

# Philanthropy Environment Changes in Ukraine: GPEI and 2022 State of War

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March 30, 2022

With addendum April 7, 2022

# PHILANTHROPIC ORGANIZATIONS' FORMATION / REGISTRATION

## **GPEI (2018-2020)**

- Philanthropic organizations' (POs) incorporation is free (fee for further registration deeds is \$7) within 1-3 days
- Corporate register and register of administrative services are publicly available online
- Delays and denials can be appealed at administrative courts
- PO may have any legitimate purposes for public and/or membership benefit, with few exceptions (e.g., violations against human rights, national security, hate crimes)

## **2022 (state of war period)**

- Online registration is available only (persons shall have digital signatures)
- Corporate register and register of administrative services are not available publicly
- Administrative courts do not review delays and denials in registration or PO prohibition by military authorities
- Registration deeds are allowed for PO and other private legal entities, only if their purpose is supporting national security and defense, and/or persons affected by the warfare

# PHILANTHROPIC ORGANIZATIONS' OPERATION / DISSOLUTION

## **GPEI (2018-2020)**

- PO may change their structure and governance without any government approval
- Final beneficiary owners of PO shall be disclosed in Corporate register until October 2021 (later, until July 2022)
- No laws on lobbying, foreign agents and extremist activities are in effect
- PO may collaborate with other sectors in Ukraine and abroad
- PO may be subject to involuntary dissolution under few legal grounds

## **2022 (state of war period)**

- Administrative services and court claims against delays and denials in such services are restricted (see above)
- Operational restrictions are in effect under the law of siege (e.g., public assemblies, seizure of assets, curfew)
- Administrative courts do not review PO prohibition or dissolution by military authorities
- Bankruptcy procedures and administrative sanctions are suspended

# DOMESTIC TAX AND FISCAL ISSUES

## **GPEI (2018-2020)**

- Individual donations in cash or in kind for any statutory PO activities are deductible up to 4% of annual taxable income
- Corporate donations in cash or in kind are deductible up to 4% of the taxable income of the previous fiscal year (up to 8% for specific sport activities)
- Individual and corporate donations to PO related to CORONA-19 are deductible in full without limitations
- PO filed into the Register of non-profits is exempt from corporate income tax (18%) for their income in full

## **2022 (state of war period)**

- Donations in kind to national security and defense are exempt from value added tax (VAT) in full
- Standard VAT rate (20%) was changed to reduced rate (7%) on some food, fuel, drugs and housing
- Companies having annual income up to 10 bln. UAH (\$300 mln.) may pay 2% turnover tax, however, without any tax exemptions within the state of war period
- Tax reports may be submitted within 90 days after the state of war period

# CROSS-BORDER DONATIONS

## **GPEI (2018-2020)**

- Receiving donations in cash or grants is tax exempt in full, no prior government approvals required
- Voluntary foreign currency exchange
- PO are subject to financial monitoring
- Humanitarian aid is tax exempt in full, but approval procedure by Ministry for social policy is time consuming
- Sending donations abroad is limited (200K EUR for individuals, 2000K EUR for companies) and subject to financial monitoring (\$15K or more)

## **2022 (state of war period)**

- Imports of all items recognized to be humanitarian aid with none customs duties under PO declarations from March 07, 2022
- Humanitarian aid does not require any government approval for 600+ items
- PO and other persons may not buy foreign currency (thus, donations and other transmittances are possible for PO having foreign currencies on its accounts)
- National Bank and other banks apply stricter financial monitoring procedures

# POLITICAL ENVIRONMENT FOR PHILANTHROPY

## **GPEI (2018-2020)**

- PO are extensively involved in public consultations, advisory bodies and other forms on public participation in decision making at national and local levels
- PO may take part in public procurement, social services procurement, compete for government project grants and/or grants local participation budgets (based on community voting procedures)
- PO have no specific preferences in public procurement, leasing public premises, but may use tax exemptions from local taxes

## **2022 (state of war period)**

- Public participation procedures are restricted under the law on siege (e.g., public assemblies and consultations are not hold, curfews)
- Special budget/procurement procedures
- Government grants are frozen
- Government subsidies for CORONA-19 vaccination and for lost income in war affected regions can be donated to PO
- Government is active in social advertising, promotion of donations and volunteering, and PO recognition

# SOCIO-CULTURAL ENVIRONMENT FOR PHILANTHROPY

## **GPEI (2018-2020)**

- Ukraine had 101st position in the World Giving Index in 2020 and 20th the pandemic special report in 2021 due to active involvement of PO and their donors in combating COVID-19
- Government approved the new National strategy for enabling civil society for 2021-2026
- However, PO, business and government coordination is not sustainable yet
- The media are rather neutral to PO activities, except corporate foundations

## **2022 (state of war period)**

- PO focus on the humanitarian assistance (in particular, to the displaced persons, refugees, health care and social services facilities)
- Saving animals and cultural heritage are also among the priorities
- A number of PO is involved in support of auxiliary ammunition supply and other assistance to the national security and defense
- The media are active in PO activities coverage and their recognition

# ECONOMIC ENVIRONMENT FOR PHILANTHROPY

## **GPEI (2018-2020)**

- Ukrainian GDP dropped due to COVID-19 (-4.6% in 2020, 3.2% in 2021)
- Ukraine is 127th in the Index of Economic Freedom (last in Europe)
- Unemployment rose, also due to less foreign trade, migration and direct investments
- Quarantine restrictions promoted online activities, volunteering and neighborhood community initiatives
- Government tax and financial support for small businesses and donors combating COVID-19

## **2022 (state of war period)**

- Ukrainian GDP dropped drastically (IMF expects -10-35% in the end of 2022 FY)
- 3.8 mln. people or nearly 10% of the total population left the country, mostly to the EU, and seek for status of refugees or temporary protection there
- Reportedly, 8 mln. people are displaced within Ukraine (at least, 6.7 mln. new)
- Housing and public infrastructure (e.g., power plants, transportation, hospitals) are heavily damaged by AMD in nearly all regions
- Local businesses face labor shortage



# Addendum: Resources for updates on humanitarian aid regulations

- Border Guard: <https://www.facebook.com/DPSUkraine>
- Cabinet of Ministers: <https://www.facebook.com/Kabmin.UA>
- President's Office: <https://www.facebook.com/president.gov.ua>
- State Emergency Service: <https://www.facebook.com/MNS.GOV.UA>
- Centre for Strategic Communications:  
<https://www.facebook.com/StratcomCentreUA>