

The Dentons logo is a white arrow pointing to the right, containing the word "DENTONS" in a bold, black, sans-serif font. The background of the entire page is a close-up photograph of a tree trunk with a blue overlay on the left side.

DENTONS

Industrial Parks in Ukraine

Grow | Protect | Operate | Finance

June 2024



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Introduction

If looking into the future rebuild and recovery of Ukraine, the development of industrial parks will be an important part of Ukraine's economy transformation.

In 2023, thirteen new industrial parks and two more in 2024 have been added to the Register of Industrial Parks in Ukraine (the "**Register**"). As of February 2024, according to the Ministry of Economy the Register includes 75 industrial parks, however, there are also industrial parks that have not been registered yet.

Industrial parks operate in Ukraine under provisions of the Law of Ukraine "On Industrial Parks" and a number of sub-law acts.

In this guide we aimed to gather all vital and important information which may be of special interest to all those interested in Ukraine's transformation and rebuild.

Please contact our team for more insights on industrial parks and opportunities in Ukraine.



Your dedicated team in Ukraine



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1. Industrial park: types of activities, objects to be constructed

The functional designation of an industrial park shall be determined by the concept of the relevant industrial park.

An industrial park is the territory:

1

that is allocated by the initiator of creation of the industrial park

2

that is allocated in accordance with the urban planning documentation

3

that is equipped with relevant infrastructure

4

on which the business activities may be conducted in accordance with the Law of Ukraine "On Industrial Parks" and with an agreement for conducting business activity within the industrial park (see opposite)



Business activities that may be conducted within the industrial park:

- processing industry
- processing of industrial and/or household waste (except buried waste)
- alternative energy
- energy storage
- scientific and technical activities
- activities related to information and electronic communications
- activities related to the production of specific excisable goods, namely:
 - biological fuels (biofuels)
 - biocomponents
 - energy from alternative energy sources
 - passenger cars, car bodies, trailers and semi-trailers, motorcycles, vehicles intended for transportation of 10 people or more, vehicles intended for transportation of goods.



The business activities that may not be carried out within an industrial park:

- activities related to the production of excisable goods, except for the above activities related to the production of specific excisable goods
- business activities subject to licensing in accordance with Clauses 18, 18-1, 20 - 22, 32 of part one of Article 7 of the Law of Ukraine "On Licensing of Business Activities":
 - conduct of lotteries as determined by the Law of Ukraine "On State Lotteries of Ukraine"
 - gambling activities subject to licensing in accordance with the Law of Ukraine "On State Regulation of Activities Regarding the Organization and Conduct of Gambling Games"
 - intermediary services in hiring for employment outside of Ukraine
 - commercial catches of aquatic biological resources from outside the jurisdiction of Ukraine
 - cultivation of plants included in Table I of the List of Narcotic Drugs, Psychotropic Substances and Precursors approved by the Cabinet of Ministers of Ukraine, development, production, manufacture, storage, transportation, acquisition, sale, import into the territory of Ukraine, export from the territory of Ukraine, use or destruction of narcotic drugs, psychotropic substances and precursors, included in the above List - taking into account the special aspects determined by the Law of Ukraine "On Narcotic Drugs, Psychotropic Substances and Precursors"
 - buried household waste.

Business activities may only be carried within an industrial park by the following persons:

- the initiator of creation (“**Initiator**”)
- the management company
- participants
- other subjects of the industrial park.

Business activities within an industrial park must be carried out under the terms and conditions of the following agreements:

- an agreement for creation and operation of the industrial park (concluded between the Initiator and the management company)
- an agreement for carrying out business activity in the industrial park (concluded between the management company and the participant or other subject of the industrial park).

