

**ФІНАНСИ. БАНКІВСЬКА СПРАВА**

UDC 336.221:63

УДК 336.221:63

**V. I. Kurylo**, Doctor of Law,  
Professor,**I. V. Gyrenko**, Doctor of Law,  
Associate Professor,**V. V. Mushenok**, Candidate of Science of Law,  
Associate Professor**В. І. Курило**, д. ю. н.,  
професор,**І. В. Гиренко**, д. ю. н.,  
доцент,**В. В. Мушенюк**, к. ю. н.,  
доцент**TAX BURDEN AS A DISINCENTIVE FACTOR  
OF AGRICULTURAL PRODUCTION  
DEVELOPMENT IN UKRAINE****ПОДАТКОВИЙ ТИСК ЯК  
ДЕСТИМУЛЮЮЧИЙ ЧИННИК РОЗВИТКУ  
СІЛЬСЬКОГОСПОДАРСЬКОГО  
ВИРОБНИЦТВА В УКРАЇНІ**

**Urgency of the research.** Agricultural development objectively leads to increasing investments in production. The growth of equity capital of agrarian enterprises is an important factor in increasing economic efficiency of production.

**Target setting.** Important is the study of the investment component of the state taxation policy to agrarian industry performance as well as the impact of state administrative and financial methods of tax pressure on the formation of own funds of enterprises through the use of tax privileges, simplified taxation system, application of special regimes of payment of VAT mode, etc.

**Actual scientific researches and issues analysis.** Definition of special taxation mechanisms for agricultural producers take place against the backdrop of the development of the legal and regulatory framework for the regulation of economic relations are analyzed in works by V. Zbarskyi, V. Matsyhora, M. Kucheryavenko, V. Kurylo, V. Mushhenok and others.

**Uninvestigated parts of general matters defining.** To study the features tendencies and features of the tax leverage effect in the system of taxation of agricultural producers in Ukraine.

**The research objective.** To study the current state of legal regulation of the impact of tax burden on agrarian producers and to formulate proposals for improving domestic tax legislation.

**The statement of basic materials.** It is necessary to preserve the application of the VAT regime in the field of agriculture in the wording that existed until January 1, 2016. Let us define the peculiarities of the taxation strategy and the reduction of tax pressure to agricultural payers.

**Conclusions.** The positive impact of the economic investments in the agricultural production sector, though the described benefits in the tax system would be especially noticeable in conditions of limited budgetary subsidies, economic inefficiency of bank credits, rising prices for inputs and other forms of financial crisis.

**Keywords:** public investment; indirect support; tax burden; tax incentives; agricultural producer.

DOI: 10.25140/2410-9576-2018-2-1(13)-85-90

**Актуальність теми дослідження.** Забезпечення сталого розвитку сільського господарства потребує радикального перетворення економічних відносин. Збільшення власного капіталу аграрних підприємств є важливим фактором підвищення економічної ефективності виробництва.

**Постановка проблеми.** Важливим є дослідження інвестиційної складової державної податкової політики для діяльності аграрної галузі у частині використання податкових пільг, спрощеної системи оподаткування, застосування спеціальних режимів сплати ПДВ, а також впливу державних адміністративних та фінансових методів податкового тиску на формування власних коштів підприємств.

**Аналіз останніх досліджень і публікацій.** Визначення спеціальних механізмів оподаткування для аграріїв на тлі розробки нормативно-правової бази регулювання економічних відносин проаналізовані в роботах В. Збарського, В. Мацьбори, М. Кучерявенка, В. Курило, В. Мушенюка та ін.

**Виділення недосліджених частин загальної проблеми.** У той же час недостатньо наукових праць висвітлюють тенденції та особливості впливу податкових важелів системи оподаткування на аграріїв в Україні.

**Постановка завдання.** Розгляд сучасного стану правового регулювання впливу податкового тягаря на аграрних виробників та сформульовані пропозиції щодо вдосконалення національного податкового законодавства.

**Виклад основного матеріалу.** Визначено, що для припинення економічного спаду в аграрній галузі в даний час необхідно зберегти застосування режиму ПДВ у сфері сільського господарства в редакції, яка існувала до 1 січня 2016 року. Визначено перспективи стратегії оподаткування та зменшення податкового тиску на аграрних платників податків.

