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To:

Memorandum (**part 1 general frames**)

Project: Industrial Parks in Ukraine: Opening Doors to a New Investment Era

Client: Newsletter

**Dear colleagues,**

Please find below the Memorandum on the state support of Ukraine for industrial parks, which outlines the general conditions, the procedure for obtaining benefits, and potential approaches to securing state guarantees for investments in these projects.

### **Introduction:**

The inevitable peace in Ukraine is becoming a driving force for the development of all spheres of the economy of Ukraine, as one of the largest and most attractive countries in Europe in terms of investment. Business development requires the opening and entry into new markets for goods and services. Ukraine is undoubtedly becoming a new "European tiger" in the global economy and in the civilized world of democracy.

Having fairly moderate tax conditions for doing business, the state of Ukraine has created tax havens for foreign investors in its regions, primarily in the field of industry and processing.

In a series of Memorandums, we will examine in detail and reveal the structure and mode of operation of Industrial Parks in Ukraine, as a new opportunity for companies from all over the civilized world to enter new markets and be successful in the extremely interesting and promising economy of Europe – Ukraine.

### **Topics:**

1. Who can be the initiators of the creation of an industrial park
2. Activities within industrial parks
3. State incentives

## 1. The initiators of the creation of an industrial park can be:

1. **on state and municipal lands** – state authorities, local self-government bodies, which are vested with the authority to manage land plots, as well as tenants (legal entities or individuals);
2. **on privately owned lands** – owners or tenants (legal entities or individuals)

If the land plots intended for the creation of an industrial park are privately owned, the management company is determined by the initiator of the creation independently. An agreement on the creation and operation of an industrial park (a standard agreement) is concluded between the initiator of the creation and the management company for a period within the period for which the industrial park is created.

The land plot must meet the following requirements:

- belong to industrial lands;
- have an area of from 10 to 1000 hectares;
- be suitable for industrial use, taking into account the conditions and restrictions established by the relevant urban planning documentation.

## 2. Activities within industrial parks

The following types of activity are allowed within industrial parks of Ukraine:

1. in the field of processing industry;
2. in the field of industrial and/or household waste processing (except for waste disposal);
3. in the scientific and technical field;
4. in the field of information and telecommunications.

The following types of activity are forbidden in the territory of industrial parks:

1. production of excisable goods (there are exceptions to this list – the production of cars, their spare parts, trailers and semi-trailers, motorcycles, 10 or above seater vehicles, vehicles for the carriage of goods is allowed);
2. issuing and conducting lotteries;
3. gambling market activity;
4. mediation in employment abroad;
5. the commercial catch of aquatic bioresources outside the jurisdiction of Ukraine;
6. cultivation of plants classified by the state as those that can be used for the drugs' production;
7. development, production, manufacture, storage, transportation, acquisition, sale (release), import into the territory of Ukraine, export from the territory of Ukraine, use, destruction of narcotic drugs, psychotropic substances, and precursors;
8. disposal of household waste.

The information about the member of the industrial park that is entered in the Register of Industrial Parks of Ukraine includes, among others, the data about the types of its activities. Members must notify the management company of the industrial park about any change in their activities within 5 working days.

### 3. State incentives

The Law of Ukraine “On Industrial Parks” and accompanying legislation provide a variety of tools for the development of industrial parks in Ukraine. The legislation also provides requirements for the initiation, management and operation of industrial parks.

Management companies, initiators of creation - business entities and participants of industrial parks are entitled to the following incentives:

1. compensation of the interest rate on credits (loans) for the arrangement and/or implementation of economic activities within industrial parks;
2. provision of funds on a non-refundable basis for the arrangement of industrial parks and/or ensuring the construction of adjacent infrastructure facilities (roads, communication lines, heat, gas, water and electricity supply facilities, engineering communications, etc.);
3. compensation of costs for connection and accession to engineering and transport networks;
4. exemption from income tax for 10 years, provided that it is reinvested in the development of the investment project. Such exemption will be applied by the supervisory authority for 10 consecutive years from the date of submission of the relevant application by the industrial park participant;
5. exemption from VAT on the import of new equipment (equipment) for own use;
6. the possibility of applying, by decision of the local government body, real estate tax benefits on the territory of industrial parks;
7. exemption from import duty on new equipment (equipment) imported by industrial park participants for their own use.

Herewith I hope to provide you with an appropriate and clear insight into the general legal frames for Industrial Parks in Ukraine.

Sincerely,

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