

**Comparative table of proposals to the Draft Law «On amendments to certain laws due to unbundling of natural gas transmission activity» and provisions of the current legislation**

<b>Draft Law</b>	<b>Comparison of proposed amendments and current provisions</b>	<b>Explanation</b>
<p>1. In the Commercial Code of Ukraine (Verkhovna Rada of Ukraine Bulletin, № 18, № 19-20, № 21-22, p. 144, with further amendments):</p>		
<p>1) in the third part of Article 89, add the following as the second paragraph:  <b>“The financial plans of the gas and electricity transmission system operator and the business entity that owns the corporate rights in the gas or electricity transmission system operators shall not be approved in accordance with Article 75 of this Code. The gas and electricity transmission system operators carry out activities on transmission, prepare, financial plans, network development plans and/or other planning documents for approval by the energy regulatory authority, and executes them in accordance with the procedure established by the Law of Ukraine "On the Natural Gas Market" or the Law of Ukraine “on the Electricity Market” without interference by the state.”</b></p>	<p>Article 89. Business entity management  .....  3. If a business entity, that has an authorized capital where more than 50 percent of shares (equities) are directly or indirectly owned by the state, is obliged for each subsequent year to prepare and execute the annual financial plan in accordance with Article 75 of this Code.</p> <p><b>The financial plans of the gas and electricity transmission system operator and the business entity that owns the corporate rights in the gas or electricity transmission system operators shall not be approved in accordance with Article 75 of this Code. The gas and electricity transmission system operators carry out activities on transmission, prepare financial plans, network development plans and/or other planning documents for approval by the energy regulatory authority, and executes them in accordance with the procedure established by the Law of Ukraine "On the Natural Gas Market" or the Law of Ukraine “on the Electricity Market” without interference by the state.</b></p>	<p>The transfer of 100% of the shares of a new operator to an enterprise whose 100% of the shares are state-owned (indication of an indirect control) will extend Articles 75 and 89 of the Civil Code of Ukraine to the new gas transmission system operator (TSO).</p> <p>In accordance with subpara “p” of para 18 of part 2 of Article 5 of the Law of Ukraine “On Management of State Property Objects”, the Cabinet of Ministers of Ukraine, by managing the state property objects, determines the procedure for undertaking expenditures by the business entities of the public sector of the economy in case of annual financial plans non-approval (disagreement) in accordance with established procedure.</p> <p>To date, the Decree of the Cabinet of Ministers of Ukraine No. 899 of 3 October 2012 does not apply to PJSC “Main Gas Pipelines of Ukraine” and legal entities where PJSC “Main Gas Pipelines of Ukraine” is a shareholder (founder, participant).</p> <p>By Order of the Ministry of Economic Development of Ukraine No 1070 of 31 July 2018, the procedure for drafting, approving and controlling the fulfillment of the financial plan of</p>

		<p>the business entity of the public sector of the economy is actually extended to enterprises, where 50 percent of shares (equities) are directly or indirectly owned by the state.</p> <p>Thus, in order to eliminate any doubt about the possibility of using such a mechanism as a means of controlling the operator's activity and to avoid the possibility of adopting by CMU of a new similar regulation (amending an existing one), which will extend its effect to the operator, it is necessary to establish a clear guarantee of independence within legislation.</p>
<p>2) to add part 5 to Article 133 that reads as follows:</p> <p><b>"5. In cases provided by the Law of Ukraine «On Pipeline Transport», the state, through state authorities, may transfer state-owned property into economic management right of undertakings of nonpublic sector based on the agreement, between relevant state authority and undertaking of the nonpublic sector".</b></p>	<p>Article 133. The legal status of the property of business entities</p> <p>.....</p> <p>1. The Basis of legal status of property of business entities on which their economic activity is based shall be property right and other proprietary rights – right of economic management and right of operational management.</p> <p>Business activity can be carried out on the basis of other proprietary rights (right to own property, right of property disposal etc.) provisioned by the Civil Code of Ukraine.</p> <p>2. Property of business entities can be regulated on the basis of another right pursuant to terms and conditions of the agreement with property owner.</p> <p>4. The state shall ensure equal protection of property rights of all business entities.</p> <p><b>5. In cases provided by the Law of Ukraine «On Pipeline Transport», the state, through state authorities, may transfer state-owned property into economic management right of undertakings of nonpublic sector based on the agreement, between relevant state authority and undertaking of the nonpublic sector.</b></p>	<p>To provide CMU or another ministry the possibility to transfer state owned assets (GTS) to commercial management of GTSO.</p>

<p>3) add to the article 136 parts 4 and 5 which read as follows:</p> <p><b>“4. The gas and electricity transmission system operators to which the state-owned property is transferred under the right of economic management shall be fully independent in deciding on the use, operation, maintenance, planning and development of such state-owned property, and its financing in accordance with the Law of Ukraine "On the Natural Gas Market" and the Law of Ukraine "On the Electricity Market".</b></p> <p><b>5.The owner of the property shall consent to financing the investments approved by the energy regulatory authority and decided by the transmission system operator to which the property is transferred under the economic management right by this operator or any interested party.”</b></p>	<p>Article 136. Right of economic management</p> <p>1. The right of economic management is a property right of the enterprise that owns, uses and disposes the property assigned to it by the owner (his authorized body), with the limitation of the authority to dispose certain types of property with the consent of the owner in cases provided by this Code and others laws.</p> <p>2. The owner of the property, fixed on the right of economic management to the enterprise, shall exercise control over the use and maintenance of the property belonging to him directly or through his authorized body, without interfering with the business operations of the enterprise.</p> <p>3. The provisions of the law established to protect property rights shall apply to the protection of the right to economic management. An enterprise that conducts business activities on the basis of a right to economic management has the right to protect its property rights from the owner as well.</p> <p><b>4. The gas and electricity transmission system operators to which the state-owned property is transferred under the right of economic management shall be fully independent in deciding on the use, operation, maintenance, planning and development of such state-owned property, and its financing in accordance with the Law of Ukraine "On the Natural Gas Market" and the Law of Ukraine "On the Electricity Market".</b></p> <p><b>5. The owner of the property shall consent to financing the investments approved by the energy regulatory authority and decided by the transmission system operator to which the property is transferred</b></p>	<p>The owner of the property, transferred to the operator under the right of economic management, has the right to control the use and maintenance of such property in accordance with the requirements of special laws, in particular, the Law of Ukraine "On the Natural Gas Market" regarding the peculiarities of the exercise of state ownership of the gas transmission system of Ukraine.</p> <p>The information on the proposal to amend such legislation of Ukraine in 2017 is at the disposal of the Energy Community Secretariat, so it will be necessary to explain the reasons for not including the previously discussed amendments and to demonstrate that their absence will not adversely affect the independence of the operator. In this case, the owner's control in case of GTS provision will not be unconditional and must be carried out in accordance with the law "On the Natural Gas Market"</p>
--	--	---

