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GTAI GERMANY TRADE & INVEST

"Still, even in the present environment, BASF is not questioning its commitment to continue doing business in Ukraine..."

In 2022 BASF celebrates 30 years of its operation in Ukraine. BASF opened its office in Ukraine in 1992, immediately after official diplomatic relations between Ukraine and Germany were established. Thus, BASF was one of the first representatives of large European business to enter the Ukrainian market. Managing Director of BASF in Ukraine, Tiberiu Dima, tells how BASF continues its operational activities during the war in Ukraine.

Mr. Dima, first of all, let me congratulate you on your return to work in Kyiv! Many heads of foreign representative offices in Ukraine have recently returned to operational activities in Kyiv offices after forced evacuation. How does it feel? Why has such a decision been made now?

I returned to Ukraine first in April, to Chernivtsi. Since then, I have been spending minimum two weeks in Ukraine each month, and in June I returned to Kyiv for the first time since the war had started. It was very important for me to return and support the local team, and to instill the confidence and optimism that BASF is highly committed to Ukraine and our employees. It was also

Tiberiu Dima, Managing Director BASF in Ukraine

important to show this commitment to our local customers experiencing extreme challenges in running their businesses and protecting their assets.
To show our commitment, in July we organized two separate physical events, with customers and with employees, on the occasion of our 30th anniversary in Ukraine – and we received overwhelming positive feedback and appreciation.

I am humbled and inspired by the determination, courage, and resilience of our colleagues, our customers and of Ukrainian people in general. Despite the sensitive security situation, it is a privilege to return and work together with my colleagues here, finding new

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ways to adapt our business to the new reality, and to support our local customers.

How has the war affected the operation of BASF in Ukraine?

We are grateful that we were able to continue our operation despite the extraordinary challenges. We only stopped for a few days in February, then resumed our work immediately while adapting to operate in the new reality of war. Most challenges were related to supply and logistics, credit risk management and import restrictions, and also everyone had to work remotely, many colleagues were displaced. Nevertheless, the legendary Ukrainian resilience and determination, combined with pragmatism and commitment to the Ukrainian market, made it possible to address most of the challenges, and we are now recording good business results and can see satisfied customers.

What is BASF's official position regarding business in Russia and Belarus?

As announced on March 3, 2022, BASF has not been doing any new business in Russia and Belarus as BASF strongly condemns the Russian attack on Ukraine and the violence against the civilian population.

In addition, BASF also winded down almost all of the company's remaining business activities in Russia and Belarus at the beginning of July 2022. Exempt from this decision is the business to support food production (these are, in particular, seeds and traits as well as crop protection products necessary to avoid famine), as the war is triggering a global food crisis. This decision has been driven by the recent developments in the war and in the international law, including the EU sanctions packages.

Activities for an orderly cessation of BASF's business in Russia and Belarus are currently being implemented.

What does the situation with Ukrainian personnel look like? What support is BASF providing to Ukrainian colleagues?

The attack on Ukraine, ordered by the Russian government, questions the highest values on which our society and civilization are based and fills us all with deep concern. War has returned to Europe. We condemn this aggression and hope that this war ends as soon as possible. We are highly concerned about all the people affected by the conflict, particularly our colleagues in Ukraine and their loved ones, who are currently experiencing unimaginable hardships.

Since the first days of war security of our employees has been the highest priority for BASF. All our employees with their close family members had an opportunity to be relocated either to the more secure regions in the west of Ukraine, or abroad, mainly to the neighboring countries. Now, most of the relocated employees and their families have returned to Ukraine. Hence, most of our team members are back to Ukraine. Some colleagues continue their stay abroad or have been offered temporary contracts at other BASF locations, mostly in Germany. With personal safety as top priority, we do regular monitoring of the situation and take measures to ensure personal safety of our employees and their families. Obviously, we continue full employment and benefits provision to all our employees, and our operations in Ukraine are running almost as usual, adapted to the reality of the war.

Along with many other enterprises, BASF also provides financial assistance to Ukraine. Could you tell us more about it?

Following the attack on Ukraine, ordered by the Russian government, the civilian population is suffering from the escalating violence. Millions have been on the run and many remain displaced. To help the people in the country, BASF provided Đ1 mln. of emergency aid in the first week of the war. The amount went immediately to the German Red Cross (GRC) at the end of February. This organization has been working tirelessly in the crisis region.

In addition to the emergency aid of Đ1 mln., BASF has doubled the largest-ever donation of over Đ2.1 mln. raised by BASF employees by mid-April. The global employee donation campaign in favor of BASF Stiftung (BASF Foundation) will help BASF colleagues and other affected people from Ukraine directly or through the UN Refugee Agency UNHCR (United Nations High Commissioner for Refugees).

Also, to support Ukrainian farmers and to contribute to global food security, BASF supported BORSCH initiative and donated seeds for Ukraine: 240,000 farming families have benefitted from the company's vegetable seeds donation. In addition, BASF Ukraine provided sunflower seeds for free to farmers in Sumy and Chernihiv regions, to cover an area of 10,000 ha and make it possible to produce more than 4 million liters of sunflower oil.

