

The Law of Ukraine
On Enterprises in Ukraine

As amended by the Laws of Ukraine

N 2032-XII of January 4, 1992
N 2544-XII of July 7, 1992
N2554-XII of July 7, 1992
N 2685-XII of October 14, 1992
N 2932-XII of January 26, 1993
N 3170-XII of May 4, 1993
N 3180-XII of May 5, 1993
N 3292-XII of June 17, 1993
N 3716-XII of December 16, 1993
N 318/94-VR of December 22, 1994
N 75/95-VR of February 28, 1995
N 82/95-VR of March 2, 1995
N 90/95-VR of March 14, 1995
N 262/95-VR of July 5, 1995
N 357/96-VR of September 10, 1996
N 419/96-VR of October 16, 1996
N 481/96-VR of November 12, 1996
N 483/96-VR of November 12, 1996
N 20/97-VR of January 23, 1997
N 725/97-VR of December 16, 1997
N 72/98-VR of February 4, 1998
N 163-XIV of October 6, 1998
N 797-99 of July 1, 1999
N 1708-III of May 11, 2000
N 1746-III of May 18, 2000
N 1766-III of June 1, 2000
N 1963-III of September 21, 2000
N 2056-III of October 19, 2000
N 2409-III of May 17, 2002
N 2470-III of May 29, 2001
N 2921-III of January 10, 2002
N 3047-III of February 7, 2002

Resolutions of the Verkhovna Rada of Ukraine

N 3292-XII of July 4, 1991
N 158/94-VR of July 29, 1994

Decrees of the Cabinet of Ministers of Ukraine

N 8-92 of December 15, 1992;
N 10-92 of December 15, 1992;
N 23-92 of December 31, 1992;
N 24-92 of December 31, 1992;
N 9-93 of January 21, 1993;
N 10-93 of January 21, 1993;
N 14-93 of January 22, 1993;
N 15-93 of February 19, 1993;
N 20-93 of March 17, 1993;
N 39-93 of April 26, 1993;
N 41-93 of April 29, 1993;
N 42-93 of April 29, 1993;
N 48-93 (48-93) of April 10, 1993

(In the title and text of the Law, the words "Ukrainian SSR", "Council of Ministers", "arbitration", "state arbitration" [in applicable cases] have been replaced as appropriate with the words "Ukraine", "Cabinet of Ministers", "court of arbitration" [in applicable cases], pursuant to Law N 2685-XII of October 14, 1992)

The Law shall apply to enterprises of penitentiary institutions and prophylactic/labor institutions under the jurisdiction of the State Department of Ukraine for Execution of Sentences pursuant to Resolution N 3786-XII of the Verkhovna Rada of Ukraine, dated December 23, 1993; *See also*, Resolution N 352 of the Cabinet of Ministers of June 4, 1994

(as amended pursuant to the Law of Ukraine N 312-XIV of December 11, 1998)

This Law shall be aimed at implementing the Declaration on Ukraine's State Sovereignty.

This Law shall determine types and organizational forms of enterprises, rules of their foundation, registration, re-organization and liquidation, and organizational mechanism to conduct their business under conditions of transition to the market economy.

This Law shall establish equal legal conditions for activities of enterprises, irrespective of their ownership and organizational forms.

This Law shall be aimed at ensuring the independence of enterprises, specify their rights and liability in the course of conducting business, and shall regulate relationships of enterprises with other enterprises and organizations, Radas of People's Deputies and public administration bodies.

Chapter I GENERAL PROVISIONS

Article 1. Enterprise and its Basic Objectives

1. An enterprise - the basic organizational unit within the national economy of Ukraine. The enterprise - an independent business statutory statute entity, which has rights of a legal entity and is engaged in production, research and commercial activities for purposes of obtaining profits (income).

The enterprise shall have its own balance sheet, current and deposit with bank institutions, an official seal with its name inscribed thereon, and a trademark for goods and services.

(part two, clause one of Article 1 as amended by
Laws of Ukraine N 75/95-VR of February 28, 1995,
N 725/97-VR of December 16, 1997,
N 2921 - III of January 10, 2002)

The enterprise shall not have other legal entities within its structure.

2. An enterprise may be engaged in any type of economic activities not prohibited by Ukrainian legislation and complying with the purposes specified in the statute of the enterprise.

3. In the event that enterprises operate with losses, the state may provide subsidies or other privileges to such enterprises, if the state considers products of such enterprises as socially necessary.

Article 2. Types of Enterprises

1. Enterprises of the following types may operate in Ukraine:

a private enterprise founded on the basis of property owned by a natural person;

a collective enterprise founded on the basis of property owned by the enterprise's worker collective;

a business association;

an enterprise founded on the basis of property owned by a citizens' association;

a communally owned enterprise founded on the basis of property owned by a particular territorial community;

a state-owned enterprise founded on the basis of state-owned property, including special government enterprises. Specifics of foundation, liquidation, re-organization, management and operation of special government enterprise shall be specified in Chapter VIII of this Law.

(clause 1, Article 2 in wording
of the Law of Ukraine N 72/98-VR
of February 4, 1998)

2. Proceeding from business turnover of an enterprise and the number of its employees (irrespective of its ownership form), such enterprise may be referred to the category of small businesses.

Small businesses shall include newly founded and existing enterprises:

in industry and construction – with a number of employees up to 200 persons;

in other areas of production – with a number of employees up to 50 persons;

in research and research services – with a number of employees up to 100 persons;

in non-production areas – with a number of employees up to 25 persons;

in retail trade – with the number of employees up to 15 persons.

Specifics of foundation and operation of small businesses shall be specified by Ukrainian legislation.

Other types and categories of enterprises may operate within the Republic, including leasing enterprises, which foundation and activities comply with the laws of Ukraine.

Article 3. Alliances of Enterprises

1. Enterprises shall be entitled to unite on a voluntary basis their production, research, commercial and other types of activity unless otherwise is stipulated by Ukrainian legislation.

(paragraph one of part one, Article 3 as amended
by the Law of Ukraine N 2409-III of May 17, 2001)

Enterprises may unite into:

associations – amalgamations founded by contract for purposes of coordinating economic activities. An association does not have the right to interfere in or with production or commercial activities of any of its participants;

corporations - founded by contract on the basis of bringing together joint production, research and commercial interests, with the delegation of certain authorities for centralized governance of activities of every of the participants;

consortiums - temporary statutory alliances of industrial and bank capital for purposes of accomplishing a common goal;

concerns – statutory alliances of industrial enterprises, research organizations, transport enterprises, banks, traders etc. on the basis of complete financial dependence thereof on one entrepreneur or a group of entrepreneurs;

other alliances founded according to sector, territorial or other principles.

Alliances of enterprises shall operate on the basis of an agreement or statute, which will be approved by their founders or owners. Enterprises that are part of the above referenced entities shall retain the rights of a legal entity and shall be subject to this Law.

(Effect of Clause 1 of Article 3 is suspended
with regard to the right of communications enterprises,
which are specified in Clause 1 of Article 1
of Decree N 9-93 of the Cabinet of Ministers of Ukraine

of January 21, 1993, to join their activities on a voluntary basis,
to terminate membership in alliances,
and to pass decisions to their liquidation,
pursuant to Decree N 9-93 of the Cabinet of Ministers of Ukraine
of January 21, 1993)

(Effect of Clause 1 of Article 3 is suspended with regard
to the right of enterprises of coal industry,
which are specified in Clause 1 of Article 1
of Decree N 10-93 of the Cabinet of Ministers of Ukraine
of January 21, 1993, to join their activities on a voluntary basis,
to terminate membership in alliances,
and to pass decisions on their liquidation,
pursuant to Decree N 10-93 of the Cabinet of Ministers of Ukraine
of January 21, 1993)

(Effect of Clause 1 of Article 3 is suspended
with regard to the right of state-owned enterprises,
which are specified in Clause 1 of Article 1
of Decree N 20-93 of the Cabinet of Ministers of Ukraine
of March 17, 1993, to join their activities on a voluntary basis,
to terminate membership in alliances,
and to pass decisions on their liquidation,
pursuant to Decree N 20-93 of the Cabinet of Ministers of Ukraine
of March 17, 1993)

(Effect of Clause 1 of Article 3 is suspended
with regard to the right of state-owned electric power enterprises,
which are specified in Clause 1 of Article 1
of Decree N 41-93 of the Cabinet of Ministers of Ukraine
of April 29, 1993, to join their activities on a voluntary basis,
to terminate membership in alliances,
and to pass decisions on their liquidation,
pursuant to Decree N 41-93 of the Cabinet of Ministers of Ukraine
of April 29, 1993)

(Effect of Clause 1 of Article 3 is suspended
with regard to the right of state-owned enterprises,
which are specified in Clause 1 of Article 1
of Decree N 42-93 of the Cabinet of Ministers of Ukraine
of April 29, 1993, to join their activities on a voluntary basis,
to terminate membership in alliances,
and to pass decisions on their liquidation,
pursuant to Decree N 42-93 of the Cabinet of Ministers of Ukraine
of April 29, 1993)

(Effect of Clause 1 of Article 3 is suspended
with regard to the right enterprises of the National Agrarian University,
which are specified in Clause 1
of Resolution N 158/94-VR of the Verkhovna Rada of Ukraine
of July 29, 1994, to join their activities on a voluntary basis,
to withdraw from the University,
and to pass decisions on their liquidation,
pursuant to Resolution N 158/94-VR of the Verkhovna Rada of Ukraine
of July 29, 1994)

A decision to found an alliance (founders' agreement) and the statute of such alliance shall be subject to approval by the Antimonopoly Committee of Ukraine pursuant to procedures provided by applicable law.