Facilities which may be located within an industrial park:

Offices of management company, participants and other subjects of the industrial park, financial institutions, and marketing and advertising objects

Institutions of preschool, general secondary, higher, vocational pre-higher and vocational (vocational and technical) education

Science parks, accelerators, innovation technology laboratories

Multi-purpose halls for holding scientific conferences and other events

Fire stations

Green areas

**Production, warehouse
buildings and structures, logistics
infrastructure facilities**

**Engineering buildings
and structures**

**Waste management facilities
(except for buried waste)**

**Other facilities not
prohibited by law**


2. Industrial park land plot

Both undeveloped and built-up land plots may be considered when selecting the territory for an industrial park. The land plot may be located either within or outside the boundaries of localities. The use period of a land plot used for an industrial park may not be less than 30 years from the date of the decision on creation of the industrial park, and the use of the land plot must comply with sanitary, epidemiological and environmental requirements.

If state or municipal land plot is used for the industrial park, it must be provided to the management company in the form of a lease. In accordance with Article 134 of the Land Code of Ukraine, state or municipal land plots, if leased out to the management company of the industrial park, may not be sold or transferred for use on a competitive basis (through land auction).

A land plot must meet the following requirements:

- be categorized as industrial land
- be suitable for industrial use, subject to conditions and restrictions set by the relevant urban planning documentation
- the area of the land plot or the total area of adjacent land plots of an industrial park must be not less than 10 hectares and not more than 1,000 hectares. Between the land plots of the industrial park there may be individual land plots where are or may be located only engineering or transport infrastructure facilities in accordance with the urban planning documentation
- for an industrial park to be included in the Industrial Parks Register, the land plot must be
 - free of facilities commissioned during the 10 years prior to adoption of the decision on creation of the industrial park and/or
 - free of industrial facilities that were operating in the five years before the decision on creation of the industrial park was adopted.



The Initiator is obliged to provide the management company and/or the participants with the rights to the land plots, existing engineering and transport infrastructure facilities and other objects located within the industrial park. However, there is no legal obligation to lease out to the management company complete land plot(s) on which the industrial park is to be located. The management company leases only those parts of land plots to be used for the industrial park that are necessary to ensure fulfillment of its obligations under the agreement for creation and operation of the industrial park. The Initiator leases to the participants those parts of land parts necessary for them to carry out their business activities.

The management company, which has acquired the right to lease the land plot(s) of the industrial park, transfers the right of possession and use of the land plot(s) (sublease), together with the right to develop them, to the participants and other subjects of the industrial park in accordance with the land law of Ukraine. Thus, the management company's own lease right must also include the right to develop the leased land plot.

Foreign companies may own or lease industrial land but can only purchase industrial land under the following conditions:

- if within localities:
 - when purchasing immovable property
 - for building immovable property to carry out business in Ukraine
- if outside localities
 - when purchasing immovable property.

Ukrainian law imposes no restrictions on foreign companies leasing industrial land.



3. Industrial park creation

The Initiator of creation of an industrial park can be:

- a national or municipal authority exercising land-ownership rights
- a legal entity or individual who owns or leases the land plot(s) where the industrial park will be created.

An industrial park may be created on the leased land plot at the initiative of the lessee after (i) relevant amendments have been introduced into the land plot lease agreement, and (ii) the lessor has formally approved the Industrial Park Concept.

The Initiator then develops and formally approves the Industrial Park Concept specifying the following:

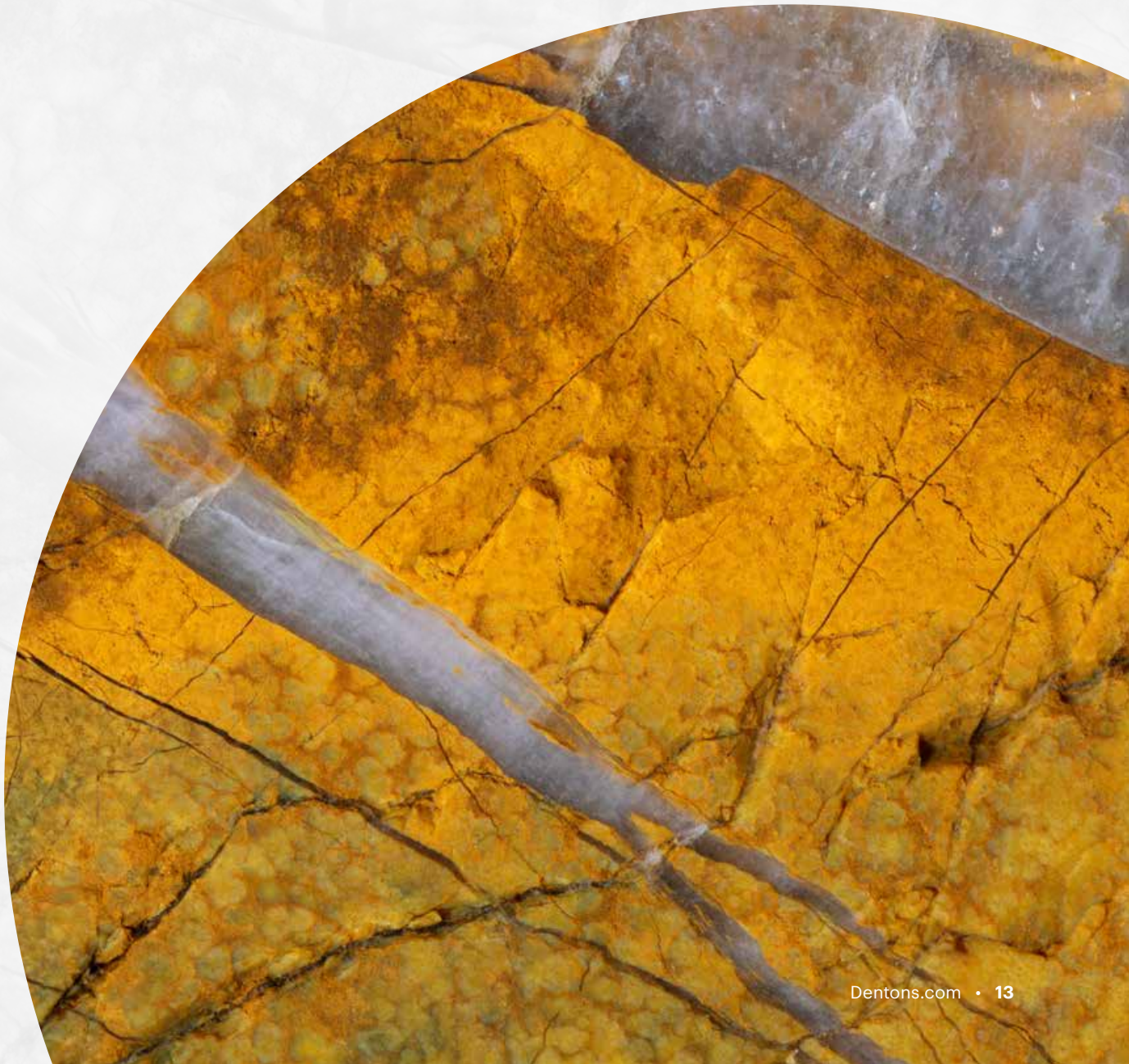
1. the name of the industrial park
2. the Initiator of creation of the industrial park
3. the goal, objective of creation and functional designation of the industrial park
4. its location, size of the land plot and what facilities are located on it, including production facilities (if any)
5. the projected lifetime of the industrial park
6. requirements for participants of the industrial park
7. information about the estimated total consumption of energy resources, water, etc., as well as about the necessary engineering and transport infrastructure and plan for regular provision of resources
8. the development plan for the industrial park
9. estimated resources (financial, material, technical, labor, natural, etc.) necessary for creation and operation of the industrial park and contemplated sources for those resources
10. organizational model of operation of the industrial park
11. projected results from of its operation
12. other items as determined by the Initiator.

The Initiator must thereafter approve the Industrial Park Concept, as it must be used as the basis for issuing the Initiator's decision on creation of the industrial park. The minimum lifetime of an industrial park is 30 years.

The Initiator has five business days after issuing its decision to submit to the Ministry of Economy a copy of it, along with the Industrial Park Concept.

The Ministry of Economy is responsible for the developing and maintaining on its official website the Industrial Parks Register (the "**Register**"). It lists all industrial parks upon request of the Initiators. What information is to be included in the Register and how it will be maintained is determined by the Cabinet of Ministers of Ukraine. An industrial park is included into the Register within 45 business days from receipt by the authorized state body of the Initiator's request.