And we did our best to procure and supply personal protection materials for our colleagues serving in the Ukrainian Army.

Altogether, BASF and its employees around the world have contributed more than Đ5.5 mln. to support Ukraine, our Ukrainian colleagues, and their families. And we are committed to continue support provision, as needed.

What does BASF's strategy of the company's presence in Ukraine look like for the future?

Currently, it is difficult to make any forecasts as the situation remains uncertain in many aspects. Together with the BASF headquarters, we continue monitoring the situation in Ukraine very closely. We keep all our business units regularly informed about the situation in Ukraine, and we have started an internal discussion of the Ukraine Recovery Plan and of how BASF can support the recovery efforts.

Still, even in the present environment, BASF is not questioning its commitment to continue doing business in Ukraine.

My personal mission is to generate and ensure the necessary resources to continue our operations, support our employees and our customers, as well as to continue promoting and developing Ukraine as a great place for business opportunities.

Dear Mr. Dima,
thank you for an interesting conversation!


M DM 8647E
НОВИЙ BMW i7.
НЕЗАБАРОМ В УКРАЇНІ.

General Meeting of AHK Ukraine 2022 online

On June 7, 2022 the annual General Meeting of Members of the German-Ukrainian Chamber of Industry and Commerce was held for the seventh time in the online format everybody is already accustomed to, and it enabled to ensure compliance with all statutory requirements of the association concerning the event holding. Due to the war on Ukraine the annual meeting was held several months later than expected. But we are anyway happy that thanks to the Internet connection the representatives of firms both from Ukraine and from many other countries were able to join it. We are grateful to all companies that are members of the Chamber for participating in this important event in the life of AHK Ukraine, confirming once again that united business in the times of crisis and uncertainty constitutes an important factor for further development and goal attainment.

Judging by the experience of the previous General Meeting and understanding of the fact that sometimes technical challenges or unexpected situations may prevent from participation in this event that is of utmost importance for the Chamber, as well as trying to ensure general participation in the voting, we held the voting in the format of prior sending of filled out written ballots. The companies-members received the ballots and the links at which they could get all the information required for passing decisions in the items put to vote beforehand.

The General Meeting of AHK Ukraine 2022 was launched by the Ambassador Extraordinary and Plenipotentiary of the Federal Republic of Germany to Ukraine Mrs. Anka Feldhusen with her welcoming speech.

Alexander Markus, the then Chairman of the Board of the German-Ukrainian Chamber of Industry and Commerce, expressed his gratitude to the companies-members of the Chamber for ten years of cooperation and informed that starting with June 15, 2022 he would be holding the position of the Chairman of the Board of the German-Serbian Chamber. Dr. Serhiy Lisnichenko who used to hold the position of procurator in AHK Ukraine became acting Head of the Chamber instead.

In general, 53 companies-permanent members participated in the voting. Thus, the required quorum was obtained for the General Meeting to be competent. As the result of absentee voting, the agenda of the General Meeting for this year and the protocol of the General Meeting as of March 23, 2021 were approved: 53 votes – in favour, 0 – against, 0 – abstained.

Permanent members voted for exclusion or withdrawal of companies from the Chamber, approved 19 new companies as full members and entitled them to further voting on the items of the agenda: 51 votes – in favour, 0 – against, 2 – abstained. One may get familiarized

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AHK UKRAINE BOARD MEMBERS 2022

OLEXII MIRONENKO
Miko Group

OLGA VOLOSHYNA
Sylvery

KRISTIAN ANDERSSON
SEB Bank

RADOSLAW SZKUP
Kostal

ANDRE PILLING
Eco Viva

MICHAEL VERGUNENKO
Rehau

KHRYSTYNA KASIANOVA
Rodina Group

ALESYA PAVLYNSKA
Arzinger

YULIA PROROCHENKO
Otten Consulting

with the list of new full members in the table attached to the present article.

Together with the votes of new permanent members, the results of voting in the following items of the agenda were announced: approval of the report on the Chamber's operation for 2021 and action plan of the Chamber for 2022 as well as approval of financial reports of the Chamber for 2020 and 2021 and financial plan of the Chamber for 2022, viz.: 52 votes – in favour, 0 – against, 1 – abstained.

The Board and employees of the Chamber reported on the activity for 2021 and familiarized the participants with the plans for 2022.

Alexander Markus and members of the Board reported on the activities of the committees.

Chairperson of the Department of Corporate Communication and Event Management, Yulianna Velbovets, shared the information about the Chamber's activities in 2021 and new formats and challenges. Chairperson of the Department of Vocational Education Development, Nataliya Starodub, told about the relevant projects in dual education development and projects related to advanced training with the AHK Ukraine certificate.

The report of the Board was approved with the following results: 51 votes – in favour, 0 – against, 1 – abstained, 1 – did not vote.

