

1 Tax Regulation of Land Relations in Agricultural Economy of 2 Ukraine

3 Valentyn Bobko¹ and Petro Borovuk²

4 ¹ Uman National University of Horticulture

5 *Received: 9 February 2015 Accepted: 1 March 2015 Published: 15 March 2015*

6 **Abstract**

7 This article explores the problem of collecting land rent taxes in the agricultural sector of
8 Ukraine's economy. According to the analysis, authors suggested ways of improving land tax?
9 collecting mechanisms, payment for the state and municipal owned land?s rent and single tax
10 for agricultural business? subjects. In addition, the authors suggested the introduction of a
11 tax on the land market transactions and the land resources? monopolization tax in Ukraine.
12

13 **Index terms**— tax regulation, land rent taxes in the agricultural sector, land tax, payment for the state and
14 municipal owned land?s rent, single tax on agricultu

16 **1 a) Formulation of the problem**

17 Despite the financial adversity in the Ukraine's domestic economy, agrarian sector remains almost the only
18 profitable, providing products for the population and enabling the agricultural business' subjects to conduct
19 transactions for the sale of an agricultural and processed products for export. Therefore, an important task for
20 the government in the conditions of WTO membership and the inevitability of the European integration course
21 remains the tax regulation of an agrarian business' subjects activity. Considering that agricultural enterprises in
22 Ukraine, first of all, pay rent tax payments, including land tax, single tax and state and municipal owned land's
23 rent payment, it means that these, mentioned above tax forms and tax regulation problems of the agricultural
24 purposes land usage deserves special attention from researchers.

25 **2 b) Recent research and publications' analysis**

26 Considering the mentioned above, it is natural that land taxation and its usage' issues in the agricultural sector
27 are devoted to research of leading scientists, among which worth mentioning the works of V. Golyan [4], M.
28 Demyanenko [5], V. Zayats [6], V. Synchaka [10] L. Tulusha [12], M. Fedorova [1; 13] S. Yushka [14] and R.
29 Yarullina [15].

30 **3 c) The allotment of unsolved aspects of the problem**

31 Despite the significant number of publications relating to issues of land rental taxation and tax regulation of land
32 usage, considering the shortcomings of modern mechanisms for collecting taxes for the use of agricultural land,
33 taking into account changes in tax legislation have occurred in connection with the adoption of the Tax Code
34 of Ukraine [9] and making a number of changes to the mechanism of calculation and payment of land rent tax,
35 considering the fact that during the tax reform in the agricultural sector of economy the problem of farmland
36 taxation not only been solved, but even exacerbated. Now there is an urgent need for further research ways to
37 improve the calculation and payment mechanism of the land rent tax which was the root cause of this research.

38 **4 d) Problem**

39 The purpose of this article is to develop scientifically based proposals for improving the land rent taxes' collecting
40 mechanism in the agriculture.

41 5 e) The main research material statement

42 Currently, land tax and state and municipal owned land' rent payment also, single tax for its collection subjects of
43 the group IV are set land rent tax, which should regulate land relations in the agricultural sector of the economy
44 and to ensure the formation of the partly local government revenue needed them to perform tasks related to the
45 protection and improvement of agricultural land also, for the fulfillment of other local government functions and
46 powers ??1-6; 10-15] (Fig. ??).

47 Since the object of collecting these tax forms are land areas, and charging base is normative monetary valuation
48 of land, performed as at 01 july 1995 and indexed at the beginning of this year (based on the estimated rental
49 income from the productive use of land), so both they in the scientific publications are accepted as land rent tax
50 ??1, p. 215; 13, p. 118; 15, p. 45].

51 These payments are a set of taxes to regulate land relations in the agricultural sector of the economy and to
52 ensure the formation part of local budgets incomes, they need to perform tasks related to the protection and
53 improvement of agricultural land and fulfillment of other local government functions and powers ??1-6; 11-15].