An industrial park can be included into the Register under the conditions that at the time of its inclusion into the Registry none of its constructed industrial facilities have been in operation during the last 10 years prior to adoption of the decision on creation of the industrial park and/or there are no industrial facilities that have been in operation during the last five years prior to adoption of the decision on creation of the industrial park. (The one exception to this is industrial facilities of a coal mining enterprise or its separate (adjacent) subdivision if it doesn't have the status of a legal entity that was liquidated, is being liquidated (terminated) or is scheduled for liquidation).





4. Agreement on creation and operation of an industrial park

The decision to create an industrial park is the basis for concluding an agreement on creation and operation of the industrial park between the Initiator and the management company of the industrial park.

A legal entity acquires the status of a management company upon conclusion of the agreement on creation and operation of the industrial park. Once the agreement has been concluded, the Initiator has three business days to notify this in writing to the Ministry of Economy.

An agreement on creation and operation of an industrial park must always include the following essential terms:

1. subject matter of the agreement
2. term of the agreement
3. cadastral numbers, place of location and sizes of the land plots on which the industrial park is created
4. procedure and conditions for equipping the industrial park
5. procedure and conditions for carrying out scientific activities on the territory of the industrial park
6. procedure and conditions for attracting participants
7. procedure and conditions for providing participants with rights to land plots and objects on the territory of the industrial park
8. procedure and conditions for providing services and rights to use engineering and transport infrastructure
9. procedure and conditions for insuring by the management company of the assets of the initiator that are used by the management company
10. legal regime of assets created by the management company on the territory of the industrial park, as well as assets that are owned by the Initiator and transferred for use (The agreement can stipulate that infrastructure facilities created by the management company do not become the property of the management company.)



11. composition and procedure for filing reports by the management company to the initiator and the authorized state body
12. procedure for entry into force of the agreement from the date of its signing
13. legal regime for the assets of the initiator, management company and participants of the industrial park in the event of termination of operation of the industrial park
14. the agreement may provide that in the event of the sale of a land plot to a participant, ownership to the infrastructure facilities located on it transfers to the participant. Without such provision in the agreement, ownership to such infrastructure facilities do not transfer to the participant.
3. the business plan of the industrial park. This is prepared by the management company and must include information on the park's financial, economic, environmental and other aspects of operation as well as stages of their implementation. In practice, the tender documents on selection of the management company may stipulate that companies whose business plan does not contain a technical and economic feasibility study on the development of the industrial park or the sources of its financing or a scheduled plan for its equipping will not be admitted to the tender.

The following are considered integral parts of the agreement on the creation and operation of an industrial park:

1. decision to create the industrial park
2. the industrial park concept

The template agreement on creation and operation of an industrial park was approved by Order No. 2202 of the Ministry of Economy dated July 20, 2022.

5. Management company

The management company of an industrial park must be a Ukrainian legal entity, regardless of its legal form, which was selected by the Initiator and concluded with the Initiator an agreement on creation and operation of the industrial park. The management company may be selected either before or after registration of the industrial park in the Register.

Foreign companies wishing to be an industrial park management company must first establish or purchase a company in Ukraine.

If the land plot to be used for an industrial park is privately owned, the Initiator will select the management company on its own. On the other hand, if its ownership is under the state or a municipality, the Initiator selects the management company through a tender.

If the Initiator is not the owner, but a lessee, it is only obliged to notify the owner of the land plot of its choice of management company within three days of its selection.

In practice, the documents stipulating the tender criteria may stipulate that companies whose assets (or a part thereof) are under a tax pledge or attachment, or who have tax arrears, may not participate in the management company tender.

A management company (legal entity) under a reorganization is not legal ground for terminating the agreement for creation and operation of the industrial park.

If the Initiator establishes its own management company and concludes with it an agreement on creation and operation of an industrial park (on privately owned lands), such actions may trigger the Law of Ukraine "On Protection of Economic Competition."