On the basis of the results of voting (49 votes – in favour, 0 – against, 4 – abstained) new members of the Chamber's Board, nominated on the basis of their election to the position of the chairpersons of the Chamber's committees, were announced. Welcome to new members of the Board of the German-Ukrainian Chamber of Industry and Commerce:

- Christian Andersson, Chairman of the Board of S|E|B Ukraine, Chairman of the Committee on Banking and Financial Services of AHK Ukraine;

- Khrystyna Kasjanova, Business Development Manager, Rodina Energy Group LLC, Chairperson of the Committee on Energy and Energy Transition, AHK Ukraine;

- Alesia Pavlynska, advisor, Arzinger, Chairperson of the Law Committee of AHK Ukraine;

- Yulia Prorochenko, Head of HR Department, Otten Consulting Ltd., Chairperson of the Committee on HR Management and Selection.

We wish them new achievements in their activity in AHK Ukraine and in their professional work!

Once again, let us express our gratitude to all companies-members of the Chamber for their active participation in the voting and heartily invite them to join the activities of AHK Ukraine!

Welcome the new ordinary members of AHK Ukraine!

ENTIRE NAME OF LEGAL BODY DE	ENTIRE NAME OF LEGAL BODY UA
ROLANDTECNIC GMBH	ROLANDTECNIC GMBH
DOEHLER UKRAINE, TOCHTERUNTERNEHMEN	ДП "ДЬОЛЕР УКРАЇНА"
SIEMENS ENERGY LLC	ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ «СІМЕНС ЕНЕРГЕТИКА»
PULSAR EXPO UKRAINE	ТОВ "ПУЛЬСАР ЕКСПО УКРАЇНА"
DENTONS EUROPE	ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ "ДЕНТОНС ЮРОП"
AUTODOC UKRAINE	ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ "АВТОДОК ЮКРЕЙН"
PRIVATE AKTIENGESELLSCHAFT FED	ПРИВАТНЕ АКЦІОНЕРНЕ ТОВАРИСТВО "ФЕД"
SAYENKO KHARENKO	АДВОКАТСЬКЕ ОБ'ЄДНАННЯ "САЄНКО ХАРЕНКО"
F5 FORTY GROUP	ТОВ "ЕФ ФАЙВ ФОРТІ ГРУП"
TITAN MACHINERY UKRAINE	ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ "ТАЙТЕН МАШИНЕРІ УКРАЇНА"
VAB LOGISTIK	ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ "ВАБ ЛОГІСТИК"
EDVANTIS GMBH	ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ "ЕДВАНТІС"
EJM LLC	ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ "І ДЖЕЙ ЕМ"
GOOD LOOK GMBH	GOOD LOOK GMBH
SPEKTROANALITYKA LLC	ТОВ "СПЕКТРОАНАЛІТИКА"
KNAUF INSULATION UKRAINE	ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ "КНАУФ ІНСУЛЕЙШН УКРАЇНА"
VIVA DECOR	ТОВ "ВІВА ДЕКОР"
BAKER & MCKENZIE CIS, - LIMITED	ПРЕДСТАВНИЦТВО "БЕЙКЕР І МАКЕНЗІ - СІ АЙ ЕС, ЛІМІТЕД"
BRENNTAG UKRAINE	ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ "БРЕННТАГ УКРАЇНА"

Sectors | Ukraine | IT | Gerrit Schultze | Berlin

The IT industry has good turnover even in the wartime

The Ukrainian IT sector is finding new clients even in the wartime. Companies producing software, though, are relocating their subsidiaries more to the west of the country or abroad.

Ukraine remains a favorite place for programming services outsourcing. Thanks to beneficial prices and well-educated IT experts, Western concerns give many orders to Ukrainian software development firms.

EXPORT REVENUES INCREASE EVEN DURING THE WAR

In spite of Russia's full-scale war, this concept still seems to remain successful. From March to May 2020 Ukrainian IT companies increased their revenues coming from export by 6 per cent as compared with the same last-year period, that is by $1.7 billion.

More than a half of the firms expect that in 2020 their turnover will increase by 5-20 percent. This is the result of the survey held by the IT Ukraine association in June 2022. Three out of four firms have managed to find new clients during the months of the war.

The sector has adjusted to the new reality and quickly relocated its staff to Western Ukraine or abroad and convinced the clients that they are capable of performing their orders further on. A lot of IT companies buy devices for uninterrupted electricity support and try to connect to the global US satellite system Starlink. Due to this, they will be able to keep working even in the conditions of destroyed telecommunication infrastructure.

SERVER LOCATION IN A RELIABLE PLACE AND DEVELOPMENT OF RESERVE COPIES

In the first days of the war it was important to locate the servers in a reliable place. Online bank "Monobank", according to the information coming from press, relocated some of its data processing centres from Kyiv to Lviv, as well as transferred the data to the Amazon cloud computation services. Ukrainian cloud operator GigaCloud servicing several thousands of companies in Ukraine located reserve copies of its data on the servers in Lviv even before the war. And right after the first attacks it also relocated its hardware to the west of the country.

