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STATE SUPPORT FOR AGRICULTURE IN UKRAINE: CHANGES AND CHALLENGES IN 2017

The beginning of 2017 for Ukrainian agricultural producers is marked by a radical change of state support and tax policies. The first and the most topical novelty relates to the abolition of the special VAT regime, which has been a significant source of indirect financial support for agricultural producers during a period of about 17 years and helped to overcome negative trends in the sector and strengthen the growth dynamics of agricultural production and profitability.

According to the information of the Ministry of Agricultural Policy and Food of Ukraine the amount of costs accumulated on the Special VAT accounts of agricultural enterprises rose up from 19.8 billion UAH in 2014 to 28.0 billion UAH in 2015 [2]. In this manner in 2017 Ukrainian agricultural producers will lose more than 30 billion UAH, which they were able to use to finance their production and investment needs in the previous years. In particular not export-oriented producers, in such sectors as horticulture, viniculture and livestock production, will lose about 6.5 billion UAH [1]. In addition, according to the data provided by the NGO Institute of Tax Reform, the tax burden for agricultural enterprises increased in 2015-2016 by almost 40 times due to transformation of the fixed agricultural tax into the single 4th group tax, accompanied by the rise in tax rates (which will be increased by 17% more in 2017) and the value of tax basis due to annual indexation of the normative monetary valuation of land [6].

According to the State budget for the year 2017 Ukrainian agricultural sector is expected to receive state financial aid by various support programs of the total sum of almost 5.38 billion UAH, which is almost 17 times more than the amount of costs planned for these purposes in 2016 [5]. However, this amount is much less than the agricultural producers' financial losses from the abolition of the special VAT regime. Moreover, we should take into account that 61.5% of the state support measures (for the total sum of 3306.3 million UAH, 3301.3 million UAH of which are related to the new program «Financial support for agricultural producers») are planned to be financed from the special fund of the State Budget. This means that practical financing of the major part of the respective support programs will be difficult and unpredictable (for example, in 2015 the level of fulfillment of the Budget expenditures from the special fund for the support of agriculture accounted to only 6%, while the same index during the three quarter of 2016 was even less than 1% according to the official information of the Ministry of Agricultural Policy and Food of Ukraine).

During the discussion and drafting of the State Budget the Minister of Agricultural Policy announced his intention to shift the focus of state subsidies in agriculture from large enterprises and holdings to small farmers within the frame of the new support program «Financial support for agricultural producers», paying

more attention to livestock production. The procedure for allocation of subsidies under this program has not yet been approved by the government and the only fixed clause is that it will be realized automatically based on the register of recipients of budget subsidy and the information of State Fiscal Service proportionally on the amounts of VAT paid by the operations with agricultural products, which are listed in the Article 16-1 of the Law of Ukraine «On State Support of Agriculture of Ukraine» (for this purpose agricultural producers should submit a special annex to the VAT declaration) [4; 5]. This means, that the system of budgetary subsidies in agriculture in fact will be oriented to support the most efficient and successful agricultural producers (proportionally with the volumes of sold agricultural products and therefore the amount of VAT paid) instead of providing reimbursement of increased production costs and losses caused by changes in the tax policy to the most vulnerable sectors of agriculture.

Some experts rightly emphasized that undifferentiated approach to the use of tax concessions in agriculture within the frame of the special VAT regime led to misallocation of state financial support, since the bigger and the more successful and profitable an agricultural enterprise was the more it benefited from the tax incentives [3, p. 12]. But what we see now, is that after its abolition the newly adopted state support programs use the same principle, and at the same time provide much lesser amount of costs to sustain agricultural production.

The most devastating impact all the mentioned issues can have chiefly on livestock producers, especially meat and dairy cattle breeding and pig breeding. Cattle population is steadily decreasing, pig breeding has suffered losses (over 1 billion UAH) due to African swine fever since 2014, and meat consumption (especially beef and veal meat) reduces every year (because of decreasing of purchasing power) leading to decline of profitability in the respective sectors of livestock production.

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