

The legislation framework of foreign trade activity in Ukraine (with the examples of the tourism industry)

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Abstract

The article examines the peculiarities of foreign economic activity regulation in Ukraine; describes the procedure of the company registration and investment by non-residents; provides links to official resources where foreign entrepreneurs can receive information on starting business in Ukraine, on international payments, customs clearance and taxation; highlights some issues of the tourism industry functioning.

Keywords: starting business in Ukraine, company registration, market regulation, activity of travel companies

JEL Classification: F15, M16, K23, Z30

Introduction

The EU tourism market is one of the most profitable and influential in the world, despite the raising awareness of both newly established and mature national markets of Asian countries, which are regarded now as the main competitors to Europe. The sector of outbound tourism is difficult to be restricted and regulated today, and the EU countries face the problem of increasing imports of travel services as well as many national economies, including Ukraine. Following the strategy of integration with the EU economy, Ukrainian travel enterprises need to evaluate the consumer patterns of the EU residents in order to develop relevant cooperation programmes. Starting from the era of mercantilism, governments try to balance foreign trade through stimulating exporting operations and restricting importing ones. Such steps are extremely close to protectionism and imposing various trade barriers and may lead a national economy to breaking foreign contacts and isolation on the geopolitical map.

The article is aimed to analyse the foreign trade of Ukraine with the EU, including the tourism sector, based on internal sources and national legal instruments for the purpose of providing guidance for small and medium business sector of the EU residents, intending to start cooperation with Ukraine.

1 The challenges of Ukrainian market regulation

If to mention most industries, Ukrainian market is relatively open to foreign enterprises, barriers to entry are virtually absent. Currently, there are a number of difficulties for small and medium-sized businesses who want to invest in Ukraine. The crisis in the political and economic sphere, as well as the military conflict in the east causes the greatest concern on the part of foreign partners. However, not the least of the factors in the applied aspect of the investment activity is the lack of comprehensive information in foreign languages about the regulation of foreign economic activity and the order of business registration, on official sources. So, the market is basically entered by large enterprises, particularly multinationals who already have experience with the CIS countries and means to conduct research of the market capacity and the purchasing power of consumers on their own or with the help of consulting companies. It should be noted that Ukraine belongs to the

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states of a classical continental legal family, and some difficulties in the integration with the EU calls for the introduction of the case law elements and direct reference to the provisions of international legal acts, implementation of the decisions of the EU judicial and legislative institutions. Also, there are no translations of basic national regulations in the field of entrepreneurship and foreign economic operations in European languages, as well as official translations of the majority of EU documents into Ukrainian. It also prevents many businesses from the expansion of geography of international cooperation for fear of unintentional violation of fundamental rules and regulations. For researchers who do not speak Ukrainian language, it is a certain complexity of an access to statistical information across sectors and administrative regions, as only main macroeconomic indicators are available in English, but detailed reports by administrative regions and industries, tourism including, are only available in the official language.

The EU is a strategic trade partner of Ukraine, in 2015 the share of EU countries in exports of goods made 34.2%, services - 30.1%; the share in imports of services from the EU countries accounted for 49.8%, of goods - 40.9% of total imports. A cumulative negative balance of foreign trade with the EU continues exceeded 2.1 USD bn in 2015 (Table 1, based on the data of the State Statistics Service of Ukraine), despite the fact that Ukraine had a foreign trade surplus with 15 EU countries in the previous year. The largest volume of foreign trade turnover in 2015 accounted for Germany (18.5% of the total EU trade turnover), Poland (13.5%), Italy (9%) and the UK (6.5%). The share of other countries did not exceed 5%.

Table 1 Ukraine's foreign trade with EU countries in 2015 (USD mn)