54 It should be noted that in the period to 2015 land rent tax, formed a small part of the consolidated budget
55 and do not substantially followed in land rent relations in the agricultural sector ??2-6; 11-15], which was the
56 root cause of the transformation of this part of the tax system of Ukraine. During the reform of the of the land
57 rent tax system the land tax rate has significantly increased and current fixed agricultural tax valid to 2015was
58 changed to the single tax for its collection of group IV and slightly was modified the mechanism for land rent
59 charging.

60 The most important in the system of land tax payments, no doubt, is the land tax, the main features of its
61 charging mechanism are schematically depicted in Fig. 2.

62 -Taxpayers are the owners of land plots, land shares and land users; -The tax base is normative monetary
63 valuation of land with a coefficient of indexation, the amount of which is affects by inflation, but also areas of
64 land, monetary value of which are not conducted;

65 -The tax rate is less than 3 percent of their regulatory monetary value, and for agricultural land -less than 1
66 percent of their normative monetary value;

67 -Calculation of amounts of tax by legal entities is conducted independently annually by 1 January and 1
68 February this year, they served to State Tax Administrations at the location of land tax declaration for the
69 current year, but they may choose month reporting on land tax, submitted to the 20 th month following the
70 reporting one;

71 -Charging for individuals the tax amounts is held by the State Tax Service, which issue (send) the payer to
72 July 1 this year the tax notice-decision to tax;

73 -Tax is paid: by legal entities -monthly for 30 calendar days following the last calendar day of the month and
74 as individuals -within 60 days of service of their corresponding tax notification solution. Features of the land tax
75 collection in Ukraine:

76 In a land tax, a mandatory component of land lease land relations are relations (including in respect of the
77 lease of lands of state and municipal property). Must consequence lease land relations with state and municipal
78 lands are charging and paying another land tax -rent for the land state and municipal property.

79 It is Ukraine's only tax that can hectare land not specified in the Tax Code of Ukraine or other regulations
80 on taxation, as determined by the lease of land (Fig. 3).

81 - ?the amount and conditions of payment is set in the lease agreement between the landlord (owner) and the
82 tenant, but it can not be less than for agricultural land than the size of the land tax and for other categories
83 of land -three times the amount of land tax, and can not exceed for areas provided for location, construction,
84 maintenance and operation of energy facilities that generate electricity from renewable energy sources, including
85 technology infrastructure of such facilities (production facilities, bases, distribution points (devices), electrical
86 substations, electrical network), is 3% of the normative monetary value; other land plots leased is 12% regulatory
87 monetary value;

88 The amount and terms of payment

89 ?charging of legal entities the rent amounts is held itself every year on 1 January to 1st February of the current
90 year, they have to serve to tax department at the location of land tax declaration for the current year, but they
91 may choose month reporting on rental, submitted to the 20 th month following the reporting one;

92 ? charging individuals an amounts for the state and municipal owned land' rent is held by the state tax service
93 that issue (send) the payer to July 1 this year the tax noticedecision to this tax;

94 ?payments: legal entities -monthly for 30 calendar days following the last calendar day of the month and as
95 individuals -within 60 days from the date of delivery to them of the reporting posts solution.

96 The procedure of calculation and payment agricultural purposes, so its tax base is the monetary valuation of
97 these lands and through the mechanism of tax collection, as well as through land tax and rent payments there is
98 withdrawn of land rent' part then by its very nature, this tax is from renting the land tax payment.

99 The main features of charging single tax' modern mechanism and its collection of group IV schematically
100 shown in Figure 4. ? farmers that do not sell the excise goods have no tax debts, have farmland and in which
101 the proceeds from the sale of agrarian and another own production for the previous financial year is at least 75%
102 of the total gross income;

103 **6 Payers**

104 ? agricultural land and water areas fund owned by agricultural producers or given to him for use, including a
105 lease; Collection object

106 ? normative monetary valuation of agricultural land, subject to indexation factor determined as of January
107 1 of the reporting year; Collection base ? for arable land, hayfields and pastures most species -0,45%; ? for
108 arable land, hayfields and pastures located in mountain areas and the woodlands -0.27%; ? for horticulture trees
109 (excluding located in mountain areas and in areas woodlands) -0.27%; ? for horticulture trees, located in mountain
110 areas and the woodland area -0.09%; ? for land of water fund -1.35%; ? for arable land, hayfields and pastures,
111 agricultural producers, specialized in the production and processing of crop production in greenhouses -3%;