According to the data of the economic journal Forbes, before May 2022 13 out of the 50 largest IT companies had relocated their programming centres. Most popular in this respect in Ukraine are large cities – Lviv, Ivano-Frankivsk, or Khmelnytskyi. As far as other countries are concerned, Poland, Romania, and Croatia are the most popular.

THE INTENTIONS OF ZAKARPATTIA TO COMPETE WITH IT CENTRES

In the very west of Ukraine Zakarpattia region, with its capital Uzhhorod, intends to become an IT cluster and to compete with Kyiv, Kharkiv, and Lviv. As the Regional State Administration informs, 35,000 IT experts have moved to the region since the outbreak of the war.

A special "IT town" with startups and companies producing software in the eight-hectare area will be built in Lviv region. Already in the summer construction of temporary buildings may be launched in its territory, according to the International Technology Transfer Association ITTA.

The Government of Ukraine also intends to further support the sector within the "єРобота" ("yeRobota") program. Since July 1, 2022 IT sector startups will have a chance to submit applications to the Ukrainian Startup Fund to get grants. Creation of at least five new jobs and development of new products will constitute the preconditions for this.

MOBILIZATION AND CURRENCY RESTRICTIONS – CAUSES OF CONCERN

Currency restrictions and possible mobilization of young people of draft age cause problems for Ukrainian IT firms. Sometimes the representatives of military commissariats bring draft notices directly to the firms. Associations of software producers are protesting against such situation, stressing the benefits software developers bring to the national economy. In 2022 the IT sector provided for about a half of services export and became an important foreign currency supplier.

So far discussions are going on as to whether IT experts shall be allowed to go abroad. The respective draft law on amending the mobilization rules is so far with the Parliament. The Government has stated that it is developing a mechanism for the IT sector employees, that will enable them to go abroad. Relocation to safer countries will, on the one hand, provide them with orders and capacity to perform those orders. But critics warn that if the law is adopted, there will be a substantial "brain drain". Besides that, issuance of permissions for going abroad as an exception may possibly open up some space for corruption schemes.

SUSTAINABLE GROWTH AND HIGH EMPLOYMENT RATE

Several years ago the Government acknowledged the IT sector to be a sustainable national economy growth factor and started boosting it. According to the data of the IT Ukraine association, some 285,000 persons are now employed in this sector. Prior to the war they provided 4 per cent of the country's gross domestic product.

Now many services provided by state authorities can be rendered via the web-portal and mobile application "Diia". In 2020 the Ministry of Digital Transformation of Ukraine initiated establishment of a special economic environment inside the country for the IT industry – "Diia.City". Its "residents" benefit from low taxes, ac-

10 largest IT companies of Ukraine		
Company	City (selection)	Number of employed experts
EPAM Ukraine	Vinnytsia, Odesa, Lviv, Kyiv, Kharkiv, Dnipro	11,600
SoftServe	Lviv, Dnipro, Chernivtsi, Ivano-Frankivsk	9,500
GlobalLogic	Kyiv, Kharkiv, Lviv, Mykolayiv	6,400
Luxoft Ukraine	Kyiv, Odesa, Dnipro	3,600
Ciklum	Kyiv, Lviv, Kharkiv, Odesa, Dnipro, Vinnytsia	3,000
NIX	Kharkiv	2,700
DataArt	Kyiv, Kharkiv, Dnipro, Lviv, Khersonерсон, Odesa	2,600
Evoplay	Kyiv	2,300
Intellias	Lviv, Kyiv, Odesa, Kharkiv, Ivano-Frankivsk	2,000
Zone3000	Kharkiv, Lviv	2,000

Status: July 2021

Source: Programmer forum DOU.ua (August 2021)

cess to foreign investment and protection against control exercised by law-enforcement bodies. The goal of the project is to transform the IT sector into the driving engine of growth and employment.

Still, Russian attacks of Ukraine have also hit the IT infrastructure. According to the data provided by the Government, each tenth mobile communication tower and one fifth of the cables ensuring access to the broadband Internet have already been damaged. In the occupied territory, for safety reasons, access to open data portals was restricted. Besides that, Ukrainian IT firms and state authorities are more and more frequently attacked by Russian hackers.

DIGITALIZATION AS A RECOVERY PRE-CONDITION

The agenda of the conference dedicated to the recovery of Ukraine, held in early June 2022 in Lugano, included further digitalization of the country. The Government intends to allocate 2.4 billion Euros for these objectives by 2025. The money will be spent on the network infrastructure development, provided to venture capital funds, professional training and cybersecurity excellence programs. The goal is for the IT sector to ensure 10 per cent of the country's gross domestic product.

SAP appoints a new Managing Director for Ukraine

SAP, the market leader in enterprise application software, has announced the appointment of Anna Mikulitskaya, who will join SAP Ukraine as a Managing Director on July 1, 2022. Anna will be responsible for leading and driving business growth and operations for Ukraine, she will report directly to Josephin Galla, Managing Director, Eastern Cluster.

