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Special Taxation Regime for Agricultural Enterprises: Ukrainian Experience

Abstract. The problem of building a taxation system for agricultural producers that would take into account the specifics of their activities, would not be too burdensome, would stimulate or, at least, would not become an obstacle to the increase of business entities' activities remains extremely relevant for agrarian Ukraine. The purpose of this study was to analyze the special taxation regime for agricultural producers, to characterize the stages of its formation and development, to determine changes in the level of tax burden on taxpayers in the dynamics, and to substantiate the criteria for the expediency of certain producers to be on the simplified, special taxation system. In order to solve certain tasks, historical, statistical and economic, abstract and logical, and graphical research methods were used in the paper. The paper shows that the most favorable taxation of farmers was in the first 5 years after the introduction of the special taxation regime in 1999. The mandatory payments, the exemption from which was most noticeable for commodity producers, are named. The tax burden on agricultural enterprises is studied, the reasons for changes in its level in the dynamics are substantiated. The advantages and disadvantages of a simplified approach to taxation of agricultural producers based on the area of agricultural land under cultivation are outlined. The author describes the reasons for the introduction of legislative provision on the collection of mandatory payments from agricultural producers at a level not lower than the minimum tax liability, starting from 2022, and determines the consequences of such innovation for an average Ukrainian enterprise, and also draws conclusions concerning the prospects for further taxation of agricultural producers. The practical significance of the research results lies in the possibility of their use, on the one hand, by the legislator to reform the current system of taxation of agricultural producers, and on the other hand, by specific producers, when deciding on the choice of a taxation system that would be more economically beneficial for them

Keywords: simplified taxation system, fixed agricultural tax, single tax for group 4 taxpayers, tax burden, minimum tax liability

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INTRODUCTION

The formation of a reasonable and effective system of taxation of agricultural producers is an extremely important issue for Ukraine, given the place and role of the agricultural sector in the national economy. According to the results of 2020, the share of agriculture, forestry and fisheries in the total gross value added in the country amounted to 10.8%; 8% of employees were employed in the industry, the share of agricultural products and food in the country's total exports amounted to 45% [1]. The situation in the agricultural sector directly affects the situation in related

industries, such as the production of agricultural machinery and equipment, seeds and fertilizers, plant and animal protection products, as well as in entities that process and sell crop and livestock products, such as processing and trading companies. It is no coincidence that the deterioration of the state and performance of the agricultural sector, which was particularly evident in the last decade of the twentieth century and has not been overcome to this day, has had a negative impact on the development of such agricultural-related industries. The need to ensure a special

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approach to the construction of the taxation system for the agricultural sector is also due to the specific features of agricultural production: seasonality, dependence of production on natural conditions and biological processes and slow turnover of advanced funds.

The issue of taxation of agricultural producers has been raised in the scientific works of many scholars. For example, N. Matselukh and M. Skoryk studied the role of special regimes and mechanisms of taxation in Ukraine as components of state support for the agricultural sector of the economy and investigated the role of such mechanisms in enhancing the development of agricultural business [2]. G. Partyn, O. Kurylo, A. Podaryn analyzed the consequences of transformational changes in the taxation of agricultural producers, in particular, in connection with the introduction of a single tax for them, reforming approaches to the collection of value added tax from agricultural enterprises [3]. E. Podakov, O. Odintsov, T. Yevtukhova, E. Vasylykonova, V. Kunchenko-Kharchenko studied the state of the tax burden on farmers [4; 5]. D. Semenda, O. Semenda, N. Hvozdiy proposed new approaches to taxation of agricultural producers, which can not only reduce the level of tax burden on these entities but also preserve budget revenues [6]. O. Sarapina and O. Yeremyan identified areas for reforming the taxation system for agricultural producers and provided recommendations for amending the Tax Code of Ukraine [7]. O. Nivyevskiy conducted a statistical analysis of the impact of tax benefits on the growth of overall agricultural productivity [8], and P. Bechko, S. Kolotukha, S. Ptashnyk and Y. Nahorna proposed options for improving the existing system of tax incentives for agricultural entities [9]. D. Dema made proposals for the introduction of new tax payments from agricultural producers (infrastructure agricultural tax on farmland tenants) [10]. J. Średzińska, A. Kozera, A. Standar studied the impact of taxation on the economic and financial condition of farms in the European Union [11], and I. Kov-alchuk considered the harmonization of tax legislation of Ukraine and the EU in the field of agribusiness taxation [12].

The purpose of this study was to analyze the special taxation regime for agricultural producers, which has been allowed to be applied throughout Ukraine since 1999, to characterize the stages of its formation and development, to determine changes in the level of tax burden on taxpayers in the dynamics, and to substantiate the criteria for the expediency of certain producers to be on the simplified, special taxation system. The novelty of the study is the substantiation of changes in the tax burden on agricultural producers – subjects of the simplified taxation system in the dynamics for the entire period of existence of the simplified system (1999-2022) with detailed calculations and explanations of the reasons for the changes that have occurred.

MATERIALS AND METHODS

The theoretical basis of the research was the fundamental provisions of financial science, the results of scientific developments of Ukrainian and foreign scientists. The work was largely based on the regulatory framework that defines the principles of taxation of agricultural producers established by the current legislation of Ukraine. Given the long period (1999-2022) and the breadth of the study, the calculations were made on the basis of legislative and other normative legal acts that were in effect for the relevant periods of time.