The management company has the following obligations:



perform the terms and conditions of the agreement on creation and operation of the industrial park



implement equipping of the industrial park in accordance with the terms and conditions of the agreement on creation and operation of the industrial park, i.e., carry out the necessary works for preparing land plots, designing, building and equipping the engineering and transport infrastructure facilities



ensure fulfilment of the business plan of the industrial park



attract participants of the industrial park and conclude with them agreements on carrying out business activities on the territory of the industrial park



on behalf of the Initiator and participants, obtain permits and approvals from state and municipal authorities, including for the construction of industrial or other facilities necessary for business activities within the industrial park, and represent the interests of participants in relations with licensing authorities, services, enterprises, institutions and organizations



apply for approval of inseparable improvements to assets that have been transferred by the Initiator to the management company for use



maintain the proper condition of the land, engineering and transport infrastructure and other objects placed within the industrial park, as transferred to it under the relevant agreements, and secure proper conditions for their use



after the agreement on creation and operation of the industrial park expires, transfer the land plot together with the infrastructure objects located thereon, to the Initiator, unless otherwise stipulated by respective agreement



every six months, file reports regarding functioning of the industrial park to the Initiator and the Ministry of Economy



keep the commercial secrets of the Initiator.

The management company, which acquired the right to lease the land plots for the industrial park in accordance with procedures established by law, is obliged to transfer the right of possession and use of the land plots (sublease), together with the right to develop them, to the participants and other subjects of the industrial park. Land plots are provided to participants for construction and maintenance of real estate objects necessary for conducting business activities.

The industrial park's engineering and transport infrastructure, as well as other objects within the park that have been provided to the management company for use (management), are not transferred into ownership of the participants.

6. Agreement on carrying out business activities

An agreement on carrying out business activities in the industrial park is concluded between the management company and the industrial park participants as well as any other subjects of the industrial park. A management company is allowed to provide services to two or more industrial parks simultaneously.

An agreement on carrying out business activities in the industrial park must include the following essential terms:



1. types of activities, works and services being performed under the agreement



2. a preference for employing citizens of Ukraine



3. terms, scope and procedures for creation and improvement of the engineering and transport infrastructure facilities and other facilities on the land plot of the participant



4. period of validity of the agreement



5. investment obligations of the participant



9. rights and obligations of the parties



6. financial relationships of the parties



10. dispute settlement between the parties



7. responsibility of the parties for failure to perform their obligations



11. procedure for use by the participant of the infrastructure facilities created by the management company



8. procedure for extending and terminating the agreement

Participants do not have the right to transfer to third parties any of their rights and obligations under this agreement.

7. Industrial park participant

While planning to become a participant of the industrial park one needs to make sure that such park is included into the Register. If an industrial park is not included into the Register, the participant will not be able to benefit from the state incentives.

The status of a participant of the industrial park gives a foreign investor the possibility to benefit from the state incentives. A foreign investor must be registered in Ukraine as a legal entity in order to become a participant of the industrial park.

Industrial park participant has the following characteristics:

1

It is a business entity with any form of ownership

2

It has acquired the rights to the respective industrial park land plot and/or other object (part thereof) of real estate

3

It has entered with the management company into an agreement on carrying out business activities in industrial park in accordance with the Industrial Park Concept

4

It conducts activities exclusively in the fields of processing industry, industrial or household waste (except for buried waste), scientific and technical activities or activities in the field of information and telecommunications and will only carry out these activities within the industrial park

5

It is registered in the territory of the industrial park. The management company is obliged to notify in writing the Ministry of Economy within three business days of obtaining by the business subject of the status of a participant and to make the relevant entry in the list of participants.

8. Other subject of industrial park

“Other subject” of the industrial park has the following characteristics:



1. it is a business entity with any form of ownership



2. it has acquired the rights to the respective industrial park land plot and/or other object (part thereof) of real estate



3. it has entered with the management company into the relevant contract and/or agreement for carrying out business activities in industrial park



4. it carries out business activities in the industrial park in fields not prohibited by the Law of Ukraine “On Industrial Parks”.

Other subject does **not** have the right to benefit from state incentives.

9. State incentives

State incentives are provided to Initiators, management companies and participants of industrial parks included into the Register. Business subjects that receive state incentives are required to maintain separate accounting and tax records of their business activity conducted within the industrial park.

