

# Q&A

1 FEBRUARY 2021

## **REGISTRATION OF AN LLC IN UKRAINE: FREQUENTLY ASKED QUESTIONS**

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**1. Can a foreigner be an owner of an LLC or should a Ukrainian contact be involved for that?**

Yes, foreigners have the right to be members and, hence, owners of LLCs. There are no restrictions in this respect, including the share size in the authorized capital. Thus, a foreigner can own 100% in a company's authorized capital.

However, a foreigner willing to be a member of an LLC must first obtain a taxpayer's registration number in Ukraine (such a registration number can be obtained within 5 working days).

Both foreign legal entities and foreign nationals can be founders (members) of an LLC.

**2. Is it necessary to go to Ukraine to register an LLC?**

No, it is not. All actions needed for registration of an LLC in Ukraine may be performed either by a foreign citizen personally or by his/her proxy acting based on a power of attorney (PoA), e.g. a lawyer. A power of attorney can be issued in the country of foreigner's residence.

Involving a proxy in registration of an LLC may be the best option during a coronavirus pandemic.

**3. Is it possible to issue a power of attorney at home?**

Yes, a PoA can be issued either in Ukraine or abroad. Powers of attorney and other documents issued abroad require official certification (apostilization or consular legalization – depending on the country where the document was issued).

We will be happy to prepare a draft of a PoA for you.

**4. How long does it take to register an LLC in Ukraine?**

Registration of an LLC in the state register can be done within 24 hours. Receiving all registration documents, opening a bank account, and registering an LLC with the customs can take up to several working days.

**5. How complicated is the procedure of LLC registration in Ukraine?**

This procedure is quite simple and clear – it can be divided into the following steps:

- issuance of a PoA for persons authorized by LLC members to sign and register a charter of the LLC on behalf of its members;
- obtaining an extract from the trade/court register of foreign legal entities (if an LLC member is a foreign legal entity);

- obtaining a taxpayer's registration number in Ukraine for a foreign citizen, if he/she is a member or director of the LLC (such registration number can be obtained within 5 working days);
- signing the charter and minutes on LLC registration (in some cases, [\*\*an approval of the charter by the Antimonopoly Committee of Ukraine is required\*\*](#));
- state registration of the LLC;
- opening a current bank account;
- LLC registration with the customs (optionally or if necessary).

### **6. What documents are required for LLC registration in Ukraine?**

A company is established by a decision of its founder/founders. A constituent document of a company is its charter. The first edition of a company's charter is signed by all members of the company. The authenticity of members' signatures is notarized in Ukraine.

The following documents are required for the state registration of an LLC:

- a PoA for persons authorized by LLC members to sign and register a charter of the LLC on behalf of its members. Powers of attorney and other documents issued abroad require official certification (apostilization or consular legalization, depending on the country where the document was issued);
- an extract from the trade/court register of foreign legal entities (with consular legalization or apostille);
- LLC individual members' taxpayer's registration number in Ukraine. If a foreign citizen is to be a member of the LLC, then he/she must first obtain a taxpayer's registration number in Ukraine;
- a copy of the passport and information on the place of residence of LLC individual members;
- the charter of the LLC (notarization of members' signatures is recommended) and the minutes on LLC registration. In some cases, [\*\*an approval of the charter by the Antimonopoly Committee of Ukraine is required\*\*](#);
- an application on LLC state registration;
- information on the ownership structure and [\*\*ultimate beneficial owners\*\*](#) of the LLC. Besides that, notarized copies of the passports of such ultimate beneficial owners and information on their place of residence are provided. If notarization of the passport's copy is done abroad, such a document requires official certification (apostilization or consular legalization – depending on the country where the document was issued).

### **7. Why is it necessary to obtain a taxpayer's registration number before registering an LLC in Ukraine?**

If a foreigner is to be the founder (member) of an LLC, he/she must first obtain a taxpayer's registration number. It is also necessary to obtain the taxpayer's registration number for foreigners who will be employed in Ukraine (for example, a director or manager).

**8. What is the procedure for obtaining a taxpayer's registration number in Ukraine by a foreigner? How long does it take?**

An application with personal data of a foreigner with a notarized translation of the foreigner's passport must be submitted to the relevant tax authority of Ukraine. A taxpayer's registration number is issued within 5 working days.

**9. Is consent of the spouse required for registration of an LLC in Ukraine?**

No, such consent is not required.

**10. What are the costs for LLC registration?**

There is no state fee for LLC registration. The cost of Ukrainian notary's services depends on the number of members (founders). A notary will usually charge a fee of about UAH 400 (approximately EUR 15) for notarizing each signature of a member or translator, although the cost of notary's services may vary region-wise.

**11. Is it necessary to indicate location of an LLC during the company registration?**

Under the legislation of Ukraine, a location of an LLC is the actual place of business or location of the office, where the daily administration (in most cases, location of the executives), management, and accounting of the LLC are carried out.

