

AGRICULTURAL TAX POLICIES IN UKRAINE AND THE EUROPEAN UNION

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LIST OF ACRONYMS

EU	European Union
VAT	Value Added Tax
OECD	Organization for Economic Co-operation and Development
CIT	Corporate Income Tax
PIT	Personal Income Tax
EC	European Commission
BEPS	Base Erosion and Profit Shifting
REAGP	Special Regime for Agriculture, Livestock, and Fisheries
ETAS	Electronic Tax Administration System
SSC	Single Social Contribution
CbCR	Country-by-country reporting
NMV	Normative Monetary Valuation
MTO	Minimum Tax Obligation

EXECUTIVE SUMMARY

Taxes, fees, and social contributions directly influence farm profitability and the competitiveness of agricultural products in both domestic and international markets. National governments employ tax instruments not only to secure fiscal revenues but also to support agricultural entities. This report examines the role of agricultural taxation, with a focus on specific tax initiatives implemented in Ukraine and European Union (EU) countries.

The analysis provides evidence for four main conclusions:

1. **Skewed Ukrainian preferential tax regime:** Ukraine's Single Tax applies uniformly to both large and small entities, failing to differentiate tax preferences by annual income¹.
2. **EU focus on small producers:** EU countries typically grant Value-Added Tax (VAT) reductions to small entities through flat-rate schemes and use land-based taxation, which, in combination with essential subsidies², may also allow non-competitive businesses to survive.
3. **Absence of progressive rates in Ukraine:** In contrast to the EU, Ukraine does not apply progressive corporate or personal income tax rates.
4. **Tendency to narrow tax initiatives:** Both Ukraine and EU member states continue to provide substantial tax incentives to agricultural entities. However, in line with the recommendations of the Organization for Economic Co-operation and Development (OECD), these countries are increasingly restricting such regimes or have announced plans to phase them out.

Table 1 below presents the most common tax rates applied within the Ukrainian and EU national agricultural tax systems. It covers the largest EU economies, key importers of Ukrainian agricultural goods. The difference in tax rates depends on the size of agricultural entities as well as the type of production or services they provide.

¹ The most widely used group of the Single Tax in the agricultural sector is IV, which is based on taxation of the land area, with no income limits applied

² Look at Table A1 in Annex A

Table 1. Comparative tax rates for agricultural commodities by country

Tax type	Ukraine	Germany	France	Netherlands	Poland	Romania	Spain
CIT - (Corporate Income Tax) - a tax levied on the profits (net income) of companies and other legal entities	18	15.825	15 25	19 25.8	— ³	16	17 20 25
Tax rate in the preferential tax regime	3 5 or taxation of the land area	—	—	—	taxatio n of the land area	1 3 10	Low fixed sum, defined annually
PIT (Personal Income Tax) - a tax levied on the income of individuals, such as wages, salaries, and other personal earnings	18	0-45	0-45	8.17 37.48 49.5	— ⁴	10	13-56
VAT - an indirect consumption tax applied at each stage of the supply chain, from production to the final sale, on the value added to goods and services	0 ⁵ 14 20	5.5 7 7.8 19	4.43 5.5 5.59 10 20	0 9 21	5 23 or 0 with a refund of VAT on 7	11 21 or 0 with a refund of VAT on 8	4 10 or 0 with a refund of VAT on 10.5 or 12

Source: author's elaboration

As shown in Table 1, several key characteristics can be observed in agricultural taxation across Ukraine and EU countries:

1. CIT rates across countries do not fall below the OECD's recommended minimum effective rate of 15%⁶.
2. EU countries generally apply multiple income tax rates to differentiate the tax burden, while Ukraine relies on a flat structure.
3. EU states often apply lower VAT rates to agricultural products than in Ukraine, and combine them with refund mechanisms, whereas Ukraine maintains higher VAT rates while applying a 0% rate to exports to support external trade opportunities.

³ Most farmers are exempt from the standard CIT

⁴ Most farmers are exempt from the standard PIT

⁵ For exported commodities

⁶ OECD/G20. (2021). *Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy*. OECD Publishing.

