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CURRENT ISSUES OF AGRICULTURAL SINGLE TAX COLLECTION

The article reveals the improvement tax farmers, and emphasized that agricultural sector is an important component of Ukrainian economy – therefore, its development must be facilitated upon solid financial background with balanced internal and external resourcing backed by tax preferences lowering the pressure put on agricultural enterprises and simplification of tax procedures.

Keywords: agribusiness, tax, agriculture, economic development authorities.

Under the conditions of dynamic agricultural business development establishment of effective taxation mechanism came to the front including optimization of tax load and transformation of tax collection tools in full correspondence with the latest tendencies of economic development of agricultural business. For quite a long time taxes in agricultural sector have been functioning just as stimulating factor due to cancellation of profit taxation and facilitated direct taxation. Still current reforming of agricultural sector and activated EU market integration require reforming of national system of direct taxation (agricultural manufacturers) and its adaptation to international organizations' demands [1, p. 125].

Ultimate taxation system with clear distribution of authorities including the decision-making process facilitated by central and local state bodies will evidently require establishment of adequate rules and its efficient and impartial application. Along with the system of tax authorities and taxpayers cooperation it is reasonable to establish the accessible system of advisory and legal support settlement of tax disputes appropriately displayed in specific state institutions both on national and local levels (tax legislation, tax administrations and fiscal arbitrage) [2, p. 36–38].

Current system of taxation of state agricultural enterprises is considered to be unembodied and inefficient – it negatively affects

the enterprises' productivity and accomplishment of fiscal and regulatory tasks by the state.

Under such circumstances the key challenge is defined as lack of clear, transparent and efficient taxation system used as stimulus for productive labour creating real opportunities to improve one's life [3, p. 12–15].

State support of Ukrainian agriculture as a component of its state regulation system is provided in form of budgetary expenditure, governmental grants for agricultural products, support of farming enterprises, support of Agricultural Fund activity and preferential taxation of agricultural enterprises [4, p. 124–125].

It must be stressed that other areas and sectors of economy with the macroeconomic environment highly depend on system of agricultural taxation.

Currently the only preferential taxation mechanism provided to agricultural enterprises after the cancellation of special VAT taxation scheme is the simplified tax and accounting system (STAS) with status of 4-category single tax payer given to the abovementioned business entities.

Many prominent Ukrainian scholars studied challenges of agricultural taxation mechanisms including O. Barannik, P. Haidutskyi, M. Demianenko, V. Zhuk, A. Kalatska, S. Kvasha, P. Laiko, M. Mykhailov, V. Plaksienko, L. Pysmachenko, V. Pronina, Y. Ryabyi, P. Sabluk, N. Seperovych, M. Telehun, L. Tulush. Despite the numerous publications on disadvantages of current agricultural taxation mechanisms and ways of its improvement still the defined challenges are not completely settled which allows to precondition the necessity for further research in financial science.

The aim of this article is to study the challenges of 4-category single tax deduction from agricultural enterprises and formulate rationale for its improvement.

Agricultural sector is an important component of Ukrainian economy – therefore, its development must be facilitated upon solid financial background with balanced internal and external resourcing backed by tax preferences lowering the pressure put on agricultural enterprises and simplification of tax procedures.

Tax reforms in Ukraine facilitated the cancellation of fixed agricultural tax (January 1st, 2015) being replaced with 4-category single tax. But no significant changes were basically noticed by mentioned taxpayers except of formal inclusion of fixed agricultural

tax to the single tax structure. Still the agricultural taxation procedures were left practically untouched in terms of disadvantages of fixed agricultural tax deduction which were «inherited» by 4-category single tax with no evident improvements. Article 291 (4) of the Revenue Code of Ukraine defines the 4-category single tax payers (agricultural enterprises with minimum 75 % of agricultural production ratio for the reporting year) as business entities subjected to simplified taxation and accounting system [5].

Agricultural production ratio is the share of agricultural enterprise's profit obtained after raw and processed in-house products marketing in the total profit enabling its registration in the status of tax payer.

Agricultural enterprise is a legal entity of any corporate form engaged in agricultural production and/or breeding, culturing and capturing of fish in inland reservoirs (lakes, ponds and water-collecting areas) along with its processing in proprietary or rented facilities including tolling arrangements (raw products) and supply (Article 235 (14.1) of the Revenue Code of Ukraine).

Tax legislation defines agricultural enterprises with minimum 75 % of agricultural production ratio for the reporting year as 4-category single tax payers – it means that the mentioned ratio – qualitative agricultural indicator – is the key factor these enterprises adhere to.

Author considers this indicator to be overstated and inexpedient in terms of development of domestic agricultural sector in whole – many agricultural entities engaged in other activities along with farming are deprived of opportunity to apply the preferential taxation mechanism – 4-category single tax in case if they fail to keep the 75 % limit.