Company location must be indicated when it is registered in the state register. However, an ownership of real estate is not mandatory for LLC registration. Premises/office for managing activities of an LLC may be rented.

We have reliable partners who provide premises/offices for rent.

**12. Is it obligatory for an LLC to have a seal and a logo?**

No, obtaining a round seal for an LLC is no longer mandatory in Ukraine. The seal can be obtained at the request of a company. An LLC may optionally use a logo when providing services or on products sold by the company, on correspondence, and in advertising.

**13. What bank can be recommended for opening an account?**

After LLC registration in the state register, the LLC director applies to a bank branch to open a current account for the LLC. Personal presence of the director is a must, as he/she acts on behalf of the company and has the signatory authority.

We currently recommend several banks to our clients, including, Raiffeisen Bank Aval (Raiffeisenbank Group), Credit Agricole Bank (Credit Agricole Group), UkrSibbank

(BNP Paribas Group), OTP Bank (OTP Group). They are all international banks. These banks have many branches in Ukraine and abroad, and do not require any unnecessary documents.

### ***14. Is LLC registration a basis for obtaining a residence permit in Ukraine?***

LLC registration may be the first step of a foreigner to [obtaining a permanent residence permit in Ukraine](#). After LLC registration, a foreigner must invest at least 100,000.00 US dollars in the economy of Ukraine. Such funds may be contributed by a foreigner to the authorized capital of an LLC. These funds can be used in the company's economic activities, including for [purchase of real estate in Ukraine](#).

Another option is to obtain a [temporary residence permit in Ukraine \(valid for up to 3 years\)](#).

### ***15. Does an LLC have a company charter? What information does it include?***

Yes, a company charter is a constituent document required for its state registration. A company charter must specify:

- information about the company's name;
- company's management bodies, their competence, and decision-making procedure;
- the procedure for entry into and withdrawal from the company.

An LLC charter may include other information as well.

### ***16. Can an LLC have a model/standard charter?***

Founders of a company can choose to have a model charter. A model charter is multiversion and makes it possible to choose different versions with the provisions developed by the Government of Ukraine.

### ***17. What is the minimum authorized capital of an LLC?***

The minimum size of LLC's authorized capital is not determined by the legislation of Ukraine. Thus, the founders jointly determine the size of the shares at their discretion (optionally – their ratio).

This means that the authorized capital can theoretically be UAH 1 or an amount in the national currency of Ukraine, equivalent to EUR 1/ USD 1. But in practice, evaluation of an authorized capital amount should be based on the fact that the company needs initial funding (e.g., for payment of rent, salaries, etc.) to support itself.

**18. How are shares in the authorized capital distributed among members?**

The size of the company's authorized capital consists of the nominal value of shares of its members (in hryvnia). The size of a member's share can be additionally determined in percent.

The members can determine how the authorized capital is distributed among them and what interest in the authorized capital will be received by each member. The company charter may provide for limits on changing the ratio of members' shares (relevant provisions are included in the charter and excluded from it by a unanimous decision of the members' general meeting attended by all members of the company).

**19. What contribution can an LLC member make?**

The contribution of a company member may be in cash, securities, or other property. An in-kind contribution must have a monetary value approved by a unanimous decision of the members' general meeting.

**20. How can the owner influence company's activities?**

Under the Ukrainian legislation, the owner manages the company directly (i.e. may be a director or a member of the administration) or with the help of authorized bodies following the LLC charter.

**21. What are LLC members liable for?**

Company members are not liable for company's obligations and bear the risk of losses associated with company's activities only within their shares (contributions).

Company members, who have not made contributions in full, are jointly and severally liable for company's obligations within the value of the unpaid part of relevant member's contribution.

**22. What is the minimum/maximum number of LLC members?**

The legislation of Ukraine does not set any limits or requirements on the number of LLC members. Thus, the company can have either one member or an unlimited number of members.

**23. What are the powers and rights of an LLC member?**

An LLC member has the following rights:

- to assist in the company's management in the manner prescribed by Ukrainian law and the company's charter;
- to receive information about business activity of the company;

- to assist in distribution of company's profits;
- to receive part of the property that remains after settlements with creditors or its value in case of [company's liquidation](#).

### **24. What is the general LLC structure?**

LLC owners are its members who own shares in the company's authorized capital. The company's bodies are the general meeting of members, supervisory board (in case it is created), and executive body. The general meeting of members is the highest body of a company electing the supervisory board and executive body. The company's executive body can be individual ("director") or collegial ("board of directors" headed by a general director).

### **25. How are authorities distributed between bodies of an LLC?**

Company members assist in the company management (through the general meeting) and distribution of profits.