	<b>under the economic management right by this operator or any interested party.</b>	
<p>5) to add parts 8 and 9 to Article 141 that reads as follows:</p> <p>“8. For the purpose and for the fulfillment of the obligations undertaken by Ukraine in accordance with the Law of Ukraine "On Ratification of the Protocol on the Accession of Ukraine to the Treaty Establishing the Energy Community", state-owned objects used in the course of electricity and natural gas transmission and storage activities, on the basis of the decision of the Cabinet of Ministers of Ukraine and the relevant agreement, may be assigned under the right of economic management to a business entity which corporate rights are owned exclusively by the state or a business entity 100 percent of the corporate rights of which belong to the state, or entity whose 100 percent of corporate rights belong to the state, that owns at least 51 percent of the corporate rights of such business entity.</p> <p>9. Business entity, referred to in paragraph eight of this Article, shall be entitled to reimbursement of the costs incurred by the investments approved by the energy regulatory authority, via tariffs for transmission services and/or storage services, where applicable. New fixed assets, developed in the aforementioned investment process and used in the performing natural gas transmission activities through main gas pipelines and/or storage activities and constituting an integral part of stated owned property, remain state-owned.</p>	<p>Article 141. Features of the legal regime of state property in the field of business activities</p> <p>1. The state property in the field of business activities includes integral property complexes of state enterprises or their structural subdivisions, real estate, other separate individually defined property of state enterprises, shares (equities) of the state in property of business entities of different forms of ownership, as well as property assigned to government agencies and organizations for the purpose of carrying out the necessary business activities as well as property transferred for free use to self-government institutions and organizations or leased in order to use it in business activity. The state, through the authorized bodies of state power, exercises the owner rights also to the objects of property rights of the Ukrainian people, referred to in part one of Article 148 of this Code.</p> <p>2. The management of state property objects in accordance with the law shall be carried out by the Cabinet of Ministers of Ukraine and, authorized by the Cabinet of Ministers of Ukraine central and local executive authorities. In the cases provided for by law, the state property management is also exercised by other entities.</p> <p>3. The Cabinet of Ministers of Ukraine shall establish a list of state property, which shall be transferred free of charge to the ownership of the respective territorial communities (communal property). The transfer of objects of business purpose from the state property to the communal property is carried out in accordance with the procedure established by the law.</p>	<p>In order to enable the new operator to use state property on the basis of the right of economic management regardless of any further changes in its management structure, including, in connection with the involvement of a foreign partner, it is necessary to make appropriate amendments to the provisions establishing the state property regime in the field of business activities with an emphasize on making such amendments.</p>

4. Enterprises carrying out activities that are allowed to be performed exclusively by state-owned enterprises, institutions and organizations can not be objects of transfer from state property to communal property.

5. Types of property that can be exclusively state-owned, the alienation of which is not allowed to non-state business entities, as well as additional restrictions on the disposal of certain types of property that belong to the fixed assets of state-owned enterprises, institutions and organizations, are determined by law.

6. The alienation by the business entity of state property belonging to the fixed assets shall be carried out in line with the procedure established by the Cabinet of Ministers of Ukraine. The sale of state-owned property belonging to the fixed assets is made only on a competitive basis.

7. Property belonging to the fixed assets of state-owned enterprises that is not subject to privatization can not be a contribution to the joint activity.

**8. For the purpose and for the fulfillment of the obligations undertaken by Ukraine in accordance with the Law of Ukraine "On Ratification of the Protocol on the Accession of Ukraine to the Treaty Establishing the Energy Community", state-owned objects used in the course of electricity and natural gas transmission and storage activities, on the basis of the decision of the Cabinet of Ministers of Ukraine and the relevant agreement, may be assigned under the right of economic management to a business entity which corporate rights are owned exclusively by the state or a business entity 100 percent of the corporate rights of which belong to the state, or entity whose 100 percent of corporate rights belong to the state, that owns at least 51 percent of the corporate rights of such business entity.**

	<p><b>9. Business entity, referred to in paragraph eight of this Article, shall be entitled to reimbursement of the costs incurred by the investments approved by the energy regulatory authority, via tariffs for transmission services and/or storage services. New fixed assets, developed in the aforementioned investment process and used in the performing natural gas transmission activities through main gas pipelines and/or storage activities and constituting an integral part of stated owned property, remain state-owned.</b></p>	
<p>2. In the Land Code of Ukraine (Bulletin of the Verkhovna Rada of Ukraine, 2002, No. 3-4, p. 27, as amended):</p>		
<p>1) The second part of Article 92 shall be supplemented by the following paragraph (g): "g) gas transmission system operator"</p>	<p>Article 92. Right to permanent use of the land plot</p> <p>1. The right to permanent use of a land plot is the right to own and use a land that is in state or communal ownership, without a time limit.</p> <p>2. The rights to permanent use of land of state and communal property shall be acquired by:</p> <p>a) enterprises, institutions and organizations belonging to state and communal property;</p> <p>b) public organizations of persons with disabilities of Ukraine, their enterprises (associations), institutions and organizations;</p> <p>c) religious organizations of Ukraine whose statutes (regulations) are registered in accordance with the procedure established by law, solely for the construction and maintenance of religious and other buildings necessary for their activity;</p> <p>d) a public joint stock company of public railway system, established in accordance with the Law of Ukraine "On features of formation of a public joint stock company of public railway system ";</p>	<p>Current operator uses the state property land plots on the basis of the right to permanent use, that was established on the of provisions of Land Code 1990 (repealed). However, provisions of current Land Code do not provide possibility of granting on the basis of the right to permanent use the same land plots to new non-state-owned operator. Therefore, there is a need to supplement the existing list of entities of the specified real right with the new operator.</p>