4. Poland, Romania, Spain, and Ukraine apply preferential tax regimes, where agricultural entities are taxed on land area or turnover, which results in a substantially lower effective tax burden compared to the general corporate tax regime.

At the same time, statutory tax rates alone do not fully capture the complexity of agricultural tax regimes. Several important tax instruments are embedded in the structure of the tax base rather than in headline rates. For example, Romania's preferential tax regime involves reductions in the taxable base; Ukraine sets income thresholds for eligibility under the Single Tax for I-III groups; and Germany and France allow agricultural income to be averaged across several years, thereby reducing tax liabilities during the most profitable periods. These mechanisms highlight the need for a more comprehensive assessment of how tax frameworks affect agricultural competitiveness beyond the comparison of nominal rates.

INTRODUCTION

For Ukraine, which is moving toward closer integration with the EU, it is especially important to understand how the Ukrainian agricultural tax system compares with those in EU member states.

It is essential to mention that there is no unified EU tax system that is comparable to the Ukrainian tax system. There is only a complex of European national tax systems with their own tax rates and rules, which contradict one another but are aligned to some standards. The European Commission (EC) and the Council of the EU develop rules that must be implemented at the national level. And the OECD created the foundation for these rules such Base Erosion and Profit Shifting (BEPS) Action Plan⁷ and other related initiatives aimed to prevent tax avoidance.

The OECD rules measure the EU national tax policies but do not implement them directly, and give some freedom in their implementation. So, it is common for European governments to try to encourage agricultural entities through preferential taxation, as the Ukrainian government does. However, the methods of such initiatives are different and have their own requirements and rules.

This report compares the Ukrainian agricultural tax system with those of selected EU countries. It examines four main areas:

- Traditional (or conventional) taxation that includes CIT and PIT.
- Preferential tax regimes, such as land-based taxes or taxes based on total turnover.
- VAT and flat-rate schemes.
- Other special tax incentives for farmers.

⁷ [OECD. \(2013\). Action Plan on Base Erosion and Profit Shifting. OECD Publishing.](#)

AGRICULTURAL TAX SYSTEMS IN THE EU

Food security and long-term stability are key priorities in the EU states, so governments often design tax policies that give farmers extra support. These policies take the form of a lower tax burden or simplified reporting.

At the same time, all EU countries must comply with the OECD's BEPS principles, which prevent tax avoidance and unfair competition. Most EU members are part of the OECD; the exceptions are Romania, Croatia, and Bulgaria (candidates for accession), as well as Cyprus and Malta (which cooperate but are not members).

Below are examples of how agricultural taxation works in several EU countries.

GERMANY

Germany offers farmers a mix of lower tax rates and special schemes.

Income Taxes

- **CIT:** Agricultural firms pay 15.825% CIT⁸. Normally, companies in Germany also pay a municipal "Trade Tax" but farms are exempt⁹.
- **PIT:** Sole proprietors (individual farmers) pay progressive income tax, from 0% to 45%¹⁰. The zero rate applies if annual income is under €12,096, and the top rate applies if income is above €277,826.
- **Income Averaging:** Small farms (up to 20 hectares of arable land, 50 heads of cattle, or 50 hectares of forest) can spread their income across years, reducing tax pressure in profitable years¹¹.

VAT

- Small farms (annual income ≤ €600,000) can use the Agricultural Flat-Rate Scheme, paying 5.5% VAT for forestry and 7.8% for most other farm goods. However, under this scheme, they cannot deduct VAT on inputs¹².
- Farmers not using this scheme may apply a reduced VAT rate of 7%, while the standard rate is 19%¹³.

Other Taxes

Farmers are covered by a special social insurance system that includes health, pensions, accident, and long-term care. They also pay taxes on land and energy use.

⁸ The CIT rate consists of two parts: a uniform rate of 15% and a solidarity surcharge.

⁹ Paragraph 3 Trade Tax Act.

¹⁰ Paragraph 32a of the Income Tax Act.

¹¹ Paragraph 13a, 23 of the Income Tax Act.

¹² Paragraph 24 of the VAT Act.