The paper analyzes the indicators of the state of taxation of agricultural producers in the Kharkiv region (in order to demonstrate the level of tax burden on economic entities in the industry in 1992-2002), as well as the state of taxation of agricultural producers throughout the country – those who have chosen the simplified taxation regime (in order to calculate the amount of fixed agricultural tax per 1 ha(ha.) of the relevant type of agricultural land (for 1999-2014) and the single tax for taxpayers of the 4th group (for 2015-2022), to explain the reasons for changes in the level of tax burden on payers of the fixed agricultural tax (2004-2010), justification of the advantages and disadvantages of the simplified taxation system compared to the general taxation system (2020).

The following research methods were used to solve certain tasks in the work:

- historical (analysis of the formation of the taxation system for farmers, identification of the stages of development of an alternative, simplified taxation system in the form of a fixed agricultural tax (1999-2014), a single tax for taxpayers of the 4th group (2015-2022), characterization of each stage based on the norms of legislation and calculations of the state of taxation of producers);

- statistical and economic (collection, processing and analysis in the dynamics of indicators characterizing the state of taxation of agricultural producers and the level of tax burden on them (in particular, calculation of the amounts of fixed agricultural tax payable by producers (from 2015, the amounts of the single tax for taxpayers of the 4th group), amounts of mandatory contributions to state trust funds per 1 ha. of the respective types of agricultural land: arable land, hayfields, pastures and perennial plantations, justification of the reasons for changes in the tax burden on producers over time, demonstrating the disadvantages of using the single tax compared to the general taxation system, calculation of the minimum tax burden on an average Ukrainian agricultural enterprise), providing, based on the results of the study, recommendations on the choice of a taxation system appropriate for a particular agricultural producer);

- abstract and logical (formulation of theoretical generalizations based on the results of the analysis of each stage of the formation of the agricultural taxation system and formulation of conclusions);

- graphical – to visualize the results of the study and increase the level of its perception, the results of calculations of the taxation of agricultural producers and the level of tax burden on them are presented in the form of tables and figures.

RESULTS AND DISCUSSION

The special taxation regime for agricultural producers introduced as an alternative regime and allowed to use throughout Ukraine since 1999 [13], was a logical reaction of legislators to the state of affairs in the basic agricultural sector of the national economy and was intended to provide it with the necessary support in the difficult economic conditions of the time.

Introduced as a temporary measure, the special taxation regime has remained an affordable option for farmers for 24 years in a row. Since its introduction, the alternative taxation system for farmers has gone through several stages of development [13; 14]:

1) 1999-2014 – a special taxation regime was implemented in the form of a fixed agricultural tax. The choice of this regime required applicants to comply with mandatory conditions, the main of which were the ownership or use of agricultural land or water fund lands (since 2004) and a sufficient share of income (at least 50% before 2004, and at least 75% starting from 2004) received by the applicant company from the sale of its own products or products of their processing in the total gross income of the business entity. Within this period, 2 sub-stages should be distinguished: a) 1999-2004, characterized by the lowest level of tax burden on agricultural producers who chose the special taxation regime; b) 2005-2014, during which the tax burden increases with a gradual return of agricultural producers who chose the special taxation regime to basic, close to general, taxation conditions.

2) 2015-2021 – the special taxation regime provides for taxation of agricultural producers who comply with the es-

tablished requirements (generally, they correspond to those for fixed agricultural taxpayers) under the simplified taxation system with the payment of a single tax for group 4 taxpayers.

3) starting from 2022, the taxation of agricultural producers has been carried out in accordance with the peculiarities of the previous stage, but taking into account the newly introduced minimum tax liability: the amount of taxes and fees paid by business entities according to the list of taxes and fees cannot be less than a certain minimum amount, which is calculated according to the formula approved by the legislator.

In other words, for more than 20 years, Ukrainian agricultural producers have been entitled to use the taxation system specially created for them.

In the first years of the introduction of the alternative special taxation regime for agricultural producers, a significant reduction in their tax burden was achieved (Table 1).

Table 1. Tax burden on agricultural enterprises in Kharkiv region by years

Indicators	1992	1995	1996	1998	1999	2001	2002
Direct taxes and tax payments (excluding VAT and excise taxes) in relation to revenue from sales of products (works, services), %.	10.5	13.3	25.5	19.9	5.9	2.6	2.7
Tax payment rate, %.	92.4	44.9	27.6	31.4	57.9	80.7	81.2

Source: [15]

The data in Table 1 indicate at least a threefold decrease in the tax burden in 1999 (for agricultural producers in Kharkiv oblast) compared to 1998, with a simultaneous increase in the level of tax payment.

It should be noted that at the time of the introduction of the special taxation regime (in the form of a fixed agricultural tax), the latter was paid *de jure* instead of 12 mandatory payments [13] (in fact, the number of payments came to 10, as discussed below). The most important of these payments with the most noticeable savings for business entities, were payroll taxes on contributions to state trust funds, including the Pension Fund and social insurance funds. In 1999, the payroll burden in the Ukrainian economy was 37.5% [16; 17]. The exemption from paying social security contributions meant, accordingly, savings for business entities in the amount of UAH 37.50 for every UAH 100 of accrued income for workers employed by such enterprises [16; 17]. Here is another example. The share of labor costs in the structure of the cost of crop and livestock production at agricultural enterprises in Kharkiv region in 1999 was 17.6 and 15.5%, respectively [15]. The exemption of agricultural producers from contributions to social funds ensured, respectively, a decrease in the cost of production of crop and livestock products by 6.6 and 5.8% [15].