	<p>e) educational institutions, regardless of ownership;</p> <p>f) co-owners of an apartment building to service such a home and to meet the residential, social and household needs of owners (co-owners) and tenants (tenants) of apartments and non-residential premises located in an apartment building.</p> <p><b>g) gas transmission system operator.</b></p>	
<p>2) In part nine of Article 149, after the words “in accordance with the Law of Ukraine “On features of formation of a public joint stock company of public railway system”, to supplement with the words: “and land plots, on which GTS objects are located, that are transferred to a business entity on the basis of economic management right in connection with the natural gas transportation activity unbundling”.</p>	<p>Article 149. Procedure for Seizure of Land Plots</p> <p>...</p> <p>9. The Cabinet of Ministers of Ukraine seizes state-owned land which are at right to permanent use, - arable land, perennial crops for non-agricultural purposes, forests for non-agricultural needs, as well as land plots for environmental, health-improving, recreational purposes and public railway system business entities for use in connection with their reorganization by merger during the formation of a public joint stock company of public railway system in accordance with the Law of Ukraine "On features of formation of a public joint stock company of public railway system" <b>and land plots, on which GTS objects are located, that are transferred to a business entity on the basis of economic management right in connection with the natural gas transportation activity unbundling</b>, except in the cases specified in parts 5 - 8 of this Article and in the cases specified in Article 150 of this Code.</p>	<p>Paragraph b of Part 1 of Article 141 of the Land Code of Ukraine provides one of the grounds for termination of the right to use the land plot to seize the land plot in the cases provided for by this Code. The procedure for seizure and CMU powers is determined by Article 149 of this Code, but it does not contain a case of natural gas transportation activity unbundling.</p> <p>Amendments to this provision allow to ensure the simultaneous transfer of the real rights to the GTS objects (on the economic management right) to the new operator and termination of the JSC Ukrtransgaz right to permanent use of the plots under such objects by the same decision.</p> <p>This will ensure that there will be no cases when the property (land plots) required for natural gas transportation activities will continue to be owned and used by Ukrtransgaz JSC.</p>
<p>3. In the Law of Ukraine «On Pipeline Transport» (Verkhovna Rada of Ukraine Bulletin, 1996, N 29, p. 139)</p>		
<p>1) in the first sentence of part 6 of Article 7</p> <p>a) after the words "alienation of fixed assets", add the words and character ", which are objects of state property"</p> <p>b) after the words and character "as well as fixed assets" add with words and characters ", which are state property objects,"</p>	<p>Article 7. Pipeline transport as a property object</p> <p>...</p> <p>Alienation of fixed assets, <b>which are objects of state property</b>, shares and equities in the charter capital of state enterprises, carrying out activities on transmission through main pipelines and storage in underground gas storage facilities, as well as enterprises, institutions, organizations formed as a result of their reorganization, transfer from balance to balance, in concession, renting, leasing, pledge, management, to charter capital of other legal entities,</p>	<p>In its current version, Article 6 applies to all major assets of JSC Ukrtransgaz, including those that are not state-owned. In such circumstances, there is a prohibition on the alienation in any way to the new operator of private property that will be used in the course of natural gas transmission activities.</p>

	<p>committing other transactions that may lead to the alienation of fixed assets, shares and equities in the charter capital of these enterprises, as well as fixed assets, <b>which are state property objects</b> and shares of Naftogaz of Ukraine, subsidiaries and companies established by it, shall be prohibited, unless the result of such actions is: transfer of fixed assets shares and equities in the charter capital of such enterprises exclusively to a budget institution, a state enterprise or a joint stock company, which 100 percent shares are state-owned by Ukraine; establishment of state-owned enterprises or joint stock companies, 100 percent of the shares and equities in the charter capital of which are state-owned by Ukraine.</p> <p>...</p>	
<p>2) in part 7 of Article 7, replace the words and character ", within the structure of main pipeline networks and underground gas storage facilities" with the words "and shall be used in the process of carrying out natural gas transmission activities through main gas pipelines and storage in underground gas storage facilities", and after the words "on a fee and time period defined basis" to add the words "or on the basis of a right of economic management".</p>	<p>...</p> <p>Part 6 of this Article shall not apply to the transfer of state-owned property <del>within the structure of main pipeline networks and underground gas storage facilities used in the process of carrying out natural gas transmission activities through main gas pipelines and storage in underground gas storage facilities</del> into management and/or concession or leasing on a fee and time period defined basis <b>or on the basis of a right of economic management</b> without the right of alienation for performing the functions of the operator of the Single Gas Transmission System of Ukraine. The said transfer of property shall be carried out solely for the purpose and for the fulfillment of the obligations undertaken by Ukraine in accordance with the Law of Ukraine "On Ratification of the Protocol on the Accession of Ukraine to the Treaty Establishing the Energy Community" (2787-17) on the basis of the agreement and on the terms approved by the Cabinet of Ministers of Ukraine, taking into account the principles of maintaining the economic security of the state. For the purpose of performing the functions of a gas storage operator, only gas storage facilities (one or several) may be transferred under the conditions set out in this Article.</p>	<p>The amendments eliminate the existing terminological inconsistency, which creates problems for justifying the transfer of state property used in the process of carrying out transmission activities, but may not fall under the concept of "main gas pipeline networks" not defined in the current legislation.</p>

<p>3) In the first sentence of part one of Article 14, the words and character "and is approved by the bodies managing the property of these enterprises." replace with words and characters "in the order determined by their charter documents." 4) Delete the second sentence of part 1 of Article 14 (1)</p>	<p>Article 14. Organizational structure of enterprises, institutions and organizations of pipeline transport</p> <p>The organizational structure of enterprises, institutions and organizations of pipeline transport depends on the tasks assigned to them, and is determined by the enterprises, institutions and organizations themselves <del>and is approved by the bodies managing the property of these enterprises. These bodies are determined by the Cabinet of Ministers of Ukraine.</del></p>	<p>In the current version of the Law of Ukraine "On Pipeline Transport" reference to Ukraine's implementation of international obligations in this area is available only in the part of the transfer of property (Article 7), whereas in the part of managing such enterprises there are outdated rules that have not changed after the adoption of the Law of Ukraine "On the Natural Gas Market".</p>
<p>4. In the Law of Ukraine «On the Management of the State Owned Objects» (Verkhovna Rada of Ukraine Bulletin, 2006 p., № 46, p. 456, with further amendments):</p>		
<p>1) In Article 3: a) Add to the first part a new eight paragraph that reads as follows: "state-owned property granted to an entity on the basis of the right of economic management in accordance with the law;" b) Due to this addition, paragraphs 8 and 9 of part 1 shall be considered as paragraphs 9 and 10, respectively.</p>	<p>Article 3. State Property Management Objects</p> <p>1. The state property management objects are: property transferred to fiscal enterprises<sup>1</sup> for operational management; property transferred to state-owned commercial enterprises (hereinafter referred to as state-owned enterprises), institutions and organizations; property transferred to state economic associations; corporate rights belonging to the state in the charter capital of economic organizations (hereinafter - corporate rights of the state); state property that provides for the activity of the President of Ukraine, the Verkhovna Rada of Ukraine and the Cabinet of Ministers of Ukraine; state property leased out, rented out, or transferred into concession; state property that is on the balance sheet of business organizations and is not included in their charter capital or left after the liquidation of enterprises and organizations; <b>state-owned property granted to an entity on the basis of the right of economic management in accordance with the law;</b></p>	<p>Amendments to the Economic Code for the granting of state property not only to state-owned commercial enterprises (which are under the complete control of the state), but also to enterprises for which the state exercises indirect control, require appropriate amendments in a special law that defines the legal basis for managing state-owned objects.</p>