¹³ Paragraph 12 of the VAT Act.

FRANCE

France has a complex tax system but provides reductions for smaller farms.

Income Taxes

- **CIT:** The standard corporate rate is 25%. Smaller companies (annual income $\leq$ €10 million) pay only 15% on their first €42,000 of profit¹⁴.
- **PIT:** Sole proprietors pay progressive rates:
 - o 0% up to €11,497
 - o 11% on €11,497–€29,315
 - o 30% on €29,315–€83,823
 - o 41% on €83,823–€180,294
 - o 45% above €180,294¹⁵
- **Preferential Tax Regime for Small Farmers:** Farmers with average annual income (last 3 years) under €120,000 can reduce taxable income to 87% of their earnings¹⁶. Those with less than €391,000 in income can also use simplified accounting¹⁷.

VAT

- Standard VAT rates are:
 - o 20% (general rate)
 - o 10% (wood products)
 - o 5.5% (animal and plant products used as food)¹⁸
- Small farms under the Micro-Agricultural Profits Regime can use a flat-rate VAT system:
 - o 5.59% for livestock and certain crops
 - o 4.43% for other farm goods¹⁹

Other Taxes

France also has a special social security system for farmers, covering health, pensions, and workplace accidents²⁰.

NETHERLANDS

The Netherlands applies progressive tax rates but offers deductions for self-employed farmers.

Income Taxes

- **CIT:**
 - o 19% on profits up to €200,000
 - o 25.8% on profits above this threshold²¹

¹⁴ [Article 219 of the General Tax Code](#)

¹⁵ [Article 197 of the General Tax Code](#)

¹⁶ [Article 64a of the General Tax Code](#)

¹⁷ [Article 69 of the General Tax Code](#)

¹⁸ [Article 278 of the General Tax Code](#)

¹⁹ [Article 298 of the General Tax Code](#)

²⁰ [Title 3, Book 7 of the Rural and Maritime Fishing Code, Livre VI of the Social Security Code](#)

²¹ [Article 22 of the Corporate Income Tax Act](#)

- **PIT: Progressive rates:**

- o 8.17% on profit up to €38,441
 - o 37.48% on €38,441–€76,817
 - o 49.5% above €76,817²²
- Farmers born before 1946 have a slightly higher income threshold for the lowest PIT bracket²³.
- **Deductions:** Farmers who are self-employed, who spend more than 1225 hours on entrepreneurship, or are engaged in R&D, running startups, or closing a business, can claim deductions to reduce taxable income²⁴.

VAT

- Standard VAT: 21%
- Reduced VAT: 9% (e.g., food and beverages), 0% (EU trade, exports)²⁵
- Exemptions: Sole proprietors with annual turnover ≤ €20,000 do not have to pay VAT²⁶.

Other Taxes

The Netherlands does not have a special social security system for farmers.

POLAND

Poland uses a very different agricultural tax system compared to other EU states, focusing on land area instead of profit.

Income Taxes

- **CIT/PIT:** Most farms are **exempt from corporate²⁷ and personal income tax²⁸**. Only some sectors (mushrooms, beekeeping, and specific animal products) are taxed. According to the OECD estimation, these represent only 2-5% of the total farms²⁹, so they are just an exception.
- Instead, farms pay an Agricultural Tax based on land area:

$$\text{Agricultural Tax} = \text{Area} \times \text{Conversion Coefficient} \times \text{Price of 2.5 quintals of rye}$$

- The conversion coefficient is higher for arable land than for meadows, and higher for fertile soil than poor-quality land³⁰.

VAT

- Standard VAT: 23%

²² [Article 2.10 of the Income Tax Act](#)

²³ [Article 2.10a of the Income Tax Act](#)

²⁴ [Article 3.74 of the Income Tax Act](#)

²⁵ [Article 9 of the Turnover Tax Act](#)

²⁶ [Article 25a of the Turnover Tax Act](#)

²⁷ [Article 2 of the Corporate Income Tax Act](#)

²⁸ [Article 2 of the Personal Income Tax Act](#)

²⁹ [OECD. \(2023\). Taxation in Agriculture 2023. OECD Publishing.](#)

³⁰ [Article 4 of the Act of 15 November 1984 on Agricultural Tax](#)

- Farm VAT: Most farmers pay 5% VAT on food products such as milk, meat, grains, fruits, and vegetables³¹.
- Small farms (annual income $\leq$ €2 million) can choose not to pay VAT. Instead, they receive a 7% VAT refund on sales to VAT-registered buyers³².