Foreign trade	in services			in goods			Balance in goods and services
	Imports	Balance	Exports	Imports	Balance		
Exports							
EU countries, total	2927,9	2750,1	177,8	13015,2	15330,2	-2314,9	-2137,1
1 Austria	145,5	93,1	52,4	347,2	369,6	-22,5	29,9
2 Belgium	52,6	49,4	3,2	296,8	366,8	-69,9	-66,7
3 Bulgaria	43,6	19,2	24,4	419,5	253,1	166,4	190,8
4 United Kingdom	553,3	717,1	-163,8	367,9	570,1	-202,2	-366,0
5 Greece	30,3	24,4	5,9	153,8	238,6	-84,8	-78,9
6 Denmark	112,4	32,2	80,2	144,7	147,6	-2,9	77,3
7 Estonia	114,6	30	84,6	66,2	77,5	-11,3	73,3
8 Ireland	26,9	49,5	-22,6	59,2	75,4	-16,2	-38,8
9 Spain	27,6	29,9	-2,3	1043,6	440,8	602,9	600,6
10 Italy	133,3	34,8	98,5	1979,8	976,3	1003,5	1102,0
11 Cyprus	251,2	287,7	-36,5	61,5	16,9	44,6	8,1
12 Latvia	75,7	36	39,7	150,3	87,1	63,1	102,8
13 Lithuania	33,7	14,5	19,2	236,3	552,6	-316,3	-297,1
14 Luxembourg	5,2	83,3	-78,1	5,9	57,7	-51,8	-129,9
15 Malta	106,2	77,3	28,9	12,2	16,4	-4,1	24,8
16 Netherlands	111,8	140,7	-28,9	905,7	452,6	453,0	424,1
17 Germany	452	538,5	-86,5	1328,7	3975,6	-2646,9	-2733,4
18 Poland	181,9	98,7	83,2	1977,3	2324,0	-346,7	-263,5
19 Portugal	5,8	8,3	-2,5	320,5	45,2	275,4	272,9
20 Romania	43,3	9	34,3	569,9	318,2	251,7	286,0
21 Slovakia	26,8	101,8	-75	468,5	346,3	122,2	47,2
22 Slovenia	21	5,9	15,1	16,3	128,9	-112,6	-97,5
23 Hungary	92,3	50	42,3	909,7	1608,5	-698,8	-656,5
24 Finland	24,5	21,2	3,3	48,0	223,0	-174,9	-171,6
25 France	108,3	112	-3,7	497,9	892,8	-394,8	-398,5
26 Croatia	2,9	2,8	0,1	26,1	15,1	10,9	11,0
27 Czech Republic	64,6	34,6	30	541,0	479,7	61,2	91,2
28 Sweden	80,7	48,3	32,4	60,6	273,5	-212,9	-180,5

Source: own in accordance with the data of the State Statistics Service of Ukraine

The main regulators of the business environment in Ukraine, besides the Parliament (Verkhovna Rada) and the Cabinet of Ministers, are the following public bodies (Table 2).

Table 2 Public institutions of Ukraine regulating the sphere of economic relations

No	Name	Official site
1	The Ministry of Economic Development and Trade of Ukraine	http://me.gov.ua
2	The Ministry of Finance of Ukraine	http://www.minfin.gov.ua
3	The National Bank of Ukraine	https://www.bank.gov.ua/
4	The State Fiscal Service of Ukraine (responsible for tax and customs)	http://sfs.gov.ua
5	The State Statistic Service of Ukraine	http://www.ukrstat.gov.ua
6	The Ministry of Justice of Ukraine	https://minjust.gov.ua/ua
7	The Ministry of Foreign Affairs of Ukraine	http://mfa.gov.ua/

Source: Own in accordance with official sites

Additionally, investors from abroad can apply to Ukrainian Chamber of Commerce and Industry (<http://www.ucci.org.ua/en>). According to the law, it is a non-government non-profit self-governing organisation incorporating on a voluntary basis legal entities and Ukrainian citizens registered as entrepreneurs as well as their associations. It has subsidiaries in 25 countries, the wider representation is restricted to financing, as the Chamber is not a governmental body. "Investor's Guide" (2015 version on <http://www.ucci.org.ua/download/inv-g.pdf>), prepared by the Chamber, provides a detailed overview of business regulation in Ukraine, but it has no direct links to the normative documents, and in case of possible changes in legislation, a foreign investor has no idea where to check for the proper sources, at least in Ukrainian. The legislation database is provided by the Parliament, on <http://zakon1.rada.gov.ua/laws/main>.

2 The procedure the company registration in Ukraine

Organizational forms of enterprises that could be created in Ukraine, are listed in the Commercial Code of Ukraine. Business entities can be established by both physical and legal persons. Legal entities can conduct commercial activity under the following legal forms:

a private enterprise is an enterprise, based on the property of an individual, with the right to hire labour, not obliged to form the statutory fund (capital);

a foreign enterprise is an unitary or corporate enterprise which acts exclusively on the basis of property of foreigners or foreign legal entities, or a functioning enterprise acquired in full ownership by such persons;

a collective enterprise is an enterprise based on mutual ownership;

a business partnership is a venture established by legal entities and/or citizens by combining their assets and participating in entrepreneurial activity for profit;

Business companies are: joint-stock companies; limited liability companies; additional liability companies; general partnerships; limited partnerships.