During 1999-2000, the subjects of the special taxation regime had savings of 1% of the volume of products (works, services) sold, excluding VAT and excise duty, which was provided by the exemption from paying the fee to the state innovation fund. The savings lasted only for two years, as in 2001 the specified fee was abolished altogether, and therefore, neither agricultural enterprises nor any other companies had to pay it no more [18].

Savings of money for enterprises paying fixed agricultural taxes were also ensured by the exemption from the tax on owners of vehicles and other self-propelled machines and

mechanisms, the tax on construction, reconstruction, repair and maintenance of public roads of Ukraine, the tax on geological exploration carried out at the expense of the state budget, the fee for the acquisition of a trade patent for the carrying out trade activities, the fee for special use of natural resources (for the use of water for the needs of agriculture [13].

However, the logical exemption of fixed agricultural tax payers from paying the CPT did not result in significant savings for such entities: in 1998, 91.9% of Ukrainian agricultural enterprises were unprofitable [1]. And even taking into account the fact that the calculation of the income tax object was based on the rules of tax accounting, with high probability it can be asserted that the vast majority of agricultural enterprises had no income tax liabilities.

The exemption from the land tax did not result in any real savings for agricultural producers paying the fixed agricultural tax: the vast majority of these entities operate on leased land, essentially paying (reimbursing) land tax to landlords as part of the land rent.

In the end, the two mandatory payments specified in the list of those from which the subjects of the special taxation regime were exempted (the communal tax and the fee to the Fund for the Elimination of the Consequences of the Chernobyl Disaster and Social Protection of the Population) did not save a single penny for agricultural enterprises. This is due to the fact that agricultural enterprises were not payers of the communal tax anyway, and the collection of the fee to the Fund for Measures to Eliminate the Consequences of the Chernobyl Disaster and Social Protection of the Population for all its payers was terminated on January 1, 1999 [13; 19; 20].

In addition to all of the above exemptions, during the first two years of the special tax regime (1999-2000), agricultural producers had another concession: the application of a reduction factor (0.7) to the basic tax rates,

which provided such producers with additional savings of their own funds [13].

Gradually, the initially quite obvious undeniable benefits of the special taxation regime for agricultural producers became less clear, and for some entities it could be more profitable to return to the general taxation regime. The reasons for this are both the termination of the collection of certain payments by the state (the fee for the construction, reconstruction, repair and maintenance of public roads of Ukraine in terms of deductions by enterprises and business organizations since November 2003, the fee to the State Innovation Fund since January 1, 2001) and the return of the simplified taxation system to the cohort of payers of certain mandatory payments [13; 18; 21].

Since 2005, the subjects of the special regime have been paying contributions to the Temporary Disability Insurance Fund and the Unemployment Insurance Fund on a general basis and gradually (over five years) return to the general rules of paying contributions to the Pension Fund of Ukraine [13]. In the first two years of the transition peri-

od (2005 and 2006), the payers of the fixed agricultural tax pay 20% of the basic rate of contributions to the Pension Fund, over the next three years the rate increases by 20% annually, and starting from 2010, farmers who have chosen the special taxation regime lose any exemptions and privileges in the formation of the Pension Fund of Ukraine and have a payroll burden similar to the burden on the general taxation system [16].

Subsequently, starting from January 1, 2007, payers of the fixed agricultural tax again pay the vehicle owners' tax, although they are exempt from paying the tax for wheeled tractors, except tractor-trailers and trucks [22].

It should be noted that a kind of compensation for the additional costs of mandatory payments to state trust funds, which have been incurred by payers of the fixed agricultural tax since 2005, was the reduction of the tax rates by 3.33 times since the same date [13].

Let us consider the tax burden on agricultural enterprises under the fixed agricultural tax in different periods of its collection (Table 2) [13; 23].

Table 2. Average* amounts of the fixed agricultural tax from its payers (except for those operating in mountainous areas and Polissya), UAH

Amount of fixed agricultural tax per 1 ha.	1999-2000	2001-2004	2005-2014	For reference: the area for which the calculations were made
of arable land:				
minimal in Ukraine	8.55	12.22	3.67	Zhitomirska
maximum in Ukraine	16.55	23.64	7.09	Cherkassy
average in Ukraine	12.87	18.38	5.51	
of hayfields:				
minimum in Ukraine	2.31	3.30	0.99	Kherson
maximum in Ukraine	10.38	14.83	4.45	Volyn
average in Ukraine	5.29	7.56	2.27	
of pastures:				
minimum in Ukraine	2.1	3.30	0.99	Kherson
maximum in Ukraine	8.33	11.90	3.57	Volyn
maximum in Ukraine	4.13	5.90	1.77	
of perennial plantations:				
minimal in Ukraine	8.51	12.16	3.65	Ternopil
maximum in Ukraine	44,18	63,12	18,94	Vinnytsia
average in Ukraine	23,74	33,91	10,17	

Note: * calculated by the author on the basis of the average value of the normative monetary valuation of agricultural land in the relevant region [23] and the fixed agricultural tax rates in force in the relevant period of time [13; 14]

Table 2 shows that the average amount of the fixed agricultural tax per ha. in Ukraine after the end of the grace period (1999-2000) was UAH 18.38 for arable land, UAH 7.56 for hayfields, UAH 5.90 for pastures, and UAH 33.91 for perennial plantations over the next 4 years. For taxpayers operating in mountainous areas and in the Polissya region, the tax rates are 60% of the above rates for arable land, hayfields and pastures and 33% of the above rates for perennial plantations.

