

Key Facts about the State Budget for 2025

Revenues

1. **Budget Revenues (incl. transfers) are approved at UAH 2.3 trn (+22.4% compared to the 2024 plan),** including the general fund at UAH 2.1 trn and the special fund at UAH 193.9 bn.
 - 1.1. **Tax revenues will amount to UAH 2 trn (+19.5% compared to the 2024 plan).** One of the main reasons for the increase is the rise in taxes, in particular, the military tax from 1.5% to 5%, its extension to simplified tax system entrepreneurs, and the continuation of the 50% tax on bank profits for 2024, etc. Other drivers of tax revenue growth include import excise (UAH 147.2 bn, +41.5%) and domestic excise (UAH 139.4 bn, +39.5%) due to increased excise tax rates on fuel and tobacco, potential fuel price increases, and growth in the production of domestically excisable goods. Revenues from import VAT (UAH 593.8 bn, +17.3%) and domestic VAT (UAH 318 bn, +9.9%) will grow due to increased imports, higher consumption levels, and inflation.
 - 1.2. **Non-tax revenues are expected to amount to UAH 229 bn (+1.5% compared to the 2024 plan).** Of this, UAH 63.9 bn (+65.5%) is expected from the National Bank of Ukraine, accounting for 2.7% of all revenues (for comparison, this is more than the planned revenue from rent payments (UAH 58.2 bn) or import duties (UAH 59.2 bn)).

Expenditures

2. **Budget expenditures are planned at UAH 3.9 trn (+18.7% compared to the 2024 plan).**
 - 2.1. **The primary priority is defense and security, with UAH 2.2 trn allocated (26.3% of GDP and 56.4% of total expenditures).** The Ministry of Defense will receive the largest share - UAH 1,568 bn, of which UAH 1,012.3 bn will go toward salaries, medical support, and assistance to military families, while UAH 488.4 bn will be allocated for the procurement and modernization of military equipment. The Ministry of Internal Affairs will receive UAH 438.3 bn, distributed among the National Police, National Guard, State Emergency Service, and State Border Guard Service.
 - 2.2. **A new public investment management model is planned to be launched,** allowing budget funding or state support only for public investment projects that have undergone prior evaluation, prioritization, and inclusion in a unified project portfolio. UAH 25 bn is earmarked for investment projects, the largest of which include:
 - Construction of main water pipelines in the Mykolaiv region – UAH 8 bn;
 - Provision of safe conditions in general secondary education institutions – UAH 6.2 bn;
 - Purchase of 366 passenger railcars – UAH 4.4 bn.
 - 2.3. **Non-military sectors, such as healthcare and social welfare, remain at the same level of funding or face reductions.** The Ministry of Health is allocated UAH 216.7 bn, primarily for the healthcare guarantees program. The Ministry of Education and Science is allocated UAH 191.4 bn (incl. nationwide expenditures), focusing on educational subsidies for local budgets and the education of students by higher education institutions.
 - 2.4. **The expenditures of the Ministry for Veterans Affairs will increase to UAH 3.4 bn (+13.4%)** due to the establishment and operation of the National Military Memorial Cemetery.

- 2.5. The expenditures of the Ministry of Social Policy will decrease to UAH 421.4 bn (-8.5%)** because of reduced transfers to the Pension Fund (-UAH 34.9 bn for pensions and -UAH 3.6 bn for benefits and subsidies). The main reason is the transition of certain pensions under special laws to the solidarity system. Simultaneously, expenditures on social protection for citizens in difficult circumstances will decrease (-UAH 6.9 bn), but funding will increase for support of low-income individuals (+UAH 1.8 bn), children and families (+UAH 2.1 bn), and the development of social services (+UAH 452 mln).
- 2.6. From July 1, 2025, a reform of the solidarity pension system will be implemented,** introducing a unified approach to recalculating pensions for individuals receiving them under "special" laws. Pensions will no longer depend on changes in wages or monetary allowances but will be indexed under general conditions.
- 2.7. In 2025, the subsistence minimum (UAH 2,920) and minimum wage (UAH 8,000) will be maintained at the 2024 level.** This will constrain expenditure growth but may increase the risk of heightened social tensions due to inadequate social standards.

Deficit and Debt

- 3. The budget deficit is planned at UAH 1.6 trn (19.4% of GDP).** Approximately 75.1% of the financing is expected to be sourced from abroad, primarily through IFIs or bilateral partners. USD 34.9 bn in loans for the general budget fund is projected from foreign partners, including the EU under Ukraine Facility, ERA, the IMF under the EFF program, and the World Bank.
- 4. Public and guaranteed debt is expected to reach 101.8% of GDP by the end of 2025.** This level significantly exceeds the Maastricht criterion (60%) and the "safe" threshold of 64% for developing countries, as defined by World Bank research, which does not hinder economic growth. This may necessitate measures to reduce the debt burden in the future.

Relations with Local Budgets

- 5. A key provision remains the retention of the "military" personal income tax (PIT) in the state budget,** the preservation of 64% of PIT in local budgets (instead of 60%, as stipulated by the Budget Code), and the reinstatement of reverse subsidies to the state budget (excluding seven front-line municipalities).
- 6. 35 types of transfers to local budgets are planned, amounting to UAH 217.1 bn.** Horizontal equalization considers the number of internally displaced persons, resulting in a basic subsidy of UAH 25.5 bn (+UAH 4.4 bn) and a reverse subsidy of UAH 15.2 bn.
- 7. The largest subsidy remains the grant for the exercise of local government powers in areas affected by full-scale aggression,** totaling UAH 36.5 bn.

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