If a (co)founder is:

a foreign legal entity it must submit documents proving its registration in the home country. It is also necessary to apply minutes of the meeting on the establishment of a foreign company on the territory of Ukraine of the corresponding business entity who provides the capital assets. These documents must be certified in accordance with the legislation of the country of issue, translated into Ukrainian and legalized in the Consulate of Ukraine or certified by the Embassy of the State in Ukraine;

a foreign investor – an individual must show a document proving his/her identity and assign the State Fiscal Service tax identification number. A legal entity must reserve the full name of the enterprise.

The most common legal forms of business activity for foreign investors are:

a foreign company wholly owned by the investor;

an office, a subsidiary or a branch of a foreign company in Ukraine;

a joint venture;

a cooperation agreement (attracting foreign capital for the implementation of individual projects);

redemption of block of shares in a public company by a foreign investor;

limited liability company with the partial participation in the authorized capital of a company.

Enterprises in Ukraine may be of the following types depending on ownership forms established by the law (Article 63 of the Economic Code):

a private enterprise that acts on the basis of private property of individuals or a business entity (a legal entity);

an enterprise that acts on the basis of collective property (a collective property enterprise);

a municipal enterprise that acts on the basis of municipal property of a territorial community;

a state enterprise that acts on the basis of state property;

an enterprise set up on a mixed ownership form (on the basis of combination of property of various ownership forms);

joint municipal company, acting on a contractual basis of co-financing of relevant territorial communities – actors of cooperation;

other enterprises envisaged by the law.

If the foreign investment in the statutory capital of an enterprise is not less than ten per cent, it shall be deemed an enterprise with foreign investments (Article 116 of the Economic Code).

A company, the statutory capital of which makes one hundred percent of foreign investment is considered a foreign company (acting solely on the basis of the property of foreigners or foreign legal entities or operating company acquired into full ownership of these persons) (Article 117 of the Economic Code).

Foreign investments are values invested by foreign investors in objects of investment activity in accordance with the legislation of Ukraine with the purpose of obtaining profit or achieving social effect.

Enterprises with foreign investments have the right to be founders of subsidiaries, set up branches and representative offices in Ukraine and abroad in compliance with Ukrainian legislation and the legislation of the states concerned.

Law can define economic sectors and/or areas in which the total possible size of foreign investments is set, as well as the territories at which the activity of foreign enterprises or enterprises with foreign investments is restricted or prohibited, based on the national security requirements.

Foreign companies can not be created in sectors defined by the law, which are of strategic importance for the state security. The purchase of securities and joint activities with some state-owned enterprises is prohibited. Their list is given in the Decree of the Cabinet of Ministers of Ukraine "On approval of the list of objects of state property of strategic importance to the economy and security of the state" (of 04.03.2015, №83) and the Resolution of the Cabinet of Ministers of Ukraine "On

the definition of criteria for classifying state property objects to having strategic importance to the economy and security of the state” (of 03.11.2010, № 999).

The main document defining the tax regulation, including foreign trade, is the Tax Code of Ukraine. The list of countries the supplementary agreements with which were signed is given in the Letter of the State Fiscal Service of Ukraine of 30.03.2015, №10909/7/99-99-12-01-03-17 “On the list of countries covered by the Convention on Mutual Administrative Assistance on tax matters”, and letter of 30.01.2015, №2809/7/99-99-12-01-03-17 “On international treaties on avoidance of double taxation”.

The peculiarities of operations with foreign investment activities are reflected in several documents, the main of them is the Law of Ukraine “On Foreign Investment”. It says that foreign investment in the economic territory of Ukraine may take the form of:

foreign currency, which is recognized convertible by the National Bank of Ukraine;

Ukrainian currency according to the legislation of Ukraine;

any movable or immovable property, and related property rights;

stocks, bonds, other securities and corporate rights (ownership rights (share) in the statutory capital of a legal entity established in accordance with the legislation of Ukraine or legislation of other countries), expressed in the currency;

monetary claims and rights to claim of contractual obligations that are guaranteed by first-class banks and have the value in convertible currency confirmed according to laws (procedures) of the investor’s country or international trade procedures;

any intellectual property rights, the value of which in a convertible currency is confirmed according to laws (procedures) of the investor’s country or international trade practices, and confirmed by expert estimation in Ukraine, including copyrights legalized on the territory of Ukraine, rights to inventions, utility models, industrial designs, marks for goods and services, know-how and the like;

rights to engage in economic activities, including the right to use the subsoil and natural resources, granted in accordance with the legislation or contracts, the value of which in a convertible currency is confirmed according to laws (procedures) of the investor’s country or international trade procedures; other values in accordance with the legislation of Ukraine.