Anna Mikulitskaya joins SAP from FinAdvice LLC, a company she co-founded in 2020, where she and her team offered management consulting services to Ukrainian medium and large enterprises in finance and banking. In the past, Anna played various roles at Citibank, including Country Business Head for Treasury and Trade solutions, as well as Country Business Head for Global Subsidiaries Group and Deputy CEO.

"Much has changed between the time we began our search for a new leader and now. The whole world is still witnessing the heartrending and unnecessary war that started in Ukraine more than three months ago. In these uncertain times that affect all Ukrainians and Ukrainian business, we remain optimistic about the prospects for Ukrainian business and I am pleased to announce that Anna Mikulitskaya will join SAP Ukraine as Managing Director on July 1, 2022. Anna is looking forward to bring her rich and geographically diverse experience in finance and banking to the technology sphere, and, in doing so, generate more value for the Ukrainian market," - said Josephin Galla, Managing Director at SAP, responsible for the Eastern Cluster.

During her 21-year career at Citibank, Anna has brought multiple products to the market, from vision to execution, delivering a sustainable double-digit P&L growth, as well as positioning the business as Number 1 across more than 80 countries in which the company operates. During that time, she lived in many places around the world - from Kyiv to London and Bangkok.

"I am honored to have been given an opportunity to lead a strong Ukrainian team and to develop and expand today's Ukrainian market with the help of cutting-edge SAP technologies. I truly believe that technologies can help companies run their businesses better and improve their processes, moreover in such uncertain circumstances. I am pleased to join SAP company, one of the first global corporate leaders putting forward the plan for re-building Ukraine as a progressive intellectual player integrated into the world's technology arena. And I am very excited to join this important and outstanding intention," – said Anna Mikulitskaya, the new Managing Director of SAP Ukraine.

How should business interpret announcement of the 10–10–10(+3) tax reform

Let us start with stating that it is not yet absolutely clear what this reform will look like. In August, together with announcement of the intention to carry out the reform, only some key issues were announced: company profit tax rate reduction by 10 % (possibly, with transition to the model of withdrawn capital tax), introduction of unified VAT rate of 10 % (that is its reduction for the majority of goods now taxable at the rate of 20 %, with simultaneous increase of the discounted rate to the general level, for example, now for pharmaceuticals – 7 %), establishment of the rate of individual income tax at the level of 10 %, with simultaneous canceling of single social fee and increase in the military fee rate from 1.5 % to 3 % + intensification of control and liability. This is the content of the intended reform, according to its concept developers – the team headed by the Deputy Head of the Office of the President Rostyslav Shurma. And in his interview for Forbes in mid-August Mr. Shurma acknowledged that there is no final concept as yet, the process will be finalized within half a year.

Therefore, there are still no respective draft laws or at least detailed draft amendments in the related regulatory provisions, that would enable to conduct legal-technical-economic analysis already now as to what could be expected from the changes at the micro-level (specific companies, tax-payers). So far the discussion focuses on the reform concept in general, its possible outcomes at the macro-level, directions and principal approaches to the reform.

It is envisaged that the attitude to the reform formulated in that way is rather negative in the public domain, for different reasons and with references to different general arguments. Such external communication, though, mainly comes from the expert environment represented in the media. But the fact that no "admiration" and real mass voices of support coming from business can be heard either is highly illustrative. Why?

In order to understand the situation in general, it is probably worth going back to late spring – early summer of this year when a number of businesses and public representatives wrote an open letter asking for the "resigning" of the Chairman of the Parliamentary Committee on Tax Matters, Mr. Hetmantsev, as the embodiment of the fiscal policy of the recent years. A meeting of the representatives of this movement with the Office of the President regarding the application was held. That was an open demonstration of lack of perception of what is being done in the field by such business and society. Mr. Hetmantsev is a member of the President's party, and is perceived as the main ideologist and leader of the current fiscal policy. That is why appearance of the messages about the 10-10-10 may testify to the fact that the Office of the President has perceived this as major dissatisfaction with the current tax vector and has arranged this "demonstration" to see further response of the society/business to an "alternative".

Largely non-available (compare, for example, to the "degree" of long-term discussion of the need to switch to the withdrawn capital tax) social response to the current initiative shows that this, most probably, is not what business and society in general need and hope for. Why?

To begin with, that is probably due to the fact that the proclaimed reform is not perceived as something "live", capable of influencing business and society in the nearest tough war times. Since the concept requires up to half a year for further elaboration (thus, we reach the first quarter of 2023), and then comes development of specific draft laws, adoption (let us remind you that, under the Tax Code, amendments must be introduced at least half a year prior to the beginning of the year in which they will be applicable). Thus, will the amendments become applicable no sooner than in 2024? Business needs to survive till that time. Thus, this reform is not a good response to the current urgent business needs from the timeframe point of view.