(Clause 1 of Article 3 is added with the paragraph pursuant to the Law of Ukraine 82/95-VR of March 2, 1995)

2. An alliance of enterprise that is registered in Ukraine may include enterprises from other [Soviet] Union republics and countries. Ukrainian enterprises may join alliances of enterprises that are registered in other [Soviet] Union republics and countries. Procedures for joining alliances in such cases shall be followed pursuant to Ukrainian legislation governing foreign economic activities.

3. An alliance shall be a legal entity, may have independent and consolidated balance sheets, current and deposit bank accounts, and a seal/stamp with its name inscribed thereon.

(paragraph one of clause three, Article 3 as amended pursuant of the Law of Ukraine N 2921-III of January 10, 2002)

The alliance shall be registered pursuant to the procedures, which are provided in this Law and are applicable to enterprises.

4. The alliance shall not be liable for obligations of its member enterprises, and the enterprises shall not be liable for the obligations of the alliance, unless otherwise provided by the founders' agreement (statute).

5. Enterprises that are members of the alliance may terminate their membership therein, with mutual obligations and agreements concluded with other enterprises and organizations preserving their force and effect.

Membership of structural divisions and independent enterprises in alliances may be terminated per expressed consent of a property owner or a body authorized by it, and with participation of the worker collective granted the right of the enterprise.

The owner's refusal may be challenged in court by the worker collective.

(Effect of Clause 5 of Article 3 is suspended in regard to the right of communications enterprises, which are specified in Clause 1 of Article 1 of Decree N 9-93 of the Cabinet of Ministers of Ukraine of January 21, 1993, to join their activities on a voluntary basis, to terminate membership in alliances, and to pass decisions on their liquidation, pursuant to Decree N 9-93 of the Cabinet of Ministers of Ukraine of January 21, 1993)

(Effect of Clause 5 of Article 3 is suspended in regard to the right of enterprises of coal industry, which are specified in Clause 1 of Article 1 of Decree N 10-93 of the Cabinet of Ministers of Ukraine of January 21, 1993, to join their activities on a voluntary basis, to terminate membership in alliances, and to pass decisions on their liquidation, pursuant to Decree N 10-93 of the Cabinet of Ministers of Ukraine of January 21, 1993)

(Effect of Clause 5 of Article 3 is suspended in regard to the right of state-owned enterprises, which are specified in Clause 1 of Article 1 of Decree N 20-93 of the Cabinet of Ministers of Ukraine of March 17, 1993, to join their activities on a voluntary basis, to terminate membership in alliances, and to pass decisions to liquidate their activity, pursuant to Decree N 20-93 of the Cabinet of Ministers of Ukraine of March 17, 1993)

(Effect of Clause 5 of Article 3 is suspended in regard to the right of state-owned electric power enterprises, which are specified in Clause 1 of Article 1 of Decree N 41-93 of the Cabinet of Ministers of Ukraine

of April 29, 1993, to join their activities on a voluntary basis,
to terminate membership in alliances,
and to pass decisions on their liquidation,
pursuant to Decree N 41-93 of the Cabinet of Ministers of Ukraine
of April 29, 1993)

(Effect of Clause 5 of Article 3 is suspended
in regard to the right of state-owned enterprises,
which are specified in Clause 1 of Article 1
of Decree N 42-93 of the Cabinet of Ministers of Ukraine
of April 29, 1993, to join their activities on a voluntary basis,
to terminate membership in alliances,
and to pass decisions on their liquidation,
pursuant to Decree N 42-93 of the Cabinet of Ministers of Ukraine
of April 29, 1993)

(Effect of Clause 5 of Article 3 is suspended
in regard to the right enterprises of the National Agrarian University,
which are specified in Clause 1
of Resolution N 158/94-VR of the Verkhovna Rada of Ukraine
of July 29, 1994, to join their activities on a voluntary basis,
to withdraw from the University, and to pass decisions on their liquidation,
pursuant to Resolution N 158/94-VR of the Verkhovna Rada of Ukraine
of July 29, 1994)

6. An alliance of enterprises shall be liquidated by decision of its member enterprises. The alliance shall be liquidated pursuant to the procedures, which are provided by this Law and are applicable to enterprises. Property and other property remaining after the liquidation of the alliance shall be distributed among its members pursuant to the statute of the alliance.

(Effect of Clause 6 of Article 3 is suspended
in regard to the right of communications enterprises,
which are specified in Clause 1 of Article 1
of Decree N 9-93 of the Cabinet of Ministers of Ukraine
of January 21, 1993, to join their activities on a voluntary basis,
to terminate membership in alliances, and to pass decisions on their liquidation,
pursuant to Decree N 9-93 of the Cabinet of Ministers of Ukraine
of January 21, 1993)

(Effect of Clause 6 of Article 3 is suspended
in regard to the right of enterprises of coal industry,
which are specified in Clause 1 of Article 1
of Decree N 10-93 of the Cabinet of Ministers of Ukraine
of January 21, 1993, to join their activities on a voluntary basis,
to terminate membership in alliances, and to pass decisions on their liquidation,
pursuant to Decree N 10-93 of the Cabinet of Ministers of Ukraine
of January 21, 1993)

(Effect of Clause 6 of Article 3 is suspended
in regard to the right of state-owned enterprises,
which are specified in Clause 1 of Article 1
of Decree N 20-93 of the Cabinet of Ministers of Ukraine
of March 17, 1993, to join their activities on a voluntary basis,
to terminate membership in alliances, and to pass decisions on their liquidation,
pursuant to Decree N 20-93 of the Cabinet of Ministers of Ukraine
of March 17, 1993)

(Effect of Clause 6 of Article 3 is suspended
in regard to the right of state-owned electric power enterprises,

which are specified in Clause 1 of Article 1 of Decree N 41-93 of the Cabinet of Ministers of Ukraine of April 29, 1993, to join their activities on a voluntary basis, to terminate membership in alliances, and to pass decisions on their liquidation, pursuant to Decree N 41-93 of the Cabinet of Ministers of Ukraine of April 29, 1993)

(Effect of Clause 6 of Article 3 is suspended in regard to the right of state-owned enterprises, which are specified in Clause 1 of Article 1 of Decree N 42-93 of the Cabinet of Ministers of Ukraine of April 29, 1993, to join their activities on a voluntary basis, to terminate membership in alliances, and to pass decisions on their liquidation, pursuant to Decree N 42-93 of the Cabinet of Ministers of Ukraine of April 29, 1993)

(Effect of Clause 6 of Article 3 is suspended in regard to the right enterprises of the National Agrarian University, which are specified in Clause 1 of Resolution N 158/94-VR of the Verkhovna Rada of Ukraine of July 29, 1994, to join their activities on a voluntary basis, to withdraw from the University, and to pass decisions on their liquidation, pursuant to Resolution N 158/94-VR of the Verkhovna Rada of Ukraine of July 29, 1994)

7. Procedures of foundation, re-organization, liquidation and registration of industrial-financial groups shall be governed by special legislation.

(Article 3 is added with paragraph 7 pursuant to the Law of Ukraine N 483/96-VR of November 12, 1996)

Article 4. Legislation on Enterprises

1. Matters and issues related to or connected with enterprises in Ukraine shall be governed by this Law and special legislation that includes tax, customs, currency, financial, investment and other legislation governing specifics, certain aspects and types of activities of enterprises in Ukraine.