Full or partial compensation of interest rate on credits (loans)

The procedure for compensation of the interest rate on credits (loans) is determined by the Procedure for Provision of Full or Partial Compensation of the Interest Rate on Credits (Loans) for the Development and/or Implementation of Business Activity on the Territory of Industrial Parks, approved by Resolution No. 1208 of the Cabinet of Ministers of Ukraine dated October 28, 2022. Compensation is provided to applicants for accrued and paid interest for a period not exceeding three years. Compensation to applicants is provided at the expense of the state budget and may be provided only once to one applicant in one industrial park.

Compensation to be provided to an applicant from the state budget has the following limits:

- for the Initiator and management company – UAH 60 million
- for the participant – UAH 45 million.

Provision of non-refundable funds for equipping industrial parks

The procedure for provision of funds is determined by the Procedure for Provision of Non-Refundable Funds for Equipping Industrial Parks and/or Ensuring Construction of Adjacent Infrastructure Facilities Necessary for Creation and Operation of Industrial Parks, approved by Resolution No. 1207 of the Cabinet of Ministers of Ukraine dated October 28, 2022. It envisages that the Initiator and management company are to be provided with funds from the state, local budgets and other sources, in total not more than UAH 60 million and 80 percent of the estimated costs. These funds must be used for the equipping and construction of adjacent infrastructure facilities.

The procedure does **not** stipulate that these funds may be provided to participants.

Reimbursement of costs for connection to engineering and transport networks

Up to 100 percent of the costs of connecting the industrial park to engineering and transport networks are to be reimbursed in accordance with the Procedure for Provision of Compensation of Costs to the Initiators of Creation of Industrial Parks, Business Subjects, Management Companies and Participants of the Industrial Parks for Connection to the Engineering and Transport Networks, approved by Resolution No. 10 of the Cabinet of Ministers of Ukraine, dated January 3, 2023. Such costs are reimbursed from the state budget and only once for each type of connection to the engineering and transport networks in one industrial park.

Income tax

Participants are exempt from taxation on income earned from business activities in the industrial park for 10 consecutive years, under the Tax Code of Ukraine, if the participant's business activities comprise any of these:

- processing industry
- waste collection, processing and disposal
- recovery of materials, except for buried waste
- research activities carried out exclusively on the territory of the industrial park.

Real estate tax

Municipal councils have the right to establish preferential taxes on non-residential real estate objects located in an industrial park and owned by its participants.

Land payment

With respect to (already valuated) land plots of an industrial park (which is listed in the Register) that are used by the Initiators, management company and participants, the municipal authorities may

- establish rates for the land tax and lease in an amount less than the amount of the statutory land tax
- exempt them from payment of the land tax.