For example, as regards company profit tax. Is 10 % of tax better for business than 18 %? In abstract terms, yes. And what about practice? I once heard an interesting phrase, coming from one businessman: "I am ready to pay profit taxes if I really have the profit". And if business does not have profit, will it be not the same what the rate is: 10 % or 18 %? Any rate can be multiplied by zero – and you will get zero. Concerns are there that in the second half-year the economy will become even less profitable. And while payers have profit for the first quarter or half-year due to different circumstances (for example, grain traders bought grain for the equivalent of 100 dollars last year at the exchange rate of 26, and have sold them for the same 100 dollars but at the exchange rate of 36; according to accounting data, they have earned almost 40 % of profit in UAH, but what about real profits? Will the tax under such circumstances constitute concealed seizure of capital?) or "reserves" from previous operations, and over the second half-year this reserve will be going away, and the same payers may address for the return of the tax paid earlier this year as overpayment following the cumulative total since the beginning of the year. Will it not be the case that on the basis of the results of the second half-year the balance in company profit tax, in case of fair reimbursement of the payments developed over the first half-year, may turn out to be negative? Unfortunately, taxation of profits, as it stems from communication with business, for many is not a real issue within the nearest future, due to anticipated absence of profits. And if there is any profit, then even the current 18 % is probably not an excessive amount, if the profit is calculated in a "fair" way", and it is not the case that the state sees profit even where it is not there from the economic point of view. And the issue of experience is mainly about "calculation by the law-maker and tax inspection", and not the "price tag" in percentage to such calculation. Finally, introduction of profit tax in the form of withdrawn capital tax will help settle relevant issues in a better way. Since according to the general definition, profit is something that may be seized from business for consumption, with no harm inflicted on the business. And who can know it better than business when and how much can be seized.

Let's go over to VAT. Ideally, this tax must be neutral for business, while business should be transparent for taxation. Since that is an indirect consumption tax. Respectively, business should just act as the agent of fiscal tax administration and collection from end consumers. How much to collect should not be the matter of principle for business in case VAT functions well, the same as it does not matter for the cashier, since both for business and for the cashier this is not their money. Therefore, VAT rate does not have any direct influence on business in case the system functions well. Distortions appear where the system is imperfect or functions inadequately. And this is what should be overcome with business in mind, instead of playing with the tax rate as the "lure" for business. Ukraine formally has one of the best and most complex systems of VAT administration in the world. At least, I have never heard about any other country in Europe with the centralized registration of tax invoices by the tax body, with prior inspection and the right to block, as well as mandatory provision of funding or acknowledged credit in the centralized electronic administration system. However, it is this system that creates real obstacles on the way to doing business, in particular, due to manipulations with tax invoice blocking as well as in the domain of budget reimbursement. But the reform does not include fighting these phenomena, abuse by state bodies, that really do harm to business.

But let us get back to the VAT rate. It still matters, but at a more general macro-economic level. It does not really mater for the buyer in the shop what components of the check he is paying; of importance is only the total amount. And here the tax component adjusts consumption since the amount of money consumers may spend is still limited. And if it is not enough for everything, there will take place some redistribution between the essentials and something one may do without. Here the demand for "non-critical" products is, in fact, cut, and thus opportunities of that business are cut. Therefore, reduction of the general VAT rate releases additional money for consumption and increases the economic base for business. Thus, we can see the indirect effect of the rate at the micro-economic level.

And if we speak about the overall picture, do we have excessive consumption of many groups of commodities in Ukraine now that should be limited? For example, consumer goods. By the way, this is a good example for comparison since 10 % for this group will anyway be a higher amount than in the neighboring Poland and the rate Europe is heading for – zero VAT for food, in particular, as a tool of fighting currently high inflation. The rate below 10 % VAT is set (compare it even with Poland) for other critical groups of goods as well. Our people staying there now do see this. And the reform suggests: get back since our rates for what belongs to essentials will be higher? And business also sees it. So 10% VAT is not even perceived well as "hype".

Probably, at the stage of the war and post-war recovery it would be expedient to drastically change the attitude to this tax. Finally, VAT is also called a universal excise duty. So, why not deviate from this universality for this special time and leave this tax over this special period only for specific (limited) groups of goods and services that may really be considered not that much demanded in this period. You have to pay for "luxury". And transfer this to the category of excise duties for manufacturers or import or sales tax at the stage of final sales. Such alleviation of the tax system and deprivation of the overwhelming majority of tax-payers of the burden of participation in the VAT administration system (in particular, for goods and services mainly designed for export) will have a better effect than VAT rate reduction (and for some, for example, for medicines – increase) to 10 % for all, with further declared complication and introduction of a more substantial burden and VAT administration responsibility as well as a higher tax burden (as compared to the European Union and, in particular, our neighbor – Poland) in terms of percentage for critical commodity groups. These considerations belong to the range "if you criticize – make suggestions" in order to show availability of more attractive and expedient alternatives.