**Висновки.** Вплив економічних інвестицій на аграрну галузь через пільги у системі оподаткування стане відчутним в умовах обмеженості бюджетних дотацій, економічної неефективності банківських кредитів, зростанні цін на матеріально-технічні ресурси та при інших проявах фінансової кризи.

**Ключові слова:** державні інвестиції; непрямі підтримка; податкове навантаження; податкові пільги; сільськогосподарський виробник.

---

**ФІНАНСИ. БАНКІВСЬКА СПРАВА**

---

**Urgency of the research.** Ensuring sustainable agricultural development requires radical transformation of economic relations. Presently we observe a smooth transition of enterprises different by forms of ownership and management to innovation and investment development approach, which is the basis for increasing agricultural production and improving its quality. Intensive agricultural development objectively leads to increasing investments in production, which implies the strengthening of the material and technical base of enterprises, widespread use of advanced technologies and formation of competitive economic structures of market type.

Application of the latest agricultural production technology, forecasting demand for products and current market conditions are of paramount importance in solving problems concerning the development of the agrarian sector. There are other factors playing a great role in the growth of labor productivity and increase of production: competence, qualifications, knowledge and skills of leaders and specialists of agriculture; conditions of production on the basis of innovation; improvement of the material and technical base of enterprises; efficiency of introducing advanced technologies; rational methods for organization and remuneration.

**Target setting.** It is necessary to emphasize importance of investment component of the state taxation policy to agrarian industry performance as well as the impact of state administrative and financial methods of tax pressure on the formation of own funds of enterprises through the use of tax privileges, simplified taxation system, application of special regimes of payment of value added tax, etc.

**Actual scientific research and issues analysis.** Formation of the national tax system and definition of special taxation mechanisms for agricultural producers take place against the backdrop of the development of the legal and regulatory framework for the regulation of economic relations. These changes occur in the context of the constant transformation of economic relations and are analyzed in works by V. Zbarskyi and V. Matsybora (2012, 2013, 2015), M. Kucheryavenko (2013), V. Kurylo and V. Mushhenok (2012, 2017), and others. In this regard, understanding of development process of taxation for national agricultural producers in the context of constant changes in domestic economic system taxation priorities is becoming increasingly relevant.

**Uninvestigated parts of general matters defining.** Studying tendencies and features of the tax leverage effect in the system of taxation of agricultural producers in Ukraine.

**The research objective.** The purpose of the paper is to study the current state of legal regulation of the impact of tax burden on agrarian producers and to formulate proposals for improving domestic tax legislation.

**The statement of basic materials.** All sectors of our country's economy are being developed according to economic laws in force in the society. However, agriculture has specific natural and socio-economic features that distinguish it among other industries and determine principles of objective economic laws [1].

Features of agriculture as a sector of the economy determine the structure of production, the level of provision and use of technology, the workforce, the nature of division of labor and forms of organization, cause uneven revenues from sales and so on. Hence, we observe the peculiar nature of economic laws in agriculture, the specifics of reproduction and development.

We draw your attention that the subjects of agricultural production are enterprises of different forms of ownership and organizational forms of management (Tab. 1). The analysis of statistical data on this issue for the period 2006-2016 shows a steady tendency to domination of farms in the agrarian sector of the Ukrainian economy (3/4 of the total).

This outline of the results of the study is useful in the sense that the form of management and the nature of the economic separation of these entities determine specific features of their relationship with the state in applying different tax regimes, which have certain differences in the methods of using the mechanism of economic laws. It is obvious that our country provides dominance of farms as the main business field of agricultural production that meets the advanced world experience of business in the agricultural sector [3]. In recent years in Ukraine, the investment development of such subjects through the special tax regimes has been catastrophically reduced, and Legislation provides for an increase in tax burden on agricultural producers of all forms of management.

Let us note that the increase in tax pressure violates the need to adhere to one of the basic principles of taxation, namely the stability of the tax leverages used and methods of tax collection.