112 Tax rates are set as a percentage of base collection in the following sizes:

113 ? tax period -calendar year (self-payers calculate themselves the amount of tax each year on January 1 and
114 no later than 20 February of the current year to submit the declaration state tax administration); ? payable
115 quarterly to 30th day after reporting quarter, but in the first and second quarters -10% in the third quarter -50%
116 in the IV quarter -30% of the annual amount of the single tax; ? in case of a breach during the check calculation
117 and payment of the single tax, payers are moving to general tax system from next month and the period in which
118 a violation is found, it accrued taxes and fees, based on the general conditions of taxation and penalties; ? single
119 tax payer fourth group are exempt from corporate income tax, value added tax, property tax except land tax for
120 land that are not used in the agricultural commodity production, rental fees for special use of water.

121 The procedure of calculation and payment At the same time, optimal land rent tax' collection mechanisms
122 should ensure the convergence of interests of an agricultural producers and municipalities during the formation
123 of the local budgets' revenue base to ensure adequate funding for the protection and improvement of natural
124 resources, stimulating the development of agricultural land market and full regulation of land relations through
125 land tax ??5, p. 20; 11, p. 156; 12, p. 42].

126 Therefore, given the shortcomings of modern mechanisms for collection of land rent tax payments, primary
127 ways of improving the order of calculation and payment in Ukraine should be are as follows (Fig. 6

128 **7 Land tax:**

129 lack of communication between the size of the land tax per hectare of land and the actual value of rental income
130 from land;

131 **8 II. Fee for land lease of state and municipal property:**

132 the amount of payments per hectare of land is not specified in the Tax Code Ukraine or other legal acts concerning
133 taxation, but is determined by an agreement of land leasing;

134 **9 III. Single tax for Group IV of its taxpayers:**

135 makes it possible to optimize the tax burden of individual businesses through the use of the simplified regime of
136 direct taxation by large firms (by creating several affiliated organizations);

137 causes shortfall of money in the budgets of municipalities of an agrarian regions, they need to finance land
138 protecting works;

139 the lack of market transaction tax with agricultural land;

140 no tax on the monopolization of land for agricultural purposes.

141 creates favorable conditions for direct taxation of greenhouse complexes; All the mentioned above will enhance
142 both as fiscal measures and regulating properties of land rental taxation which is an important task at the present
143 stage of the land relations' development.

144 **10 II.**

145 **11 Conclusions**

146 Summarizing the results of the research, it should be noted that the modern mechanisms of land rent tax'
147 collecting, operating in Ukraine have significant drawbacks due to insufficient fiscal and regulatory properties of
148 these tax forms.

149 Ways to improve the procedure of land rent tax' collection payments, as shown by a research should be: the
150 definition of the land tax' collection database based on annual calculation of rental income from the cultivation
151 major crops of the region, establishment the fee for the lease of the state and municipal owned land but not in
152 land lease contracts then in law order, also the single taxpayers' obligations of tax group IV to pay tax

153 12 Areas of improvement of modern mechanisms collection-
154 modern mechanisms of charging rent taxes in Ukraine:

155 13 I. Land tax:

156 -to determine the charging base land tax based on annual calculation of rental income from the cultivation of the
157 region for major crops;

158 14 II. Fee for the lease of the state and municipal propertyland:

159 to introduce the legislative order of an establishment the fee for the lease of state and municipal owned land;

160 15 III. The single tax for group IV of its taxpayers:

161 -to strengthen the responsibility of the single tax payers for operations which are aimed to optimize the tax
162 burden of taxpayers and their counterparties;

163 to require the single tax payers of the fourth group to pay tax for farmland by providing the sums mobilized
164 by the taxpayers to ensure their certain usage, related to the protection and restoration of land resources;

165 introduce a tax on market transactions with agricultural land;

166 introduce a tax for the monopolization of land for agricultural purposes.

