (exporter/investor) is usually motivated by the vision of business prospects, incorporation and maintenance costs, as well as legal and tax risks involved (*more information about existing taxation and forms of companies will be provided in later chapters*).

For foreign companies interested in importing certain services or commodities from Ukraine, Export Promotion Office of Ukraine provide sourcing services free of charge to assist in finding Ukrainian business partner: <https://epo.org.ua/en/sourcing-information/>.

Here, it should be noted that EU imposed restrictions on economic relations with Crimea and Sevastopol as a consequence of illegal annexation of Crimea and Sevastopol by Russia.

On 19 June 2017, the Council extended the restrictive measures in response to the illegal annexation of Crimea and Sevastopol by Russia until 23 June 2018.

The measures apply to EU persons and EU based companies. They are limited to the territory of Crimea and Sevastopol. The sanctions include **prohibitions on:**

- **imports of products** originating in Crimea or Sevastopol into the EU;
- **investment** in Crimea or Sevastopol, meaning that no Europeans nor EU-based companies can buy real estate or entities in Crimea, finance Crimean companies or supply related services;
- **tourism services** in Crimea or Sevastopol, in particular, European cruise ships cannot call at ports in the Crimean peninsula, except in case of emergency;
- **exports of certain goods and technologies** to Crimean companies or for use in Crimea in the **transport, telecommunications and energy sectors** and related to the prospection, exploration and production of **oil, gas and mineral resources**. Technical assistance, brokering, construction or engineering services related to infrastructure in these sectors must not be provided either.

Also, there are some limitations exist regarding trade with temporarily uncontrolled by the Ukrainian government territories of Donetsk and Lugansk oblasts.

Useful links:

- Trading with Ukraine: <http://ec.europa.eu/trade/policy/countries-and-regions/countries/ukraine/>
- Exporting from the EU - what you need to know: <http://madb.europa.eu/madb/indexPubli.htm>
- Guide to EU-Ukraine Free Trade Agreement: http://trade.ec.europa.eu/doclib/docs/2013/april/tradoc_150981.pdf
- EU restrictive measures in response to the crisis in Ukraine: <http://www.consilium.europa.eu/en/press/press-releases/2017/06/19/crimea-sevastopol-eu-extends-sanctions/>
- Business Ombudsman Council of Ukraine: <https://boi.org.ua/en/>
- Ukrainian Retail Association: <https://rau.ua/en/>
- Ukrainian Marketing Association: <http://uam.in.ua/>
- Retail networks in Ukraine: <http://allretail.ua/networks/>
- Retail in Ukraine: Market analysis and development forecasts for 2015-2019: https://www.pmrpublications.com/pdf/Retail-in-Ukraine_promo.pdf
- Internet retailing in Ukraine: www.euromonitor.com/internet-retailing-in-ukraine/report
- Industry specific reports offer insight into market size and market share in Ukraine as well as industry trends in each specific industry: www.euromonitor.com/search?txtSearch=ukraine

Tržno komuniciranje, promocija

Advertisements and other forms of marketing communications is a vital means of communication between producers and consumers, market participants. Product promotion, marketing communication and advertisement display an important role at the Ukrainian market.

For Slovenian exporters in order to find local partner/distributor and when entering Ukrainian market, it is important to develop presentations of activities and products/services, design brochures and commercial proposals in Ukrainian/English language.

External advertisements could also be made through different media: printing (newspapers, magazines, leaflets, booklets, etc.), most popular nowadays - electronic (internet, emails, social media), TV and radio. There are all kinds of media advertising designs: banners around the road, banners on the streets and other surfaces. It is recognizable stands and signs in shops, sales points, showrooms as effective advertising sources for many years.

The advertisement possibilities are regulated by a special law of Ukraine "On Advertisement". Pursuant to the Law, legality, accuracy, authenticity, application of forms and methods, which shall not cause damages to consumers are among the basic principles of advertising. Advertisements shall comply with general principles of fair trade and competition and shall not undermine the confidence of society in advertisements. Advertisements shall not contain also any information or images contradicting generally recognized rules of ethics, morality or humanity

Another very important factor which should be taken into account when developing any promotion campaign is the target audience and their level of income.

