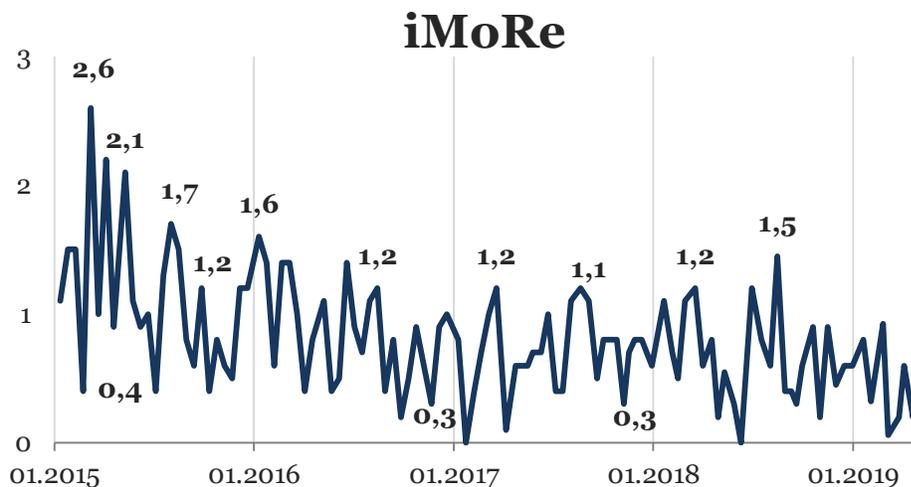


iMoRe #108. Tax and Customs services to be separated

Index for Monitoring Reforms (iMoRe) stood at +1.0 points from the 1st till the 21st of April out of the possible range from -5.0 to +5.0 points. In the previous round the Index stood at +0.2 points.

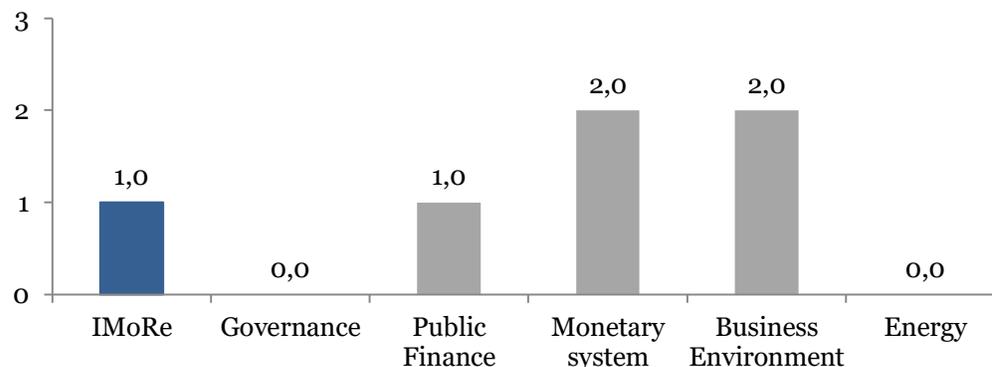
The main events of this round are signing The Code of Bankruptcy Procedure and passing a resolution about implementation of introducing the electronic temporary disability leave notes (sick leave notes).

Chart 1. iMoRe dynamics



iMoRe can take values from -5 to +5
with value above +2 considered an acceptable pace of reforms

Chart 2. iMoRe and its components in the current round



Major events of the round

1. The Code of Bankruptcy Procedure, +4.0 points

When in Ukraine a debtor does not meet his/her liabilities, a creditor has a very limited range of instruments to get his/her money back. Since the instruments, as provided for in the current legislation, – are not effective. In particular, bankruptcy procedures last for a long time and often allows to give a creditor back only insignificant part of a debt. A procedure of foreclosure sale rarely allows to get for estate the highest possible price, since property rights of a buyer of this estate leave unprotected, thus it is very difficult to find a buyer for such estate.

Bankruptcy procedures' of physical persons were not envisioned by the law at all. People who have debts and cannot pay them, are pressed by creditors and collection agencies. They actually find themselves in a dead-end situation, when they are pressed by all creditors, and they feel that in current conditions they will not under any circumstances be able to satisfy all debts.

The Code of Bankruptcy Procedure ([2597- VIII from 18.10.2018](#)) is directed on solving these problems.

The Code implements an institute of [a physical person's insolvency](#).

A person will be able to initiate a case about his/her insolvency (admitting him/herself a bankrupt), if s/he has overdue liabilities not less than 30 minimal salaries (125190 UAH as of 2019).

