

New options for director registration in Ukraine

On 14 August 2021, Law of Ukraine No.1667-IX "On Stimulating the Development of the Digital Economy in Ukraine" (the "Law") came into force. The Law introduces, inter alia, new rules for the registration of relations with directors of limited liability companies and companies with additional liability.

In particular, it is now possible to conclude either an employment agreement or an employment contract with all members of the executive body at the employer's discretion. Previously, a contract could only be concluded with a director (chairman of the executive body) of the company.

The Law also allows an employer, represented by the shareholders, to choose one of three types of agreements to be concluded with a director and members of the executive body:

- an employment agreement,
- an employment contract or
- a civil law contract.

This will enable directors of Ukrainian companies not only to be in employment relations, but also to formalize their solely corporate relations by entering into a civil law contract. This is especially relevant for foreign directors, who previously had to obtain a work permit in Ukraine.

Henceforth, foreigners appointed as directors of Ukrainian companies will be able to conclude a civil law agreement with the company (instead of an employment contract) and, as a result, will not need to obtain a work permit in Ukraine.

However, this option will only be suitable for foreigners who:

- do not plan to stay in the territory of Ukraine for more than 90 days within 180 days;
- do not require a visa for entering the territory of Ukraine.

Yet if a foreigner (the director of a Ukrainian company) needs a visa to enter Ukraine or plans to permanently reside in Ukraine, he/she will still need to obtain a work permit and a temporary residence permit in Ukraine along with the conclusion of an employment contract.