Logically, larger, higher than average amounts of tax were paid by enterprises with better land plot characteristics and more favorable locations, and smaller amounts by those with worse land plot characteristics and worse locations. These characteristics of land plots are reflected in the indicator of their normative monetary value, which is the tax base for the fixed agricultural tax [23]. The existing gap in the amount of fixed agricultural tax payable per ha. of agricultural land of different quality is shown in Figure 1.

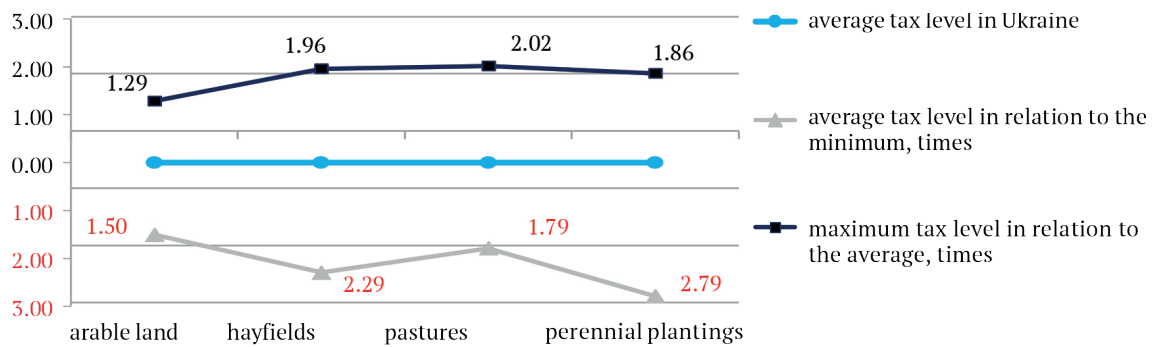


Figure 1. Comparison of the amounts of fixed agricultural tax payable depending on the normative monetary value of land plots

Source: calculated by the author based on the average value of the normative monetary valuation of agricultural land in the respective region [23] and the fixed agricultural tax rates in force in the respective period [13; 14]

One important advantage provided by the rules of calculation of the fixed agricultural tax is the actual invariance of the tax amount per 1 ha of agricultural land in the dynamics, except for the increase in the tax amount since 2001 due to the end of the grace period (with the application of a reduction coefficient (0.7) to the basic tax rates) and the decrease in the tax amount since 2005 due to the downward revision (3.33 times) of the tax rates, as clearly demonstrated in Table 2. The reason for the stability of the tax amounts lies in the internal content of the mandatory payment, which was laid down by the legislator at the time of its introduction – fixing the tax base – the normative

monetary value of land plots (hence the “fixed”... tax) – as of July 1, 1995.

The immutability of the tax amount gave enterprises real grounds for their development and growth: with the improvement of their performance and the growth of profits, the amount of the fixed agricultural tax remained at the same, pre-fixed level.

It should be noted that the reduction in fixed agricultural tax rates since 2005 has only partially mitigated the increase in the tax burden on simplified taxpayers by returning them to the cohort of mandatory contributions to the Pension and Social Funds (Table 3).

Table 3. Changes in the tax burden on fixed agricultural tax payers since 2005, UAH per ha. of agricultural land

Years	Amount of the fixed agricultural gift tax*	Amount of contributions to state trust funds**	Savings/losses for enterprises		Increase in the tax burden compared to 2004.
			Savings (+) due to lower tax rate	Losses (-) due to renewed participation in the formation of trust funds	
2004	17.83	0.4	-	-	-
2005	5.36	26.2	+12.47	-25.76	13.33
2006	5.36	31.8	+12.47	-31.22	18.93
2007	5.36	58.5	+12.47	-57.81	45.63
2008	5.36	98.4	+12.47	-97.51	85.53
2009	5.36	128.8	+12.47	-127.94	115.93
2010	5.36	180.5	+12.47	-179.51	167.63

Note: * calculations are based on the average normative monetary value of each type of agricultural land, taking into account the average structure of agricultural land in Ukraine [23]; ** calculations are based on the payroll of agricultural enterprises and the rates of contributions to the Pension Fund, Social Insurance Fund, Unemployment Insurance Fund and Social Insurance Fund against industrial accidents and occupational diseases that caused disability in the respective years [1; 15; 16; 24; 25]

Table 3 shows that reduction of fixed agricultural tax rates resulted in savings for agricultural enterprises on this tax by fixed UAH 12.47 per 1 ha of agricultural land for each year of the calculation period, while the restored costs of forming the trust funds were significantly higher – from additional UAH 25.76 in 2005 to UAH 179.76 in 2010. This increase is explained by the influence of two factors: the application of a higher share of the basic rate of agricultural enterprises’ contribution to the Pension Fund of Ukraine in each of the years of the transition period (2005-2010) and the annual growth of the wage fund of employees.

With the entry into force of the Tax Code of Ukraine [14] on January 1, 2011, the basic rules for the fixed

agricultural tax have not changed significantly, although due to the reformatting of the taxation system and the abolition of certain mandatory payments during the last four years of this tax’s existence (2011-2014), its payers were exempt from the need to accrue and pay only 4 mandatory payments: corporate income tax, land tax (except for land tax for land plots not used for agricultural production), fee for special use of water, fee for certain types of business activities (in terms of trading) [14].

