



Russia's war in Ukraine:  
a review of legal acts relevant to business

July 2023

*Russia's war in Ukraine has prompted an unprecedented response from countries around the world - economic sanctions and other restrictive measures against Russian and Belarusian entities. The impact of such sanctions is also felt by Lithuanian companies that have businesses or other business relationships in those countries. These companies now face various legal issues, such as termination of business or transfer of operations, performance of contracts, etc., therefore, this newsletter will help you keep track of business-relevant legislation and its amendments in Europe, Lithuania, Ukraine, Russia and Belarus.*

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## EU response

- On 23 June 2023, the Council of the European Union adopted the 11th [package](#) of sanctions against Russia, which has the following key elements:
  - Extension of restrictions on the sale, supply, transfer or export of specified sanctioned goods and technology to certain third countries;
  - Extension of the transit prohibition for certain sensitive goods (e.g., advanced technology, aviation-related materials) exported from the EU to third countries, via Russia;
  - Restriction on the exports of 15 technological items found on the battlefield in Ukraine or equipment needed to produce such items;
  - Tightening restrictions on imports of iron and steel goods;
  - Prohibition to sell, license, transfer or refer intellectual property rights and trade secrets used in connection with sanctioned goods ;

- A full ban on export of certain types of machinery components;
  - Extension of the ban on export of luxury cars to all new and second-hand cars above a certain engine size (> 1.900 cm<sup>3</sup>), and all electric and hybrid vehicles;
  - A full ban on trucks with Russian trailers and semi-trailers from transporting goods to the EU;
  - Prohibition to access EU ports for vessels importing oil from Russia in breach of imposed bans and procedures.
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- On 17 May 2023, the Council of Europe created the register of damage caused by war in Ukraine:
    - The Council of Europe has taken the first step towards the creation of a future international compensation mechanism for Ukrainian victims of the Russian invasion. Ukrainian people as well as the State of Ukraine may submit claims to the register for compensation of damages caused on or after 24 February 2022 (the beginning of Russia's invasion).
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## In Lithuania

- Practical [guidance](#) for economic operators to detect and prevent circumvention of sanctions has been published:
  - In cooperation with each other, five Frontier States – Estonia, Latvia, Lithuania, Finland and Poland – have developed common practical expert guidance to economic operators on how to detect and prevent circumvention of EU sanctions ;
  - Economic operators are instructed how to carry out an adequate risk assessment and to identify the potential exposure of their customers and business partners to sanctions.

- At NATO summit hosted in Vilnius on 11-12 July 2023, the Alliance specified its position on Ukraine's bid for NATO membership:
  - The requirement to Ukraine for a Membership Action Plan was removed;
  - A new [NATO-Ukraine Council](#) was created where Allies and Ukraine are equal participants in order to promote political dialogue, engagement, cooperation and Ukraine's bid to become a member of NATO;
  - NATO upgraded its Comprehensive Assistance Package to a [multiyear program](#), *"to help transition Ukraine from Soviet-era to NATO standards"*;
  - The G7—which includes the United States, United Kingdom, Canada, Japan, Italy, France, and Germany—published a "joint declaration of support for Ukraine". The [declaration](#) seeks to hold Russia accountable, pursue Ukrainian reforms, offer Ukraine additional aid in the event of further aggression, and increase military and financial assistance to Ukraine.

## In Ukraine

- The European Commission further integrates Ukraine into EU single market:
  - On 6 June 2023, Commissioner for Transport Adina Vălean and Deputy Prime Minister for Restoration of Ukraine and Minister for Communities, Territories and Infrastructure Development Oleksandr Kubrakov signed an [agreement](#) in Lviv, associating Ukraine to the Connecting Europe Facility (CEF) programme. This agreement will enable Ukrainian project promoters to apply for EU funding for projects of common interest in the transport, energy and digital realms.

## In Russia

- Business exit from Russia is further aggravated: new legislation affects the counter-sanctions regime impact on standard or simplified liquidation:

Decree No. 737 of the President of the Russian Federation dated 15 October 2022 introduced the obligation to persons from „unfriendly“ states to get approval of the Governmental Commission for distribution of the liquidation proceeds to shareholders in case the sum exceeds RUB 10 million per month.

- The application of double tax treaties with "unfriendly" states is limited:
  - This initiative was prepared by the Ministry of Foreign Affairs of Russia and the Ministry of Finance of Russia in the middle of March 2023 as a countermeasure for including Russia into the list of non-cooperative jurisdictions for the tax purposes (the so-called “EU blacklist”);
  - It is proposed that no beneficial tax rates provided by the double tax treaties will be available for payments of so-called “passive types” of income from Russia to the US, UK, Japan, Canada, EU and other states that implemented sanctions against Russia. As a result, only standard tax rates will apply, e.g., 15% WHT rate for dividends (instead of 5% or 10%);
  - These standard tax rates will apply irrespective of the amounts of payments and existence / absence of the special approvals of the Governmental Commission (i.e., even payments with the amounts below RUB 10 million per month, which do not require the special approval, will be subject to the WHT).

## In Belarus

- By [Resolution](#) No. 412 of the Council of Ministers of Belarus which amends Resolution No. 700, the food embargo was extended and expanded:
  - The ban on import and sale of goods was extended until 31 December 2023;
  - The [list](#) of prohibited goods from certain “unfriendly” states was upgraded. Starting from 1 July 2023, the following goods originating and (or) produced (manufactured) in Lithuania or Poland additionally fall under the ban:
    - 1) beer;
    - 2) other fermented drinks (e.g., cider, pear cider, honey drink), mixtures of fermented drinks and mixtures of fermented and non-alcoholic drinks.
  - The goods in the new list may be classified as prohibited not only by the place of their origin, but also by the place of production or manufacture of such goods;
  - A new exception effective from 1 July 2003 allows to sell prohibited goods in Belarus if they have been confiscated or otherwise seized within the implementation of Resolution No. 700.

## More information:



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