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# The 2022 Global Philanthropy Environment Index Ukraine

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Edited by the Indiana University Lilly Family School of Philanthropy

## QUICK FACTS

**Legal forms of philanthropic organizations included in the law:** Association, Endowment, Foundation, Institution

**Five main social issues addressed by these organizations:** Arts and Culture, Basic Needs, Early Childhood Education through High School, Health and Medical Research, Youth and Family

**Average time established by law to register a philanthropic organization:** 0-30 days

**Average cost for registering a philanthropic organization:** USD 0

**Government levels primarily regulating the incorporation of philanthropic organizations:** Local Government

### Philanthropic Environment Scores:

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2022 GPEI	4.73	3.95	4.05	3.85	2.40	3.70	3.78
2018 GPEI	4.57	3.85	3.90	3.85	N.A.	3.70	3.97

**Source:** Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

## Key Findings

### I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

*The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.*

Question One: To what extent can individuals form and incorporate the organizations defined?

<b>Score: 4.8</b>
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Associations and endowments without legal personality are allowed. Informal associations may file their data in the omnibus company register. Any persons can be founders of philanthropic organizations (POs), including foreigners and legal entities. Foundations and institutions may have one or more founders; associations shall have two or more founders, including minors ages 14 to 18. POs may pursue any purposes for public benefit and/or for their membership benefit, with only a few exceptions (such as violations against human rights, national security, or hate crimes). No minimum capital or assets is required at registration, including for foundations and endowments. Incorporation is free, and the documentation list for registration is clear and closed; personal data disclosure for associations is somewhat onerous (for example, it requires birth dates for all members). The law sets a finite list of causes for delays and denials for POs and sets deadlines for the government bodies to provide written explanations. POs shall be registered within 6-24 hours; however, registration of associations takes three working days. The registration procedures can be monitored online via the official portal of administrative services, and delays and denials can be appealed at administrative courts. Government bodies processing the documentation are independent and apolitical, though registration practices for associations is not equally consistent and professional in all regions (e.g., delays in registration vary from 0 to 35 percent).

The reason for the improved score in this report excludes rep offices, religious organizations, and cooperatives, which shall have more founders and specific documentation and are subject to more restrictive registration procedures etc.

Other improvements are:

- online registration for all POs, also with the help of digital signatures;
- no notarization requirements for POs' registration starting in October 2019;
- shorter terms for registration of POs, except associations; and
- passports and personal data processing via the omnibus demographic register, if filed.

Question Two: To what extent are POs free to operate without excessive government interference?

<b>Score: 4.8</b>
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POs may set their structure and governance at their discretion and may change them without any prior state approval. POs must have general meetings and one or more directors; institutions must have boards, but other POs may have boards, too. Members of the governance bodies may be

volunteers. Administrative costs of foundations and other charities are limited up to 20 percent of their annual income. The new law on financial monitoring requires disclosure of data on final beneficiary owners (those who have 25 percent of votes or more) and all directors. Many PO directors are confused with these requirements, especially with risks of their pending banking transactions and potential administrative fines from USD 630 to USD 1890. General meetings may be held online, if specified in the PO's articles. Associations, however, must gather original signatures within 60 days before submitting the minutes, as digital ones are not processed yet. Only general meetings may decide on amending the articles, disposal of 50 percent of assets, and dissolution of the PO (for institutions, court decisions are required), and such decisions require the qualified majority of three-fourths of votes. Internal disputes are not subject to court review, but general meeting decisions could be claimed within one year. No laws on lobbying, foreign agents, or extremist activities are in effect now; only local regulations and notices may apply to peaceful assemblies. POs are free to contact or collaborate with civil society, businesses, and the government in Ukraine and abroad (except jurisdictions under Financial Action Task Force (FATF) sanctions) as well as make coalitions and networks and run social and digital media. Reporting requirements are clear and not onerous. Usually, inactive POs do not need to submit any reports. Annual financial reports must be available on the PO's website; independent audit is required for larger POs only (at least EUR 4 million (around USD 4.9 million) of annual income and/or at least 50 employees). If POs receive public funding, their reporting must be available on the omnibus' official web portal. Special reports on POs' anti-corruption activities were abolished in 2019.

Question Three: To what extent is there government discretion in shutting down POs?