From a moment of starting a case about bankruptcy, creditors can demand to satisfy debts only on the limits of this case, fines and other sanctions are not added.

After starting a case [a court can initiate](#) restructurisation or satisfying debts of a physical person. In the first case there can be a realization of property to the benefit of creditors, grace period, deferred payment, debt relief, return of a debt by the third part. In the other case a person's assets are going to be sold until the whole sum of a debt is satisfied. If there are not enough assets to satisfy a whole debt, then unsatisfied part will be written off by a court.

A court can strike a case if a person was charged with an administrative or criminal liability for illegal activities, connected to insolvency, or if s/he was recognized as a bankrupt during the last 5 years.

Bankruptcy of a physical person will influence his/her business reputation. During three years after being recognized as a bankrupt s/he will be considered as a one who does not have impeccable business reputation. S/he will have to inform in a written form about his/her insolvency during signing a credit agreement, loan agreement or suretyship agreement.

[A range of procedures for legal entities is improved](#) in the Code. In particular:

1. If demands of a creditor are insured by recognizance, but a creditor considers that a cost of recognizance is not enough to satisfy a whole debt, s/he can fully or partly refuse it. Then this part of a debt will be considered unsecured and included into a register of creditors' demands. It allows to satisfy it through a foreclosure sale.

In their experience creditors often faced a situation when costs received from selling a recognizance where not enough to satisfy a debt. Together with that there was no possibility to include a sum, not

covered by a recognizance, to a register of creditors' demands. Accordingly, it was impossible to get this sum from the realization of other property of a debtor. Now creditors will have such a possibility.

2. Foreclosure sale on an auction will be done only through an electronic trade system. It will allow to sell assets in a more transparent way and for a fairer price.

The Code will come into force in October 2019.

2. Order of administration of the Electronic registry of sick leave notes is approved, +2 points

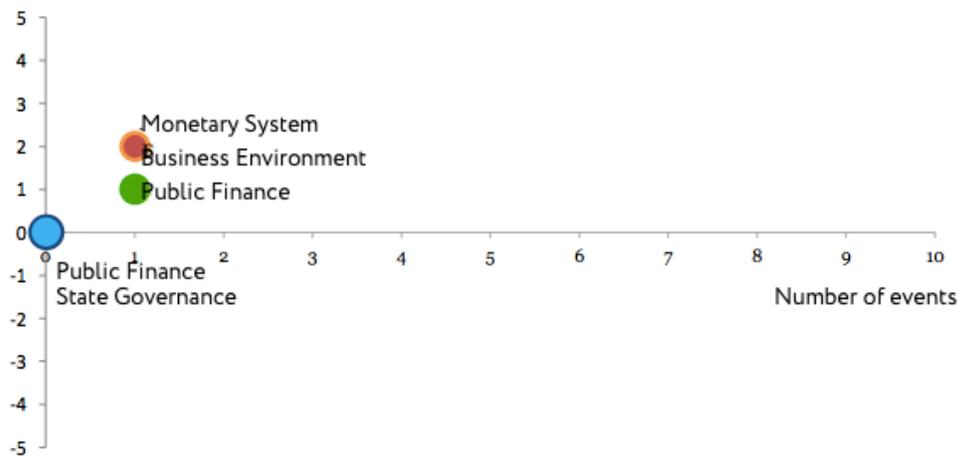
Decision about creation of the Electronic registry of sick leave notes [was passed in November 2018](#). It should have been connected with the Registry of Compulsory Social Insurance.

Through the [resolution №328 from April 17, 2019](#), the government regulated implementation procedures for maintenance of the registry of temporary disability leave notes and providing information from it. The Pension Fund will form and maintain it.

The Registry will operate with mass data from the registry of insured persons and will be filled in with data from the electronic system eHealth about proved by doctors facts of temporary disability.

Data available in the Registry will be automatically transferred to the Social Insurance Fund, which carries out an inspection of validity of issuing and prolonging temporary disability leave notes, and also pays for incapacity to work.

Chart 3. Value of iMoRe components and number of events



(Please see other charts on the website http://imorevox.in.ua/?page_id=577, http://imorevox.in.ua/list_rounds.php)

Note: Index for Monitoring Reforms (iMoRe) from VoxUkraine aims to provide a comprehensive assessment of reform efforts by Ukraine's authorities. The Index is based on expert assessments of changes in the regulatory environment in five areas:

1. Governance
2. Public Finance

Index for Monitoring Reforms (iMoRe)

Release 108

Monitoring period: **April 7 - 21, 2019**



3. Monetary system

4. Business Environment

5. Energy

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