Reconstruction

Novelties in legal framework for industrial park development



Bogdan Malniev
bogdan.malniev@ua.ey.com



Yevhen Chornyi
yevhen.chornyi@ua.ey.com

In the wake of devastating losses, with Ukraine's commerce and industry sustaining an estimated USD15.6 billion in damages (as per the **World Bank's RDNA3**) economic revitalization is crucial. Industrial parks offer a strategic solution, providing a space for manufacturers and supporting the recovery of the 760,000 entities affected, particularly small and medium enterprises.

These hubs play an essential role in rebuilding Ukraine's economic backbone contributing significantly to its GDP. As the Ministry of Economy of Ukraine notes, each USD 1 of public investment in industrial parks attracts approximately USD 6 in private investments. The expanded development of these parks is poised to increase the processing industry's share in Ukraine's GDP to 20%.

Incentives for Industrial Park Development

By enacting the **Procedure for Providing Funds for the Arrangement of Industrial Parks** (the Procedure) in June 2024, the Ukrainian government has introduced incentives for the management companies and initiators of registered industrial parks. The Procedure authorizes the Ministry of Economy to allocate up to USD3.5 million per one industrial park for connecting industrial parks to electrical grids and arranging adjacent infrastructure. However, funding is limited to 50% of the total project cost or up to 80% for parks in de-occupied territories, based on cost estimation documentation.

State Support Successes for Industrial Parks

In 2024, the Ukrainian government allocated USD 24 million to support industrial parks, with at least USD 21 million already directed toward 11 parks. This support was specifically allocated for infrastructure such as access roads, rail connections, power lines, and essential water and sewage systems, primarily for parks in Western and Central Ukraine.

Tax and Duty Incentives for Industrial Park Participants

Following Russia's 2022 full-scale invasion, a significant advancement for the acceleration of industrial park development in Ukraine was made with the approval of **Law of Ukraine No. 2330-IX** which amended the Tax Code of Ukraine. This law exempts industrial park participants from income tax for ten years and authorize municipal authorities to reduce or waive real estate and land taxes for them. Additionally, Law of Ukraine No. 2330-IX exempts specific materials and equipment used within industrial parks from VAT, with **Law No. 2331-IX** extending this exemption to include import duties. Despite Ukraine's intention to expand these benefits to loan interest compensations, the ongoing budget deficit has delayed this plan.

Establishment of Eco-industrial Parks

Amidst the martial law, Ukraine continues to advance its transformation of traditional industrial parks into eco-industrial parks. The Ministry of Economy recently published a **Draft Law of Ukraine regarding improving the functioning of industrial parks and introducing the eco-industrial park model** aimed at enhancing the functionality of industrial parks and integrating eco-industrial park standards to meet sustainability, circular economy, and energy efficiency goals which are aligned with Ukraine's commitments as an EU candidate.

If finalized with incentives for eco-industrial park investors, this initiative could significantly bolster Ukraine's "Build Back Better" agenda aiming to reconstruct the country in a sustainable way.



Practice Area News

Ukrainian Government Approves Signing of First Agreements for Significant Investments. On October 10, 2024, the Government of Ukraine approved the signing of two special investment agreements for the implementation of investment projects with significant investments. Starting from this date, the implementation of investment legislation in the sphere of significant investments in Ukraine has become a real component of the state economic policy. Read more **HERE.**

97 Industrial Parks have been Already Registered as Industrial Parks in Ukraine. A new industrial park, Techno Park Voznesensk, has been created in southern part of Ukraine under the decision issued by the Ukrainian government at a meeting on October 25, 2024. Therefore, the Register of Industrial Parks of Ukraine contains 97 industrial parks. Read more **HERE.**

Ukrainian Government Allows Foreign Companies to Carry out Construction Activities Based on Declarations. On August 6, 2024, Ukrainian government allowed foreign companies to carry out construction works upon free submission of a declaration of business activity to the construction licensing authority, eliminating the need for a construction license. These changes will apply to the construction of facilities classified under medium (CC2) and high (CC3) consequence classes. According to the Ukrainian government, the changes will remain effective at least for the duration of martial law. Read more **HERE.**

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