

## Industrial parks in Ukraine: legal and tax aspects

### Introduction

#### 1. Activities within industrial parks

#### 2. State incentives

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In September 2021, the Law of Ukraine "On Industrial Parks", which defined new conditions for the creation, operation, and state support of industrial parks in Ukraine, was adopted.

Foreign investors in Ukraine can run businesses in industrial parks, as well as participate in their creation. An industrial park should be used for at least 30 years.

#### 1. Activities within industrial parks

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

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

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

- production of excisable goods. There are exceptions to this list – the production of cars, their bodies, trailers and semi-trailers, motorcycles, 10 or above seater vehicles, vehicles for the carriage of goods is allowed);
- issuing and conducting lotteries;
- gambling market activity;
- mediation in employment abroad;
- the commercial catch of aquatic bioresources outside the jurisdiction of Ukraine;
- cultivation of plants classified by the state as those that can be used for the drugs' production;
- 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;
- 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.

#### 2. State incentives

The following is provided as state incentives of industrial parks in Ukraine:

1. compensation of interest rates on loans. Such compensation may be provided for loans obtained for arranging or carrying the business within industrial parks;
2. non-refundable financing. Such funding is provided if it is used to equip industrial parks and ensure the construction of infrastructure (e.g., roads, communication lines, heat, gas, water, and electricity facilities, utilities).
3. compensation of costs for installation and connection to engineering and transport networks.

Note! The procedure for providing these compensations and funding is still under development.

4. exemption from payment of customs duties on import of equipment, facilities, and accessories to them, materials. The following preferences are provided:

A) when importing materials not produced in Ukraine;

B) if the imported equipment, facilities and materials are to be used for carrying business in industrial parks and their arrangement. However:

- such goods should not be excisable;
- such equipment, facilities, and materials must be included in the list approved by the Cabinet of Ministers of Ukraine at the request of the industrial park initiator (management company, member).

The funds saved through the exemption from duty must be used for:

- arrangement of industrial parks, including with the use of the latest energy-saving technologies;
- introduction of the newest technologies related to economic activity within industrial parks;
- production output increase and expenses decrease by types of economic activity, provided by the Law, within industrial parks;
- implementation of research activities within industrial parks;
- repayment of loans and payment of other borrowings used for the arrangement of industrial parks and the implementation of economic activities within them, as well as the payment of interest on such loans and borrowings).

State incentives are available only to the initiators, management companies, and members of industrial parks, information about which is included in the Register of Industrial Parks. State incentives are not provided to other persons, even if they have purchased or leased real estate within an industrial park, entered into an agreement with the management company, and operate in the industrial park.

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