(paragraph 1 of Article 4 in wording of the Law of Ukraine N 797/99 of July 1, 1999)

If an international agreement or international treaty, to which Ukraine is a party, contains rules other than those provided by the legislation on enterprises, the rules of the international agreement or international treaty shall apply.

2. Specifics of application of this Law to certain types of enterprises, whose activity is connected with exceptional public interests, and the list of such enterprises shall be specified by the Cabinet of Ministers of Ukraine and approved by the Verkhovna Rada of Ukraine.

Chapter II

FOUNDATION OF THE ENTERPRISE AND PROCEDURES OF ITS REGISTRATION

Article 5. General Conditions of Foundation of an Enterprise

1. An enterprise shall be founded by decision of an owner (owners) of property or a body authorized by it(them), by decision of a founding enterprise, organization, or by decision of a worker collective in cases and according to procedures provided by this Law and other laws of Ukraine. A decision to found the enterprise shall be passed subject to approval by the Antimonopoly Committee of Ukraine in cases specified by applicable legislation.

(paragraph 1, Clause 1 of Article 5 as amended pursuant to the Law of Ukraine N 82/95-VR of March 2, 1995.)

(Effect of paragraph 1, Clause 1 of Article 5 is suspended in the part relating to the right of state-owned enterprises

to act as founders of enterprises,
pursuant to Decree N 24-92 of the Cabinet of Ministers
of December 31, 1992)

(paragraph 1, clause 1 of Article 5 as amended pursuant to
the Law of Ukraine N 82/95-VR of March 2, 1995.)

An enterprise may be founded as a result of forced division of another enterprise pursuant to Ukrainian anti-monopoly legislation.

2. An enterprise may be founded as a result of separation of one or several structural divisions from the existing enterprise, organization, , as well as on the basis of a structural entity of existing alliances by decision of their worker collectives, if the owner or the body authorized by it(him) has consented thereto.

Enterprises shall be founded by way of spin-off subject to the assuming by the newly founded enterprises of mutual obligations and agreements previously concluded with other enterprises.

3. In the event that the foundation and operation of an enterprise requires natural resources, a license for the use of such resources shall be issued by a relative Rada of People's Deputies and, in cases specified by law, by the Verkhovna Rada of Ukraine, upon application by an original user of natural resources, if a positive conclusion following the state environmental examination by a state environmental expert institution or a positive conclusion by the applicable Rada of People's Deputies has been issued. The refusal denying issuance of the license to use natural resources may be challenged in court pursuant to procedures provided by Ukrainian law.

An enterprise may be transferred a plot of land into collective ownership or into use, under lease conditions inclusively, pursuant to the procedures specified by the Land Code of Ukraine.

(Clause 3 of Article 5 as amended pursuant to
the Law of Ukraine N 3180-XII of May 5, 1993)

4. The enterprise shall acquire the rights of a legal entity from the date of its state registration.

Article 6. State Registration of the Enterprise

The enterprise shall be deemed to have been founded and shall acquire the rights of a legal entity from the date of its state registration.

Enterprises shall be registered pursuant to the Law of Ukraine "On Entrepreneurship".

(Article 6 as amended pursuant to:
Decree N 10-92, of the Cabinet of Ministers of Ukraine,
of December 15, 1992,
the Law of Ukraine N 3170-XII
of May 4, 1993;
the Law of Ukraine N 3716-XII
of December 16, 1993)

Article 7. Establishment of Separate Structural Divisions of an Enterprise

1. An enterprise shall have the right to establish branches, representative offices, departments and other separated structural divisions, which will be entitled to open current and settlement accounts, and shall approve bylaws thereof.

2. Issues of location of such separate structural divisions of the enterprise shall be coordinated with respective local Radas of People's Deputies pursuant to the procedures applicable to the foundation of enterprises.

paragraph 2, Clause 2 of Article 7 is void.

(Clause 2 of Article 7 is added with paragraph 2 pursuant to
the Law of Ukraine N 3170-XII of May 4, 1993)

(paragraph 2, Clause 2 of Article 7 is void pursuant to the Law of Ukraine N 3716-XII of December 16, 1993)

3. Activities of separated structural divisions of enterprises located in the territory of Ukraine, provided their headquarters are located outside the Republics, shall be governed by this Law and other laws of Ukraine.

Article 8. Licensing of Activities.

The enterprise may carry out certain types of activities only on the basis of a special permit (licensee).

The list of types of activities subject to licensing and the license issuance procedures shall be specified by the Law of Ukraine "On Entrepreneurship".

Article 9. Statute of the Enterprise

1. An enterprise shall operate on the basis of a statute. The statute shall be approved by the owner(s) of property and, for state-owned enterprises, by the owner of property, with participation of the worker collective.

2. The statute of an enterprise shall specify the owner and the name of the enterprise, its registered address, the subject matter and objectives of activities, its governing bodies and procedures of their formation, the competence and authority of the worker collective and its elected bodies, procedures governing formation of the enterprise's property, conditions for reorganization and termination of the enterprise activities.

The name of the enterprise shall contain its proper name (plant, factory, shop etc.), its type (individual, family, private, collective, state-owned), and other identifiers.

The statute may contain provisions related to specific features of the enterprise's activities: labor relations arising out of participation in the enterprise; authorities, procedures of establishment and the structure of a board of the enterprise; trademarks for goods and services etc.

(paragraph 3, Clause 2 of Article 9
in wording of the Law of Ukraine N 75/95-VR
of February 28, 1995)

The statute of the enterprise shall specify a body that is authorized to represent interests of the worker collective (the council of the worker collective, the board of the enterprise, the trade union committee etc.).

Chapter III PROPERTY OF THE ENTERPRISE

Article 10. Formation and Use of Property

1. Property of an enterprise shall consist of capital and floating assets and other valuables whose value will be reflected in the independent balance sheet of the enterprise.

2. Pursuant to the laws of Ukraine, the statute of an enterprise, and concluded agreements, the enterprise shall own property on the basis of the property right, the right to run business entirely of full commercial possession, or the right of operational management.

(Clause 2 of Article 10 in wording
of the Law of Ukraine N 72/98 (72/98-VR) of February 4, 1998)

3. Property being in state ownership and provided to a state-owned enterprise (except for special government enterprise) shall belong to such enterprise on the basis of the right to run business entirely of full commercial possession.

(paragraph 1, Clause 3 of Article 10 as amended
pursuant to the Law of Ukraine N 72/98-VR of February 4, 1998)

In the course of exercising the right to run business entirely, the state-owned enterprise shall possess, use and dispose of such property, taking any actions with respect thereto according to the sole discretion provided that they are not inconsistent with applicable Ukrainian law and the statute of the enterprise.

(paragraph 2, Clause 3 of Article 10 as amended pursuant to the Law N 2544-XII of July 7, 1992)

Property being in state ownership and secured for special government enterprise shall belong to such enterprise on the basis of the right of operational management.

In the course of exercising the right of operational management, the special government enterprises shall possess and use such property.

The special government enterprise shall be entitled to dispose of property secured thereto on the basis of the right of operational management, which is in state ownership and belongs to capital assets of the enterprise, only subject to permission by the body authorized to manage respective state-owned property. Specifics of disposal of any other property of such state enterprise shall be set forth in its statute.

(clause 3 of Article 10 is added with the paragraphs pursuant to the Law of Ukraine N 72/98-VR of February 4, 1998, and in connection therewith paragraph 3 should be considered as paragraph 6)

Means of production property being in state ownership and secured for a state-owned enterprise shall be alienated exclusively on a competitive basis (through exchanges, at tenders and auctions) pursuant to the procedures specified by the State Property Fund of Ukraine. Proceeds received from alienation of such property shall be directed exclusively for investment purposes.

(clause 3 of Article 10 is added with the paragraph pursuant to the Law N 2544-XII of July 7, 1992)

4. Sources for formation of an enterprise's property shall include:

cash and material contributions of the founders;

proceeds received from sales of products and from other types of economic activities;

proceeds from securities;

loans of banks and other creditors;

capital investments and subsidies from budgets;

proceeds from transfer of property from state-owned form into other property-owning forms and privatization thereof;

acquisitions of property from other enterprises and organizations;

gratuitous or charity donations made by organizations, enterprises and citizens;

other sources not prohibited by laws of Ukraine.

5. Unless otherwise provided by applicable law and its statute, the enterprise shall be entitled to sell and transfer to other enterprises, organizations and institutions, exchange, lease, grant on a free-of-charge basis into temporary use, or lend its own buildings, structures, machinery, transport vehicles, equipment, raw materials and material values, and to write the same off its books.