3 The guarantees to foreign investors

Foreign investors are entitled to recover damages, including lost profits and moral damage caused to them as a result of action, inaction or improper performance by the state bodies of Ukraine or their officials duties provided by the legislation with respect to a foreign investor or an enterprise with foreign investment in accordance with the legislation of Ukraine.

All costs incurred and losses of foreign investors caused to them as a result of these actions, must be reimbursed on the basis of current market prices and/or substantiated estimates confirmed by an auditor or an audit firm.

Compensation is determined by the actual implementation of a decision on damages. The amount of compensation is to be paid in the currency in which the investments were made, or in any other currency acceptable to the foreign investor in accordance with the legislation of Ukraine. Since the inception of the right to compensation through the moment of its payment, an interest shall be charged on the amount of compensation in accordance with the average interest rate at which London banks lend to first-class banks in the Eurocurrency market (LIBOR).

The following guarantees are provided to foreign investors:

the use of government guarantees of foreign investments protection in the event of changes in legislation on foreign investments;

a guarantee withdrawal is not possible to be forced, as well as illegal actions of the authorities and their officials;

compensation and reimbursement of losses to foreign investors;

guarantees in case of termination of investment activity;

the transfer of profits and use of income from foreign investment is guaranteed.

The foreign investor has the right, in case of termination of investment activity, to return no later than six months after the termination of the activities, the investment in kind or in the investment currency in the amount of actual payment (subject to a possible reduction of the statutory fund) without payment of duties, as well as revenues from these investments in money or goods at the real market value at the time of termination of investment activity.

4 Customs, tax and currency regulation

Customs legislation is represented by two main documents: the Customs Code of Ukraine, which defines a general procedure for registration of foreign trade, and the Law of Ukraine "On Customs Tariff", which contains information about the rates and types of customs duties levied on all product groups. Seasonal quotas and duties and the procedure for obtaining licenses and other restrictions on the international trade in certain goods and services should be specified separately. For example, the provisions of the following Laws of Ukraine should be taken into account: "On the protection of domestic producers from dumped imports" of 22.12.1998 № 330-XIV, "On the protection of domestic producers from subsidized imports" of 22.12.1998 № 331-XIV, "On the application of special measures on imports into Ukraine" of 22.12.1998 № 332-XIV. The main types of customs taxes are the customs duty, excise tax, value added tax, other incomes (charges for customs formalities, etc.), and taxes levied on citizens (for example, if exceeding the limit on the import / export of goods or currency values).

All transactions related to the movement of goods across the border of Ukraine, shall be made in accordance with the requirements of one of the 14 customs regimes: 1) imports (release for free circulation); 2) re-import; 3) exports (definitive export); 4) re-export; 5) transit; 6) temporary importation; 7) temporary export; 8) customs warehouse; 9) free customs zone; 10) free trade; 11) processing on the customs territory; 12) processing outside the customs territory; 13) destruction or demolition; 14) refusal in favour of the state. The Customs Code also establishes the requirements for filling the declaration of customs value in.

Search for collaboration and the primary validation of the statutory documents of potential partners – the companies-residents of Ukraine – is also complicated by the lack of English-language resources. Ukraine has the Unified State Register – an automated system for the collection, storage, protection, keeping and provision of information on legal entities and physical persons-entrepreneurs; the Register consists of the system of a central level and the automated workplaces of public registrars, established in the state registration bodies. Search for information in the Unified State Register of Legal Entities and Individual Entrepreneurs is operating in accordance with the Order of the Ministry of Justice of Ukraine of 14.12.2012 № 1846/5 "On approval of the provision of information from the Unified State Register of Legal Entities and Individual Entrepreneurs," registered in the Ministry of Justice of Ukraine on 18.12.2012, № 2105/22417. The Ministry of Justice of Ukraine manages the Unified State Register, the electronic database of all resident enterprises of Ukraine is located on the official website of the Ministry of Justice (<https://usr.minjust.gov.ua/freesearch>) and provides easy access to key details, but again, this resource operates only in Ukrainian.