The exclusion of the fixed agricultural tax from the list of taxes levied in Ukraine in 2015 did not mean the end of the special taxation regime for agricultural producers. It was extended within the framework of the simplified

taxation system for single tax payers of the 4th group (the beginning of the 2nd stage of the special regime). The rules that allow agricultural producers to operate under the simplified taxation system and the basic principles of calculation and payment of the newly introduced single tax remained largely unchanged, as they were for the fixed agricultural tax [14]. It is no coincidence that at the stage of transition to the new tax, in the absence of approved tax return forms, the tax authorities recommended that taxpayers report using the tax return form for the fixed agricultural tax.

Nevertheless, the new tax brought some important changes. First, due to the abolition of the fee for certain types of business activities, the number of mandatory payments from which legal entities paying the single tax are exempt has been reduced to three (corporate income tax,

except for mandatory payments under this tax directly defined by the Tax Code of Ukraine; land tax for land plots used for agricultural production and rent for special use of water) Second, it is the abandonment of the use of a fixed tax base. From now on, the tax base is the normative monetary value of 1 ha. of agricultural land, taking into account the indexation coefficient determined as of January 1 of the base tax (reporting) year. The third important aspect of the newly introduced tax was a significant increase in tax rates.

It was made calculations and have visual information on how the tax burden on agricultural enterprises subject to the special taxation regime has changed after the transition to the single tax under Group 4 of the simplified taxation system (Table 4).

To better understand the situation, we refer to Table 5 which shows the levels of tax growth over time.

Table 4. Average* amounts of the fixed agricultural tax** and the single tax for taxpayers of the 4th tax group*** (except for those operating in mountainous areas and in the Polissya territories), UAH

Years	Tax amount per 1 ha.			
	arable land	hayfields	pastures	perennial plantings
2005-2014	5.51	2.27	1.77	10.17
2015	115.98	27.15	21.25	121.19
2016	208.76	48.87	38.25	219.93
2017-2018	275.21	64.42	50.43	287.57
2019-2022	261.25	63.71	47.37	288.03

Note: * based on the average value of the normative monetary valuation of agricultural land in Ukraine; ** in 2005-2014; *** since 2015

Source: [1; 13; 14; 23]

Table 5. Changes in the tax burden on agricultural producers of the special taxation regime* in relation to its payers (except for those operating in mountainous areas and in the Polissya region)

Change in indicators by years	Change in the tax burden per 1 ha.			
	arable land	hayfields	pastures	perennial plantings
2015 compared to 2014, times – total	21.04	11.97	12.00	11.91
including: by increasing the tax rate	3.0	3.0	3.0	3.0
by increasing the tax base	7.0	4.0	4.0	4.0
2016 compared to 2015, times – total	1.80	1.80	1.80	1.81
including: by increasing the tax rate	1.80	1.80	1.80	1.81
2017-2018 compared to 2016, times – total	1.32	1.32	1.32	1.31
including: by increasing the tax rate	1.17	1.17	1.17	1.16
by increasing the tax base	1.124	1.124	1.124	1.124
2019-2022 compared to 2017-2018, times – total	0.95	0.99	0.94	1.00
including by changing the tax base	0.95	0.99	0.94	1.00
Total tax increase, times since 2005	47.4	28.1	26.8	28.3
including: due to an increase in the tax rate	6.3	6.3	6.3	6.3
by changing the tax base	7.5	4.4	4.2	4.5

Note: * in terms of single tax accruals for Group 4 taxpayers

Source: [1; 13; 14; 23]

The data in Table 5 show a significant increase in the dynamics of the amount of the single tax for Group 4 taxpayers. The largest increase occurred in 2015, the year of the transition from the fixed agricultural tax, and amounted to 21 times for arable land and about 12 times for other agricultural land (arable land, hayfields, and perennial plantations). At the same time, due to the indexation of the tax base – the normative monetary valuation of farmland –

the burden on producers in 2015 increased by 7 times for arable land and 4 times for other land compared to 2014. The rest of the effect of the tax burden increase was provided by a threefold increase in tax rates.

The legislator revised (upward) tax rates for two more years in a row – in 2017 and 2018. As of 2022, their total increase compared to the level of 2014 was 6.3 times. At the same time, despite the introduction of the regime of



indexation of the monetary valuation of agricultural land, it was actually implemented only once (in 2017), due to the fact that the Tax Code requires that the consumer price index be taken at the level of 100.0 when calculating the indexation coefficient of the normative monetary valuation of agricultural land in 2015 and 2017-2022 to determine the amount of the single tax for agricultural producers, in other words, the normative monetary valuation of land in these years should not be indexed. Finally, a certain adjustment of the tax base for agricultural land took place in 2019 due to the entry into force of the national (all-Ukrainian) normative monetary valuation of agricultural land. The revision of the normative monetary valuation resulted in a slight decrease in the tax base of the single tax for agricultural producers, and therefore in the amount of the tax itself, for the national average.

As a result of all these changes, the overall increase in the amount of the single tax for agricultural producers in 2022 compared to 2014 reached 47.4 times for arable land and 26.8 to 28.3 times for hayfields, pastures and perennial plantations. In other words, while in 2014, agricultural producers (except for those operating in mountainous areas and Polissya) paid, for example, an average of UAH 5.51 of fixed agricultural tax per 1 ha. of arable land, in 2022 they will pay UAH 261.25 of the single tax.