**ФІНАНСИ. БАНКІВСЬКА СПРАВА**

Table 1

**Organizational forms of agricultural enterprises**

№	Organizational forms of enterprises (100%)	Years	
		2006 (%)	2016 (%)
1	Farms	74	75
2	Business partnerships	13	15
3	Private enterprises	7	3
4	Production cooperatives	3	1
5	State enterprises	0,6	2
6	other forms	2,4	4

Source: [1; 2; 3]

The tax pressure itself, as a negative effect of tax leverage on the payer, is carried out at four levels: the pressure of the direct tax levers; pressure of the entire set of taxes, fees, rentals; using mechanism of benefits to payers, provision of preferential loans, subsidies (where the tax press redistributes pressure from one payer to others); using tax technology, which increases pressure on the payer [4].

The relationship between tax rate and tax base, which affects the sum of tax revenues, allowed the economist Arthur Laffer to show the dependence of budget revenues on the progressive taxation. The scientist found out that on the increase in tax rates, the total amount of revenues also increase. In a given period, the maximum tax rate corresponds to the maximum amount of financial resources deductible in the form of taxes to the budget. At the passage of the appropriate level, the further growth of rates does not lead to an increase in tax revenues, but to their reduction, since such a situation undermines the interest in increasing production volumes. The growth of tax rates encounters a certain limit. It is a tax limit - a part of the gross national product that is redistributed through tax mechanisms, the further increase of which causes a sharp aggravation of social contradictions. Achieving this border leads to capital outflow from the country and recession of business activity [4].

Fully agreeing with this position, we note that the establishment of an optimal tax rate generates a series of incentives for both agricultural producers and for the state and society. The domestic experience of preferential tax treatment of agrarians, due to the expansion of production, ensured an increase in their income and an increase in tax base. This had a positive impact on the cross-sectoral alignment in terms of profitability in related industries (processing, transportation, etc.). And finally, "in 2000-2012 in the field of agricultural production, there was a noticeable reduction in the size of shadow income due to the disappearance of incentives to tax evasion and shadow revenues are being transformed into legitimate, legal forms"[5].

Continuing to uphold the state investment and tax component of agricultural production, we note that the tax policy vector of most countries of the world, unlike Ukrainian policy of increasing tax pressure, is to simplify the administration and lower tax rates for their own farmers in order to preserve their place and role on the Global competitive market.

The relationship between tax rates and tax revenues can be illustrated by the example of Romania's tax policy, whose legislative initiatives in 2015 reduced the VAT rate by 4%, the profit tax rate, and abolished the special construction tax. As a result, in the first quarter of 2016, the Romanian economy grew by 4.3% compared to the first quarter of 2015 and by 1.6% compared to the 4th quarter of 2015. With this solution, Romania became the second largest country in the EU in terms of the GDP growth rate. In 2016, the GDP growth rate only increased and amounted to 5.1%, and the forecast for 2017 is an increase of 5.8% [6].

Contrary to the obvious facts of growth of economic indicators after reduction of tax pressure in foreign countries, domestic authorities constantly face the need to increase the budget revenues from taxes by increasing tax rates or using other instruments of tax pressure. As a result, a stable system of sustainable incentives for agricultural producers formed through the establishment of optimal tax rates, the introduction of a simplified taxation system and VAT regimes is now being destructed, which in the near future will significantly affect the economic situation of the agricultural subjects. In our opinion, such actions in the field of agriculture provide a solution to urgent needs, mostly of domestic and foreign and political nature and their consequence in 2017 is the elimination of state economic invest-

## ФІНАНСИ. БАНКІВСЬКА СПРАВА

ment in the agricultural sector through taxation.

In order to prepare proposals to handle this situation, we have analyzed the historical aspect of state financial and economic (tax) investment system that has been operating in Ukraine for two decades by the example of formation, development, improvement, and cancellation of a special (preferential) regime of value added tax payment.

Public investment in agricultural production using the VAT regime started in 1998. Its economic model was as follows: entities that carry out entrepreneurial activity in the field of agriculture and meet certain criteria defined by the legislation could choose a special VAT regime (accumulation of VAT sums for plant and livestock products; payment of subsidies to processors for surrendered milk and meat; zero VAT rate on the sale of milk and meat in live weight). [7] That is, farmers who complied with established criteria, left the accrued amounts of VAT at their disposal, and in case they failed to meet those criteria VAT was paid to the budget in general terms.