(clause 5 of Article 10 as amended pursuant to the Law of Ukraine N 2544-XII of July 7, 1992)

6. Unless otherwise provided by applicable law and its statute, the enterprise shall be entitled to sell, grant on a free-of-charge basis, exchange, lease to citizens means of production and other material values, except those, which, pursuant to laws of Ukraine, may not be in their ownership. Material values shall be granted on a free-of-charge basis and provided by enterprises to upon permission by the owner or the body authorized by it, except otherwise is provided by Ukrainian law.

(clause 6 of Article 10 as amended pursuant to the Law of Ukraine N 2544-XII of July 7, 1992)

(Effect of clause 6 of Article 10 is suspended in the part relating to transfers made by national state-owned enterprises of property on a free-of-charge basis to individuals, pursuant to the Decree N 8-92 of the Cabinet of Ministers of Ukraine of December 15, 1992)

Article 11. Possession and Use of Natural Resources

1. Natural resources shall be possessed and used on a paid basis by enterprises pursuant to the prescribed procedures and when envisaged by Ukrainian legislative acts – on privileged conditions.

(clause 1 of Article 11 as amended pursuant to the Law of Ukraine N 3180-XII of May 5, 1993)

Owners of land and land users shall annually pay fees for land in the form of a land tax or lease payment.

(clause 2 of Article 11 is supplemented with Paragraph 2 pursuant to Law of Ukraine N 3180-XII, dated 5 May 1993)

2. An enterprise shall be obligated to take in time environmental protection measures aimed at reducing and compensating negative impacts of its production activities on the environment, human health, and property of persons. These measures shall be financed with the enterprise's own funds or out of other sources. In the event of the enterprise's bankruptcy, such measures shall be financed at the expense of proceeds from the sale of its property and, should such proceeds not be sufficient - with budgetary funds from the budget of the respective local Rada of People's Deputies or the State.

The enterprise shall be liable, pursuant to Ukrainian law, for compliance with the requirements and norms as to protection, rational use, and ensuring renewal of land, waters, Earth interior, forests, and other natural resources to the standards specified by regulations, as well as for compliance with the prescribed norms of emission and dumping of contaminating substances and disposal of waste in the environment.

In the event of violation of these norms and requirements, activities of the enterprise may be partially suspended or terminated pursuant to Ukrainian law.

Article 12. Participation of the Enterprise in the Issuance of and Trade in Securities

1. The enterprise shall be entitled to issue its own securities and sell them to legal entities and citizens of Ukraine, [Soviet] Union republics and of other countries.

2. The enterprise may act as a co-founder of stock exchanges in Ukraine and participate in stock exchanges in Ukraine and [Soviet] Union republics.

3. The enterprise shall be entitled to purchase securities from Ukrainian legal entities and legal entities from [Soviet] Union republics and other countries.

4. The enterprise shall issue, sell and purchase securities pursuant to Ukrainian law.

Article 13. Guarantees of Property Rights of the Enterprise

The State shall guarantee protection of property rights of enterprises. The State may seize from an enterprise its capital assets, floating assets other property used by such enterprise only when provided by laws of Ukraine.

Losses caused to an enterprise as a result of violations of its property rights by citizens, legal entities, and governmental authorities shall be reimbursed to the enterprise in keeping with decision of the court or arbitration court.

Chapter IV MANAGEMENT THE ENTERPRISE MANAGEMENT AND SELF-GOVERNANCE OF THE WORKER COLLECTIVE

Article 14. General Enterprise Management Principles

1. An enterprise shall be managed pursuant to its statute on the basis of combination of the owner's rights to business use of its property and the principles of the worker collective's self-governance.

The enterprise shall independently determine its management structure staff .

The owner shall exercise its rights to manage the enterprise directly or through bodies authorized by it The owner or bodies authorized by it may delegate its authorities to the board of the enterprise (the management board) or to any other body, which is specified in the statute of the enterprise and represents interests of the owner and the worker collective.

2. The owner (owners) of property of an enterprise shall enjoy the right to employ (appoint, elect) a the head of the enterprise, and shall exercise such right directly or through bodies authorized by it.

3. Decisions on socio-economic matters connected with activities of the enterprise shall be drafted and taken by its governing bodies, with the participation of the worker collective and bodies authorized by it.

4. The supreme governing body of a collective enterprise shall be a general meeting (conference) of property owners. Executive functions concerned with management of the collective enterprise shall be carried out by the management board.

Unless otherwise provided by the statute, the management board of an enterprise shall be elected on an alternative basis by owners of property at a general meeting by secret ballot. Authorities of the management board shall be specified in the statute. The management board shall elect from among its members a chairman and his deputies, otherwise their functions shall be carried out by every member of the management board one by one.

Article 15. Worker Collective and Its Self-Governance

1. The worker collective of an enterprise shall consist of all citizens who participate, through their work, in the enterprise's activities pursuant to a labor agreement (contract, arrangement) and other forms that regulate labor relations between employees and the enterprise.

2. The worker collective of the enterprise having the right to hire labor force shall:

consider and approve a draft collective bargaining agreement;

consider and make decisions, pursuant to the statute of the enterprise, on issues of self-governance of the worker collective;

determine and approve a list of social privileges and procedures of their provision to employees of the enterprise;

participate in financial and non-financial stimulation of productive work, encourage research and rationalization activities, and initiates petitions on state awards for employees.

3. The worker collective of a state-owned or other enterprise, in whose property the State or a local Rada of People's Deputies has an interest exceeding 50% of the property' value, shall:

consider, together with the founder, amendments and alterations to the statute of the enterprise;

(Effect of paragraph 2, clause 3 of Article 15 is suspended pursuant to the Decree N 8-92 of the Cabinet of Ministers of Ukraine of December 15, 1992)

determine, together with the founder, conditions of employment of the chief executive officer;

(Effect of Paragraph 3, clause 3 of Article 15 is suspended pursuant to the Decree N 8-92 of the Cabinet of Ministers of Ukraine of December 15, 1992)

participate in deciding on the issue of spin-off of one or several structural divisions from the enterprise for purposes of establishing a new enterprise;

(Effect of paragraph 4, clause 3 of Article 15 is suspended pursuant to the Decree N 8-92 of the Cabinet of Ministers of Ukraine of December 15, 1992)

decide, together with the owner, on issues of entry into or withdrawal from alliance of enterprises;

confirm proposals regarding the transfer from state into communal ownership of property provided to the enterprise and of facilities of a social nature constructed for monies of the enterprise;

(clause 3 of Article 15 is supplemented with a new paragraph pursuant to Law of Ukraine N 163-XIV October 6, 1998, and in connection therewith paragraphs 6, 7 and 8 should be considered as paragraphs 7, 8 and 9 respectively)

pass decisions to lease enterprise, and to establish, on the basis of the worker collective, a body that will ensure the transfer of the enterprise into the leasing and its further buy-out.

In the event that property of the enterprise are bought out partially, the worker collective shall acquire the right of the co-owner, and the enterprise shall acquire the status of a joint enterprise.

Upon the full buy-out of the enterprise, the worker collective shall acquire the rights of the collective owner.

4. Unless otherwise provided by statutes of enterprises, authorities of worker collectives in all types of enterprises using hired labor shall be exercised at general meetings (conferences) and by their elected body, whose members will be elected, by secret ballot, at a worker collective meeting (conference) for a term no less than 2-3 years by at least two-thirds of votes. Members of the elected body may not be discharged from work or transferred to other positions upon initiative of the enterprise's administration without consent of the applicable elected body of the worker collective.

Article 16. Enterprise Management

1. The director of an enterprise shall be employed (appointed) by an owner of property or elected by owners of property.

In the event that director is employed (appointed, elected) by an owner or a body authorized by it(him), a contract (agreement, arrangement) shall be concluded with such director, wherein there shall be specified rights, employment duration, duties and liabilities of the chief executive officer before the owner and the worker collective, essential conditions of his compensation package, and conditions of lay-off subject to guarantees specified by the contract (agreement, arrangement) and Ukrainian law.

2. The director of the enterprise shall independently resolve matters relating activities of the enterprise, except matters referred by the statute to the competence of other governing bodies of such enterprise or otherwise provided by Ukrainian legislation. The owner of property shall not have the right to interfere in the management activity of the director of the enterprise.

(clause two of Article 16 as amended pursuant to the Law of Ukraine N 2409-III of May 17, 2001)

3. The chief executive officer of the enterprise may be dismissed before expiration of the term of his contract pursuant to grounds provided in the contract or by Ukrainian law.