It should be noted that the special taxation regime was introduced as a temporary measure (for the period 1999-2003) and was intended to provide support to farmers and help stabilize agricultural production. Nevertheless, starting from 2004, the regime was extended for another 6 years. Eventually, this tax found its place in the adopted Tax Code of Ukraine, and since 2015, the special taxation regime for agricultural producers has been implemented through the introduction of a single tax for them, within the 4th group of taxpayers of this tax. Since 2011, any mention of the temporary period of existence of the special taxation regime for farmers has disappeared from the legislation.

It should be noted that the introduction of this approach to taxation of farmers – by taxing their land plots – has not only advantages (almost complete absence of opportunities for tax evasion, which is the basis of the special taxation regime for farmers; removal of differential rents through this tax, which provides all taxpayers with equal opportunities for business and competition; promotion of efficient and rational use of the main natural wealth by commodity producers, as tax rules force taxpayers to receive income from land; implementation of the principle of social justice, given that everyone pays according to the natural potential they have; incentives to increase production volumes and profitability; consideration of the specifics of agricultural production when setting the tax payment deadlines (20% in the first half of the year and 80% in the second half of the year), as the main return on investment is received by agricultural enterprises in the second half of the year), implementation of the principle of social justice, given that everyone pays according to the natural potential they have; incentives to increase production volumes and profitability; consideration of the specifics of agricultural production when setting the tax payment deadlines (20% in the first half of the year and 80% in the second half of the year), as the main return on investment is received by agricultural enterprises in the second half of the year), but also disadvantages: the financial results of enterprises are not taken into account, which violates the principle of fairness of taxation; producers of profitable products, in particular, grain and sunflower, receive significant unjustified advantages; there is a redistribution of the tax burden on crop production enterprises due to the existing object of taxation (agricultural land), while livestock enterprises are actually exempt from this tax.

The existing shortcomings in the use of the single tax can be seen by demonstrating the performance indicators of production and sales of certain crops by Ukrainian enterprises (Table 6).

Table 6. Estimated amounts of income tax and single tax for Group 4 taxpayers* on the example of certain types of crop production activities in 2020

Indicators	Cereals and pulses	Sunflower seeds	Factory sugar beet	Potatoes
Yield, c/ha	46.4	21.4	421	229.4
Profit from product sales, UAH/ha	3 707	6 236	-5 502	11 685
Potential amount of income tax, UAH/ha	667	1 122	-990	2 103
Single tax for taxpayers of the 4 th group, UAH/ha**	261.25	261.25	261.25	261.25

Note: * operating outside the mountainous areas and Polissya territories; **based on the average normative monetary value of agricultural land in Ukraine

Source: [1; 14;]

Despite the different efficiency of activities for the production of individual crops, the amount of the single tax is the same in each case. It is clear that all of the above crops can be simultaneously represented in the structure of the sown areas of agricultural enterprises, but preference will probably be given to those that provide producers with more profit. The already logical conclusion about the

rules of forming the production program of an agricultural enterprise is reinforced by the established rules and peculiarities of taxation of agricultural producers. According to the State Statistics Service, in the period 1999-2021, for example, sunflower production increased by 2.29 times, cereals and legumes – by 21.6%, and sugar beet production decreased by 77.8% [23].

These calculations also provide general understanding of which of producers should choose the simplified taxation system and which of them may find the general taxation system more profitable. Provided that the final financial result of the enterprise per 1 ha of agricultural land is lower than the average amount of the single tax per 1 ha, such enterprises should probably consider switching to the general taxation system. At the same time, the estimated amounts of other taxes from which single tax payers are exempt but which will have to be paid when the taxation system changes (land tax for land plots used for agricultural production and rent for special use of water) should be taken into account. It is also necessary to take into account the existing scope of activities: producers with annual net income of up to UAH 40 million are entitled to apply the annual tax period with payment of income tax once a year within 70 days after its end. Instead, producers with higher revenues have to pay income tax based on the results of the respective quarter within 50 days after its end, which may be a difficult task for them [14].

It should also be understood that the financial result of companies' activities calculated on the basis of accounting data for tax accounting purposes is adjusted for tax differences approved by the legislator, which is likely to increase the taxable object for income tax. Tax differences in determining the taxable entity are mandatory for business entities with revenues exceeding UAH 40 million and are only optional for those with lower revenues. Ambiguous, insufficiently transparent legislative provisions that increase the likelihood of errors in the calculation of income tax liabilities and thus threaten with appropriate sanctions from the tax authorities and the associated washout of business entities' funds do not contribute to the choice in favor of the general taxation system [14].

The final choice in favor of the taxation system for a particular agricultural enterprise starting from 2022 should be made taking into account the amount of potential additional costs due to the introduction of the minimum tax liability for farmers, as discussed below. At the same time, it should be understood that in case of abandonment of the simplified taxation system and transition to general taxation conditions, the legislator allows re-entering the cohort of single tax payers no earlier than in 2 calendar years [14].

In 2022, a new stage in the development of the simplified taxation regime for agricultural producers began. Based on the results of this and each of the following years, legal entities will compare the amount of mandatory payments they have made for the respective year according to the list with the amount of the minimum tax liability, and if the minimum liability is higher than the amount of payments made according to the list, the companies will have to pay the difference to the budget, thereby reaching the minimum amount of liabilities approved by the legislator.