It is reasonable to mention the positions of a few scholars concerning the relevancy to fix the qualitative agricultural indicator on the 50 % mark – other figures (70 % or 75 %) are not theoretically substantiated and practically justified; 50 % indicator is deemed to be a representative one [6, p. 27]. Z. Bieliaeva defines agricultural enterprise as corporate body with profit obtained after raw and processed in-house products marketing of minimum 50 % share of the total profit [7, p. 9].

As the correlation of marketing profit and gross income is a basic significant characteristic of agricultural enterprise, high share of profit obtained after raw and processed in-house products marketing

is an indicator of commercial activity; that is why it is offered to reduce the qualitative agricultural indicator which affects the 4-category single tax payer's status up to 50 %.

Another disadvantage of this taxation mechanism is the imperfection of procedures of taxation objects identification for specific tax payers in the mentioned category.

Taxation objects for the 4-category single tax payers include culturable areas (cultivated land, hay meadows, pastures and perennial plantations) and/or inventory of water resources (lakes, ponds and water-collecting areas) kept in enterprise's possession or granted for use (by lease). Taxable base for 4-category single tax payers is defined as statutory monetary value of culturable area hectare (cultivated land, hay meadows, pastures and perennial plantations) with indexation rate fixed by January 1st of the standard recording year.

Agricultural enterprises must keep in possession or be granted for use of culturable areas (cultivated land, hay meadows, pastures and perennial plantations) for gaining the status of 4-category single tax payer. It means that the 4-category single tax is neutral (conditioned by the size of culturable area and its monetary value). Current Revenue Code of Ukraine does not define minimal and critical land size as a prerequisite for agricultural enterprises to gain the status of 4-category single tax payer.

Presumably agricultural enterprises specializing in small grains cultivation must keep in possession or be granted for use of culturable lands which size is appropriate for cultivation of grain products – this land will be defined as the single taxation object.

Still legislation does not identify the exact size of land kept in possession or granted for use by agricultural enterprises engaged in commercial manufacturing (e.g. poultry) and pay single tax depending on the available land capacity. It is considered that agricultural enterprises engaged in commercial manufacturing are not able to use available culturable land for their activity but the new regulations defining procedure of 4-category single tax payment state that enterprises must keep mentioned land of any size in possession and pay the tax calculated for the specific size.

It can be stated that the concept of 4-category single tax payment for use of culturable land as taxation object does not fully correspond to specificity of agricultural enterprises' activity.

In author's opinion 4-category single tax payment procedure must be defined by the specialization – culturable land size as taxation object for producers of grain and total marketing profit as taxation object for enterprises engaged in commercial manufacturing (poultry or stock raising) with no reference to land availability.

Some scholars identify land resources as essential manufacturing capacity in agricultural sector – that is why in many countries taxable rate for agricultural land is lower comparing to industrial (preferential taxation mechanism). Some countries establish tax-exempt minimum of culturable land and use differentiated taxable rates. Another states simply cancelled taxation of agricultural land – still international experts consider taxation in this case to stimulate its efficient use, price reduction and optimization of tax revenue.

Another disadvantage is the imperfection of procedure of single tax payer status deprivation by the monitoring body. According to Article 299(10) of the Revenue Code of Ukraine registration of the single tax by the tax payer is term less and is subjected to annulment through exclusion from the single tax payers register upon decision made by monitoring body if:

1) tax payer submits an application with refusal to be subjected to simplified taxation system due to adoption of other taxes and fees defined by the Code (the last day of calendar quarter when the application was submitted);

2) liquidation of legal entity (except of restructuring) or cessation of business by individual entrepreneur in accordance with the law – on the day of relevant notification receipt by the monitoring body from state register;

3) under circumstances defined by Articles 298 (2.3) of the Code;

4) if agricultural production ratio for the reporting year is less than 75 %.

This provision defines a number of cases for annulment of single tax payer status by the monitoring bodies.

At the same time the Revenue Code of Ukraine does not provide any information about procedure of single tax payer status deprivation in case of right for land ownership or use is lapsed after this status is gained.

Despite the identification of the abovementioned disadvantages still this taxation mechanism can be characterized positively: enterprises are able to plan their activities upon calculations of exact tax amount to be paid. Ukrainian scholars [9, p. 275] concur that

accumulation of different taxes in single taxation mechanism simplified the procedure of budget filling and decreased the tax pressure in agricultural sector.

Concluding the research it must be mentioned that 4-category single tax payment mechanism applied to agricultural enterprises can be characterized negatively due to revealed disadvantages and requires to be improved through amendments to the Revenue Code of Ukraine:

- define agricultural enterprises with minimum 50 % of agricultural production ratio for the reporting year (4-category single tax payers) as simplified taxation system subjects;

- define total marketing profit as taxation object for enterprises engaged in commercial manufacturing with no reference to land availability;

- registration of single tax payer is subjected to annulment through exclusion from the single tax payers register in case if right for land ownership or use is lapsed after this status is gained.

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