Other Taxes

Farmers can receive a **fuel rebate** based on farm size and fuel use³³.

ROMANIA

Romania offers preferential treatment for farmers.

Income Taxes

- **CIT:** Standard corporate tax rate is 16%.
- **Microenterprise system:** Small companies (annual income $\leq$ €250,000, reduced to €100,000 from 2026, with at least 1 employee) pay:
 - 1% tax if annual income is less than €60,000
 - 3% tax if annual income is €60,000–€250,000³⁴
- **PIT:** Sole entrepreneurs can pay a flat 10% PIT, or use the simplified Tax on Income from Agricultural Activity, which is based on income norms set annually by local councils³⁵.

VAT

- Reduced rate: 11% for food, animal feed, and live animals³⁶
- Standard rate: 21% for other goods
- Small farms with turnover under €88,500 do not register as VAT payers but can claim 8% **VAT compensation** on sales³⁷.

Other Taxes

Farmers can claim **refunds on diesel excise duty** used in production³⁸.

SPAIN

Spain offers both a preferential tax regime and reduced VAT rates.

Income Taxes

- **CIT:** Standard rate is 25%, but smaller companies (turnover $\leq$ €1 million) pay:
 - 17% on first €50,000 of profit
 - 20% on the rest³⁹

³¹ Articles 43, 146ef, and Annex 10 to the Value Added Tax Act

³² Article 115 of the Value Added Tax Act

³³ Article 4 of the Act of 10 March 2006 on the refund of excise duty on diesel fuel used in agriculture

³⁴ Article 51 of the Fiscal Code

³⁵ Article 107 of the Fiscal Code

³⁶ Article 291 of the Fiscal Code

³⁷ Articles 310, 315-1 of the Fiscal Code

³⁸ Government Emergency Ordinance no. 117/2010

³⁹ Article 29 of the Law 27/2014 on Corporate Income Tax

- **PIT for sole entrepreneurs:**

- o Small farms (turnover ≤ €250,000) can use an **objective estimation system**, where taxable income is set by the government each year.
- o Medium farms (€250,000–€600,000) use a **simplified direct estimation method**, with progressive PIT rates (13–56%, depending on region and income)⁴⁰.
- o Large farms (> €600,000) use full accounting to calculate PIT.

VAT

- Standard VAT: 21%
- Reduced rates:
 - o 10% (certain foods and seeds)
 - o 4% (bread, milk, eggs, fruits, vegetables, olive oil)⁴¹
- About 90% of farms use the **Special Regime for Agriculture, Livestock and Fisheries (REAGP)**, available if annual income ≤ €250,000. Farmers in REAGP do not pay VAT but can claim VAT compensation (10.5–12%) on sales to VAT-registered buyers⁴².

Other Taxes

Farm workers are covered by a special social security system with lower rates than the general one⁴³.

MALTA AND CYPRUS

Malta and Cyprus hold unique positions within the EU due to their distinct tax systems. While both are EU members, they are not part of the OECD and have historically used attractive tax policies to draw foreign investment.

Main tax advantages for non-residents:

- Both countries apply a **0% withholding tax rate** on dividends and interest paid to non-residents.
- Malta also offers a **0% withholding tax on royalty payments** to non-residents.

Ukraine officially classified both countries as low-tax jurisdictions ("tax havens")⁴⁴. Malta was removed from this list in March 2018. Cyprus remained on the list until much more recently, being removed only in January 2025.

Important note: despite Malta's overall removal from Ukraine's list, two specific Maltese business structures—Limited Partnerships and General Partnerships—retain their status as low-tax entities. This means that transactions with these specific types of Maltese entities may still be subject to stricter regulatory scrutiny and controlled foreign company rules under Ukrainian law⁴⁵.