The list of mandatory payments against which the amount of the minimum tax liability for legal entities subject to the special taxation regime will be compared includes a single tax; income tax and military duty withheld from individuals who are in labor or civil law relations with the taxpayer; income tax and military duty under lease, sublease, and emphyteusis agreements for agricultural land plots from individual landlords; 20% of the rent for agricultural land leased by taxpayers from legal entities and/or leased state or municipal property [14].

For entities that switched from the general taxation system to the simplified taxation system in the reporting tax year, the list of mandatory payments also includes income tax, land tax for land plots classified as agricultural land, and rent for special use of water.

The minimum tax liability for the transitional two-year period (2022 and 2023) is set at 4% of the normative monetary value of land plots, and will be 5% thereafter. This innovation is intended to address a number of issues: to help bring farmland leases out of the shadows (according to various estimates, the area of such land outside the official lease market is between 8 and 12 million ha.s), and to reduce the amount of envelope payments of income to agricultural employees: there is no point in entering into fictitious lease agreements and concealing the income of employees if there are no real savings in the end. As a result of the introduction of the minimum tax liability, not only budget revenues but also the revenues of targeted social funds are expected to increase due to the expected removal of the income of employees from the shadow economy.

The authors' calculations for an average Ukrainian agricultural enterprise showed that the amount of mandatory payments paid by such an enterprise, which are taken into account for comparison with the minimum tax liability, approximately corresponds to such minimum liability, and therefore, the specified enterprise will not have to pay anything extra to the budget.

The real consequences of this innovation will be seen after the first year of its implementation (2022). However, certain drawbacks of this mechanism are already evident. In particular, the calculation of the minimum liability ignores the tax exemptions initially granted to single taxpayers operating in mountainous areas and in the Polissya region: the single tax rates for them are 60% (for arable land, hayfields and pastures) and 33% (for perennial plantations) of the rates for other taxpayers, while the minimum liability is calculated on a general basis. The introduced innovation does not take into account the fact that lower labor costs per ha. of agricultural land, which are likely to require additional payments to the minimum tax liability, are not necessarily related to the concealment of part of the income of employees from taxation, but may be explained by the objectively lower labor intensity of production of certain crops. A lower level of labor intensity is also demonstrated by enterprises that are more widely introducing automation of production processes and using the most modern models of equipment. It is illogical to impose an additional tax burden on entities that implement investment projects at their own expense. The introduction of the minimum tax liability will further increase the relevance of the issue of the production program and activities of each business entity with a focus exclusively on highly profitable crops, which may negatively affect the food security of our country.

The issues raised in the article are not entirely new. They are in the area of attention of many scientists. In the works of other authors, as well as in the prepared work, the advantages and disadvantages of a special taxation regime for agricultural producers were investigated [2; 3], the level of tax burden on the specified entities was clarified [4; 5], the impact of the taxation system on the financial condition of farmers was studied [8; 11], directions for improving

approaches to taxation of producers of agricultural products were proposed [6; 7; 9]. The main positions on which this article differs from existing developments are as follows: covering the entire period (1999-2022) of the existence of a simplified taxation regime for agricultural producers within the framework of the study; submission of detailed calculations of the levels of tax burden on agricultural producers for the entire period of the study, performed on the basis of a thorough analysis of the legislation that regulated the issue of taxation of agrarians in the relevant periods of time; providing up-to-date recommendations to agricultural producers in choosing a taxation system, based on the calculations made and proceeding from the existing nuances of the current legislation.

However, the prepared article did not consider the issues raised in other works of scientists, in particular, the introduction of tax benefits for agricultural producers [8], the introduction of forms of tax legislation in the area of taxation of agrarians in the conditions of Ukraine's movement to the European Community to the requirements of European legislation [12], analysis of the results of the introduction of new tax payments from agricultural producers [10], etc.

N.P. Matselukh, M.O. Skoryk in his work [2] characterized the introduced simplified taxation regime for farmers as a kind of tax preference for them. In our opinion, it is more expedient to consider simplified taxation in the context of the equalization of taxation conditions for industry producers, which allows at least partially to take into account the existing nuances of conducting agrarian business. At the same time, we fully agree with the conclusion of the authors regarding the important role of instruments of state regulation of the agrarian sector in the further activation and development of agrarian business [2].

G.O. Partyn, O.B. Kurylo, A.R. Podaryn drew attention to the instability of the taxation system for agricultural producers, which required the aforementioned subjects to constantly adapt to the innovations being introduced. The authors rightly focused on the need to introduce differentiated taxation of agricultural producers depending on the volume of their income and the number of employed workers in the context of, on the one hand, increasing the effectiveness of support for small business entities, and on the other hand, increasing the role of the agricultural sector in the formation of tax revenues of the budget [3]. The authors also insisted on the expediency of differentiated taxation of agricultural producers [6]. At the same time, along with quite clear and easy-to-verify criteria by which it was proposed to provide support to producers (in particular, the area of agricultural land, production volumes and the number of employees per 100 ha.s), it was recommended to take into account criteria that are not unambiguous in the valuation (in particular, improving the quality of manufactured products, improving the quality of soils, financing the development of rural infrastructure, etc.). The implementation of this proposal may result in corresponding difficulties and increase the influence of the subjective factor in the selection of applicants for special taxation conditions.