<sup>1</sup> public enterprise for operational management of public property

	<p>state property transferred for indefinite free use to the National Academy of Sciences of Ukraine, sectoral academies of sciences; abandoned and confiscated property that is transferred to state property by court decision.</p>	
<p>2) Add a new paragraph two to part 1 of Article 4 that reads as follows: “For the purpose and for the fulfillment of the obligations undertaken by Ukraine in accordance with the Law of Ukraine "On Ratification of the Protocol on the Accession of Ukraine to the Treaty Establishing the Energy Community", the management entity of state-owned objects used in the course of electricity and natural gas transmission and storage activities, may be an authorized ministry or business entity which corporate rights are owned exclusively by the state or a business entity 100 percent of the corporate rights of which belong to the state, or entity whose 100 percent of corporate rights belong to the state, that owns at least 51 percent of the corporate rights of such operator. The conditions for managing state property objects are approved by the Cabinet of Ministers of Ukraine and are defined in the relevant agreement. Any other entity managing state-owned objects, including the Cabinet of Ministers of Ukraine, cannot have the authorities over state-owned objects transferred under such conditions.”</p>	<p>Article 4. Management entities of state-owned objects</p> <p>1. Management entities of state-owned objects are: The Cabinet of Ministers of Ukraine; the central body of executive power, which ensures the formation and implementation of state policy in the field of management of state property objects; ministries, other executive bodies and state collegial bodies (hereinafter - authorized management bodies); State Property Fund of Ukraine; bodies providing the activities of the President of Ukraine, the Verkhovna Rada of Ukraine and the Cabinet of Ministers of Ukraine; bodies that manage state property in accordance with the powers defined by separate laws; state economic associations, state holding companies, other state economic organizations (hereinafter referred to as economic structures); National Academy of Sciences of Ukraine, sectoral academies of sciences.</p> <p><b>For the purpose and for the fulfillment of the obligations undertaken by Ukraine in accordance with the Law of Ukraine "On Ratification of the Protocol on the Accession of Ukraine to the Treaty Establishing the Energy Community", the management entity of state-owned objects used in the course of electricity and natural gas transmission and storage activities, may be an authorized ministry or business entity which corporate rights are owned exclusively by the state or a business entity 100 percent of the corporate rights of</b></p>	<p>The amendments will extend the powers of the new operator as quasi-owner of the GTS facilities. In this case, the addition of a new entity requires a detailed determination in the decision of the CMU and the agreement of those powers of the management entities of state-owned objects that will be provided to the operator. The choice of such powers may be exercised from the options provided for in Articles 6 and 9 of this Law. In this case, the operator within the meaning of the law is neither a management body nor an economic structure. In case of the combination of the powers of such entities, the final scope of its rights shall provide the amount of rights required for certification under the chosen model.</p>

	<p><b>which belong to the state, or entity whose 100 percent of corporate rights belong to the state, that owns at least 51 percent of the corporate rights of such operator. The conditions for managing state property objects are approved by the Cabinet of Ministers of Ukraine and are defined in the relevant agreement. Any other entity managing state-owned objects, including the Cabinet of Ministers of Ukraine, cannot have the authorities over state-owned objects transferred under such conditions.</b></p>	
<p>3) add new paragraph 4 to part 3 of Article 11 that reads as follows:</p> <p>“The management of the corporate rights of the state, as well as the establishment of management bodies in the business entities operating in the field of natural gas transmission or in the business entities having the corporate rights in such business entities, shall be carried out in accordance with the requirements set by law for the unbundling and independence of such business entities.”</p>	<p>Article 11. Features of management and restrictions on disposal of state property objects</p> <p>...</p> <p>3. The management entities of state-owned objects exercise the corporate rights management of the state in the business entities, the management functions of which they exercise, and the state unitary enterprises by the appointment of state representatives for participation in the general meeting of business entities and by the appointment (election) of state representatives and independent members of the supervisory boards of state unitary enterprises and business associations whose sole shareholder (participant) is the state. If the state is not the sole shareholder (participant) of a business company, the respective entity managing the state-owned objects shall ensure that the nominations of members of the supervisory board are submitted to the general meeting of shareholders (participants).</p> <p>The state representative (a member of the supervisory board) at a general meeting and supervisory boards meetings, makes decisions independently on the agenda, except in cases provided for by this law.</p> <p>Voting at a general meeting on matters of significant economic obligations, which as the subject have property, works or services, the market value of which is 25 percent or more of the value of the assets of a business entity whose shareholder (participant) is the state, according to the latest</p>	<p>For the purposes of successful certification, there is a need for further clarification of the state rights management in the operator and the entities subject to its control, in accordance with the requirements for unbundling and independence of the operator.</p>

	<p>annual financial statements of this business entity is carried out by a representative of the state at a general meeting solely on the basis of a power of attorney with the task of voting on this issue, issued by the management entity of state owned objects.</p> <p><b>The management of the corporate rights of the state, as well as the establishment of management bodies in the business entities operating in the field of electricity and natural gas transmission or in the business entities having the corporate rights in such business entities, shall be carried out in accordance with the requirements set by the laws for the unbundling and independence of such business entities.</b></p> <p>...</p>	
<p>5. In Article 15 of the Law of Ukraine “On Licensing of Economic Activities” (Verkhovna Rada of Ukraine, 2015, No. 23, p.158):</p>		
<p>1) in Article 15: a) add new item to paragraph four as follows: “If the state-owned objects used by the licensee in the course of conduction of the licensed economic activity are transferred by the authorized management authority of state-owned objects based on the economic management right to another economic entity, and such entity pursues the type of economic activity, to which the licensee was licensed and was certified by the competent authorities in line with the laws for the unbundling and independence of such economic entities such economic entity has the right to carry out in the period not exceeding one year, such type of economic activity on the basis of a license previously issued, to ensure the completion of organizational arrangements for obtaining the new license. After this period, the economic entity, which is using state-owned objects, necessary for conducting licensed economic activity, the previously issued license is to be revoked”.</p>	<p>4. In case if the licensee cease to exist as a result of the merger, acquisition or reorganization and his successor intends to pursue economic activity to which the licensee was licensed, to ensure the completion of organizational arrangements for obtaining the new license, such successor has the right to carry out in the period not exceeding three months, such type of economic activity on the basis of a license previously issued. After this period, the successor is obliged to obtain a new license and the previously issued license is to be revoked.</p> <p><b>If the state-owned objects used by the licensee in the course of conduction of the licensed economic activity are transferred by the authorized management authority of state-owned objects based on the economic management right to another economic entity, and such entity pursues the type of economic activity, to which the licensee was licensed and was certified by the competent authorities in line with the laws for the</b></p>	<p>It is proposed to set a period within which a new operator must obtain the appropriate license, taking into account practical and legal requirements of the previous procedures (for example, certification procedure for GTS operator takes up to 6 months). The amendment applies only in cases when state property is transferred by authorized management authority, and thus will not allow private licensees to abuse the right to transfer the existing license to other legal entities.</p>