⁴⁰ Articles 28, 32–34 of the Royal Decree 439/2007 – Regulation of Personal Income Tax

⁴¹ Articles 90, 91 of the Law 37/1992 of 28 December on Value Added Tax

⁴² Article 122 of the Law 37/1992 of 28 December on Value Added Tax

⁴³ Article 252 of the Royal Decree 1175/1990

⁴⁴ Resolution of the Cabinet of Ministers of Ukraine dated 27 December 2017, No. 1045

⁴⁵ Resolution of the Cabinet of Ministers of Ukraine dated July 4, 2017, No. 480

UKRAINE'S AGRICULTURAL TAX SYSTEM

Ukrainian farms operate under a **mixed tax framework**. They can choose between:

1. The traditional system – based on CIT for companies and PIT for individual entrepreneurs.
2. The preferential tax regime – known as **the Single Tax**, with specific requirements for agricultural business.

This flexibility allows farmers and companies to pick the option that minimizes their tax burden⁴⁶, but it also creates a patchwork of rules that can be complex in practice.

Income Taxes

- CIT: Agricultural companies pay CIT at 18% on profits⁴⁷.
- PIT: Sole entrepreneurs pay a flat 18% on income minus expenses⁴⁸.

The Single Tax

The Single Tax system offers two options for agricultural firms:

- Group III: Tax on gross income (limit: ~€9 million annually⁴⁹). The rate is 3% (if VAT is paid separately) or 5% (if VAT is included).
- Group IV: Most common for farms. Tax is based on land area, not profit, and has no income limit.

To use Group IV, at least **75% of the company's revenue must come from agriculture**. Rates in Group IV depend on land type and location:

- Mountain areas are taxed less than steppe lands.
- Indoor farming (e.g., greenhouses) is taxed more than open-field crops.
- Both rented and owned land are counted in the tax base⁵⁰.

Companies in the same business group often use traditional and preferential tax regimes. Less profitable activities are categorized under CIT (so taxable profit is low), while more profitable ones are shifted to the Single Tax (land-based), lowering the overall tax burden. Table 2 elaborates on tax rates from traditional and preferential tax regimes.

⁴⁶ Evaluation of tax burden is in Annex B

⁴⁷ Chapter III of the Tax Code of Ukraine

⁴⁸ Article 177 of the Tax Code of Ukraine

⁴⁹ The value defined for 2025, expressed in hryvnias (€)

⁵⁰ Subclause 14.1.235 and clause 291.4 of the Tax Code of Ukraine

Table 2. The tax rates of CIT, PIT, and Single Tax for agricultural entities

Type of entity	CIT	PIT	The Single Tax	
			III group	IV group
Company	18%	—*	3% or 5%(VAT included)	Taxation of land areas
Sole entrepreneur	—	18%	3% or 5%(VAT included)	Taxation of land areas

*is paid only for employees as a tax agent

Source: author's elaboration

Consequently, the National Revenue Strategy 2030 proposes significant changes:

- Raising Single Tax rates (Groups II and III) closer to CIT.
- Merging Groups II and III for entrepreneurs.
- Expanding the tax base for Group IV.
- Eliminating the option to combine VAT with the Single Tax.

VAT

VAT is a major component of farm taxation.

- Standard VAT: 20%.
- Reduced VAT: 14% for key crops (wheat, rye, maize, barley, oats, sunflower, rapeseed, soybeans)⁵¹.
- Registration threshold: Firms must register for VAT if taxable operations exceed **€1 million** in the past 12 months (even if some operations are zero-rated or exempt)⁵².
- Exports: Agricultural exports are taxed at 0% VAT. This is crucial, since most Ukrainian farm output is exported. These exports are conducted mostly through the intermediary companies which benefit from input VAT refunds.
- Single Tax (Group III): Firms can choose to include VAT (pay 5%) or exclude it (pay 3%).

