

Commercial Code abolished in Ukraine: new requirements and opportunities for businesses

Introduction

- 1. The abolition law: purpose and context**
- 2. Impact on organisational and legal forms of enterprises**
- 3. Transition period: restrictions for business**
- 4. Reorganisation: an obligation and an opportunity**
- 5. What to consider when preparing for reorganisation**
- 6. Potential benefits for businesses**

B

In early 2025, the Ukrainian Parliament passed a law that effectively abolished the Commercial Code of Ukraine. This step aims to eliminate contradictions in legislation and unify the 'rules of the game' for entrepreneurs.

The law is generally in line with the state's policy to reform and corporatise state-owned enterprises in accordance with European standards. At the same time, the consequences of the Commercial Code's repeal will be felt not only by the public sector, but also by the entire Ukrainian business community. Below, we analyse what the new law provides for, how it will affect existing forms of enterprises, what conditions have been established for the transition period to allow businesses to adapt, why reorganisation is both a necessary step and a new opportunity, what to pay attention to when preparing for reorganisation, and the potential benefits for entrepreneurs.

1. The abolition law: purpose and context

On 9 January 2025, the Ukrainian Parliament passed the Law On the Specifics of Regulating the Business Activities of Certain Types of Legal Entities and Their Associations During the Transition Period. This document, signed by the President on 26 February 2025, invalidated the Commercial Code of Ukraine. The main purpose of the new law is to unify legislation and eliminate discrepancies and legal conflicts that existed due to parallel regulation of economic relations by different legislative acts.

The law was adopted as part of wider economic reforms. In particular, it fits into the state policy of corporatising state-owned enterprises – transforming them into joint-stock companies or other business entities with a clear division of management functions.

At the same time, corporatisation is seen as a common European practice for improving efficiency in the management of state-owned and municipal companies and reducing budgetary expenditure on their maintenance.

However, the Commercial Code's abolition has a broader context: it affects all participants in economic relations, including private businesses.

2. Impact on the organisational and legal forms of enterprises

Changes in the system of organisational and legal forms of business are a direct consequence of the Code's abolition. Previously, the Commercial Code provided for the existence of a number of types of enterprises that were not specified in other laws (in particular, in the Civil Code). These specific forms, envisaged only by the Commercial Code, included:

- Private enterprise
- State-owned enterprise (including its subtypes: unitary state-owned, commercial, non-commercial)
- Communal enterprise (commercial or non-commercial), as well as joint communal enterprise
- Subsidiary
- Foreign enterprise
- Enterprise established by an association of citizens (e.g., a religious organisation or a professional union);
- Consumer cooperation enterprise.

Now that the Commercial Code has been abolished, the above forms no longer have a separate legal basis. This means that companies that still operate in such organisational and legal forms will eventually have to change their status. In fact, they will have to choose another organisational and legal form permitted by current legislation (e.g., become a limited liability company or a joint-stock company). In other words, such enterprises must undergo reorganisation in order to bring their form of business in line with the new requirements of the law.

It should be noted that the law provides for mandatory reorganisation only for enterprises in which the state owns a share of the authorised capital. This primarily concerns state-owned enterprises, which are required to change their organisational form and undergo corporatisation within a specified period.

For private companies (without state participation), the law does not contain a direct obligation to immediately change their organisational and legal form. However, registration of new legal entities in forms that are no longer recognised by law is already prohibited. This means that after the law comes into force, it will not be possible to create a new 'private enterprise' or other structure that has been abolished.

3. Transition period: restrictions for businesses

Naturally, such radical changes cannot be implemented instantaneously – the lawmakers have established a transition period for businesses to adapt to the new conditions. The Law will take effect 6 months after its publication, and a transition period of 3 years will begin on the date of its taking effect. Therefore, from the date of adoption of the Law (9 January 2025), companies will have approximately 3.5 years – roughly until mid-2028 – to bring their activities into compliance with the new rules.

Despite the absence of a formal obligation for the private sector, businesses are

advised not delay the transition to the new framework. Companies that fail to reorganise in time may face difficulties in their operations. Those planning to participate in public procurement or attract investors are particularly at risk. For instance, a company in a form that is no longer recognised may not meet tender requirements or face legal issues when dealing with potential partners. Selling corporate rights for such businesses will also be complicated by the uncertainty of their status. Therefore, even if there is no direct ban on continuing to operate under the old form, all companies are advised to reorganise in advance to avoid potential issues.

4. Reorganisation as a requirement and an opportunity

For many companies, changing their organisational and legal form through reorganisation will be an inevitable step. However, reorganisation (or restructuring) should not be seen solely as a burdensome obligation. In fact, it is also an opportunity to review the business structure and optimise it for current needs and future development plans.