	<p><b>unbundling and independence of such economic entities such economic entity has the right to carry out in the period not exceeding one year, such type of economic activity on the basis of a license previously issued, to ensure the completion of organizational arrangements for obtaining the new license. After this period, the economic entity, which is using state-owned objects, necessary for conducting licensed economic activity, the previously issued license is to be revoked.</b></p>	
<p>b) in the first and second sentences of the sixth paragraph after the word “successor”, add the words and signs “or economic entity intending to pursue the economic activity certified by the competent authorities in line with the laws for the unbundling and independence of economic entities, to which licensee was licensed ”;</p>	<p>6. A successor <b>or economic entity intending to pursue the economic activity certified by the competent authorities in line with the laws for the unbundling and independence of economic entities, to which licensee was licensed</b> shall notify the relevant licensing authority of the commencement of its certified economic activity. During the period set forth in paragraphs 4 and 5 of this Article, the successor <b>or economic entity intending to pursue the economic activity certified by the competent authorities in line with the laws for the unbundling and independence of economic entities, to which licensee was licensed shall be</b> considered as a licensee.</p>	<p>The proposed amendments will allow the new operator to provide natural gas transmission services under paragraph six of this Article and have the status of a licensee before undergoing its own licensing procedure.</p>
<p>6. In the Law of Ukraine "On the Permitting System in the Field of Economic Activity" (Verkhovna Rada of Ukraine (BBR), 2005, No. 48, Art. 483), supplement paragraph 13 of Article 4<sup>1</sup> with a new sentence as follows:</p> <p><b>“This provision shall also apply in cases where the property or part of the property which is the object of state ownership and the presence of which is associated with the issuance of permits is transferred to another economic entity by decision of the authorized management authority of state property objects based on a legal title as defined by law. ”</b></p>	<p>Article 4<sup>1</sup>. Basic requirements to the procedure for issuance of permitting documents or refusal to its issuance, reissuance, cancellation of permitting documents ...</p> <p>13. In the cases specified by law, the successor of the economic entity has the right to carry out activities on the basis of permitting documents issued to such economic entity, within the period of its validity prior to the issuance of permitting documents to the successor of such economic entity. <b>This provision shall also apply in cases where the property or part of the property which is the object of state ownership and the presence of which is associated with the issuance of permits is transferred to another economic entity by decision of the authorized</b></p>	<p>By analogy to the amendments proposed in the draft law to the Law of Ukraine "On Licensing of Economic Activities" we propose amendments to the Law of Ukraine "On the Permitting System in the Field of Economic Activity".</p>

	<p><b>management authority of state property objects based on a legal title as defined by law.</b></p> <p>...</p>	
7. In the Law of Ukraine "On the Cabinet of Ministers of Ukraine" (Verkhovna Rada of Ukraine (BBR), 2014, No. 13, Art. 222)		
1) Supplement paragraph six of Article 21 with the following new sentences: "The indicated powers of the Cabinet of Ministers of Ukraine do not extend to decisions of the ministries and other central executive bodies issued by them in the course of exercising managing powers regarding corporate rights belonging to the state in the share capital of economic entities operating on the basis of a license to conduct natural gas transmission activity, as well as legal entities possessing corporate rights in such entities."	<p>Article 21. Powers of the Cabinet of Ministers of Ukraine in relations with ministries and other central executive bodies</p> <p>...</p> <p>6. The Cabinet of Ministers of Ukraine may repeal the acts of ministries and other central executive bodies in whole or in part. <b>The indicated powers of the Cabinet of Ministers of Ukraine do not extend to decisions of the ministries and other central executive bodies issued by them in the course of exercising managing powers regarding corporate rights belonging to the state in the share capital of economic entities operating on the basis of a license to conduct electricity or natural gas transmission activity, as well as legal entities possessing corporate rights in such entities.</b></p>	The changes are necessary to eliminate the doubts of the certification body regarding the right of the Prime Minister or the Cabinet of Ministers of Ukraine to influence the decisions of the ministries in the process of managing the corporate rights of the state in the gas transmission system operator and accordingly to indirectly control the producers/suppliers of electricity or natural gas.
2) The third paragraph of Article 24 shall be supplemented with the following new paragraph: "The Cabinet of Ministers of Ukraine, the Prime Minister or any ministry exercising control over production or supply activities in the electricity or gas sector, shall not coordinate, control or be involved in the activities of economic entities operating electricity and natural gas transmission activities, nor the appointment of members of the governance bodies of such operators."	<p>Article 24. Powers of the Cabinet of Ministers of Ukraine in relations with state economic associations, enterprises, institutions and Organizations</p> <p>...</p> <p>3. The Cabinet of Ministers of Ukraine shall, in accordance with the legislation, coordinate and control the activities of the specified state economic associations, enterprises, institutions and organizations.</p> <p><b>The Cabinet of Ministers of Ukraine, the Prime Minister or any ministry exercising control over production or supply activities in the electricity or gas sector, shall not coordinate, control or be involved in the activities of economic entities operating electricity and natural gas transmission activities, nor the appointment of members of the governance bodies of such operators.</b></p>	It is necessary to clarify that the government's control over certain entities will be carried out in accordance with the requirements for unbundling and independence of the operator. Also, this change is consistent with the changes to Article 14 of the Law of Ukraine "On Pipeline Transport".