The peculiarity of registration of enterprises in Ukraine, unlike in some other countries, is a compulsory choice of a single main activity on the basis of which sectoral statistics on mandatory reporting forms is formed then. The Tax Code does not limit the number of activities, but there are certain restrictions on the use of a single tax (which is usually the minimum of all valid tax liabilities and is predominantly chosen by individual entrepreneurs). In addition, a standard reporting form

provides only 6 lines to record the types of economic activity, if it is necessary to note more, an annex to the statements of the State Statistics Service must be filled in. All the activities that are actually involved at a company, should be necessarily spelled out in the statutory documents (depending on the type of an enterprise, it can take the form of a statute, a decision on creation or a foundation agreement). If a company wishes to change or add to this list, changes must be made to the statutory documents. Many representatives of foreign tour operators are registered as separate companies with the same founder and different main economic activities (their full list is given in the Classification of Economic Activities by the State Statistics Service of Ukraine), which is most often associated with tax optimization.

For the state registration of a legal or physical entity, an entrepreneur must contact the Centre for providing administrative services (there is a developed network in all regions of Ukraine). The standard procedure is as follows:

1. The state registration of an individual entrepreneur / legal entity.
2. Registration in statistics bodies, getting reference from EDRPOU (the Unified State Register of Enterprises and Organizations of Ukraine).
3. Registration in the fiscal bodies.
4. Registration of the payer of a unified social tax.
5. Ordering a stamp.
6. Opening a bank account.
7. Other activities.

Other actions to be taken to start a business, depend on the type of economic activity and can be:

documentary evidence of registration address (registered office);

obtaining the individual identification number by a foreign founder;

obtaining licenses and other permits for certain activities;

accreditation at customs as the subject of foreign economic activity;

receiving permission to employment of foreigners;

other additional registration steps and legal procedures.

Complete information about the registration procedures and the list of forms are available on the website of the Department of State Registration, altogether with the online submission of documents, but the resource is functioning only in Ukrainian language. This resource also contains direct links to the registers of the Ministry of Justice, including the registries of property rights to movable and immovable property. Looking through it is often necessary when checking the solvency of a lender or a company with which the contract is concluded.

The Law of Ukraine “On Foreign Economic Activity” establishes general principles of regulation of foreign trade operations. According to the Law, foreign companies can create in Ukraine:

a representative office without a legal entity, without the right to conduct commercial activity, which has a purely executive function and does not make a profit at the territory of Ukraine;

a representative office with the establishment of a legal entity, or a permanent establishment, with a constant place of business activity, wholly or partly carrying out economic activities of non-residents in Ukraine.

Representative office of a foreign business entity is an institution or a person representing the interests of a foreign business entity in Ukraine and has duly executed appropriate powers.

According to the instructions on the registration of representative offices of foreign business entities in Ukraine (the Order № 30 of 18.01.1996 of the Ministry of Foreign Economic Relations and Trade of Ukraine, now the Ministry of Economic Development and Trade of Ukraine), a foreign

business entity wishing to open a representative office without the intention of commercial activity at the territory of Ukraine must submit documents to the Ministry of Economic Development and Trade of Ukraine.

All subjects of foreign economic activity of Ukraine have the right to open their representative offices in other countries in accordance with the laws of those states.

All subjects of foreign economic activity have the right to participate in non-governmental international economic organizations.

Foreign business entities engaged in foreign economic activities in Ukraine have the right to open their representative offices in Ukraine.

Accreditation of branches and representative offices of foreign banks is provided by the National Bank of Ukraine in accordance with the Law of Ukraine «On Banks and Banking Activity».

Registration of representative offices of other foreign business entities is provided by the central executive body on matters of economic policy (currently the Ministry of Economic Development and Trade of Ukraine) within 60 working days (the fee is \$ 2,500) from the date of the registration documents submission by a foreign business entity.

Joint ventures are enterprises based on joint capital of business entities of Ukraine and foreign business entities, on joint management and distribution of results and risks.

The Order of the Ministry of Justice of Ukraine «On the amount and order of payment for apostille services» sets a certain fee for provision of apostille on official documents issued by the judicial authorities, for use in other countries.

