

# The Law of Ukraine

## On Measures on State Support of Shipbuilding Industry of Ukraine

As amended by Law of Ukraine  
N 2892-III of December 13, 2001

This Law is aimed at effective utilization of industrial, scientific and technical and exporting potentialities of native shipbuilding, as well as increase its competitiveness, creation of favorable conditions for involving investments, both native and foreign, reduction of shipbuilding costs and growth of working capitals of the shipbuilding enterprises.

**Article 1.** The following measures of state support of shipbuilding industry shall be applied for the period from January 1, 2000 till January 1, 2005:

advance payments from ship customers, under the contracts of shipbuilding enterprises, specified in part two of this Article, as well as the funds allocated as credits and being received by these enterprises from the banks of Ukraine in order (to direct these credits) to finance building of ships under the contracts shall enter in special accounts of those enterprises and may be used only for target destination, in accordance with the contract obligations of abovementioned enterprises and are not subject to their indisputable writing off. In order to determine taxable profit, according to the Law of Ukraine "On Taxation of Profit of Enterprises", advance payments shall enter in gross income of these enterprises as of the tax period when ship is delivered to the customer, and expenses of the above shipbuilding enterprises, incurred in the result of using advanced payments, according to their target destination, shall enter in total costs of the tax period, in which increase of gross income, by the amount of the above payment, took place.

(paragraph two of part one  
in edition of Law of Ukraine N 2892-III of December 13, 2001)

the above enterprises shall be granted a 60-month's delay of payment of debt to the State Budget of Ukraine and state target funds as for January 1, 2000; this debt is to be paid off in equal portions on a monthly basis, starting from January 1, 2001.

The Cabinet of Ministers of Ukraine shall establish the list of shipbuilding enterprises, to which the above measures shall be applied, except enterprises - subjects of special (free) economic zones, in accordance with results of their activity in 1999.

**Article 2.** To make amendments in the following Laws of Ukraine on taxation:

1) Article 19 of the Law of Ukraine "On Single Customs Tariff"(Vidomosty Verkhovnoyi Rady Ukrayiny N 19, art.253, 1992; N 31, art..253, 1993) supplement with item "i" of the following contents:

"i) when importing materials, equipment and component parts (goods) into the customs territory of Ukraine, in the period from January 1, 2000 till January 1, 2005, which are used for shipbuilding by enterprises of shipbuilding industry, stipulated in Article 1 of the Law of Ukraine "On Measures on State Support of Shipbuilding Industry of Ukraine", provided such goods are not manufactured by Ukrainian enterprises or those, being produced, do not meet certification requirements of the international classification associations, or those of ship customers, specified in the contracts. The Cabinet of Ministers of Ukraine shall annually establish the list and amount of those goods (except excise-duty ones), in accordance with contracts, concluded by those enterprises.

In case of violation the requirements on target use of above goods, the taxpayer is to pay import duty, according to the procedure, established by the legislation";

2) part one of Article 12 of the Law of Ukraine "On Land Tax" (Vidomosty Verkhovnoyi Rady Ukrayiny N 38, art. 560, 1992; N 45, art.238, 1996; N 47, art. 294, 1997; N15, art. 83, N18, art.140, N 32, art. 264, N 38, art. 352, N 39, art.356, 1999) supplement with item 13 of the following contents:

"13) shipbuilding enterprises, specified in Article 1 of the Law of Ukraine "On Measures on State Support of Shipbuilding Industry of Ukraine" in the period from January 1, 2000 till January 1, 2005";

3) Article 11 of the Law of Ukraine "On the Value Added Tax" (Vidomosty Verkhovnoyi Rady Ukrayiny N 21, art. 156, N 37, art. 239, N 38, art. 250, N 47, art.294, N 51, art.305, 307, 1997; N 10, art.37, N 17, art. 83, N 18, art. 95, N 20,

art.100, N 33, art. 224, 1998; N 4, art.33, N 7, art.53, 54, N 15, art.83, 88, N 18, art.140, 142, N 26, art.214, 216, N 32, art.264, N 35, art.302, N 38, art. 338, 341, 343, 352, N 39, art. 356, 357, 1999 as amended by the Law of Ukraine dd. October 20,) supplement with item 11.26 of the following contents:

“11.26. For the period from January 1, 2000 till January 1, 2005, operations on importing (sending) into the customs territory of Ukraine materials, equipment and component parts (goods), applied for shipbuilding (except excise-duty ones), provided such goods are not manufactured by Ukrainian enterprises, or those, being produced, do not meet certification requirements of the international classification associations, or those of ship customers, specified in the contracts of enterprises of the shipbuilding industry of Ukraine, specified in Article 1 of the Law of Ukraine “On Measures on State Support of Shipbuilding Industry of Ukraine”, shall be exempted from the value added tax. The Cabinet of Ministers of Ukraine shall annually establish the list and amount of such goods, in accordance with contracts, concluded by those enterprises.

In case of violation the requirements on target use of the stipulated materials, equipment and component parts, taxpayer shall increase tax duty, according to the results of activity over the tax period, in which this violation took place, by the amount of the value added tax, which was to be paid when importing (sending) of those into the customs territory of Ukraine, as well as to pay fine, imposed in accordance with the legislation.

For the period from January 1, 2000 till January 1, 2005:

sales of goods, manufactured by the enterprises of shipbuilding industry of Ukraine at the expense of the State Budget of Ukraine, shall involve imposing the value added tax at zero rate;

designing of ships, provided by native designers in accordance with the shipbuilding contracts of above enterprises, shall be exempt from the VAT”.

**Article 3.** This Law shall enter into force on January 1, 2000.

**President of Ukraine**

**L. KUCHMA**

**Kyiv**  
**November 18, 1999**  
**N 1242-XIV**