Import duty exemption

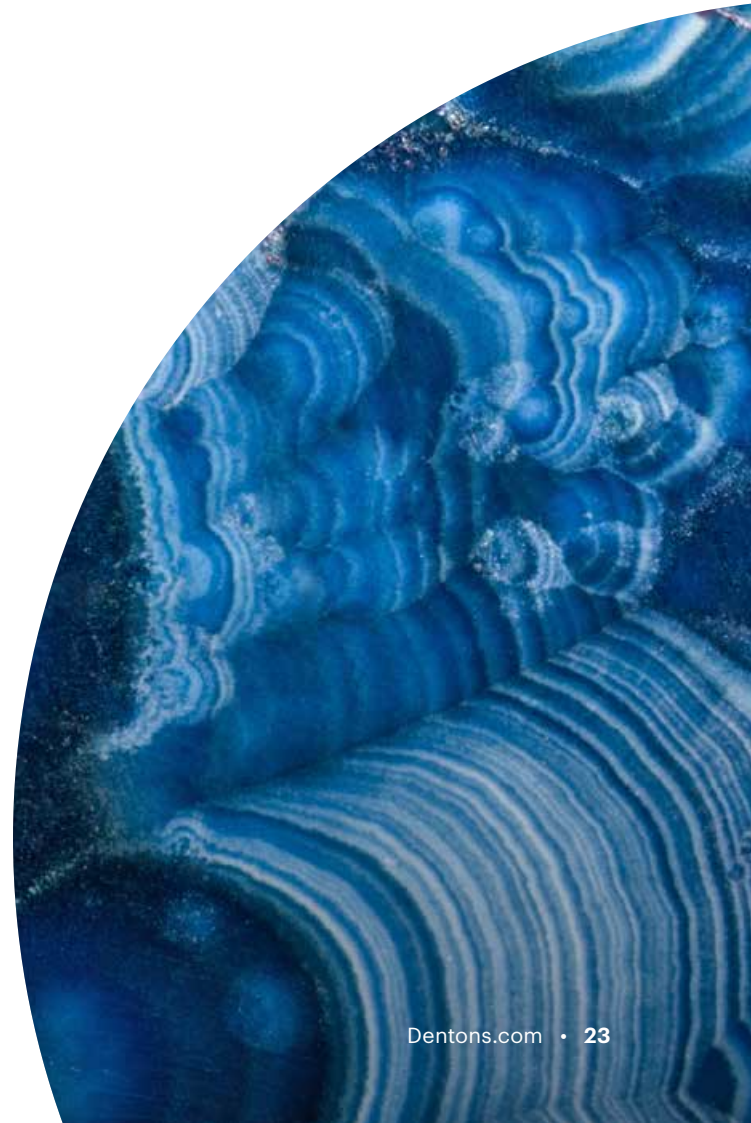
New equipment and related components imported by participants (provided their industrial park is listed in the Register), are exempted from import duties. To benefit from this exemption, the equipment and related components:

- must be new (not more than three years from the date of manufacture to the date of import into Ukraine customs territory)
- must not have been used
- must be imported by the participants, for their exclusive use in the industrial park, without transferring to third parties the right of alienation, transfer to rent, leasing or other right of use under any conditions during five years from their arrival into Ukraine customs territory
- must not originate from a state recognized as an occupying state or an aggressor state in relation to Ukraine, in accordance with law, nor have they been imported from territory of the occupying (aggressor) state or from the occupied territory of Ukraine, as defined by law.

The participant must agree to use such equipment and components exclusively within the industrial park and only for carrying out the business activities stipulated in the agreement for carrying out business activities in the industrial park and the Industrial Park Concept. It must be imported in accordance with the Procedure for Import into the Customs Territory of Ukraine and Targeted Use of New Equipment and Components Thereto Being Imported by Participant of Industrial Park Included in the Industrial Parks Register, approved by Resolution No. 997 of the Cabinet of Ministers of Ukraine, dated September 7, 2022.