From a legal point of view, reorganisation encompasses several procedures that lead to the termination of one or more legal entities and the emergence of new legal successors. The main forms of reorganisation include:

- merger – the combination of two or more companies into a single new legal entity;
- acquisition – the takeover of one company by another (in which case one legal entity joins the other and ceases to exist);
- division – the division of a company into two or more new companies, with the termination of the original legal entity;
- spin-off – separation of one or more new legal entities from a company (the original company continues to exist);
- transformation – change of the organisational and legal form of an enterprise to another (all rights and obligations are transferred to the new legal entity).

Depending on the needs of a given business, these approaches can be applied separately or in combination. Regardless of the chosen form, reorganisation essentially involves the transfer of all assets, rights and obligations to the successors, ensuring the legal continuity of the enterprise within the new structure.

A properly planned reorganisation opens up opportunities for substantive improvements for the company. The business gets a chance to analyse its current management model and implement improvements if necessary. This can have a positive impact on adaptation to modern market challenges and lay the foundation for the implementation of strategic goals.

Reorganisation can potentially increase the stability and security of the company's operations, reduce unnecessary administrative costs and make operations more efficient.

For instance, during reorganisation, a company may take the following steps to improve its operations:

- merging business units – combining previously separate enterprises to simplify

- logistics and financial flows;
- increasing the transparency of the structure – building a transparent management and ownership system, which will be an advantage when entering EU markets and attracting external financing;
- optimising the management structure – reforming the company's administrative division to reduce overhead costs and increase management efficiency;
- separating business activities – dividing different areas of activity between separate companies, thus increasing the security of each area and allowing for the optimal resource allocation;
- distributing assets – reviewing the ownership structure and redistributing assets between new or existing divisions in line with business needs.

In this sense, reorganisation is not merely a legal requirement, but also a tool for making a business more efficient and competitive.

5. What to consider when preparing for reorganisation

Careful preparation is essential for a successful reorganisation. Before deciding to restructure a business, it is important to thoroughly analyse its condition and identify a range of important issues, in particular:

- transfer pricing – whether internal pricing for goods and services between new divisions is required (this is relevant in the case of a division or spin-off of companies);
- regulatory approvals – whether it is necessary to obtain permission from state authorities for the reorganisation (e.g., the Antimonopoly Committee of Ukraine's approval for a merger or acquisition);
- tax implications – how taxation of the business as a whole and each of its parts will change, including possible tax liabilities during and after the reorganisation;
- human resources – issues of compliance with labour legislation when transferring personnel to new or reorganised structures, preserving employee rights;
- debt and creditors – the company's debt structure and its creditors' potential reaction to the reorganisation (whether they will demand early repayment of obligations under the terms of the agreements);
- strategic objectives – a clear business development strategy and key objectives to be achieved through reorganisation (e.g. entering new markets, attracting investment, increasing profitability, etc.);
- document flow and archives – how the continuity of document flow, storage and transfer of archives and important documents will be ensured during the company's reorganisation.

It is also necessary to consider the time frame of the restructuring process. In practice, depending on the complexity and scale of the changes, reorganisation can take from 10 to 24 months. The planning, analysis and goal-setting stage alone can take 10–15 months, especially for large companies with complex structures, as a thorough audit of business processes and assets is required. Accordingly, it is advisable to start preparatory steps at least 1.5–2 years before the start of the actual reorganisation.

The 3-year transition period allowed by law should not be considered an excessively long 'time reserve'. It is the minimum necessary for a business to plan and implement all changes smoothly. For high-quality planning and analysis of

reorganisation options, it is advisable to engage competent specialists (lawyers, financial consultants) who will help assess the situation from the outside and find optimal solutions.

6. Potential benefits for business

The Commercial Code's abolition and related changes have some practical benefits for entrepreneurs. First of all, the unification of legislation eliminates duplication of rules and legal conflicts. Henceforth, the organisational and legal forms of enterprises will be standardised in accordance with the Civil Code and special laws, bringing the Ukrainian legal environment closer to European standards.

In the long term, the requirement to switch to modern forms of business will lead to an increase in the investment attractiveness of Ukrainian business. Companies with a transparent ownership structure and a more straightforward form (such as joint-stock companies or limited liability companies) inspire more confidence in investors and partners. In addition, the corporatisation of state-owned and municipal enterprises should lead to increased efficiency, which will improve competition in the market and create a more level playing field for the private sector.

In terms of direct benefits for individual companies, reorganisation opens up broad opportunities for improving internal operations. Optimising management structures and consolidating related activities can reduce costs and simplify operations. Separating business activities into distinct specialised companies, on the other hand, increases the reliability of each segment and allows for more targeted risk management. A more transparent and streamlined corporate structure increases trust from banks and investors and facilitates entry into international markets. Reviewing assets and resources during reorganisation provides for their more efficient and better targeted use in line with a company's strategic goals.

Companies that adapt to the new requirements in a timely manner will have a more efficient structure, better development opportunities and competitive advantages in both domestic and foreign markets.