According to the Order of the Ministry of Finance of Ukraine of 09.12.2011, № 1588 «On approval of the order of registration of payers of taxes and duties», a permanent establishment of non-residents in Ukraine must apply as the payer of income tax (“1-ПДФ” form) before the start of commercial activities. The Order is compulsory to taxpayers – legal entities (residents and non-residents), their separate subdivisions and permanent representative offices of non-residents, as well as self-employed persons. Information about such taxpayers received for their registration in accordance with this Order is entered in the Uniform taxpayers database of legal entities (the Single Legal Entities Data Bank) and the components of a data bank (the register non-resident taxpayers, the registry of cooperation agreements, contracts of property management and production sharing agreements), as well as in the register of self-employed persons, which is part of the State Register of physical persons - taxpayers.

Registration (accounting) tax identification number is provided by regulatory authorities to:

1. authorized persons set in cooperation agreements in Ukraine without establishing a legal entity registered when registering the agreement;
2. property stewards when registering property management contracts;
3. investors (operators) on production sharing agreements;
4. performers (legal entities - non-residents) of projects (programs) on technical assistance;
5. foreign diplomatic and consular missions, international organizations in Ukraine in case of registering them as taxpayers of a single obligatory state social insurance;
6. non-residents in the case of putting them on record in accordance with paragraph 4.4 of Section IV hereof (except for diplomatic missions) – if a foreign company or organization or diplomatic mission receives property rights to the taxable real estate or land in Ukraine, if the way and purpose of property receipt does not require the creation by such a company (organization) of a separate unit or a representative office of a non-resident in Ukraine;
7. permanent missions of non-residents at the territory of Ukraine in case of putting them on record in accordance with paragraph 5.4 of Section V hereof. Paragraph 5.4 defines a term of permanent establishment.

Permanent representative office is a fixed place of business through which economic activity is wholly or partly carried out by a non-resident in Ukraine, in particular: a place of management; affiliate; office; factory; workshop; installation or structure for the exploration of natural resources; mine, oil / gas well, a quarry or any other place of extraction of natural resources; warehouse or premises used for goods delivery:

1) for tax purposes, the term «permanent establishment» includes a building site, a construction, assembly or installation project or related supervisory activities, if the duration of the work associated with the site, project or activity exceeds six months; rendering of services (except for staff provision), including consulting, by a non-resident through employees or other personnel engaged for such purposes, but if such activities are carried out (in a single project or a project that is associated with it) in Ukraine for a period or periods of the total duration of more than six months in any twelve month period; residents who have the authority to act on behalf of non-residents, which gives rise to non-resident civil rights and obligations (to conclude agreements (contracts) on behalf of non-resident; to hold stores of goods belonging to non-resident, from whose warehouses the supply of goods on behalf of non-residents is provided, except residents with the status of the temporary storage or customs licensed warehouse);

2) the permanent establishment is not the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to non-residents; keeping a stock of goods or merchandise belonging to non-resident solely for the purpose of storage, display or delivery; keeping a stock of goods or merchandise belonging to non-resident solely for the purpose of processing by another enterprise; maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information for the non-resident; referrals available to persons within individual performance agreements to provide staff services; maintenance of a fixed place of business solely for the purpose of proceedings for non-residents of any other activity of a preparatory or auxiliary character.

The tax number of a taxpayer is stated in all certificates, references, patents and other documents or reports issued by the taxpayers in all tax declarations (calculations, reports), payment documents on taxes and fees, financial documents, and in other cases provided by law.

The tax number of a taxpayer is not changed throughout the period of register by the regulatory bodies, except for changing the EDRPOU code of an enterprise or the registration number of a taxpayer's registration card.

The authorised person in several cooperation agreements, the manager of the property in several property management contracts or investor (operator) on several production sharing agreements is issued a tax number for each of these contracts (agreements) when registering them under this procedure.

After deregistration of the taxpayer's tax number, it is closed and no further used.

Putting to record at the main place of registration of a separate division of a foreign company, the organization, including non-resident's permanent representative office at the supervisory authority is carried out after proper accreditation (registration, legalization) of such a unit at the territory of Ukraine in accordance with the law eligible to:

1) the separate subdivisions of legal entities – non-residents who meet the definition of permanent representative offices under the sub-paragraph 14.1 14.1.193 Article 14 of Section I of the Tax Code of Ukraine, before they begin their business activity are registered as income tax payers at control authorities according to their location in the manner specified by section V of the present order;

2) registration of a separate division of a foreign company or organization not engaged in economic activity in Ukraine and not falling under the definition of a permanent representative office in accordance with sub-paragraph 14.1 14.1.193 Article 14 of Section I of the Tax Code of Ukraine, but obliged to pay taxes and charges according to the Tax Code of Ukraine, is executed on the

basis of the documents provided by a separate subdivision of a foreign company or organization specified in paragraphs 4.2 and 4.4 of section IV of this Order.