The overall impression is that, with their declared radicalism, the authors, in fact, have not got rid of the old paradigm of "tightening the nuts" for tax-payers, with certain minor allowances. This is illustrated by the suggestion related to the military fee. Why shall it be left as a separate one (and intended to be increased twice) if it is almost fully identical to the individual income tax? We have heard a lot that this is caused by the fact that the individual income tax is distributed between the local budget where it is collected and the central one, while the military fee fully goes to the central budget. So what, only due to this, due to the incapacity of the state to ensure normal administration and distribution it has got two taxes instead of one? Or is it just for the individual income tax to also be 10 % (10-10-10), and not 13 % (if we add military fee)?

In brief, there are a lot of questions to the suggested reform as it has now been voiced, and there are already claims to it. It does not evoke any special enthusiasm. And certainly it is still not at the processing stage when it is possible to forecast the consequences for specific companies at the micro-economic level.

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Establishing damage to land in Ukraine

The hostilities in Ukraine are affecting not only the health of Ukrainians but also the natural resources of the country, particularly its land. Agricultural business of which land is the main production asset are primarily interested in being able to compensate or recoup the losses caused by land contamination and littering during the military actions.

Areas of land fund losses in Ukraine

The Order for determining the damage and loss resulting from the armed aggression of the russian federation against Ukraine, adopted by the Cabinet of Ministers of Ukraine, outlines specific areas in connection with the damage caused to the land fund of Ukraine, in particular:

a) losses of the land fund, which includes losses of the land fund as well as related lost profits. Determination of damage and losses is carried out in accordance with the Methodology approved by an order of the Ministry of Agrarian Policy, in agreement with the Ministry of Integration. The regional state administrations (during martial law – military administrations) are responsible for determining damage and losses in this area. During the determination of damage and losses the following indicators shall be assessed:
- actual costs for recultivation of lands that were damaged as a result of military operations, construction, arrangement, and maintenance of engineering and fortification constructions, fences, boundary signs, boundary openings, means for arrangement of the state border;
- losses incurred by owners (land users) of land plots for agricultural purposes;
- expenditures for restoration of land melioration areas;
- de-mining costs.

c) damage caused to land resources, which includes damage caused by pollution and contamination of land resources. Determination of damage and losses shall be carried out in accordance with the methodology approved by the order of the Ministry of Environmental Protection and Natural Resources of Ukraine upon submission of the State Environmental Inspection in agreement with the Ministry of Reintegration of Temporarily Occupied Territories. The State Environmental Inspection is responsible for the determination of damage and losses in this direction. When determining damage and losses, the following indicators are assessed:
- damage of soils and land plots due to soil contamination with substances negatively affecting their fertility and other useful properties;
- damage of soils and land plots as a result of contamination of land plots with alien objects, materials, waste and/or other substances.

Methodologies for establishing damage

Currently, the indicators for establishing damage caused to land resources are being supplemented and elaborated. In particular, the Methodology approved by Order No. 295 of the Ministry of Agrarian Policy of 18.05.2022 (Methodology No. 1) is used to determine the damage and losses, as well as the lost profit due to losses of the land fund.

To determine the amount of damage caused to land resources as a result of contamination and/or littering, the Methodology approved by Order No. 167 of the Ministry of Environmental Protection and Natural Resources of Ukraine of 04.04.2022 (Methodology 2) is used.

LAND FUND LOSSES

Methodology 1 establishes the procedure for determining costs of land owners/users for land reclamation. Such costs are based on the budgeted cost of the works projected for the corresponding implemented working projects of land management for reclamation of disturbed lands.

The amount of damage caused to agricultural land owners (users) shall be determined in accordance with the Order on determining damages and compensation for land owners/users, approved by Resolution of the Cabinet of Ministers of Ukraine No. 284 (hereinafter – the Order).

Under the Order, the following shall be subject to compensation:
- the value of residential houses, production, and other buildings and structures, including incomplete construction;
- the value of fruit and other perennial plantations;
- the value of forest and tree and shrub plantations;
- the value of water sources (wells, ponds, reservoirs, boreholes, etc.), irrigation and drainage systems, anti-erosion and anti-landslide structures;
- expenses incurred or required to improve land quality;
- other losses of land owners/users, including lessees, including lost profit, if they are justified.

The amount of losses in this case is determined in full according to the real value of the given property at the time of damage, including the costs incurred or necessary to improve the land quality.

However, it should be noted that the Order is presently very rough and needs to be brought in line with the current reality.

Methodology No. 1 also defines the procedure for calculating the costs of restoring amelioration areas. Such costs are determined on the basis of the estimated cost of works in relevant projects of reconstruction and capital repair of amelioration systems and separate objects of engineering infrastructure. These projects should be developed in accordance with the relevant State Construction Norms.

DAMAGE TO LAND RESOURCES

Methodology No. 2 specifically deals with the determination of damage and loss caused to land and soils due to land contamination and littering. The procedure established by Methodology No. 2 applies to all lands in Ukraine regardless of their categories and forms of ownership.