After the Tax Code of Ukraine entered into force on 01.01.2011 payment of subsidies from processors to producers for the milk and meat in live weight supplied for processing was suspended, and the amount of VAT was paid to the budget [8]. However, it should be noted that since the adoption of the Tax Code of Ukraine and until January 1, 2015, remained valid the regulation that export of grain crops by agricultural producers (on own or leased land) was taxed at a zero VAT rate, which gave right to get tax credit [8].

According to changes to item 15-2 section XX of the Transitional Provisions of the Tax Code of Ukraine, starting from 1 January 2015 for agri-business manufacturers - exporters of directly cultivated individual grain and industrial crops, tax regime exempted from VAT came to replace the zero rate tax [8]. So, in 2015 producers of grain and industrial crops lost their right to a tax credit.

In 2016, VAT support (Tab. 2) consisted solely in the fact that the farmer left only part of the VAT payment, and all the other amount was paid to the budget.

Table 2

**Distribution of VAT support between budget and agrarian producer**

№	Type of production activity	Deductions to the budget (%)	At the disposal of the payer (%)
1	Cultivation of cereals	80	20
2	Livestock production	20	80
3	Other production activities	50	50

Source: [8]

State policy of increasing tax burden on agricultural payers resulted in the abolition of VAT regime from January 1, 2017, which automatically led to cancellation of registration of subjects of special treatment and transfer them to the general system of taxation; closing of accounts in the system of electronic VAT administration; limitation of period of registration of tax invoices drawn up by the previous transactions in terms of the VAT regime; transferring the negative value of the difference between tax liabilities and a tax credit to a tax return with VAT, on which payments are made with the budget [8].

The state, having deprived agricultural producers of economic investments through the VAT regime, offered a mechanism of direct subsidies, which, by its economic criteria, would not be able to replace the taxpayer abolished VAT regime for a number of economic reasons. In particular, according to the international agreements in force, the volume of direct subsidies is insignificant and amounts to a total of 3 to 5 billion USD per year, while the state deprives subjects of agricultural production of more than 20 billion USD annually [8].

While carrying out an economic analysis of other instruments of state tax pressure on agricultural producers it is necessary, in our opinion, to pay attention to another mode of tax investment - payment of fixed agricultural tax (hereinafter referred to as the FAT). Launched in 1999 as a special (preferential) tax system for agricultural producers, the FAT was a national tax that absorbed a combination of other taxes and fees and was paid by the end of 2014. From January 1, 2015, the FAT was transformed into a single tax by taxpayers in the fourth group. The research of the rationality of such changes shows that the main consequence of the shifting to paying a single tax to payers of the fourth group was the increase in tax pressure by raising the tax rates several times (Tab. 3).

Note that the increase in tax rates, the amount of which is calculated as a percentage of the tax

**ФІНАНСИ. БАНКІВСЬКА СПРАВА**

base (Tab. 3) occurred during the period of the Tax Code of Ukraine. Between 2011 and 2015 rates were increased by 3 times and by 1.8 more in 2016 compared to 2015.

Table 3

**Amounts of tax rates per hectare of agricultural land and/or lands of the water fund  
for agricultural producers**

Types of land	FTP / single tax rate (% of tax base)		
	2011	2015	2016
for arable land, hayfields, and pastures	0,15	0,45	0,81
for arable land, hayfields, and pastures located in mountainous zones and in the Polissya territories	0,09	0,27	0,49
for perennial plants	0,09	0,27	0,49
for perennial plantations located in mountainous zones and in the Polissya territories	0,03	0,09	0,16
for the lands of the water fund	0,45	1,35	2,43
for arable land, hayfields, and pastures, commodity producers, who grow and process crop production on a closed ground	1,0	3	5,4

Source: [9]

The next lever to increase tax pressure of the state on farmers is the administration of land tax. We will briefly characterize deployment dynamics of its negative impacts. Thus, by 2015 land tax was exempted: FAT payers for lands designated for agricultural commodity production; newly created farms during three years and in settlements where there is a shortage of labor during 5 years from the date of transfer of land to the property. Since 2016 these entities pay land tax on the general basis. In addition, the maximum land tax rate for agricultural land has been increased to 1% of their regulatory monetary value over previous rates: 0.1% for arable land, hayfields, pastures and 0.03% for perennial stands [9].