The Tax Code of Ukraine (sub-paragraph 14.1.193) also gives the definition of a permanent representative office as a fixed place of activity through which economic activities of non-residents in Ukraine is carried out wholly or partly, in particular: a place of management; branch; office; factory; workshop; installation or structure for the exploration of natural resources; mine, an oil / gas well, a quarry or any other place of extraction of natural resources, warehouse or premises used for goods delivery.

Documents proving the accreditation (registration, legalization) of a separate subdivision of a foreign company, organization at the territory of Ukraine are:

a certificate of registration of a representative office issued by the central executive body on matters of economic policy (currently the Ministry of Economic Development and Trade of Ukraine) – for representative offices of foreign business entities at the territory of Ukraine, which are subject to the Law of Ukraine «On Foreign Economic Activity»;

an accreditation certificate of a separate division of foreign non-governmental organization, issued by the authorized body on state registration – for a separate division of non-governmental organization of other country, international non-governmental organizations;

a banking license – for branches of foreign banks;

an agreed, stitched, certified on the back by the seal of the Secretariat of the Board of the National Bank of Ukraine provision on the representation of a foreign bank, the title page of which is authenticated by the signature of the authorized person of the National Bank of Ukraine and stamped by the National Bank of Ukraine – for representative offices of foreign banks (the supervisory authority is sent only a copy of the title sheet of the provision with presenting the original);

a document issued by the authorized body of the state power in Ukraine certifying the registration, accreditation, legalization, creating, receiving the consent, etc. the operation of the separate division of non-residents at the territory of Ukraine – for other separate subdivisions of non-residents;

information about registering separate divisions of foreign companies and organizations included in the Register of taxpayers – non-residents.

A production sharing agreement, a property management agreement (except for contracts on transactions, as defined under item 153.13.10 153.13 of Article 153 Section III, or in the second sentence of the second paragraph of subparagraph 5 of paragraph 180.1 of Article 180 Section V of the Tax Code of Ukraine) and an agreement on joint activity in Ukraine without establishing legal entities that are subject to particular tax accounting and taxation activities on such contracts (agreements), defined by the tax Code of Ukraine are registered by the controlling bodies.

The registration of such agreement or contract is carried out by additional registering of the investor (operator) as the relevant taxpayer, trustee or authorized person.

After registering the contract on joint activity, property management and production sharing agreement information about them is included in the Register of cooperation agreements, asset management agreements and production sharing agreements.

Non-residents before starting business activity at the territory of Ukraine through their permanent representative offices must register these offices as the payer of income tax at the local supervisory authority according to the present Order.

Permanent representative office, which started its business activity prior to registration at the supervisory authority shall be deemed to evade taxes, and income received by it is considered as hidden from taxation. In this case the competent authority of Ukraine draws up a statement and sends it to the competent authority of a foreign state for the organization of penalties.

If a non-resident decides to terminate business activity through a permanent representative office it must submit a statement on the termination of business activity in any form to the appropriate authority, fulfil all settlements with the budget on income tax and other taxes and fees, submit to the supervisory authority, in which it has been registered for the last tax period, the calculation of tax liabilities of non-residents and the report on holding and paying taxes established by the tax Code of Ukraine, to the corresponding budget.

In Ukraine, the taxes and fees are divided into national and local ones.

State taxes: corporate income tax; income tax for individuals; VAT; excise tax; environmental tax; rent for the transportation of oil through oil pipelines, transit pipeline transportation of natural gas and ammonia through Ukraine; fee for subsoil use; corporate land tax; land tax for individuals; fixed agricultural tax; state duty; rental fee.

General state fees: fee for the first registration of a vehicle; fee for the use of radio frequency resource of Ukraine; fee for special use of water; fee for special use of forest resources; tax on development of viticulture, horticulture and hop; fee as a surcharge to the tariff on electricity and heat, in addition to electricity generated by qualified CHP units; fee as a surcharge to the existing natural gas tariff for consumers of all forms of ownership; fee for the use of other natural resources.

Local taxes: tax on real property other than land; single tax for legal entities; single tax for individual entrepreneurs; vehicle tax; single tax for legal entities – agricultural producers (group IV); payment for land (included in property tax).

Local fees: fee for certain types of business; fee for parking vehicles; tourist tax.