The product price factor has the most value for Ukrainian consumers. Despite the fact that they are greatly attracted by western products, which are of higher quality than national products recent economic hardships, national currency devaluation and the low income of population has decreased the population purchasing power.

The other recommended ways for business opportunities communication and products promotion are through major trade and business unions such as Ukrainian Chamber of Commerce and Industry, which unites more than 2000 enterprises in Ukraine, European Business Association, Ukraine Invest.

Useful links:

- The law of Ukraine on Advertisement: www.wipo.int/wipolex/en/text.jsp?file_id=187714
- Export Promotion Office of Ukraine: <https://epo.org.ua/en/>
- Ukraine Invest: <https://ukraineinvest.com/>
- European Business Association: <https://eba.com.ua/>
- Ukrainian Chamber of Commerce and Industry: <https://uccci.org.ua/en/about>

Plačevanje

The principal state body in Ukraine responsible for foreign exchange currency control and regulations is the National Bank of Ukraine (NBU).

Local currency "hryvnia" (UAH) is an official national currency and is used for business transactions among national contractors.

Payments between residents and non-residents involved in international transactions in connection with a trade and investment activities are, for the most part, made in foreign currency.

Foreign currency proceeds received by a company from its foreign client must be credited to a local bank account no later than 180 calendar days after the date goods or services exported. Similarly, goods generally must be imported to Ukraine within 180 calendar days after prepayments have been made by a Ukrainian company to a foreign supplier.

In 2017, NBU has eased and deregulated some exchange control regulations, mainly investors were granted opportunity to return their invested funds by purchasing of foreign currency and transfer

them abroad by foreign investors from selling their corporate rights, certain types of securities and quitting from limited liability companies.

Useful links:

- The National Bank of Ukraine: <https://www.bank.gov.ua/control/en/index>
- The Law of Ukraine "On the National Bank of Ukraine":
<http://www.bu.edu/bucflp-fig/files/2012/01/Law-on-the-National-Bank-of-Ukraine-of-1991.pdf>
- The Law of Ukraine "On external economic relations":
<http://zakon2.rada.gov.ua/laws/show/959-12>
- The Law of Ukraine "On the procedures for making payments in foreign currency":
<http://zakon1.rada.gov.ua/laws/show/185/94-%D0%B2%D1%80>
- Decree of the Cabinet of Ministers of Ukraine "On the system of foreign currency regulation and control": <http://zakon2.rada.gov.ua/laws/show/15-93>

Transport

There are several ways of organizing transportation of goods to and from Ukraine.

By air:

- Ukraine International Airlines: https://www.flyuia.com/uk/en/home#_blank
- Boryspil international airport, Kyiv: <http://kbp.aero/en/>
- International airport "Kharkiv": <http://hrk.aero/en/>
- Dnipro international airport: <http://dnk.aero/en/>
- Lviv international airport: <http://lwo.aero/en/news>
- Odesa international airport: <http://airport.od.ua/eng/>

- Ministry of Infrastructure of Ukraine: <http://mtu.gov.ua/>
- National Civil Aviation Administration: <https://avia.gov.ua/>
- Association of International Freight Forwarders of Ukraine: <http://www.ameu.org.ua/>

By sea:

- Port of Odessa: <http://www.port.odessa.ua/index.php/en/>
- Port of Nikolaev: <http://www.portnikolaev.com/eng/home.html>
- State Administration of Sea Ports: <http://www.uspa.gov.ua/en/>

By road:

- National Road Department: <http://ukravtodor.gov.ua/>
- Transportation companies in Ukraine: <https://companylist.org/Ukraine/Transportation/>

By rail:

- Official website of the Ukrainian Railways: <http://www.uz.gov.ua/en/>

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Datum: 4. april 2018