



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

August – September, 2023

Russia's war in Ukraine has prompted an unprecedented reaction of countries all over the world – economic sanctions and other restrictive measures to Russian and Belarusian entities. Lithuanian companies having business or other business relationships in those countries feel the impact of these measures, too. These companies currently encounter various legal issues, such as termination of business or transfer of activities, performance of agreements etc., therefore this newsletter will help you follow the legislation or its amendments important for business in Europe, Lithuania, Ukraine, Russia and Belarus. All of the periodic reviews can be found [here](#).

European Union

- Russia's illegal war of aggression against Ukraine: EU agrees to extend the scope of sanctions on Belarus to fight circumvention
 - 3 August 2023 The Council adopts further targeted [restrictive measures](#) in connection with Russia's illegal invasion of Ukraine and the involvement of Belarus in this aggression.
 - In particular, the new measures bring EU sanctions against Russia and Belarus more into line and help to ensure that Russian sanctions cannot be circumvented through Belarus. The measures extend the export ban to Belarus to include a number of highly sensitive goods and technologies that contribute to the military and technological build-up of Belarus. The Council also imposes an additional export ban on firearms and ammunition, as well as goods and technology suitable for use in the aerospace industry.

- European Commission publishes guidance for EU economic operators to help them understand potential risks of sanctions evasion
 - On 7 September 2023, the European Commission published [guidelines](#) for EU economic operators/businesses on enhanced vigilance to avoid circumvention of economic sanctions against Russia. The purpose of the guidance is to help EU operators identify, assess and understand the potential risks of sanctions evasion and how to avoid them. The purpose of these guidelines is to provide a general overview of what EU operators need to do when conducting due diligence as required under EU law.
- Russian citizens banned from entering the EU with personal smartphones, computers and cars registered in Russia
 - On 10 September 2023, [RBC reported](#) that the EU has banned Russian citizens from entering EU Member States with their cars, whether used for personal or commercial purposes, as well as from bringing personal smartphones, laptops, jewellery and cosmetics. According to the RBC, the list of personal items includes, for example: cosmetics, laptops, mobile phones, leather and fur products, semi-precious and precious stones, toilet paper, shampoos, toothpaste, trailers and semi-trailers for transporting goods, yachts, cameras, etc.

In Lithuania

- A. Armonaitė: Lithuanian companies and organisations will be involved in the reconstruction of Ukraine

- On 7 September 2023, Minister of Economy and Innovation Aušrinė Armonaitė had a long-distance conversation with Ukrainian Minister of Infrastructure Oleksandr Kubrakov. Minister Armonaitė said that in order to make the reconstruction work in Ukraine more efficient, the involvement of Lithuanian companies will be sought.
 - In October, she said, the Ministry plans to present a new catalogue where Lithuanian companies and organisations will find all the necessary information on opportunities to invest and participate in Ukraine's reconstruction. This will provide a platform for organisations from both countries to establish contacts in the fields of investment and reconstruction. It will also provide Lithuanian businesses with all the information they need on public procurement.
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In Ukraine

- Ukraine regulates the registration of foreign branches and representative offices
 - On 11 August 2023, the Parliament of Ukraine adopted the Government Draft Law [No. 4482](#) amending certain Ukrainian legislation regulating the activities of branches and representative offices in Ukraine of a legal entity established under the legislation of a foreign state. The amendments will reform the operation of branches and representative offices and the registration procedures, which are currently carried out by the Ministry of Economy of Ukraine in accordance with a special procedure, which does not provide for the inclusion of branches and/or representative offices of foreign legal entities in the unified state register of legal entities or public organisations.

- Hence, establishing branches and representative offices of foreign companies, financial institutions and NGOs on the territory of Ukraine will require the submission of the following documents to the state registrar:
 - application for state registration of the creation of a separate subdivision (branch or representative office);
 - decision of a foreign legal entity to create a separate subdivision;
 - decision of the National Bank of Ukraine on accreditation – in the case of state registration of a separate subdivision of a foreign bank;
 - document confirming the registration of a foreign legal entity in the country of its location;
 - ownership structure of the foreign legal entity, as well as the document in respect of the ultimate beneficial owner;
 - regulations or other constitutive documents of a separate subdivision;
 - document on the payment of the administrative fee.
- It is established that, in case of insufficient funds to satisfy the creditors' claims, the liquidation commission shall sell the property of the branch or representative office. If the value of such property is insufficient, the creditors shall have the right to satisfy claims at the expense of the property of a foreign legal entity.
- The provisions of the Draft Law mentioned above shall become effective a year after its official publication i.e. from 31 August 2024.

In Russia

- Update. Partial suspension of the Double Tax Treaties with “Unfriendly States”
 - On 8 August 2023, the Russian President signed and published a new Decree [No 585](#) "On Suspension of Certain Provisions of Double Taxation Treaties in the Russian Federation", which affects payments made from Russia to "unfriendly" countries for dividends, interest, royalties, and other types of "passive" income. As of 8 August 2023, entities on [the list of "unfriendly" countries](#) will no longer be eligible for the envisaged favourable tax rates and will instead be subject to standard withholding tax rates, such as a 15% WHT rate on dividends (instead of 5% or 10%).

- A decision was made to soften the terms of payment of dividends to foreigners that support the Russian economy
 - On August 23, 2023, the extracts from the minutes of the meeting of the Sub-commission of the Government Commission for Control over Foreign Investments in the Russian Federation [No. 182/5](#) dated August 09, 2023, were published.
 - The said Extracts No. 182/5 show that the Russian Ministry of Finance and the Bank of Russia have decided to ease the previously established restrictions on payment of dividends to foreign persons provided they make investments in the Russian economy.
 - Under the terms of the Extracts No. 182/5, the payment of dividends (distribution of profits) to foreign persons can be carried out without any restrictions, but its volume may not exceed the amount of investments made by such persons in Russia. In addition, one of the prerequisites for payment of dividends is that foreign creditors make investments in the Russian economy after April 01, 2023, including expansion of production volumes in Russia and development of new technologies.

In Belarus

- From 31 July 2023 Belarus introduces a new procedure for application of special restrictive measures and exclusive jurisdiction of “sanctions” disputes

- On 31 July 2023, Belarusian Law [No 280-Z](#) "On the Application of Special Restrictive Measures" entered into force, which can be applied in response to "unfriendly" actions by foreign states, including those applied as unilateral restrictive measures, as a measure of economic or political coercion, which are not sanctioned by the UN Security Council, or which are "not in conformity with the principles and norms of international law". Special restrictive measures can be imposed both on foreign states and on foreign persons who commit "unfriendly" acts against Belarus, its nationals and organisations.
- The Law provides for special restrictive measures such as, for example, prohibitions or restrictions on the import and sale of certain groups of goods in Belarus, prohibitions or restrictions on the import of works and services into Belarus, etc.
- The special restrictive measures shall be binding on organisations and citizens of Belarus, on foreign organisations subject to Belarusian law, and on foreign citizens and stateless persons temporarily or permanently residing in Belarus.
- On the one hand, these persons may be held liable for non-compliance with the special restrictive measures. On the other hand, they shall be exempted from civil liability for non-performance of contractual and other obligations if such performance is significantly affected by the special restrictive measures.



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