Tourist tax is a local fee, the proceeds of which are credited to a local budget. Payers are citizens of Ukraine, foreigners and stateless persons arriving at the territory of an administrative unit. Article 268.2.2 of the Tax Code establishes the categories of persons exempted from the tourist tax. The rate is set from 0.5 to 1% of the base which is the cost of the entire stay (overnight), net of value added tax. Local authorities set the tourist tax within the specified margins. The base costs does not include food or household services, phone bills, registration of passports, entry permits (visas), mandatory insurance, the cost of interpretation and translation, other documented expenses associated with the entry rules.

International payments in local and foreign currency is regulated by the Law of Ukraine of 23.09.1994 № 185/94-BP «On the order of payments in foreign currency», the Decree of the Cabinet of Ministers of Ukraine of 23.02.1993 № 15-93 «On Currency Regulation and Currency Control», the Resolution of the National Bank of Ukraine of 27.05.2008 № 148 «On the transfer of cash and precious metals through the customs border of Ukraine», as well as other regulations, which the prerogative of publication of which belongs to the National Bank and the Ministry of Finance of Ukraine. It should be noted that this area is one of the most difficult for non-resident companies, as regulated by much larger number of documents than the others. In Ukraine, a restriction on the duration of payments on foreign economic operations has been established long ago – with a few exceptions, is it obligatory to implement a full settlement of the contract within 180 calendar days, regardless of the type of operation, or enterprise-residents have to pay a fine or plead for an individual license of the National bank. The typical type of a foreign contract is established by «The provisions on the form of foreign trade agreements (contracts)» (approved by the Order № 201 of 06.09.2001 of the Ministry of Economy and European Integration of Ukraine – now the Ministry of Economic Development and Trade). Agreements between citizens of Ukraine, citizens of Ukraine and national enterprises, as well as between national enterprises are allowed to be carried out only in the national currency – the hryvnia. The use of any foreign currency is illegal. To reduce the risk of currency fluctuations, tour operators set the so-called commercial rate, which can be up to 5% higher than the official exchange rate set by the National Bank of Ukraine, so the cost of imported travel products are increased for consumers.

State body responsible for the implementation of the tourism policy is the Department of Tourism and Resorts in the Ministry of Economic Development and Trade of Ukraine.

The tourism industry is regulated directly by the Law of Ukraine «On Tourism» and the License terms of tour operator activity, approved by the Decree of the Cabinet of Ministers of Ukraine of 11.11.2015, № 991. Tour operators are divided into outbound operators that can develop all kinds of tours – inbound, outbound and domestic, and operators of domestic and inbound tourism. Travel agencies have the right to sell separate services and to resale services/service packages, formed by a tour operator. Both agencies and operators can sell services to tourists. Obtaining a license for travel agencies is not required, although market participants raise the issue of compulsory licensing for travel agencies from time to time, as it was in action previously. Also, travel agents are not permitted to carry out payments and conclude agreements with non-resident enterprises, although this rule is often violated, for example, when booking hotels abroad on behalf of a tourist. Obtaining a license is required to tour operators.

Also, there are a number of industry standards, designed to ensure the quality of tourist services. But it should be noted that some of them require revision, caused by rapid development of the industry and the need for adoption of international standards. At present, the following list of national standards are in force:

ГОСТ (pronounced as «gost») 28681.1-95 «Tourist and excursion service. Design of tourist services».

ГОСТ 28681.3-95 «Tourist and excursion service. Requirements to ensure the safety of tourists and excursionists».

ДСТУ (pronounced as «dstu») 3862-99 «Restaurant business. Terms and definitions».

ДСТУ 4100-2002 «Traffic signs. General specifications. Terms of use».

ДСТУ 4268:2003 «Tourist services. Accommodation: general requirements».

ДСТУ 4269:2003 «Touristic services. Classification of hotels».

ДСТУ 4281:2004 «Restaurants. Classification».

ДСТУ 4527:2006 «Touristic services. Accommodation. Terms and Definitions».

ДСТУ 7450:2013 «Tourist services. Tourist signs in the field of active tourism. Classification, description and rules».

Conclusion

Thus, Ukraine has a sufficiently developed system of legal regulation of foreign economic activity, including the tourism sector, but some issues require more detailed consideration. The main problem for intensification of cooperation between the representatives of small and medium-sized businesses in Ukraine and the EU is the lack of reliable multilingual information resources, although the national authorities in charge of foreign economic policy make every effort to integrate our country into the EU and support foreign investment.

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