Analyzing statistics and other data on the economic problems of land administration and land tax, we stand for that the state should achieve economic efficiency of land use not by increasing tax rates. We believe that the issue requires an inventory of agricultural land fund. Indeed, according to the State Fiscal Service of Ukraine, up to 9 million hectares of state lands are used without paying land tax [10].

Analyzing ratio of economic performance of the subjects of agricultural production to the level of the tax burden, legislators should consider the efficiency of crop production. According to statistics, large agrarian enterprises with an area of over 2300 hectares of grain and leguminous plants have the highest yield, which in 2015 amounted to 53.5 centimeters from 1 hectare against 8.9 centners per hectare from small producers with an area of sowing of almost 3.5 hectares [6].

**Conclusions.** Provided studies made it possible to formulate two sets of proposals. The Authors believe that in order to improve individual components of the tax policy on agriculture and stop economic decline of industry the first group of proposals should be implemented immediately and the second group is to be introduced in a short term perspective.

At present, it is necessary to preserve the application of the VAT regime in the field of agriculture in the wording that existed until January 1, 2016, or at least preservation for producers of livestock products, vegetable production, horticulture, viticulture and sugar industry, which in our opinion, is the only mechanism for state-owned investments of such enterprises without manual intervention and corrupt component. It is also necessary to maintain a simplified system of taxation, accounting and reporting (4th group of single taxpayers) for agricultural producers, in which the share of agricultural production in the previous tax (reporting) year is equal to or exceeds 75 percent.

More global changes are proposed in future. In particular, subjects of agricultural production should exist as the following types of business entities: small farms; medium-sized farms and agricultural enterprises operating within a single locality; large farms engaged in commodity production in different regions of our country.

Let us define the peculiarities of the taxation strategy and the reduction of tax pressure for each group of agricultural payers. For the first group, it is appropriate to designate land tax as the main tax. Such tax system will simplify reporting and accounting and, thus, significantly reduce the level of the

## ФІНАНСИ. БАНКІВСЬКА СПРАВА

tax burden. For the second group of taxpayers, the old tax system should be kept, which operated until 01.01.2016 and included the VAT regime. The third group of taxpayers should be taxed under the general tax system, without depriving them of the right to certain tax benefits.

The legislative upholding of submitted proposals and, above all, restoration of the VAT regime will provide stable development of this strategic sector of our country. No doubt, that ensuring economic investment for industry without a subjective intervention of any representatives of authorities is important in our struggle against corruption, simplification of tax administration in agriculture, and also reduces complexity and cost of tax administration. The positive impact of the economic investments in the agricultural production sector, though the described benefits in the tax system would be especially noticeable in conditions of limited budgetary subsidies, economic inefficiency of bank credits, rising prices for inputs and other forms of financial crisis.