4. Deputy director of the enterprise, managers and management personnel and specialists of structural divisions (production lines, workshops, branches, units, departments, farms and other analogical structural divisions of enterprises), as well as foremen and senior foremen shall be appointed to and dismissed from their positions by the director of the enterprise.

Article 17. Collective Bargaining Agreement

1. Collective bargaining agreements shall be concluded at all enterprises using hired labor, between owners or bodies authorized by them and worker collectives or bodies authorized by them, and may not be inconsistent with current legislation of Ukraine.

2. A collective bargaining agreement shall regulate productive, labor and economic relations of the worker collective with the enterprise's management, matters of labor protection, social development, participation of employees in the utilization of profits of the enterprise, if such participation is provided in the enterprise's statute.

Disputes arising out or in connection with conclusion or fulfillment of the collective bargaining agreement shall be settled pursuant to the procedures provided by Ukrainian legislative acts.

3. Parties who have entered into a collective agreement shall report to each other on the performance thereof at least twice a year at meetings (conferences) of the worker collective.

Chapter V BUSINESS, ECONOMIC AND SOCIAL ACTIVITIES OF THE ENTERPRISE

Article 18. Profit (Income) of the Enterprise

1. Profits (income) shall be the basic encompassing indicator of financial results of business activities at all enterprises.

Procedures for the use of profits (income) shall be determined by the owner (owners) of an enterprise or the body authorized by it pursuant to the statute of the enterprise and applicable law.

(Paragraph 2, clause 1 of Article 18
as amended pursuant to
the Decree N 48-93 of the Cabinet of Ministers of Ukraine, 10 May 1993)

(Effect of paragraph 2, clause 1 of Article 18
is suspended for one year in the part relating to the use of profits to pay for production,
research, research & development, consulting and informational services
not provided by government procurements, and to pay for intermediary activities
of entrepreneurial organizations that are not engaged directly in trading operations,
pursuant to the Resolution N 1292-XII of the Verkhovna Rada of Ukraine
of July 4, 1991)

2. The State shall influence the choice of directions and amounts of use of profits (income) through established norms, taxes, tax privileges, as well as through economic sanctions pursuant to Ukrainian legislation.

(clause 2 of Article 18 as amended pursuant to
the Decree N 48-93 of the Cabinet of Ministers of Ukraine of May 10, 1993)

3. In cases specified in the statute of an enterprise, a portion of net profits may be transferred to worker collective members or the worker collective into their or its ownership. Procedures for the distribution and use of this portion of profits shall be implemented by the board or the meeting (conference) of the worker collective.

Article 19. Wages and other Income of Employee of the Enterprise

1. An owner or a body authorized by it shall determine the wage fund pursuant to terms and conditions specified in the collective bargaining agreement.

The Cabinet of Ministers of Ukraine shall regulate wage funds of enterprises – monopolists, and shall specify the list of such enterprises.

(clause 1 of Article 19 in wording
of the Law of Ukraine N 20/97-VR of January 23, 1997)

(Effect of clause 1 of Article 19 is suspended
for one year with respect to research, development,
research & development and technological organizations,
pursuant to the Resolution N 1292-XII of the Verkhovna Rada of Ukraine
of July 4, 1991)

(Validity of clause 1 of Article 19 is suspended
from 1 January 1993 with respect of state-owned enterprises,

pursuant to the Decree N 23-92 of the Cabinet of Ministers of Ukraine
of December 31, 1992)

(Validity of clause 1 of Article 19 is suspended
from 1 January 1993 with respect of state-owned enterprises
and asset-leasing enterprises founded on the basis of state-owned property,
pursuant to the Decree N 39-93 of the Cabinet of Ministers of Ukraine
of April 24, 1993)

(Validity of clause 1 of Article 19 is reinstated pursuant to
the Law of Ukraine N 318/94-VR of December 22, 1994)

2. Wage and salary income of a hired employee of the enterprise shall be specified by a labor agreement pursuant to Ukrainian law and, for other employees, by agreement between them. Wage and salary income of the employee of the enterprise shall be subject to taxation.

3. The minimum amount of wages payable to employees who work under labor agreements shall be determined pursuant to Articles 9 and 10 of the Law of Ukraine "On Labor Remuneration".

(clause 3 of Article 19 in wording
of the Law of Ukraine N 357/96-VR of September 10, 1996)

(Validity of clause 1 of Article 19 is suspended
from 1 January 1993 with respect to state-owned enterprises
pursuant to the Decree N 23-92 of the Cabinet of Ministers of Ukraine
of December 31, 1992)

4. The enterprise shall independently make decision on forms, systems and amounts of labor remuneration, as well as on other types of income of employees pursuant to law.

(paragraph 2, clause 4 of Article 19
as amended pursuant to Laws of Ukraine:
N 2032-XII of January 4, 1992,
N 318/94-VR of December 22, 1994,
the Decree N 23-92 of the Cabinet of Ministers of Ukraine
of December 31, 1992,

deleted pursuant to the Law of Ukraine N 1766-III
of June 1, 2000)

Article 20. Planning Enterprise Activities

1. An enterprise (except for state enterprises) shall independently plan its activities and determine prospects for development on the basis of demand for goods produced and work and services provided, and on the basis of necessity to ensure the enterprise's production and social development, and an increase of income.

(paragraph 1, clause 1 of Article 20 as amended
pursuant to the Law of Ukraine N 72/98-VR February 4, 1998)

State procurement orders and agreements concluded with consumers (buyers) of goods, work and services, and with suppliers of materials and technical resources shall constitute the basis of plans.

2. The enterprise shall perform work and ship off supplies for state needs on a contractual basis pursuant to procedures specified by Ukrainian legislative acts.

3. In the course of preparing plans of its economic development, the enterprise shall confirm, with the applicable Rada of People's Deputies, measures that may cause environmental, social, demographic and other effects affecting interests of people who reside within the respective territory, and shall be financially liable before Radas of People's Deputies for harmful effects of its activities.

4. A state-owned enterprise (except for special government enterprise) shall independently draw up an annual financial plan to be approved prior to 1 July of the year preceding the planning year by the body authorized to manage applicable state-owned property.

Procedures governing the preparation of annual financial plans by state-owned enterprises (except for special government enterprises) shall be specified by a central body of executive power that is authorized by the Cabinet of Ministers of Ukraine.

Enterprises of other ownership forms shall prepare and approve their financial plans pursuant to procedures and within terms specified by their owner (owners).

(Article 20 is added with clause 4 pursuant to the Law of Ukraine N 1963-III of September 21, 2000)

Article 21. Business Relations of an Enterprise with other Enterprises, Organizations, and Citizens

1. Relations of an enterprise with other enterprises, organizations and citizens in all areas of economic activity shall be carried out on the basis of agreements.

Enterprises shall be free to choose the subject matter of agreements, determine contractual obligations and any other conditions of business relations that are not inconsistent with Ukrainian legislation.

Special emergency services shall be founded at enterprises with hazardous and dangerous labor conditions and increased risk of possible accidents; the above services are created from employees of such enterprise upon coordination with the state or communal emergency service serving this enterprise, and if there is not any such service - upon coordination with the central body of executive power authorized to resolve matters of public and territorial protection against emergency situation of man-caused and natural character.

(clause one of Article 21 is added with paragraph three pursuant to the Law of Ukraine N 2470-III of May 29, 2001)

Enterprise of all ownership forms with existing therein danger of possible emergency situation of man-cause and natural character, indicated in the list approved by the Cabinet of Ministers of Ukraine, are subject to permanent and mandatory attendance by state emergency service (units) on contractual basis.

(clause one of Article 21 is added with paragraph four pursuant to the Law of Ukraine N 2470-III of May 29, 2001)

Duties and responsibilities of emergency services (units) and procedure of their attendance of objects of increased danger shall be identified in attendance agreements.

(clause one of Article 21 is added with paragraph five pursuant to the Law of Ukraine N 2470-III of May 29, 2001)

2. Responsibility of an employee on financial obligations of the enterprise is determined depending on his share of participation in financial resources of the enterprise.

3. The procedure to supply products to meet state needs shall be determined by Ukrainian legislation.

(clause three of Article 21 in wording of the Law of Ukraine N 481/96-VP of November 12, 1996)

Article 22. Provision with Productive Property and Sale of Products

1. An enterprise shall independently support itself with materials and technical resources needed for its production and capital construction through a system of direct agreements (contracts) or through commodity exchanges and other intermediary companies in Ukraine, [Soviet] Union republics and other countries.