The general meeting of members is the company's highest body and can decide on any issues of the company. In particular, they make decisions on election of a director (board of directors) and the amount of their remuneration, distribution of company's net profit and payment of dividends, etc.

A director (board of directors) is accountable to the general meeting of members and the supervisory board of the company (in case it is created), arranges implementation of their decisions, and is responsible for managing company's current activities.

Company's charter may provide for organization of a supervisory board that will be delegated with some powers of the general meeting. The supervisory board controls and regulates activities of the company's executive body within the limits of its competence.

### **26. Who manages the LLC's current operations?**

The LLC's current operations are managed by its executive body (director or board). The duties of its executive body include resolution of all issues related to management of the company's current operations, except for issues that fall within the exclusive domain of the general meeting of members and the supervisory board (in case it is created).

The head of the company (director or general director) acts on its behalf without a PoA, represents its interests in public and local government authorities, as well as in relations with legal entities and citizens.

### **27. Should the director be a Ukrainian?**

At the time of LLC registration – yes, but then (after about 2-3 weeks) a foreigner can become the director. This is because Ukrainian legislation allows foreign citizens to work in Ukraine only if they [obtain a work permit](#).

An application for a work permit must be submitted by the employer, i.e. an already registered LLC, and not by a foreign citizen. A work permit in Ukraine is issued within 7 working days.

Thus, the director must first be a Ukrainian (this may be one of our lawyers). A foreigner may be appointed to the position of a director (general director) after receiving a work permit in Ukraine.

### ***28. Should a foreign director of an LLC obtain a work permit in Ukraine?***

Yes, before appointing a foreigner to the position of a director (general director) or to another position in the company, [a work permit](#) for such a foreigner must be obtained. A work permit has a limited duration (it does not provide unlimited access to the Ukrainian labor market) and is tied to a specific company (employer).

### ***29. What are the powers of an LLC director?***

The executive body of a company can be individual (“director”) or collegial (“board of directors” headed by a general director). The competence of company’s director (board) includes resolution of all issues related to the management of the company’s current activity, except for issues that fall within the exclusive competence of the general meeting of members and supervisory board (in case it has been formed).

A director (board) is accountable to the general meeting of members and supervisory board of the company (in case it is created), and arranges implementation of their decisions.

### ***30. Is it possible to limit the powers of a company director?***

A director (board of directors) is accountable to the general meeting of members and supervisory board of the company (in case it is created).

Moreover, the powers of a company director are limited as follows:

- Company’s charter may provide for the establishment of a supervisory board that controls and regulates the director’s activities. It is essential that a director (board member) cannot be a member of the company’s supervisory board.
- A decision on a transaction, if its value exceeds 50% of the company’s net asset value, is made exclusively by the general meeting of members unless otherwise provided by the LLC charter.
- When elected to the position, a director (board member) must submit to the company a list of its affiliates, and in case of their change he/she is obliged to notify the company of such changes.
- Failure of a director (board member) to notify all company members of an existing conflict of interest is the basis for termination of an agreement/contract with such person by the company without payment of compensation.

- A director (board member) of the company may not carry out business activities as a private entrepreneur without consent of the general meeting of members or supervisory board of the company; be a member of a general partnership or a full member of a limited partnership; be a member of an executive body or supervisory board of another business entity operating in the field of the company's activity. Violation of this requirement is a basis for termination of an agreement/contract with such person by the company without payment of compensation.
- In cases provided by law, a director (board member) is jointly and severally liable to the company and bears subsidiary liability for the company's obligations.

Company's charter may provide for other limitations on the powers of a director (board members). We recommend specifying the powers of a director (board members) carefully, in order not to hinder company's activities on the one hand, and to avoid possible abuse by a director (board members) on the other hand.

### ***31. How does it affect the company if a director resigns?***

The powers of a director (or board member) can be terminated only by electing a new director (general director) or interim officers by the general meeting. In case powers of a director (board member) are terminated, the agreement/contract with this person is deemed to be terminated as well.

It will be necessary to carry out the state registration of a new director (general director), obtain electronic keys for him/her, and register the new director (general director) in the bank (banks) where the LLC has current accounts. In case the LLC is registered with the customs, it will be necessary to register the new director (general director) with the customs as well.

### ***32. How is business activity of an LLC taxed?***

An LLC may be a taxpayer:

- under the general taxation system (income tax – 18%), VAT (20%) or
- under the simplified taxation system – 5% of income (including VAT) or 3% of income (excluding VAT). However, it is necessary to keep in mind legal limitations for registration of a company as a taxpayer under the simplified taxation system.

**[For more information on taxes in Ukraine, check our tax guide.](#)**

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This publication is intended to provide general answers to common questions we receive from our clients in connection with LLC registration in Ukraine, and should not be viewed as legal advice. For more details, or if you would like to discuss your specific case with us, please email us or use [our contact form](#).

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