### References

1. Matsyhora, V. I. (2013). *Ekonomika silskogo gospodarstva [Economy of Agriculture]*. V. K. Zbarskyi (Ed). Kyiv: Agrar Media Group [in Ukrainian].
2. Yaroshchuk, O. (2017). *Podatkova realnist v Ahro-promyslovomu Kompleksi, abo Yak staru system znyshchily, a pro novu – zabuly [Tax reality in Agro-industrial Complex, or How the old system was destroyed, but the new one was forgotten]*. Retrieved from <https://agropolit.com/spetsproekty/155-podatkova-realnist-v-apk-stara-sistema-znischena-pro-novu-zabuli>. [in Ukrainian].
3. Zbarskyi, V. K. (2012). *Struktura dzherel finansuvannia investytsiinoi diialnosti pidpriemstv ahrarnoi sfery [Structure of sources of financing of investment activity of enterprises of agrarian sphere]. Formuvannya rynkovykh vidnosyn v Ukraini - Formation of market relations in Ukraine, 8, 188-191 [in Ukrainian]*.
4. Kucheriavenko, M. P. (2013). *Podatkove pravo [Tax Law]*. Kyiv: "Pravo" [in Ukrainian].
5. Zbarskyi, V. K., Shkurenko, L. V. (2012). *Efektivnist hospodariuvannia ahrarnykh formuvan v Ukraini [Efficiency of management of agrarian formations in Ukraine]*. *Agrosvit - AgroSvit, 4, 11-16 [in Ukrainian]*.
6. Sumchenko, V. (2017). *Podatkovy zashmor: kudy i skilky platyat fermery? [Tax squeeze: what for and how much do farmers pay?]*. Retrieved from <http://kurkul.com/blog/215-podatkoviy-zashmorg-kudi-i-skilki> [in Ukrainian].
7. Kurylo, V. I. & Mushenok, V. V. (2012). *Finansovo-pravove rehuliuвання derzhavnoi pidtrymky silskohospodarskoho vyrobnytstva v Ukraini: stan ta perspektyvy udoskonalennia [Financial and legal regulation of state support of agricultural production in Ukraine: current situation and prospects of improvement]*. Nizhyn:NDU [in Ukrainian].
8. *Podatkovyy Codeks Ukrainy [Tax Code of Ukraine]*. Law dated 02.12.2010 № 2755-VI. [zakon2.rada.gov.ua](http://zakon2.rada.gov.ua). Retrieved from <http://zakon2.rada.gov.ua>. [in Ukrainian].
9. Kurylo, V. I., Mushenok, V. V. & Ryzhenko, O. S. (2017). *Podatkovy ryzyky silskohospodarskoho vyrobnytstva v Ukraini: finansovo-pravova kharakte-rystyka [Tax risks of agricultural production in Ukraine: financial and legal characteristics]*. Nizhyn: NDU [in Ukrainian].
10. Ofitsiinyi portal Derzhavnoi fiskalnoi sluzhby Ukrainy. The site of State Fiscal Service of Ukraine. [sfs.gov.ua](http://sfs.gov.ua). Retrieved from <http://sfs.gov.ua/> [in Ukrainian].

### Література

1. *Економіка сільського господарства / В. К. Збарський [та ін.]; за ред. В. К. Збарського, В. І. Мацібори. – К. : Agrar Медіа Груп, 2013. – 314 с.*
2. Ярошук, О. *Податкова реальність в АПК, або Як стару систему знищили, а про нову – забули.* (2017) Retrieved from <https://agropolit.com/spetsproekty/155-podatkova-realnist-v-apk-stara-sistema-znischena-pro-novu-zabuli>.
3. Збарський, В. К. *Структура джерел фінансування інвестиційної діяльності підприємств аграрної сфери / В. К. Збарський // Формування ринкових відносин в Україні. – 2012. – № 8. – С. 188-191.*
4. Кучерявенко, М. П. *Податкове право: підручник / М. П. Кучерявенко – К. : Право. – 2003. – 536 с.*
5. Збарський, В. К. *Ефективність господарювання аграрних формувань в Україні / В. К. Збарський, Л. В. Шкurenko // Агросвіт. – 2012. – № 4. – С. 11–16.*
6. *Сумченко, В. Податковий зашморг: куди і скільки платять фермери? (2017)* Retrieved from <http://kurkul.com/blog/215-podatkoviy-zashmorg-kudi-i-skilki>.
7. Курило, В. І. *Фінансово-правове регулювання державної підтримки сільськогосподарського виробництва в Україні: стан та перспективи удосконалення: монографія / В. І. Курило, В. В. Мушенюк; за заг. ред. д.ю.н., проф. В. І. Курило. – Ніжин, 2012. – 160 с.*
8. *Податковий кодекс України [Електронний ресурс]: Закон від 02.12.2010 р. № 2755-VI. – Режим доступу: <http://zakon2.rada.gov.ua>.*
9. Курило, В. І. *Податкові ризики сільськогосподарського виробництва в Україні: фінансово-правова характеристика: монографія / В. І. Курило, В. В. Мушенюк, О. С. Риженко; за заг. ред. д.ю.н., проф. В. І. Курило. – Ніжин : НДУ ім. М. Гоголя, 2017. – 169 с.*
10. *Державна фіскальна служба України. Офіційний портал [Електронний ресурс]. – Режим доступу: <http://sfs.gov.ua/>.*

Received for publication 25.12.2017

### Бібліографічний опис для цитування :

Kurylo, V. I. Tax burden as a disincentive factor of agricultural production development in Ukraine / V. I. Kurylo, I. V. Gyrenko, V. V. Mushenok // Науковий вісник Полісся. – 2018. – № 1 (13). Ч. 2. – С. 85-90.