<p>3) Amend Article 44 with new paragraphs three and four as follows:  «3. The Minister of Ukraine, who heads the ministry exercising direct or indirect control over economic entities conducting electricity or gas transmission activity, has the power of exclusively managing corporate rights owned by the State in such economic entities or organizations owning corporate rights in respect of such entities. This right shall not extend to management and allocation of transmission capacities nor investment planning, which shall be the prerogative of the economic entities conducting electricity or gas transmission activity.  4. Intervention of the Prime Minister or other minister or head of the central executive bodies in the course of the performance by the Minister of Ukraine of the powers provided for in paragraph three of this Article, in particular be means of issuing and/or revoking binding decisions for implementation of such powers, is forbidden»</p>	<p>Article 44. Minister of Ukraine – member of the Cabinet of Ministers of Ukraine  ....  <b>3. The Minister of Ukraine, who heads the ministry exercising direct or indirect control over economic entities conducting electricity or gas transmission activity, has the power of exclusively managing corporate rights owned by the State in such economic entities or organizations owning corporate rights in respect of such entities. This right shall not extend to management and allocation of transmission capacities nor investment planning, which shall be the prerogative of the economic entities conducting electricity or gas transmission activity.</b>  <b>4. Intervention of the Prime Minister or other minister or head of the central executive bodies in the course of the performance by the Minister of Ukraine of the powers provided for in paragraph three of this Article, in particular be means of issuing and/or revoking binding decisions for implementation of such powers, is forbidden.</b></p>	<p>Taking into account the recommendations for ensuring the independence of ministers in the course of exercising their corporate management over the transmission system operators, it is necessary to establish clear prohibitions for interfering with such functions from other officials.</p>
<p>8. Amend the Law of Ukraine “On Public Procurement” (Verkhovna Rada of Ukraine, 2016, No. 9) as follows:  1) Supplement Article 4 with the new item as flows:  “2. Procurement procedures for goods, works and services initiated by a customer who has ceased to carry out activities in the field of natural gas transmission, in connection with the fulfillment of the unbundling and independence requirements of the gas transmission system operator may be completed under the procedure established by this Law by another legal entity certified by the competent authorities in line with the laws for the unbundling and independence. This legal entity is guided by the indicators of the annual plan of the previous customer and is considered to be entrusted with all the rights and obligations of the customer from the date of commencement of natural gas transmission activities. »</p>	<p>Article 4. Procurement planning and other prerequisites for carrying out procurement procedures</p> <p>1. The procurement is carried out in accordance with the annual plan. The annual plan, the annex to the annual plan and amendments thereto shall be published free of charge on the web site of the Procurement Authority within five days upon their approval.</p> <p><b>2. Procurement procedures for goods, works and services initiated by a customer who has ceased to carry out activities in the field of natural gas transmission, in connection with the fulfillment of the unbundling and independence requirements of the gas transmission system operator may be completed under the procedure established by this Law by another legal entity certified</b></p>	<p>The existing need for continuous maintenance of GTS can be addressed by transferring the rights and responsibilities of the customer to the new operator.  In accordance with subparagraph 4 of paragraph 1 of Article 1 activities in specific economic areas are – are activities carried out in one or more of the following areas: gas production, transmission, supply and storage.  Instead, the Law of Ukraine “On the natural gas market” uses the wording “natural gas transmission activities”. However, since changes are made to the Law of Ukraine "On Public Procurement", it is proposed to use the terminology of this law.</p>

	<p><b>by the competent authorities in line with the laws for the unbundling and independence.</b></p> <p><b>This legal entity is considered to be entrusted with all the rights and obligations of the customer from the date of commencement of natural gas transmission activities.</b></p>	
<p>2) Supplement Article 36 with a new item six as follows: «6. Obligations arising from contracts concluded as a result of procurement procedures conducted by a customer who has discontinued activities in the field of natural gas transmission in connection with the implementation of unbundling and independence requirements of the gas transmission system operator may be transferred to a party provided that the new debtor or creditor was certified by the competent authorities in line with the laws for the unbundling and independence and continues to pursue the relevant economic activity in lieu of such customer. Replacement of a party in such obligations shall be carried out in the manner prescribed by the provisions of the Civil Code of Ukraine.»</p>	<p>Article 36. Basic requirements for the procurement contract ...</p> <p><b>6. Obligations arising from contracts concluded as a result of procurement procedures conducted by a customer who has discontinued activities in the field of natural gas transmission in connection with the implementation of unbundling and independence requirements of the gas transmission system operator may be transferred to a party provided that the new debtor or creditor was certified by the competent authorities in line with the laws for the unbundling and independence and continues to pursue the relevant economic activity in lieu of such customer. Replacement of a party in such obligations shall be carried out in the manner prescribed by the provisions of the Civil Code of Ukraine.</b></p>	<p>The effective rules of civil law and the law on public procurement do not allow in the absence of succession to replace the party (buyer, customer of services or works) in the procurement contract.</p>
<p>3) Supplement section IX, with paragraph 3<sup>2</sup> as follows: «3<sup>2</sup>. To establish that within six months from the date of entry into force of the Law of Ukraine "On Amendments to Certain Laws Due to the Unbundling of Natural Gas Transmission Activity" the customer, who was certified by the competent authorities in line with the laws for the unbundling and independence, has the right to conclude contracts for the purchase of goods, works and services with the joint-stock company Ukrtransgas, if the procurement of such goods, works or services is necessary to ensure the continuous functioning of the objects of the gas transmission system of Ukraine.»</p>	<p>3. To establish that, as of 1 April 2016, but not earlier the date of the entry into force of the Law of Ukraine "On Public Procurement" does not apply to central executive bodies and customers, conducting activities in specific economic sectors.</p> <p>3<sup>1</sup>. To establish that from the date of entry into force of the Law of Ukraine "On Amendments to the Law of Ukraine" On Public Procurement "regarding the peculiarities of the use of certain public funds in the territory of Donetsk region" The Law of Ukraine "On Public Procurement" does not apply to local state administrations, local governments and military-civilian administrations of Donetsk region.</p>	<p>In order to ensure the continuous provision of transmission services, it is necessary to entitle the new operator to conclude contracts without procurement procedures with a previous operator who has the necessary resources. Such an event will be temporary.</p>

	<p><b>3<sup>2</sup>. To establish that within six months from the date of entry into force of the Law of Ukraine "On Amendments to Certain Laws Due to the Unbundling of Natural Gas Transmission Activity" the customer, who was certified by the competent authorities in line with the laws for the unbundling and independence, has the right to conclude contracts for the purchase of goods, works and services with the joint-stock company Ukrtransgas, if the procurement of such goods, works or services is necessary to ensure the continuous functioning of the objects of the gas transmission system of Ukraine.</b></p>	
<p>9. To amend the Law of Ukraine "On the Energy and Utilities National Regulatory Commission Of Ukraine" (Verkhovna Rada of Ukraine Bulletin, 2016, No. 51, p. 833):</p>		
<p>1) to add part 5 to Article 1 that reads as follows «5. The Regulator shall exercise the powers specified in Article 4 of the Law of Ukraine "On the Gas Market" to the owner of the gas transmission system, including the authorized entity managing state-owned objects that belong to the transmission system.»</p>	<p>Article 1. Status of the Regulator ... <b>5. The Regulator shall exercise the powers specified in Article 4 of the Law of Ukraine "On the Gas Market" to the owner of the gas transmission system, including the authorized entity managing state-owned objects that belong to the transmission system.</b></p>	
<p>1) in subparagraph 7 of paragraph 3 of part one of Article 17, add the words and signs that read as follows: "as well as disputes arising between the gas transmission system operator and the gas transmission system owner,</p>	<p>Article 17. Functions and authorities of the Regulator 1. For the efficient fulfillment of the tasks of state regulation in the fields of energy and utilities the Regulator: ... 3) develops and approves regulations, in particular:</p>	<p>Amendments to the Law of Ukraine "On NEURC" is related to the observations of the EC Secretariat, in accordance to which the scope of the Regulator's powers should also extend to the owner if represented by a public authority.</p>