Paragraph two of clause one of Article 22 is void.

(pursuant to the Law of Ukraine N 481/96-VP
of November 12, 1996)

Paragraph three of clause one of Article 22 is void.

(pursuant to the Law of Ukraine N 481/96-VR
of November 12, 1996).

2. An enterprise shall sell its products, other material values on the basis of direct agreements (contracts), state procurement orders, through commodity exchanges, and a network of its own stores.

Products of the enterprise may be sold, including under barter agreements, outside Ukraine independently or on the basis of a license pursuant to Ukrainian legislation.

Article 23. Prices and Price Formation

1. The enterprise shall sell its products and property at prices that are set independently or on a contractual basis and, as and when provided by Ukrainian law, at state-prescribed prices and tariffs. Contractual prices shall be used in payments with foreign partners, such prices being formed according to conditions and prices on the world market.

2. Products of enterprises, which hold monopoly positions on goods markets, which determine the scale of prices within the economy and social protection of citizens, may be subject to state price regulation pursuant to the Law of Ukraine "On Prices and Price Formation".

In such case, state-prescribed prices must take into account the prime cost of products that is average across the industry, and ensure a minimal level of profitability of products such prices encompass. If such level of profitability is not ensured through the state-prescribed prices, the State shall provide subsidies to support it, on condition that the products made by the enterprise are socially necessary.

In the event that the enterprise violates the state-prescribed product price disciplines, surplus proceeds shall be subject to seizure and, in addition, the enterprise shall be subject to a penalty pursuant to procedures and in amounts specified by Ukrainian law.

Article 24. Financial and Credit Relations

1. Sources of forming financial resources of an enterprise shall be profits (income), depreciation deductions, proceed from the sale of securities, participation contributions of members of the worker collective, enterprises, organizations, individuals, and other contributions.

2. An enterprise shall use bank loans on a commercial contractual basis. The enterprise may authorize the bank, on a contractual basis, to use its free monetary funds, and shall set interest rates for their use.

State enterprises shall be prohibited to act as guarantors under loan arrangements, whereby loans are disbursed to subjects of business activity.

(clause 2 of Article 24 is added with the paragraph
pursuant to the Law of Ukraine N 262/95-VR of July 5, 1995)

3. The enterprise shall be entitled to establish current and deposit accounts to keep therein its funds, and shall conduct all types of bank transactions at any banks of its choice in Ukraine and other countries, subject to consent of the banks, and pursuant to procedure specified by the National Bank of Ukraine. The enterprise shall be obligated to provide notice to the tax authorities, with which such enterprise is registered as a taxpayer, of establishment and closure of these accounts. Such notice shall be provided within three workdays from the date of establishment and closure of an account (including the day of account establishment or closure), either by personal delivery or by registered mail to the address of the applicable tax authority, with confirmation of delivery. The form and contents of a notice of establishment or closure of the enterprise's bank accounts shall be prescribed by the central tax body of Ukraine.

(Effect of clause 3 of Article 24 is suspended for one year
in the part relating to the right of enterprises
to establish accounts for keeping their monetary funds
in any bank of other [Soviet] Union republics and countries

pursuant to the Resolution N 1292-XII of the Verkhovna Rada of Ukraine
of July 4, 1991)

(clause 3 of Article 24 in wording
of the Law N 725/97-VR of December 16, 1997,
as amended according to
the Law of Ukraine N 2921-III of January 10, 2002)

4. Enterprises shall independently determine the order of priorities and policies of write-off of funds from their own accounts that will be carried out by banks as assigned by such enterprises, unless otherwise provided by Ukrainian laws. Payments by enterprises under their obligations shall be made through banks pursuant to the rules approved by the National Bank of Ukraine in accordance with the laws of Ukraine.

(clause 4 of Article 24 in wording of the
Law of Ukraine N 419/96-VR of October 16, 1996)

5. The enterprise may supply products, perform work and provide services on credit, with payment of interest by buyers (customers) for the use of such credit. In order to execute such agreements, the enterprise may use promissory notes in business transactions.

6. The enterprise shall be fully liable for compliance with loan (credit) agreements and payment terms. An enterprise that does not fulfill its payment obligations may be declared bankrupt by the arbitration court pursuant to the procedures specified in the Law of Ukraine "On Bankruptcy".

(clause 6 of Article 24 in wording of the
Law N 2685-XII of October 14, 1992)

Article 25. Foreign Economic Activities of the Enterprise

1. The enterprise shall independently carry out foreign economic activities.

Foreign economic activities of an enterprise shall be part of foreign economic activities of Ukraine, and shall be regulated by the laws of Ukraine.

2. Procedures for the use of an enterprise's foreign exchange revenues shall be specified by Ukrainian currency legislation.

(clause 2 of Article 25 in wording of the
Decree N 15-93 of the Cabinet of Ministers of Ukraine
of February 19, 1993)

3. The enterprise shall be entitled to take loans from its foreign partners. In such case, funds in foreign currency shall be entered on the balance-sheet of the enterprise, and shall be used by such enterprise independently. The State shall not be liable for loans received by enterprises.

An enterprise that is engaged in foreign economic activities may establish outside Ukraine its representative offices and production divisions, which will be financed by the enterprise.

4. In the course of their foreign economic activities concerned with matters economic, technological, environmental and social security, enterprises shall be controlled by governmental authorities.

Article 26. Social Activities of the Enterprise

1. Matters of social development, including improvements of conditions of labor, life and health, guarantees of obligatory medical insurance of members of the worker collective and members of their families, shall be decided by the worker collective with participation of the owner (owners) or the body authorized by it pursuant to the statute of the enterprise, the collective bargaining agreement, and laws of Ukraine.

In a social development plan, the worker collective and the owner or the body authorized by it administration shall take into account matters of development of neighborhoods, wherein compactly reside members of the worker collective.

2. The enterprise shall be obligated to ensure that all persons employed at the enterprise have safe and harmless working conditions, and shall be liable for injuries caused to their health or ability to work under procedures specified by legislation.

3. The enterprise shall train qualified workers and specialists and ensure their economic and professional training in its educational institutions or, pursuant to agreements, in other educational institutions subordinated to governmental authorities, other agencies and enterprises.

The enterprise shall provide privileges to employed graduates of vocational schools, secondary special schools, and higher educational institutions pursuant to Ukrainian legislation.

4. Pensioners and disabled persons, who worked at the enterprise before retirement, shall enjoy medical treatment services, and obtain residential premises and vouchers to stay at recreation and prophylactic institutions, and to get other social services and privileges equally with employees of the enterprise pursuant to the enterprise's statute.

5. The enterprise shall be obligated to continually improve working and living conditions of [employed] women and teenagers, assign them to work mainly during day-time with reduced working hours, transfer women with little children and pregnant women to easier work with harmless work conditions, and to provide other privileges provided by legislation. The enterprise that has harmful work conditions shall organize special departments and units in order to provide women and teenagers and some other categories of employees with easier work.

6. The enterprise shall have the right to independently provide for its employees additional vacations, workdays with a reduced number of work hours, and other privileges, as well as to encourage employees of enterprises and institutions who provide service to, but are not members of, the worker collective.

7. An employee of the enterprise, who became disabled as a result of an accident or professional disease, may be provided with additional pension benefits, regardless of amounts of the state pension.

8. In the event of death at work of an employee of the enterprises, the enterprise shall, under a voluntary arrangement or by decision of the court, provide the employee's family with benefits pursuant to the laws of Ukraine.

9. Pursuant to the decision of an applicable Rada of People's Deputies, and in accordance with the Laws of Ukraine "On Employment of the Population" and "On the Fundamentals of Social Protection of Disabled Persons in the Ukrainian SSR", an enterprise authorized to hire labor force shall create a certain number of jobs to accommodate disabled persons, teenagers and other layers of population in need of social protection. In the event of failure to comply with this requirement or refusal to create jobs for the specified category of population, the enterprise shall make deductions payable to the account of the applicable Rada of People's Deputies pursuant to procedures and in amounts provided in the above referenced laws.

Chapter VI THE ENTERPRISE AND THE STATE

Article 27. Guarantees of Rights and Interests of Enterprises

1. The State shall guarantee observance of rights and legitimate interests of enterprises.

In the course of its business and other activities, an enterprise shall have the right, at its own initiative, to pass any decisions that are not inconsistent with Ukrainian legislation.

Any interference into business or other activities of an enterprise by state bodies, public organizations and cooperative bodies, political parties and movements shall be prohibited, unless otherwise provided by Ukrainian legislation.