E.S. Podakov drew attention to the fact that the introduction of special taxation regimes for agricultural producers was taking place in a number of countries of the modern world. At the same time, the author of this work,

like some previous researchers, supported the expediency of differentiated taxation – the establishment of single tax rates for business entities, based on the level of profitability. The researcher called their subsidies an alternative to the special regime for farmers in Ukraine, although he emphasized the narrow point of this proposal – the high probability of non-transparent distribution of state support funds [4]. This proposal is debatable and it requires additional calculations and justifications of the possible consequences of its implementation.

The methodical approach to determining the optimal level of tax burden proposed by the group of authors [5] deserves special attention. The result of the optimization will be the release of an additional resource for the growth of agricultural production while simultaneously increasing the amount of tax revenues to the budget.

O. Nivyevskiy in his research took care of the problem of identifying the real beneficiaries from the introduction of special regimes and preferential tax programs for agricultural producers, rightly noting that to a large extent the financial benefits are redistributed in favor of suppliers of means of production and landowners [8], which requires further research and improvement approaches to taxation of agrarians.

The work of the authors of the article [11] is useful and practically significant: they presented the classification of the countries of the European Union according to the level of taxation of farmers, presented the amounts of taxes paid based on: 1 ha. of agricultural land, the annual volume of hourly costs for the payment of workers, 1 euro of the value of assets for according to the classification of four levels of taxation of farmers (from low to high). The results obtained in the article can be used to compare the conditions of taxation of agricultural producers in Ukraine compared to European countries in order to further improve the system of taxation of Ukrainian producers.

CONCLUSIONS

According to the results of the research, it was found that the special taxation regime for agricultural producers, introduced as an alternative to the general taxation regime in 1999 in order to support the basic – agricultural – branch of the national economy, is still chosen by the majority of enterprises, despite the fact that the conditions and taxation rules, and most importantly, the benefits and advantages of choosing such a regime by business entities have significantly decreased. A significant reduction in the list of mandatory payments from which subjects of a special taxation regime are exempted, a several-fold increase in tax rates, a transition to taxation of land plots based on an indexed (current) monetary base, and a transition in addition to this from 2022 to taxation of agrarians on a level not lower than the minimum calculated value in connection with the introduction of the minimum tax liability has already led to an increase in the level of the tax burden on agricultural producers.

In this regard, the level of taxation of agricultural enterprises that have chosen a simplified taxation system compared to subjects on the general system remains lower today only for highly profitable enterprises. For business entities that show low profits or even losses in certain periods of their activity, it may be more appropriate to work on a general taxation system.

With the formation of transparent, unambiguous and clear rules for calculating the amount of the tax object according to the income tax, the transition to taking into account the specific features of the agricultural industry when calculating the amount of taxable income, in particular, the existing gap between the time of advancing funds and receiving a return from them, the terms of receiving such a return, revision by the legislator of the composition of tax differences, to which the object of taxation is adjusted, by creating prerequisites for the unhindered valuation

of non-current assets, etc., is more expedient from the standpoint of the state, which is interested in filling the budget with funds, and from the point of view of producers who seek to equalize the conditions and rules of taxation, the formation of a tax system will be based on the elements of income and land taxation.

Taking into account the course of Ukraine to join the European Community, in further studies it is planned to study the experience of the participating countries of this economic and political union in the taxation of agricultural producers.

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Спеціальний режим оподаткування сільськогосподарських підприємств: український досвід

Анотація. Проблема побудови системи оподаткування для виробників сільськогосподарської продукції, яка б враховувала специфіку їхньої діяльності, не була занадто обтяжливою, стимулювала або принаймні не ставала перешкодою до нарощування суб'єктами господарювання обсягів їхньої діяльності, лишається надзвичайно актуальною для аграрної України. Метою даного дослідження був аналіз спеціального режиму оподаткування сільгоспвиробників, характеристика етапів його становлення та розвитку, визначення змін у рівні податкового навантаження на суб'єктів оподаткування в динаміці, обґрунтування критеріїв доцільності перебування окремих товаровиробників на спрощеній, особливій системі оподаткування. Для вирішення окремих завдань в роботі використано історичний, статистико-економічний, абстрактно-логічний та графічний методи дослідження. В роботі показано, що найбільш пільговим оподаткування аграріїв було у перші 5 років від запровадження (1999 рік) особливого режиму їх оподаткування. Названо обов'язкові платежі, звільнення від сплати яких стало найбільш помітним для товаровиробників. Досліджено податкове навантаження на сільськогосподарські підприємства, обґрунтовано причини зміни його рівня у динаміці. Названо переваги та недоліки спрощеного підходу до оподаткування сільгоспвиробників, базуючись на площі наявних у них в обробітку сільськогосподарських угідь. Описано причини запровадження з 2022 р. законодавчої норми щодо стягнення з сільгоспвиробників обов'язкових платежів на рівні, не нижчому від мінімального податкового зобов'язання та визначено наслідки такого нововведення для середньостатистичного українського підприємства, Зроблено висновок про перспективи подальшого оподаткування агровиробників. Практичне значення результатів дослідження полягає у можливості їх використання, з одного боку, законодавцем з метою реформування чинної системи оподаткування сільськогосподарських товаровиробників, а з іншого – конкретними товаровиробниками при ухваленні рішення про обрання системи оподаткування, яка б була для них економічно вигіднішою

Ключові слова: спрощена система оподаткування, фіксований сільськогосподарський податок, єдиний податок для платників податку 4 групи, податкове навантаження, мінімальне податкове зобов'язання