<b>Score: 4.6</b>
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The general meeting of a PO (or court for institutions) may voluntarily terminate its activities or incorporation without prior government notices or approvals. The deadline for POs' creditors' claims is at least two months; all POs are subject to the Bankruptcy Code of 2019. A one-time check by the State Fiscal Service is obligatory until the PO is excluded from the omnibus company register. In fact, voluntary dissolution of POs may take at least one year. POs must transfer their residual assets to one or more other POs, or if prescribed by law, to national or local governments (e.g., if administrative courts ban associations). Currently, all POs may reorganize via splits, mergers and acquisitions, or changing their legal status (e.g., an association having single member left may apply to reorganize into a foundation). The grounds for involuntary termination of POs include the activities proscribed by Constitution or other laws (e.g., propaganda of totalitarian symbols) and paramilitary activities. Except for termination under the Bankruptcy Code, all decisions on involuntary termination of POs in Ukraine are made by administrative courts with options of appellation and cassation in higher courts.

## II. Domestic Tax and Fiscal Issues

*The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.*

Question Four: To what extent is the tax system favorable to making charitable donations?

<b>Score: 3.5</b>
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Any individual or company in Ukraine may make donations without minimum thresholds or caps for any legal purposes or statutory activities of POs. There are no regulations on net value donations or membership fees as donations. Individual donors may deduct up to 4 percent of their annual taxable income, for both cash and in kind donations. However, total tax deduction is limited to the donor's income received as salary. Donations from investment income or from individual businesses are not deductible, and less than 500 donors claim tax deductions every year. No carryforward is allowed for individual donors' tax deductions. Companies may deduct up to 4 percent of their taxable income in the previous fiscal year and up to 8 percent for donations for sports federations and some other sports NGOs, if their annual turnover is over UAH 40 million (USD 1.49 million, or if a company chooses to fulfill special tax regulations, including ones on transfer pricing. Thus, tax incentives are not equally accessible for individual and corporate donors, and actual tax deductions are negligible as they are made commonly after extensive checks by the State Fiscal Service and well beyond the 30-day deadline. On the other hand, in 2020, all individual or corporate donations related to COVID-19 were deductible. Charitable donations via SMS, bank ATM, and other online instruments are common and may be deductible.

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

<b>Score: 4.4</b>
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Under the Ukrainian Tax Code, all POs are eligible for tax-exempt status and may claim for filing into the state register of nonprofit organizations starting from the date of their incorporation. Legal requirements are not onerous, based on the POs articles and in compliance with the Tax Code non-distribution constraint. Decisions are made within 3 working days in a somewhat inconsistent manner. Special fees or periodical reviews of tax-exempt status are not required. The data of the state register of nonprofits are available on the official site of the State Fiscal Service. POs are exempt from corporate income tax (standard 18% rate) for all types of their income, including private donations and economic activities mentioned in the PO's articles. Refusals or exclusions from the state register of nonprofits are subject to court review and do not prevent further applications for tax-exempt status. Like other companies, POs do not pay value added tax (VAT) if their taxable sales and/or output donations in kind are within UAH 1 million (USD 37,100) per year. The standard VAT rate in Ukraine is 20 percent; reduced rates in 2021 are 14 percent for some food and 7 percent for some medicines and medical equipment, cultural events, and hotel accommodation. POs are exempt from VAT for their charitable activities during quarantine in 2020 and 2021. Local governments may set forth tax exemptions for POs regarding local land tax and real estate tax. As an example, in Kyiv City, POs pay only 0.01 percent of the standard land tax in 2020.

### III. Cross-Border Philanthropic Flows

*The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.*

Question Six: To what extent is the legal regulatory environment favorable to sending cross-border donations?

<b>Score: 3.2</b>
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Ukrainian laws and policies are not supportive to giving donations abroad. Donations to non-residents are not deductible; unless international tax conventions require otherwise, POs and other corporate donors shall withhold 15 percent income tax. Donations to persons and entities affiliated with international terrorism or appearing on sanction lists are prohibited. All financial transactions that exceed USD 14,850 are subject to financial monitoring, but commercial banks may have their own regulations for risky operations under the law on financial monitoring in effect from April 2020. All cross-border transactions up to UAH 400,000 (USD 14,850) were allowed by the National Bank regulations on currency control in 2020; Ukrainian donors may not transfer donations to the offshore jurisdictions, the Russian Federation, and countries non-fulfilling FATF regulations. The maximum amount of cross-border donations is equivalent to EUR 200,000 (USD 246,000) per year for individual donors and EUR 2 million (USD 2.5 million) for POs and other corporate donors, who must provide contracts and other documents required by banks for any cross-border donation equivalent to UAH 400,000 (USD 14,850).