2. Republican and local state and public bodies and their officials shall be liable for compliance with the provisions of this Law in the course of decision making affecting enterprises and their relations with enterprises. State bodies and officials thereof may interfere into activities of an enterprise only pursuant to their competence provided by legislation. In the event that a state body or other body has issued an act that does not comply with its competence or the requirements of legislation or should any dispute arise in connection therewith, the enterprise shall be entitled to bring action in court or arbitration, seeking invalidation of such act.

Losses (including expected and not received profits) caused to an enterprise in the result of fulfillment of orders of state bodies or other bodies, or officials thereof, who have violated rights of the enterprise, as well as losses resulted from undue fulfillment by such state bodies or officials thereof of their official duties in respect of the enterprise shall be compensated at their expense. Disputes involving issues of reimbursement for losses shall be settled in court or arbitration court pursuant to their competence.

Article 28. Legal and Economic Conditions of Economic Activities of the Enterprise

1. The State shall ensure that enterprises (irrespective of their ownership forms) have equal legal and economic conditions of activity.
2. The State shall promote market development through market regulation by means of economic laws and incentives, and shall implement anti-monopoly measures, and provide social protections to all workers.

The State shall ensure privileged conditions for enterprises that introduce progressive technologies, create new jobs, employ persons who are in need of social protection.

The State shall encourage development of small businesses in Ukraine, grant privileges in taxation, state credits, and establish funds to promote the development of small businesses etc.

Bodies of public administration shall develop their relations with enterprises through the use of economic methods.

Bodies of public administration shall be prohibited to establish any other forms of taxation, except for those that are specified in the tax laws of Ukraine.

Article 29. Accounting and Reporting

1. An enterprise shall maintain primary accounting and bookkeeping with regard to its activities, prepare statistical and administrative reports.

The procedure for organization and maintenance of accounting, filing statistical and administrative reports shall be determined by legislation.

(clause one of Article 29 as amended according to the Law of Ukraine N 1708-III of May 11, 2000 in wording of the Law of Ukraine N 3047-III of February 7, 2002)

2. It shall be prohibited to require statistic and administrative reports in violation of the procedures specified by legislation. An enterprise may submit information not envisaged by state statistic reporting on a contractual basis, to courts, the procurator's offices, security service, agencies of internal affairs, the Antimonopoly Committee of Ukraine, arbitration courts and audit organizations - at their written requests and when provided by Ukrainian legislation.

(paragraph 1 of clause 2 of Article 29 as amended pursuant to Laws of Ukraine N 2932-XII of January 26, 1993, N 82/95-VR of March 2, 1995; N 2056-III of October 19, 2000 in wording of the Law of Ukraine N 3047-III of February 7, 2002))

Enterprises, their alliances, and separate divisions shall be obligated to provide, on a free-of-charge basis, the Accounting Chamber with all information required by it and other documentation relating to the use of funds of the State Budget of Ukraine.

(clause 2 of Article 29 is added with paragraph 2 pursuant to the Law of Ukraine N 1746-III of May 18, 2000)

3. Enterprises that belong to any form of alliance pursuant to Article 3 hereof shall not change the procedures of maintaining accounting and submission of statistical and administrative reports on their activities.

An alliance of enterprises shall maintain accounting and prepare statistical and administrative reports, if so provided by its statute or an agreement, in accordance with the procedures applicable to enterprises.

(clause 3 of Article 29 in wording of the Law of Ukraine N 3047-III of February 7, 2002)

4. Annual financial reports of enterprises shall be subject to mandatory audits, except for organizations that are fully financed out of the budget and are not engaged in business activities. Mandatory audits of annual financial of enterprises with annual turnover less than 250 minimum personal tax-free incomes shall be carried out once every three years.

(Article 29 is added with clause 4 to pursuant to the Law of Ukraine N 90/95-VR of March 14, 1995; clause 4 of Article 29 as amended pursuant to the Law of Ukraine N 1708-III of May 11, 2000)

5. Officials of enterprises shall be subject for distorting the procedure for filing statistical and administrative reports to disciplinary, financial and criminal sanctions as specified by legislation.

(clause 4 should be considered as clause 5 pursuant to the Law of Ukraine N 90/95-VR of March 14, 1995; clause 5 of Article 29 in wording of the Law N 3047-III of February 7, 2002)

Article 30. Commercial Secrets of the Enterprise

1. A commercial secret shall mean data related to production, technological information, management, finances and other activities of an enterprise, which are not a state secret, and which disclosure (transmission, leak) may cause harm to the enterprise's interests.

2. The content and volume of data that constitute commercial secrets, and secret protection procedures shall be determined by the director of the enterprise. Data that may not constitute commercial secrets shall be specified by the Cabinet of Ministers of Ukraine.

3. Liability for disclosure of data constituting commercial secrets of an enterprise and procedures of protection of such data shall be provided by the laws of Ukraine.

Article 31. Liability of the Enterprise

1. The enterprise shall be liable for breach of contractual obligations, loan repayment terms, violations of tax rules, requirements as to product quality, and other rules on the conduct of economic activities, and shall be subject to sanctions provided by Ukrainian legislation.

Payment of penalties for the breach of terms and conditions of agreements and reimbursement of inflicted losses shall not release an enterprise, without the consent of a consumer, from the fulfillment of obligations as to delivery of products, performance of work or provision of services.

2. The enterprise shall be obligated to:

protect the environment from pollution and other harmful impacts;

indemnify the applicable Rada of People's Deputies for losses and damage caused by the irrational use of land and other natural resources, and by environmental pollution;

ensure safety of production activities and comply with sanitary and hygienic norms and requirements as to the protection of health of its employees, population and consumers of products;

in cases provided by law, the enterprise shall be obligated to pay penalties to applicable Radas of People's Deputies.

Article 32. Control over Activities of the Enterprise

1. Certain aspects of activities of the enterprise shall be controlled by the State Tax Service, the State Controlling and Auditing Service, state bodies charged with the supervision of production and labor safety, fire protection and environmental safety, and other bodies pursuant to Ukrainian legislation.

(paragraph 1, clause 1 of Article 32 as amended pursuant to the Law of Ukraine N 3292-XII of June 17, 1993).

Bodies that control certain aspects of activities of enterprises shall exercise their powers within the limits of their competence as provided by the laws of Ukraine. An enterprise shall have the right not to meet demands of these bodies, if such demands exceed the limits of their competence.

2. An enterprise shall have the right to obtain information on the results of inspections and audits within 30 days from the date of their commencement. Actions of officials who have conducted inspections and audits may be challenged by an owner (director of a state-owned enterprise) of an enterprise pursuant to procedures provided by Ukrainian legislation.

3. Officials of organizations and bodies that inspect or audit enterprises shall be liable for disclosure of commercial secrets of the enterprises pursuant to Article 30 of this Law.

4. Certain aspects of activities of an alliance of enterprises shall be controlled pursuant to the procedures provided in this Article hereof.

Article 33. Relations of Enterprises with Local Radas of People's Deputies

1. Relations of enterprises with bodies of public administration and local self-government shall be developed pursuant to this Law, the Law of Ukraine "On Local Radas of People's Deputies and Local Self-Government", and other laws of Ukraine that set fourth the competence of these authorities.

2. An enterprise shall have the right, on a voluntary basis, to participate in the formation of out-of-budget, special-purpose financial Funds of the Republic and local Radas of People's Deputies.

3. An enterprise shall participate, on a voluntary contractual basis, in activities concerned with comprehensive economic and social development of the territory that are carried out by the local Rada of People's Deputies.

Pursuant to a decision of the local Rada of People's Deputies, the enterprise shall be obligated to create, at the expense of the Rada, special jobs for persons with limited ability to work, and shall organize their professional training.

The Rada of People's Deputies shall be entitled to involve enterprises in non-specialized activities in the event of a natural disaster and pursuant to resolutions of the Cabinet of Ministers of Ukraine in connection with emergency situations.

4. It shall be prohibited for local Radas of People's Deputies or other authorities to take culture-related facilities, household servicing facilities and residential premises built with monies of an enterprise without the consent of the owner and the worker collective of the enterprise.

Percentages of residential premises that are to be transferred by enterprises to local Radas of People's Deputies shall be specified by the legislative acts of Ukraine.

