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**Working Party on the
Accession of Ukraine**

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ACCESSION OF UKRAINE

Supplementary Memorandum on Agricultural Trade Policy

Addendum

The following additional information has been received from the Governmental Commission on Ukraine's Accession to WTO and is reproduced hereunder.

2.1.2d Paragraph: Additional information on the Writing Off of Tax Debts

Substantial reconstruction is currently being carried out in Ukraine in the areas of tax and budgetary debts.

Writing off and reconstruction of the tax arrears of agricultural enterprises and sugar plants (factories) is carried out according to the Presidential Decree "On Writing off and Reconstructing of Tax Debts of the Agricultural Enterprises and Sugar Plants Taxpayers as of 1 January 1998," of 18 June 1998, No.651 (further on referred to as Decree No.651) and Law of Ukraine "On Writing Off and Reconstructing of Tax Debts of Sugar Plants Taxpayers as of 1 January 1998, and Agricultural Enterprises as of 1 January 1999" No.428-XIV, (further on referred to as Law No.428-XIV).

Writing off is applied regardless of the form of property ownership to the following types of taxpayers:

- Agricultural enterprises including fish enterprises, fishing farms and peasants' farms;
- Seed plants;
- Agricultural machinery service enterprises;
- Agricultural chemical enterprises in the sphere of rendering services to agricultural enterprises;
- Higher learning establishments of the first and second levels of accreditation;
- Agricultural vocational schools;
- Sugar plants (factories).

The writing off is applied to the amount of fine (except for the amount of fine levied for the term of payment violations which occurred in the foreign economic activity transactions), fines and fiscal sanctions collected by the State Budget of Ukraine, Pension Fund of Ukraine and Social Insurance Fund of Ukraine, calculated in accordance with the legislation as of 1 January 1998.

The amount of tax debt is restructured for taxes and fees (VAT; enterprise profit tax; land tax; fee to the State Innovation Fund of Ukraine; fee for the special utilization of natural resources; fee to the Fund on Implementing Measures to Liquidate Chernobyl Catastrophe Effects and Social Protection of Citizens; fee for the obligatory social insurance; personal income tax charged for citizens working at collective agricultural enterprises, including fish farms, fishing collective enterprises; tax for the owners of transportation means and other self-propelling vehicles and equipment), not including the sum of fine, fine and fiscal sanctions.

The full scale restructuring of tax debts will be launched on 1 January 2004, and will be carried out in equal amounts till the fifteenth day of each month.

Enterprises which paid their taxes and fees in the full amount in 1998 would not have to restructure their debts, and then write them off (see Decree No.71/99.) They are written off directly on tax debts which have accrued from 1 March 1997 to 1 January 1998.

The national debts are regulated by a new Presidential Decree of 17 May 1999, No.507/99 "On the Writing Off and Restructuring of the National Debts of Agricultural Producers." According to this Decree, as of 7 January 1998, debts for the loans received in the years of 1994 through 1996 (for Zakarpattia regions – 1997 through 1998) are written off for the agricultural producers who suffered from natural disasters/ calamities, and who are thus unable to pay their debts. This rule is also applied to the food enterprises which are the contracting parties to agreements with the above mentioned producers. Moreover, the debt repayment deadline for the above mentioned enterprises is postponed for the loans taken during in 1994 through 1998 until 1 January 1999.

2.1. 5th Paragraph: Exemption of Agricultural Products from VAT in Selected Regions

The Law of Ukraine No.25 of 15 January 1998, was introduced tentatively, because the Government and the Supreme Rada of Ukraine were not fully aware of the effects its introduction would cause. In order to check these effects for various climatic and historical conditions the Law was thus introduced in different regions of Ukraine with different ground and weather conditions, where the financial results from agricultural activity are also different. This law expires on 31 December 2000. Decisions about its effectiveness and conclusions on the benefits and viability of its implementation shall be made thereafter.

The unified tax rates' breakdown and calculation are performed on the basis of the law of Ukraine of 29 December 1997, No.770, as well as the Law of Ukraine of 3 March 1999, No.464-XIV "On Introducing Changes to the Law "On Fixed Agricultural Law"". The tax amount is calculated as a percentage of the money value of a land lot evaluated as of 1 July 1995, taking into account the changes introduced in compliance with the joint letter No.03-303/1592/52-31/620/14-12-1-7/2412 "On Indexation of Land Money Value Evaluation" drafted by the Ministry of Finance, Ministry of Economy and State Committee on Land Resources of Ukraine. The algorithm is quite complex. It was included into the Methodology Paper approved by the Cabinet of Ministers Resolution of 23 March 1995, No.213.

2.4. 1st Paragraph: Presidential Decree No.389.

Decree of the President of Ukraine No.389 of 29 April 1998, "On Main Avenues of Development of Agro-Industrial Complex of Ukraine" was of a declaratory nature. The exact mechanism on the implementation of these issues has never been developed.

3.1.1. 1st Paragraph: Import Duties

The Law of Ukraine No.468 “On Government Regulation of Agricultural Products Import” was approved 17 July 1997. It provides for combined import duty rates imposed on practically all goods. This, obviously, helped to increase the level of protection given to the respective national production and trade industries. Besides, the latest changes and amendments to the Law of Ukraine “On Government Regulation of Agricultural Products Import” are being developed by the Government (see Resolution No.98/99 “On Measures [Aimed at] Protecting Domestic Market from Imported Products and Foodstuff”). The need for such changes is caused by the increase in import duty rates on those types of agricultural goods and foodstuff that are manufactured in Ukraine in a sufficient amount. It is also caused by the abolition of the ad valorem part of the combined import duty. We believe that by introducing measures aimed at decreasing the volume of imports, the Government artificially keeps the domestic prices unchanged, which helps Ukrainian manufacturers not to think about reducing their prices.

3.1.2. 1st Paragraph; Export Duties.

Currently, agricultural products exported from Ukraine is not subject to export duties, i.e. the law of Ukraine of 7 May 1996, No.180 “On Export Duty” is no longer valid.

3.1.2. 1st paragraph; Reason for Import Quotas.

In this case export and import licensing and quotas have been introduced in order to insure certain proportions between imported and domestic agricultural products. This approach stems from the national interests and goals.

3.2.1. 4th Paragraph: Quantitative Restrictions in Sugar Trade.

These were provisional measures. That is why Resolution of the Cabinet of Ministers of Ukraine of 26 February 1993, No. 132, that had introduced overall volumes of export quotas for 1993 with sugar being coded according to product nomenclature as 17.0112100, 17.191000, 17.01999000, was abolished in less than a month.