Question Seven: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

<b>Score: 4.9</b>
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On the contrary, the Ukrainian legal environment is favorable to receiving cross-border donations by POs. In kind donations received as humanitarian aid and technical assistance are exempt from any customs and taxes; charities do not pay VAT on imported in kind donations. Except for humanitarian aid, prior approval of the government is not required (the Ministry for Social Policy is in charge of humanitarian aid, including the state register of humanitarian aid receivers). Donations in cash or foreign grants to POs are exempt from income tax in full and must not be exchanged into Ukrainian currency. Donations from entities or countries under sanctions are subject to financial monitoring, but no special limitations for purposes of foreign donations are imposed. Thus, except for humanitarian aid, procedures are not onerous or time-consuming.

#### IV. Political Environment

*The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.*

Question Eight: To what extent is the political environment favorable for philanthropy?

<b>Score: 4.4</b>
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The Ukrainian government recognizes the role of POs as change agents. POs' involvement in advocacy, public consultations, and advisory bodies are common at national and local levels. POs may participate in public and social procurement, as well as compete for the government project grants, under the new law on social services. In 2020, POs received grants from local participatory budgets; for example, in Kyiv City, grants were up to UAH 3,000,000 (USD 111,320) from funds for regional development. Online petitions are instrumental, and many lawmaking initiatives by POs were successful (Kyiv Citi, n.d.). On the other hand, POs actually lost their preferences in uses of public real estate in 2019, and they are disadvantaged participants of tenders for financial reasons. The level of political stability is somewhat favorable for the success of philanthropy, and conflicts between POs and government are quite rare now.

Question Nine: To what extent are public policies and practices favorable for philanthropy?

<b>Score: 3.3</b>
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In Ukraine, government promotion of philanthropic culture is weak and inconsistent. However, tax exemptions and tax deductions for POs and their donors related to COVID-19 were made promptly. Donors rarely face government pressure in supporting POs or philanthropic causes, though coordination between government agencies to support philanthropic activities is still uncommon and short-term. The government lacks long-term objectives and qualified staff for cooperation with POs, and it still tends to implement budget-funded programs via public sector entities. The National Strategy for enabling civil society for 2016–2020 was not implemented in full regarding the development of philanthropy; currently, the Strategy for 2021–2026 has been approved by Cabinet of Ministers. Generally, public policies and administrative practices in Ukraine still differ. In the World Giving Index, Ukraine dropped from its highest position at 81st in 2018 to 101st in 2020 and surprisingly was in the top 10 risers in 2021 (20th position in the pandemic special report).

#### V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

<b>Score: 2.4</b>
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In 2018 and 2019, Ukraine had real gross domestic product (GDP) growth of 3.5 percent and 3.2 percent respectively, but real GDP declined 4.2 percent in 2020. Generally, economic conditions are still unstable and negative for the success of philanthropy. In 2021, Ukraine had the lowest position in Europe under Index of Economic Freedom (127th in the world) and was the only mostly unfree economy in Europe. Ukraine has a vast public sector with ineffective spending and huge

losses, and it causes high inflation and budget deficit; land ownership reform has just begun under pressure from the IMF. Ukraine still has a low standard of living and a high level of corruption. Given weak property rights and corruption in the judiciary, outflows of capital to offshores is endemic. Small businesses tend to participate in protests against government over-regulation. The government has implemented a number of laws and programs to prevent corruption, but their effectiveness is low, and unfair assets are rarely arrested or confiscated. The Ukrainian economy is quite open to foreign trade, and transfers from labor migrants are essential. In general, economic stability is endangered by conservation of the ineffective public sector, military and economic conflicts with Russia, and poor law enforcement. In 2019, foreign direct investments were only USD 60 per capita in comparison with USD 300 to 650 in the neighboring European Union member states. This economic climate is hindering individual and institutional philanthropy and is moderately unfavorable for their development.

## VI. Socio-Cultural Environment

Question Eleven: To what extent are socio-cultural values and practices favorable for philanthropy?