Chapter VII

LIQUIDATION AND REORGANIZATION OF THE ENTERPRISE

Article 34. Conditions of Liquidation and Reorganization of the Enterprise

1. An enterprise shall be liquidated or re-organized (via merger, attachment, division, spin-off, and transformation) in compliance with the requirements of antimonopoly legislation, by decision of the enterprise's owner and, in cases provided by this Law, by decision of the owner and with participation of the worker collective or the body authorized to establish such enterprises, or by decision of the court or arbitration court. An enterprise that abuses its monopoly position on the market may be also reorganized through the mandatory division thereof pursuant to procedures provided by applicable legislation. Enterprise reorganization that may lead to environmental, demographic and other negative

consequences affecting the interests of people who reside in the area shall have to be approved by the applicable Rada of People's Deputies.

(clause 1 of Article 34 in wording of the Law of Ukraine N 82/95-VR of March 2, 1995)

2. The enterprise shall also be liquidated in the following cases:

it has been recognized bankrupt;

if a decision is passed, prohibiting activities of the enterprise due to its failure to fulfill conditions provided by legislation, and it has not ensured, within the time specified by the decision, that such conditions are fulfilled or that the type of activities is changed;

if foundation documents and decisions on the foundation of the enterprise are invalidated by decision of the court;

on other grounds as provided by the laws of Ukraine.

3. During reorganization and liquidation of an enterprise, workers being laid off shall be guaranteed that their rights and interests will be observed pursuant to Ukrainian labor law.

4. The enterprise shall be deemed to have been reorganized or liquidated as of the date of deletion thereof from the State Register of Ukraine.

5. In the event of merger of one enterprise with another enterprise, all property rights and obligations of every of them shall be transferred to an enterprise organized in the result of the merger.

In the event of attachment of one enterprise to another enterprise, the latter shall acquire all property rights and obligations of the enterprise being attached.

6. In the event of division of an enterprise, new enterprises that have appeared in the result of such division shall acquire, pursuant to a division act (balance), property rights and obligations of the reorganized enterprise in appropriate proportions.

In the event of spin-off from an enterprise of one or several enterprises, every of them shall acquire, pursuant to a division act (balance), property rights and obligations of the reorganized enterprise in appropriate proportions.

7. In the event of transformation of one enterprise into another enterprise, the newly established enterprise shall acquire all property rights and obligations of the former enterprise.

Article 35. Liquidation Commission

1. An enterprise shall be liquidated by a liquidation commission established by the enterprise's owner or the body authorized by it. By their decision, liquidation may be carried out by the enterprise as represented by its management body.

An owner, a court, an arbitration court, or a body authorized to establish enterprises that has passed a decision to liquidate an enterprise, shall prescribe liquidation procedures and time periods, as well as a time period for filing claims by creditors, which may not be less than two months from the date of announcement of liquidation.

In the event that the enterprise has been recognized bankrupt, the procedure of establishment and operation of a liquidation commission and conditions of enterprise liquidation shall be specified pursuant to the Law of Ukraine. "On Restoring Debtor's Solvency and Recognizing It as Bankrupt".

(clause 1 of Article 35 in wording of the Law of Ukraine N 2685-XII of October 14, 1992)

2. A liquidation commission or any other body liquidating an enterprise shall print in an official newspaper at the place of location of the enterprise a publication on the enterprise's liquidation and the procedure and time periods for filing claims by creditors. Alongside with such publication, the liquidation commission (the body liquidating the enterprise)

shall take actions to collect accounts receivables of the enterprise and identify claims of creditors, with providing notices to the latter of liquidation of the enterprise.

The liquidation commission (body liquidating the enterprise) shall assess available property of the liquidated enterprise and pay off creditors, prepare a liquidation balance and provide it to the owner or the body that has appointed the liquidation commission. Authenticity and completeness of the liquidation balance must be confirmed by an auditor (audit firm), except for organizations that are fully financed out of the budget and are not engaged in business activities.

(paragraph 2, clause 2 of Article 35 as amended pursuant to the Law of Ukraine N 90/95-VR of March 14, 1995)

Article 36. Satisfaction of Claims of Creditors

1. Claims of creditors to and against a liquidated enterprise shall be satisfied at the expense of property of such enterprise. In such case, debts before the budget and compensation of expenses to restore the environment damaged by the liquidated enterprise shall enjoy first priority.
2. Claims that have been identified and filed upon expiration of the period specified for filing such claims shall be satisfied at the expense of property of the enterprise remaining upon the satisfaction of first-priority claims, identified claims, and claims filed within the specified time period.
3. Claims that have not been satisfied due to lack of property shall be deemed to have been satisfied. Claims that have not been accepted by a liquidation commission (a body liquidating an enterprise), on condition that creditors within one month from the date of receipt of a notice stating the full or partial refusal of their claims, have not brought action in court or arbitration court, seeking satisfaction of their claims, shall be deemed to have been satisfied.
4. Should an enterprise be recognized a bankrupt priority for satisfaction of creditors' claims shall be determined in keeping with the Law of Ukraine "On Restoring a Debtor's Solvency or Recognizing It Bankrupt".

(Article 36 is added with new paragraph 4 according to the Law of Ukraine N 2409-III of May 17, 2001 therefore paragraphs 4-7 shall be considered to be paragraphs 5-8)

5. In the event of liquidation of an enterprise, hour payments due and payable by such enterprise in connection with crippling injury or other injury to, or death of, a person shall be capitalized.
6. In the event of liquidation of an enterprise, the contribution of a member of the worker collective shall be returned to him in cash or with securities following the satisfaction of creditors' claims.
- 7 Property remaining upon satisfaction of claims of creditors and members of the worker collective shall be used pursuant to instructions of the owner.
8. In the event of reorganization of an enterprise, its rights and obligations shall be transferred to successors.

Chapter VIII SPECIFICS OF FOUNDATION, LIQUIDATION, REORGANIZATION, MANAGEMENT AND OPERATION OF THE Special Government ENTERPRISE

Article 37. Foundation, Liquidation and Reorganization of the Special Government Enterprise

1. A state-owned enterprise which, pursuant to Ukrainian law, is not subject to privatization may be transformed, by decision of the Cabinet of Ministers of Ukraine, into a special government enterprise.
2. A decision to transform a state-owned enterprise into a special government enterprise shall be passed subject to one of the following conditions:

the enterprise is engaged in production or other activities which, pursuant to law, may be carried out exclusively by state-owned enterprises;

the State is the principal consumer of products of the enterprise (over 50%);

the enterprise is a subject of the natural monopoly.

3. A special government enterprise shall be liquidated and reorganized by decision of the Cabinet of Ministers of Ukraine, pursuant to Ukrainian legislation.

Article 38. Specifics of Management of Special Government Enterprises

1. Special government enterprises shall be managed by bodies authorized to manage relevant state-owned property. Managing bodies of special government enterprises shall be ministries and other central body of executive power.

2. A ministry or some other central agency of executive power shall:

appoint and dismiss the director of a special government enterprise, subject to confirmation of the Cabinet of Ministers of Ukraine;

approve the statute of the special government enterprise and amendments thereto, control compliance with the statute, and pass decisions regarding violations of the statute;

control the efficiency of use of state-owned property that are provided to the special government enterprise;

plan and carry out financial control over business activities of the special government enterprise, approve financial plans and development plans of the special government enterprise, conclude, on compulsory basis, government contracts with the enterprise for supplies of goods (performance of work, provision of services) for state procurement needs;

determine procedures for the use of net profits of the special government enterprise through prescribing binding rules on distribution of such profits;

approve labor remuneration conditions and the wage fund of the special government enterprise taking into account conditions provided in the industry-related agreement.

Article 39. Specifics of Operation of the Special Government Enterprise

1. A special government enterprise shall operate on the basis of a statute that is approved by a body authorized to manage state-owned property, which statute shall be drafted on the basis of the standard statute approved by the Cabinet of Ministers of Ukraine.

2. In addition to the provisions set forth in Article 9 of this Law, the statute of the special government enterprise shall specify:

compulsory reporting of the special government enterprise according to forms prescribed by the Cabinet of Ministers of Ukraine;

liability of the director of the special government enterprise for results of economic activities of the enterprise.

3. The special government enterprise shall be liable for its obligations to the extent of its funds and other property at its disposal, except for capital assets. Should such funds and property not suffice, the owner of the enterprise shall be liable for its obligations.

4. Special government enterprise shall be entitled to enter into associations, consortiums, concerns and other alliances of enterprises only upon coordination with the Cabinet of Ministers of Ukraine.

(the Law is added with Chapter VIII
pursuant to the Law of Ukraine N 72/98-VR of February 4, 1998)

**Chairman of the Verkhovna Rada
of the Ukrainian SSR
L.Kravchuk**

**Kyiv,
March 27, 1991
N 887-XII**