<p>including the authorized entity managing state-owned objects that belong to the gas transmission system »</p> <p>2) add the words and signs paragraph 21 part one of Article 17 that read as follows: «, <b>for example, transmission system operators,</b>»;</p> <p>3) add part one of Article 17 new paragraphs 27 and 28 that reads as follows:  <b>27) approve financial contracts between the electricity or gas transmission system operator and the owner of the transmission system,</b></p> <p><b>28) ensure that network tariffs collected by the electricity or gas transmission system operators include adequate remuneration, and cover the costs for investments approved by the Regulator;</b></p>	<p>...</p> <p>rules for the disputes settlement arising between business entities operating in the fields of energy and utilities, <b>as well as disputes arising between the electricity or gas transmission system operator and the owner of the transmission system, including the authorized entity managing state-owned objects that belong to the transmission system;</b></p> <p><b>21) approve/authorize investment programs (development plans) of entities regulated by the Regulator in cases established by law, for example, transmission system operators,;</b></p> <p><b>27) approve financial contracts between the electricity or gas transmission system operator and the owner of the transmission system,</b></p> <p><b>28) ensure that network tariffs collected by the electricity or gas transmission system operators include adequate remuneration, and cover the costs for investments approved by the Regulator.</b></p>	<p>Pursuant to Part 4 of Article 4 of the Law on the Natural Gas Market, in the case of selecting an ISO unbundling model, the Regulator monitors relations between the gas transmission system owner and the gas transmission system operator to ensure compliance of the gas transmission system operator with its obligations, and approves contracts and resolves disputes between the owner of the gas transmission system and the gas transmission system operator at the request of at least one of these entities.</p> <p>The current provisions of the Law on the NEURC contain only provisions on the settlement of disputes between business entities. However, the Ministry of Finance, in exercising its powers on managing state-owned objects, does not exercise public-power management functions and is not a natural gas market participant (a business entity). At the same time, in the status of the subject of management of state-owned objects, it will act as the owner of the gas transmission system, which enters into relations with the operator (ISO model).</p>
<p>4) In paragraph 3 of part 2 of Article 17, add a new subparagraph that reads as follows:</p> <p>"from the owner of the gas transmission system, including the authorized entity managing state-owned objects that belong to the gas transmission system - copies of documents, data, statistical and other information necessary for monitoring relations between the gas transmission system owner and the gas transmission system operator, and resolving disputes between them in accordance with the law;"</p>	<p>2. The Regulator has the right to:</p> <p>3) receive at its request free of charge necessary for performing its functions:</p> <p>from business entities operating in the fields of energy and utilities - copies of documents, statistical and other information on their activities;</p> <p>from state authorities - documents, data, statistical and other information necessary for performing the functions;</p> <p><b>from the owner of the electricity or gas transmission system, including the authorized entity managing state-owned objects that belong to the gas transmission system - copies of documents, data, statistical and other</b></p>	

	<p><b>information necessary for monitoring relations between the gas transmission system owner and the gas transmission system operator, and resolving disputes between them in accordance with the law;</b></p>	
<p>5) In part 2 of Article 21, in the second sentence after the words and sign "operating in the fields of energy and utilities" add the words and signs "as well as between the gas transmission system operator and the gas transmission system owner, including the authorized entity managing state-owned objects that belong to the gas transmission system,".</p>	<p>Article 21. Complaints handling and dispute resolution</p> <p>2. The Regulator handles consumer complaints in accordance with the Law of Ukraine "On Citizens' Appeals". Disputes arising between business entities operating in the fields of energy and utilities, <b>as well as between the electricity or gas transmission system operator and the transmission system owner, including the authorized entity managing state-owned objects that belong to the gas transmission system</b>, shall be settled in accordance with the procedure approved by the Regulator.</p>	
<p>10. Amend the Tax Code of Ukraine (Vidomosti of the Verkhovna Rada of Ukraine, 2011, No 13-17, p.112) as follows:</p> <p>1) In Article 14, clause 14.1, subclause 14.1.191, add the following new paragraph:  "Transactions in relation to transfer of state property objects (fixed assets, intangible assets, capital investments) into operational management or under the right of commercial control onto the taxpayer's balance sheet, as well as the return of such property from the taxpayer's balance sheet, do not constitute the supply of goods provided that such transactions are carried out based on a decision of the Cabinet of Ministers of Ukraine adopted within its powers."</p>	<p>14.1.191. supply of goods – any transfer of the right to dispose of goods as an owner, including sale, exchange or gifting of such good, as well as the supply of goods by a court decision.</p> <p>For the purposes of application of the "supply of goods" term, electricity and thermal energy, gas, steam, water, air, cooled or conditioned, shall be deemed a good.</p> <p>The following also amount to supply of goods:</p> <p>a) actual transfer of tangible assets based on financial leasing agreement (return of tangible assets in accordance with financial leasing agreement) or another agreement under which the payment is deferred but the ownership title to tangible assets is transferred no later than the date of the last payment;</p>	<p>JSC Ukrtransgaz is carrying out its business activities with the use of state property recorded on the company's balance sheet as part of fixed assets. The said property was transferred by the state into the use of NJSC "Naftogaz of Ukraine" (Agreement with the State Property Fund of Ukraine of 04 February 1999 No 76), and then from NJSC "Naftogaz of Ukraine" to JSC Ukrtransgaz under the Agreement on the use of state property not subject to privatization of 17 June 1999 No 19/275.</p> <p>This property is owned by the state while JSC Ukrtransgaz only performs functions of management and use of the state property based on the abovementioned agreement.</p> <p>Due to the fact that at the moment JSC Ukrtransgaz received the state property there was no transfer of ownership title and no supply, the said transaction</p>