According to Methodology No. 2, soils are considered contaminated if negative qualitative changes are detected in their composition.

Soils are considered littered if there are alien objects, materials, wastes, or other substances on the land plot, which have appeared as a result of emergencies or armed aggression and hostilities.

The facts of land contamination and/or littering, as well as their scale, can be established by authorised persons by means of inspecting land plots, remote sensing data, studies of soil samples, processing conclusions of various surveys, explanatory notes, certificates, documents, materials, information received from any sources, operational communications of individuals and legal entities, etc.

The amount of damage is calculated by authorised persons carrying out state supervision (control) over observance of requirements of legislation on environmental protection. At present, the State Environmental Inspection of Ukraine is designated as such authority.

The amount of damage is calculated on the basis of the documents and materials, confirming the fact of soil pollution, as well as on the normative monetary evaluation of the land plot with polluted soil. Data of normative monetary evaluation of such a land plot shall be obtained from any sources.

With respect to land plots monetary evaluation of which has not been carried out or in case it is impossible to obtain relevant data, the monetary evaluation of the land plot shall be calculated as an average normative monetary evaluation of the arable land area in the region multiplied by the coefficient causing adverse environmental impact on soil fertility that equals 300.

The amount of damage from soil pollution is determined according to the formula established by Methodology No. 2.

Analysis of this formula allows Ukrainian agricultural companies to prepare for damage assessment in advance by collecting information necessary to determine the amount of damage, namely:
- normative monetary value of the land plot the soils in which have been contaminated or littered (in UAH per square metre);
- area of the land plot the soils in which have been contaminated or littered (in square metres).

Ukrainian agricultural companies can establish a preliminary area of contaminated or littered land by carrying out a relevant inventory procedure and drawing up an Act on the area of polluted land.

It is also advisable, in case the cultivation of such lands ceases, to issue an appropriate order on impossibility of their cultivation.

The other components of the formula are predominantly indicators to be determined by the competent state authorities of Ukraine or calculated values (e.g., reclamation costs).

Such components (coefficients, standards, etc.) are calculated on the basis of various legislative acts and methodologies (the Methodology for determining the amount of damage caused by contamination and littering of land resources due to violation of environmental laws, approved by Order No. 171 of the Ministry of Environmental Protection; Resolution of the Cabinet of Ministers of Ukraine No. 1325 “On approval of norms of maximum permissible concentrations of hazardous substances in soils, as well as of the list of such substances”; the Methodology for determining the amount of damage caused by unauthorised occupation of land plots, use of land plots not for their designated purpose, land damage, violation of the regime, norms, and rules of their use, approved by Resolution of the Cabinet of Ministers of Ukraine No. 963).

The mentioned methodologies also establish the lists of substances and wastes that could be considered as contaminants or littering. Such lists require further elaboration due to the specific nature of pollutants and waste of military origin.

All materials used for the calculations have been compiled into a separate file by the State Environmental Inspection.

A copy of such calculations along with the materials can be obtained by state authorities, local authorities, and law enforcement bodies.

Iurii Dynys, Counsel,
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AHK Ukraine Committee Meetings & Events 2022

The dates of all our events and committees' sessions can be found at http://ukraine.ahk.de/

Topic/Organiser	Date & Time	Location
Online session of the Taxes & Accounting Committee German-Ukrainian Chamber of Industry and Commerce	September 13, 2022 10.00 a.m. (EEST)	MS Teams
Online session of the Agriculture & Food Committee German-Ukrainian Chamber of Industry and Commerce	September 13, 2022 12.00 a.m. (EEST)	MS Teams
Online session of the Building & Energy Committee German-Ukrainian Chamber of Industry and Commerce	September 15, 2022 2.00 p.m. (EEST)	MS Teams
Online session of the Energy & Energy Transition Committee German-Ukrainian Chamber of Industry and Commerce	September 20, 2022 12.00 a.m. (EEST)	MS Teams
Online session of the Logistics & Transport Committee German-Ukrainian Chamber of Industry and Commerce	September 20, 2022 2.30 p.m. (EEST)	Zoom
Online session of the HR Committee German-Ukrainian Chamber of Industry and Commerce	September 21, 2022 3.00 p.m. (EEST)	Zoom
Online session of the IT & Cyber Security Committee German-Ukrainian Chamber of Industry and Commerce	September 29, 2022 2.00 p.m. (EEST)	MS Teams
Online session of the Banks & Financial Services Committee German-Ukrainian Chamber of Industry and Commerce	October 6, 2022 4.00 p.m. (EEST)	MS Teams
Online session of the Law Committee German-Ukrainian Chamber of Industry and Commerce	October 12, 2022 11.00 p.m. (EEST)	MS Teams
5. German-Ukrainian Business Forum DIHK, Eastern Committee, German-Ukrainian Chamber of Industry and Commerce	October 24, 2022 12.00 p.m. (WEST)	Breite Str. 29, 10178 Berlin Haus der Deutschen Wirtschaft

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