

Update on compensations to participants of industrial parks in Ukraine

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On 3 January 2023, the Cabinet of Ministers of Ukraine approved the Procedure for compensation for the costs of connection to engineering and transport networks of facilities located in industrial parks of Ukraine to initiators, management companies, and participants of industrial parks.

1. Who is eligible for compensation?

Compensation can be received by:

- initiators of the creation of industrial parks in Ukraine;
- management companies;
- industrial park participants.

2. What costs are compensated?

Reimbursement may cover the costs of connection to engineering and transport networks of the following:

- electricity transmission or distribution systems;
- the general railroad network;
- gas, heating, and water supply and sewage;
- infrastructure of electronic communication networks.

At the same time, gas, heating, and water supply, sewage and electronic communication networks should be located outside of the industrial park territory, with the objects being connected located within the industrial park.

3. What is the compensation amount?

Up to 100% of the cost can be reimbursed.

Here, the following should be taken into account:

- compensation can be provided from different sources: from the state budget, local budget, other sources not prohibited by law, but in any case, total compensation from all sources cannot exceed 100% of the costs;
- compensation at the expense of the state budget shall be provided for each type of connection to engineering and transport networks in one industrial park only once;
- compensation shall be provided for the actually incurred and confirmed expenses;
- expenses incurred no more than 36 months prior to the date of application for compensation are eligible for compensation;
- compensation shall be granted only to those companies that are not subject to bankruptcy proceedings and are not in the process of liquidation as of the application date.

4. How to receive compensation?

To receive compensation, an application must be submitted to the Ministry of Economy of Ukraine no later than 10 April of the year in which the compensation is expected to be received.

The application must contain, in particular:

- information on the provision of compensation from sources other than the one from which the compensation is thereby applied for;
- a request for compensation from sources other than the one from which the compensation is applied for in the same year.

The application must be accompanied by the following:

- copies of technical specifications and design and estimate documentation for construction, which contains information on the parameters of connection to engineering and transport networks (if the development of these documents is required by law);
- copies of contracts for the performance of works and provision of services for connection to engineering and transport networks;
- copies of documents confirming the performance of works and receipt of services for connection to engineering and transport networks in full;
- copies of documents confirming the payment for the services rendered (payment orders, bank statements, etc.) and its reflection in the accounting and tax records;
- a copy of the document confirming the acceptance of the completed engineering and transport infrastructure facility into operation (except as otherwise provided by law);
- information on the right of ownership or use of land plots within the relevant industrial park;
- justifications confirmed by the management company of the industrial park on the expediency of providing compensation (if the application is submitted by the industrial park participant);
- copies of documents confirming the fact of compensation and amount already received from sources other than the one planned to be received (if any).

The application may also be accompanied by other information on the engineering and transport infrastructure facilities available in the industrial park and their impact on its operation.

5. Is it possible to refuse compensation?

You can refuse to receive compensation at any time during the year in which it is expected. Such a refusal may be due, for example, to the fact that the applicant has become aware of the possibility of receiving compensation from other sources.

The Ministry of Economy of Ukraine must be notified in writing no later than November 10 of the year in which the applicant refuses compensation. If compensation is refused because partial compensation is expected from other sources, the applicant must additionally submit relevant information to the Ministry of Economy of Ukraine with indication of the adjusted (reduced) amount of compensation.

But even after refusing compensation, it is possible to reapply for it in the future.

6. Consequences of submitting an incomplete package of documents

If the documents are not submitted in full, the Ministry of Economy of Ukraine terminates consideration of the application.

Besides, if in the process of reviewing the submitted documents, the competent executive authorities or local self-government bodies find out that the information in the submitted documents is false, outdated, or inaccurate, or if the package is incomplete, the Ministry of Economy of Ukraine also terminates the consideration of the application.

After changing or eliminating errors in the package of documents, the applicant has the right to resubmit the application, but no later than 20 June of the year in which the compensation is to be received.

7. Who provides recommendations on compensation?

Recommendations on compensation are prepared by the permanent interdepartmental commission on preparation of recommendations on state incentives for industrial parks, established by the Ministry of Economy of Ukraine. Such recommendations shall be submitted by 20 November of the year in which the compensation is to be received.

8. What to consider when preparing documents?

The commission that prepares recommendations for compensation takes into account a number of criteria, including:

- the share of funds attracted from other sources in the estimated cost of the project (a low (lowest) share is considered negative);
- the difference between the declared amount of compensation and the estimated project cost (a low (lowest) difference is considered a negative factor);
- the difference between the claimed amount of compensation and the amount of actual costs incurred (a large (largest) difference is a negative factor);
- the applicant's approach to correcting the deficiencies in the resubmitted application (if the application is resubmitted even though the deficiencies or circumstances due to which the previous consideration of the application was terminated have not been remedied, this is a negative factor).

These criteria should be taken into account when preparing an application and assessing the circumstances that may allow for compensation.

In any case, the decision to refuse the granting of compensation does not preclude the possibility of applying for compensation in the future.