VAT

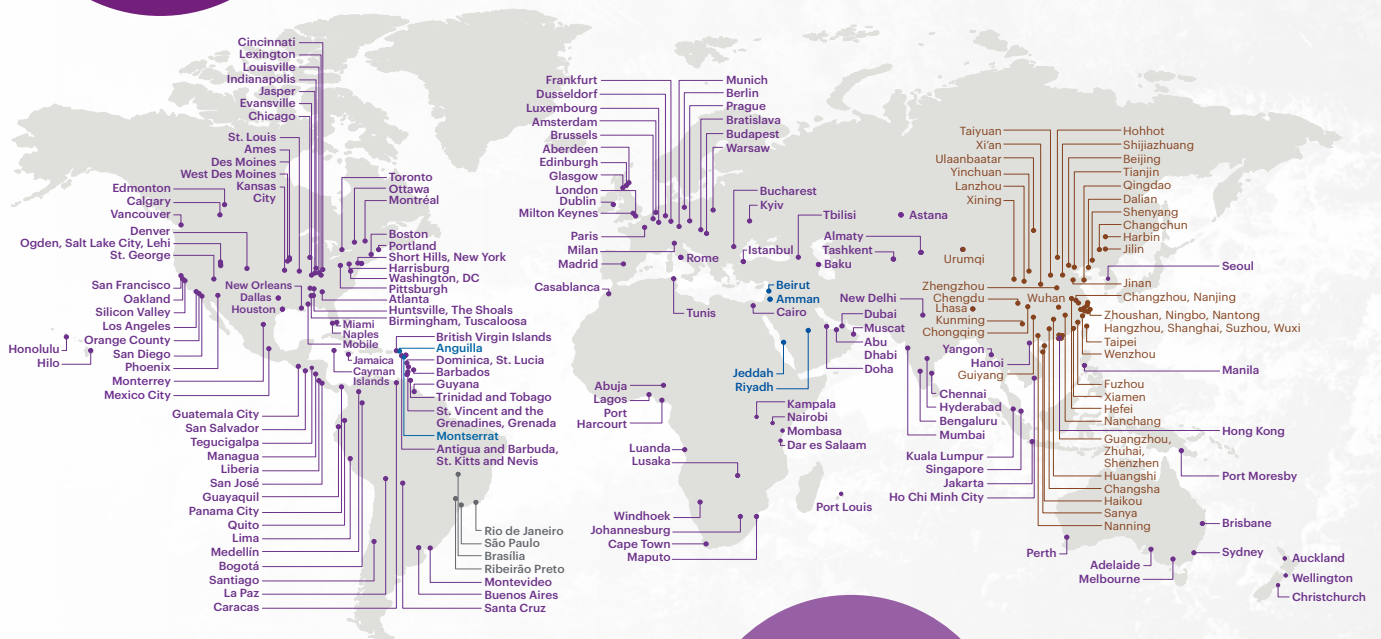
New equipment and related components imported by industrial park participants into Ukraine customs territory under the import regime are exempt from value added tax, provided that it is used exclusively for permitted activities in the industrial park. This is further subject to the condition that not more than three years have lapsed from the date of manufacture of the equipment and components to the date of their import, nor can they have been used before.



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160+
locations

Dentons by the numbers 2024



Locations in purple represent Dentons offices.
 Locations in blue represent associate firms, offices, jurisdictions of practice from other Dentons' offices or special alliances as required by law or regulation.
 Locations in gray represent Brazil Strategic Alliance.
 大成 is Dentons' preferred law firm in China.

80+
countries

May 2024



80+
languages spoken



US\$47,250,000+
value of pro bono and volunteer work

Lawyer numbers



5,900+

Total number of lawyers and professionals

7,490+

All timekeepers

12,500+

Total number of people



960+

Chambers rated lawyers

100+

Lexpert rated lawyers

Lawyers by locations

AFRICA	250+
ASEAN	300+
AUSTRALASIA	300+
CANADA	600+
EUROPE	1,300+
HONG KONG	30+
LATIN AMERICA AND THE CARIBBEAN	500+
SOUTH ASIA	150
SOUTH KOREA	50+
UNITED KINGDOM, IRELAND AND THE MIDDLE EAST	600+
UNITED STATES	1,300+



Ukraine transformation and rebuild

In 2024, Dentons announced the appointment of a Global Task Force to lead the Firm's efforts to helping clients navigate Ukraine's transformation and rebuild. The Global Task Force will lead Dentons' client-facing response, drawing together cross-practice and cross-border experts from across the Firm, particularly those with energy and natural resources, technology, infrastructure and investment sector expertise, to work alongside Dentons' team of Ukrainian lawyers. Dentons has had a presence in Ukraine since the early 1990s and has historically advised international clients with needs in Kyiv and across the country.

Recognized among the leading international law firms in Ukraine, our team has decades of experience providing expert advice across a number of sectors, particularly agribusiness, technology, energy, projects and infrastructure and defense. We have the track record you would expect in all core legal disciplines, including M&A, employment and labor, real estate and banking and finance.

As well as supporting clients with their investments in Ukraine, we are also excited to help our Ukrainian-headquartered clients as they expand internationally, leveraging Dentons' unrivalled geographic footprint.

For those interested in Ukraine, we have created a **Ukraine transformation and rebuild knowledge hub** where you will find news regarding the latest legal developments in relation to Ukraine as well as our 'Invest in Ukraine' video series. Please visit this hub to learn more about our analysis and insights around the current business environment and the opportunities for international investors keen to be part of Ukraine's transformation and rebuild.



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