<b>Score: 3.7</b>
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Societal values are still ambivalent for philanthropic progress in Ukraine. Many donors do not consider themselves philanthropists or avoid open giving and the public image of philanthropists. Philanthropic tradition and religious heritage play smaller roles in philanthropy development in Ukraine. People tend to perceive philanthropy as help to persons in need, but community-based philanthropy is also developing. POs' activities are well known to the public; in 2020, the public trust level was 61 percent for volunteers and volunteering for POs and 43 percent for other POs, compared to 66 percent for the army, 62 percent for churches, and only 12-15 percent for the judiciary, anti-corruption agencies, and political parties (Razumkov Centre, 2020). POs make efforts to be perceived as more transparent and accountable by publicizing their financial and operational reports, even if laws do not require that. Ukraine has a fairly high level of literacy and access to internet or mobile communications. There are no serious cultural, religious, or gender barriers to volunteering and other forms of philanthropy in Ukraine; employers and the government don't restrict such activities. However, low income, lack of tax incentives and public coverage, and the non-strategic approaches of many POs hinder the growth of the sector. As of 2020, schools have no curriculum on civic engagement and philanthropy but are active in the promotion of youth volunteering. A few infrastructure organizations for philanthropy, mostly in advocacy and knowledge management, are operating, as well as think tanks and academic centers for philanthropy. Support for POs' organizational capacity, including grants, is also available. (Please visit: <http://cd-platform.org/about-marketplace>)

## VII. Future of Philanthropy

*These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.*

Current state of the philanthropic sector

Informal and community-based philanthropy still prevails, while larger POs take more strategic approaches and become more transparent. At least three associations of POs support the advocacy and autonomy of the sector. International donors contribute much to the capacity and sustainability of Ukrainian POs. The impact of the sector is yet to be evaluated.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

1. The COVID-19 pandemic resulted in the quick development of philanthropy activities to support patients, medical staff, and volunteers
2. New Law on Financial Monitoring
3. Legislation on social services came into effect with the trend to gradual substitution of public facilities by POs

Future development trends in the philanthropic landscape

Donations via crowdfunding, online instruments, and social networks become more popular. Pilot programs for social vouchers for POs will extend. Universities and colleges are allowed to set endowments not only in cash and financial instruments but in real estate and other assets, too. Government-nonprofit hybrids will emerge in social services and sectoral programs. Development of corporate volunteering is expected. Bills on tax percentage donations are on the floor.

Three key recommendations to improve the environment for philanthropy

- Publicize unbiased information about the impact of philanthropy at national and local levels
- Make tax incentives for local donors more attractive, particularly for long-term donations
- Promote new financial instruments for public funding of healthcare and social services

## VIII. Philanthropic Response to COVID-19

*These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.*

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

In Ukraine, the nonprofit sector and POs have played an important role in the supply of COVID-19 tests, masks and medical equipment, and transportation of medical staff and patients. While the government focused its efforts on COVID-19, and many foreign clinics became inaccessible, POs in Ukraine faced far more demand for help in oncology and other diseases. Quarantine restrictions caused more involvement in volunteering, especially among students and neighborhood communities.



Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

Generally, fundraising and other philanthropy activities are run mostly online. Cooperation between POs and networking increased dramatically, while their financial resources decreased. Many POs cooperate with local governments regularly and participate in public procurement in healthcare or its supervision. Media coverage of POs responses to COVID-19 became regular and more supportive. Many businesses prefer to implement their own programs regarding COVID-19 or to donate medical equipment directly to clinics.

Impact of COVID-19 on the philanthropic environment

The role of in kind donations and volunteering became more important. Social networks and POs networking is critical to help quickly and in more effective ways. Online donations enable more transparent and accountable activities of POs. All donations to and by POs assigned to COVID-19 responses were tax-deductible or tax-exempt in 2020, and it had a great stimulating effect for philanthropy. COVID-19 also activated philanthropy in Ukraine notably; according to the World Giving Index 2021, Ukraine jumped from the 101st position to the 20th (CAF, 2021).

Anticipated impact of COVID-19 on the philanthropic environment in 2021

Generally, quarantine restrictions will be in effect in 2021. Thus, more fundraising and philanthropic activities will be run online. Urgent needs of healthcare have been already funded, and POs are starting to pay more attention to other purposes and beneficiaries. As unemployment continues to grow, bigger involvement in volunteering and social enterprise is highly likely.

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