

Flash Report

Ukraine • Issue 3/2014 • 23 January 2014

Foreign agent-NGO

Contacts:

Ron Barden

Partner & TLS Leader
ron.j.barden@ua.pwc.com

Rob Shantz

Legal Partner
rob.shantz@ua.pwc.com

Slava Vlasov

Partner
Tax and Legal Services
slava.vlasov@ua.pwc.com

Andrey Pronchenko

Director
Tax and Legal Services
andrey.pronchenko@ua.pwc.com

PwC Ukraine

75 Zhylyanska Street, Kyiv, 01032
Tel: +380 44 490 6777
Fax: +380 44 490 6738

www.pwc.com/ua

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The law introducing the definition of an NGO that functions as a foreign agent came into force

Law No. 721* introduced the term "non-governmental organisation performing functions of a foreign agent" (hereinafter – "foreign agent-NGO") in the legislation of Ukraine. This may have far-reaching and unintended repercussions for all NGOs operating in Ukraine.

NGO **qualifies** as a foreign agent-NGO if it is financed by foreign sources and participates in political activity in Ukraine for the interests of foreign sources.

The term "political activity" is far-reaching and includes "considered as participation in organising and performing political actions aimed at influencing the decision-making process of state bodies, changes in state policy and formation of public opinion for these purposes".

Since the concept of "foreign agent-NGO" is quite broad, there is a high risk that all non-governmental organisations, that receive financing from abroad, will be reclassified as such.

If an organisation qualifies as a foreign agent-NGO, it will be required to:

- notify the authorised registration body regarding its activity
- keep separate statutory accounting records regarding foreign financing
- submit monthly reports regarding revenues it received from foreign sources and usage of such funds, and
- publish quarterly reports regarding its activity via governmental mass media and the Internet.

All revenues of foreign agents-NGO are subject to Corporate Profit Tax.

Already existing foreign agent-NGOs should submit application on recognition by 21 April 2014.

We will continue monitoring this issue and keep you updated on further developments in this area.

*Law of Ukraine No. 721-VII of 16 January 2014 "On introduction of amendments to Law of Ukraine 'On the Judicial system and the Status of judges' and to other procedural laws related to additional measures for citizens' security protection"