

Flash Report

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Crimea may be deemed a “Temporarily occupied territory”

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The Draft Law “On provision of rights and freedoms of citizens on the temporarily occupied territory of Ukraine” was adopted in the first reading

On 20 March, the Parliament of Ukraine adopted in the first reading the Draft Law “On provision of rights and freedoms of citizens on the temporarily occupied territory of Ukraine” (hereinafter – the “Draft Law”).

If adopted, this Draft Law may have significant consequences for business related to Crimea.

According to the Draft Law, the territory of Crimea and Sevastopol city will be recognized as temporarily occupied territory. The Draft Law is vague in many areas, but, if fully adopted, it appears that the law will impose a specific legal regime for such territory, particularly regarding:

- restricted physical access to this territory;
- transactions in respect of real estate concluded in violation of Ukrainian legislation will be considered invalid from the moment of their conclusion;
- acquisition of property rights to any assets will be allowed only via inheritance;
- prohibition of performance of any economic activity (commercial or non-commercial) if it is subject to state regulation (licensing, permits, certification, etc.), and/or organisation of any transport, money transfers or financing of such activities. Such prohibition is also imposed on affiliated persons.

In addition, the Draft Law establishes the concept of “collaboration activity”, meaning intentional, voluntary cooperation with the occupying state or its representatives to the harm of Ukrainian interests. Such activity is considered to be treason with severe sanctions (up to 10 years imprisonment).

It may be expected that the Draft Law will be finally adopted on the 25th of March. We will continue monitoring this important issue and keep you updated on further developments in this area. PwC will also organise a seminar for clients as soon as we are able to analyse specific provisions.