	<p>б) transfer of ownership title to tangible assets by a decision of a state body or local government body or in accordance with legislation;</p> <p>в) any of the said actions of a taxpayer in relation to tangible assets where a taxpayer was entitled to attribute the amounts of tax to tax credit in case of acquisition of the said property or part thereof (transfer of property to another person free of charge; transfer of property within taxpayer's balance sheet used in business activities of a taxpayer with a view of its further use for the purposes not related to business activities of such taxpayer; transfer within taxpayer's balance sheet of the property intended for use in taxable transactions, for its use in transactions that are tax-exempt or not taxable);</p> <p>г) transfer (deposit) of goods (including non-current assets) as a contribution to joint activity without establishing a legal entity, as well as their return;</p> <p>д) voluntary liquidation by the taxpayer of the non-current assets held by such taxpayer;</p> <p>е) transfer of goods according to an agreement under which a commission (fee) for the sale or purchase is paid.</p> <p>The following shall not constitute the supply of goods: cases where fixed production assets or non-production assets are liquidated due to their destruction or loss resulting from force majeure circumstances, as well as in other cases where such liquidation is carried out without taxpayer's consent, including in case of theft of non-current assets, or where a taxpayer provides the controlling authority with an appropriate document certifying destruction, dismantling or transformation of any other kind of non-current assets resulting in the impossibility to use the non-current asset for its original purpose;</p>	<p>was not VAT-taxable and, therefore, JSC Ukrtransgaz was not entitled to tax credit for VAT.</p> <p>It should be noted that throughout the whole period of management and use of the state property (starting from 1999) its balance sheet value has been changing due to:</p> <ul style="list-style-type: none"> <li>- depreciation in accordance with the requirements of national and international accounting standards;</li> <li>- revaluation in accordance with the requirements of IFRS as of 01 January 2015 and 01 January 2016, as a result of which the revalued (balance sheet) value of the state property significantly (both up and down) differs from the value at which this property was transferred onto the balance sheet of JSC Ukrtransgaz;</li> <li>- permanent improvements (purchase of individual components, major repairs and/or upgrades) at the expense of own funds of JSC Ukrtransgaz, resulting in the increase of the balance sheet value of the state property.</li> </ul> <p>Thus, the value and object composition of the state property at the date of the receipt of this property by JSC Ukrtransgaz and at the date of termination of Agreement No. 19/275 will not be the same.</p> <p>According to the official position of the State Fiscal Service (Individual Tax Consultation of 13 July 2017 No 1166/6/99-99-15-03-02-15) at the date of transfer of state property into management of another business entity, a company has to accrue VAT in accordance with Article 198 clause 198.5 of the Tax Code of Ukraine in relation to goods/services that were purchased for the improvement of such property and the VAT amounts for which at the time of purchase were included in the tax credit.</p>
--	--	---

	<p><b>Transactions in relation to transfer of state property objects (fixed assets, intangible assets, capital investments) into operational management or under the economic management right onto the taxpayer's balance sheet, as well as the return of such property from the taxpayer's balance sheet, shall not constitute the supply of goods provided that such transactions are carried out based on a decision of the Cabinet of Ministers of Ukraine adopted within its powers.</b></p>	<p>Such interpretation of provisions of the Tax Code of Ukraine causes significant tax liabilities for JSC Ukrtransgaz that have no source of coverage. This issue is also relevant in terms of determining the amount of taxable profit, namely: reflecting tax differences to be used for adjustment (increase or decrease) of financial result before tax (profit or loss), determined in company's financial statements in accordance with national provisions (standards) of accounting or international financial reporting standards, in accordance with the requirements of Article 134 and Article 138 of the Tax Code of Ukraine.</p>
<p>2) In Article 138 clause 138.1, add the following new paragraph:  “Requirements of paragraphs four and five of this clause do not apply in case of transfer of state property objects (fixed assets, intangible assets, capital investments) that are recorded on the balance sheet of one taxpayer and are being transferred onto the balance sheet of another taxpayer provided that such transactions are carried out based on a decision of the Cabinet of Ministers of Ukraine, central and local executive authorities and local self-government bodies adopted within their powers.”</p>	<p>Article 138. Differences arising during accrual of amortization of non-current assets</p> <p>138.1. Financial result before tax is increased by:</p> <p>the amount of accrued depreciation of fixed assets or intangible assets according to national provisions (standards) of accounting or international financial reporting standards;</p> <p>the amount of markdowns and losses from decrease in usefulness of fixed assets or intangible assets included into the expenses of a reporting period according to national provisions (standards) of accounting or international financial reporting standards;</p> <p>the amount of residual value of individual fixed or intangible asset determined according to national provisions (standards) of accounting or international financial reporting standards, in case of liquidation or sale of such asset;</p> <p>the amount of residual value of individual non-production fixed or intangible asset, determined according to national provisions (standards) of accounting or international financial reporting standards, in case of liquidation or sale of such asset;</p>	

	<p>the cost of repair, reconstruction, modernization or other improvement of non-production fixed assets or non-production intangible assets included into the expenses according to national provisions (standards) of accounting or international financial reporting standards;</p> <p><b>Requirements of paragraphs four and five of this clause do not apply in case of transfer of state property objects (fixed assets, intangible assets, capital investments) recorded on the balance sheet of one taxpayer and are being transferred onto the balance sheet of another taxpayer provided that such transactions are carried out based on a decision of the Cabinet of Ministers of Ukraine, central and local executive authorities and local self-government bodies adopted within their powers.</b></p>	
<p>3) In Section XX Subsection 2, add the following new clause 70:</p> <p>“70. The requirements of Article 198 clause 198.5 of this Code do not apply to transactions on transfer of state property objects (fixed assets, intangible assets, capital investments) that are recorded on the balance sheet of one taxpayer and are being transferred onto the balance sheet of another taxpayer provided that such transactions are carried out based on a decision of the Cabinet of Ministers of Ukraine, central and local executive authorities and local self-government bodies adopted within their powers in connection with fulfillment of requirements of the law on unbundling and independence of the operator of the gas transmission system of Ukraine.”</p>	<p>SECTION XX. TRANSITIONAL PROVISIONS Subsection 2. Particularities of levying value added tax ... <b>Clause absent</b></p>	
<p>11. Final and transitional provisions</p> <p>1. This Law shall enter into force at the date of its publication.</p>		<p>In order to ensure the entry into force and adoption of relevant by-laws and regulations</p>

<p>2. The laws of Ukraine and other legal acts adopted prior to the date of entry into force of this Law shall apply to the extent they do not contravene this Law.</p> <p>3. The Cabinet of Ministers shall, within one month from the date of entry into force of this Law:</p> <ul style="list-style-type: none"><li>prepare and submit to the Verkhovna Rada of Ukraine proposals on legislative amendments to relevant laws of Ukraine stemming from this Law;</li><li>bring its regulatory acts into compliance with this Law;</li><li>ensure the adoption of regulatory acts provided for in this Law by ministries and other central executive bodies, as well as the revision and repeal of their regulatory acts that contravene this Law.</li></ul>		
--	--	--