167 to introduce a single tax rate for the greenhouse complexes in size of 2% of their earnings;

168 Tax Regulation of Land Relations in Agricultural Economy of Ukraine on farmland by providing the sums
169 mobilized to ensure works related to the protection and restoration of land resources, the introduction of a single
170 rate of tax for greenhouse plants of 2% of their revenue and the introduction of a tax on market transactions of
171 agricultural land and tax for the monopolization of land for agricultural purposes.

172 Further scientific research in this field, in our opinion, should be dedicated to the development of the tax'
collection mechanisms for the agricultural land market transformation. ¹ ²



Figure 1: Fig. 2 :C

¹© 2015 Global Journals Inc. (US) 1

²© 2015 Global Journals Inc. (US)

Year
16
Volume XV Issue VII Version I
() C
Global Journal of Management and Business Research

Figure 2:

15 III. THE SINGLE TAX FOR GROUP IV OF ITS TAXPAYERS:

174 [Jusko] , S Jusko . p. .

175 [Borovik et al.] *Administration issues and areas of improvement the mechanism of levying a single tax in Ukraine*,
176 P M Borovik , S M Borovik , Kolotukha . Auditing: scientific journal -2015. -? 2-3 -S. 14-19.

177 [Haidutsky et al.] 'Agrarian Reform in Ukraine'. / P I Haidutsky , P T Sabluk , Y O Lupenko , M M Fedorov ,
178 . -K . NNC IAE, p. .

179 [Zayats] *Areas of assessment and taxation of real estate in Ukraine*, V M Zayats . p. .

180 [Synchak ()] *Concept improving the system of taxation in agriculture*, V P Synchak . 2008. p. .

181 [Tulush et al.] 'Directions improve mechanisms for collecting land tax payments in agriculture'. L D Tulush , D
182 ; / L , P M Tulush , Borovik . Science and Economics: Scientific-theoretical magazine HEU -2012 1 (25) p. .

183 [Golyan] *Economic mechanism of nature: how it be*, V A Golyan . p. .

184 [Fedorov and ; / M. Fedorov ()] *Economic problems of land relations in agriculture*, M M Fedorov , -K ; / M.
185 Fedorov . 1998. NNC IAE.

186 [Yarullyn and ; / R] *Land rent payments of the agricultural enterprises*, R R Yarullyn , R ; / R . (Yarullyn -M:
187 Finance and Statistics)

188 [On Amendments to the Tax Code of Ukraine and some other legislative acts of Ukraine on tax reform: the Law of Ukraine 28.12.
189 *On Amendments to the Tax Code of Ukraine and some other legislative acts of Ukraine on tax reform: the*
190 *Law of Ukraine 28.12. 2014 ? . ? 71-VIII*, <http://zakon6.rada.gov.ua/laws/show/71-19>

191 [On the State Budget of Ukraine for 2015: Law of Ukraine on December ()] <http://zakon6.rada.gov.ua/laws/show/80-19/page2> *On the State Budget of Ukraine for 2015: Law of Ukraine on December, 2014.*
192 28 p. 80. (Access to resources)

193 [Demyanenko] *Problems adapting the tax system to conditions of the agricultural production*, M J Demyanenko .
194 AIC -2008. - ? 2. -P. 17-25.

195 [Borovik et al.] 'Problems of tax regulation of land relations in the agricultural domain in terms of European
196 integration'. P ; / P M Borovik , P K Borovik , Bechko . Scientific Bulletin of Kherson State University.
197 Series: Economics. -2014 - 9 p. .

198 [Tulush] *Reform of the mechanism of direct taxation of agricultural enterprises*, L D Tulush . AIC. -2014. -? 10.
199 -P. 34-45.

200 [Tax Code of Ukraine on December ()] <http://zakon6.rada.gov.ua/laws/show/2755-17> *Tax Code of*
201 *Ukraine on December, 2010.* 2 p. 2755.