VAT works under the **“first event” rule**: the tax liability arises at the earliest of (1) supply of goods or (2) receipt of payment. Businesses can offset VAT paid on inputs (“VAT credit”) against their liability. If goods bought are not used for production, the VAT credit must be reversed.

Tax invoices are registered electronically in the **Electronic Tax Administration System (ETAS)**. Risky operations can be automatically blocked, but legal transactions can be unblocked with additional documentation⁵³.

⁵¹ Article 193 of the Tax Code of Ukraine

⁵² Clause 181.1 of the Tax Code of Ukraine

⁵³ Article 201 of the Tax Code of Ukraine

Labor Taxes

Farms must pay labor-related taxes for employees:

- PIT (18%) – withheld from wages.
- Military levy (5%) – withheld from wages.
- Single Social Contribution (SSC, 22% applied to the wage base but not exceeding ₾35,200 per month⁵⁴) – paid by the employer as an expense.

Sole entrepreneurs also pay SSC for themselves.

Land Fees

Two main categories:

- Land Tax is applied to owners. Farmers under the Single Tax are exempt if land is used only for agriculture. But in practice, many farms rent land from individuals, who must pay Land Tax. This cost is passed through to the rent⁵⁵.
- Rent Fee is applied to state and municipal land. The fee is based on agreements, but cannot be below the value defined with consideration of the Normative Monetary Valuation (NMV) of the land⁵⁶.

Special Regime Diia City

Large agroholdings with IT divisions sometimes register those units under Diia City, a special regime for IT companies introduced in 2022.

Requirements:

- At least 90% of income must come from digital activities.
- Average salary is at least €1,200⁵⁷.

Benefits:

- Lower CIT (9%), applied as an exit capital tax.
- Lower labor taxes (5% PIT and 22% SSC, but only on minimum wage).

Protective Mechanisms Against Tax Avoidance

Ukraine has been aligning its rules with OECD standards to prevent aggressive tax minimization schemes.

Transfer Pricing

The Ukrainian government introduced transfer pricing rules to prevent an erosion of the CIT tax base⁵⁸. It is also a requirement of Action 13, the minimum standard of BEPS, but the realization

⁵⁴ The value in 2025, which depends on the minimum wage for the particular year

⁵⁵ Article 269 of the Tax Code of Ukraine

⁵⁶ Article 288 of the Tax Code of Ukraine

⁵⁷ Article 5 of the law "On Stimulating the Development of the Digital Economy in Ukraine"

⁵⁸ Article 39 of the Tax Code of Ukraine

of this Action is different country-by-country. In Ukraine, transfer pricing applies if:

- o Annual income > €150 million, and
- o Transactions with non-residents > €10 million.

If operations are with low-tax jurisdictions (e.g., Monaco, Gibraltar, Maltese partnerships) or related non-resident parties, companies must use the Arm's Length Principle. It means that transactions must be priced as if between independent parties.

Country-by-Country Reporting (CbCR)

Implemented in 2022 under BEPS Action 13⁵⁹, CbCR enhances transparency for large multinational enterprise groups. This rule enhances transparency for such enterprises with a total consolidated annual income of €750 million or more in the previous fiscal year⁶⁰. These groups must submit a detailed report annually to the Ukrainian tax authority, providing a global overview of their revenue, profit, taxes paid, and economic activity across all jurisdictions where they operate. Under international agreements, this information is automatically shared with tax authorities in other countries where the multinational enterprise group operates⁶¹.

Thin Capitalization Rules

The other anti-tax avoidance rules, such as Thin Capitalization, prevent companies from artificially reducing their taxable profit in Ukraine by using excessive debt from related non-residents instead of equity. It works so: if the amount of debt owed to related non-residents exceeds a certain safe-harbor ratio (e.g., debt-to-equity), the interest expense on the excessive portion is reclassified for tax purposes. As a result, the disallowed interest expense is not deductible when calculating CIT. This directly increases the company's taxable profit (tax base) in Ukraine⁶².

Minimum Tax Obligation (MTO)

Directly for agricultural taxation, the Ukrainian government introduced the MTO in 2022 to guarantee stable tax revenue from agricultural land and prevent profit volatility from significantly reducing tax payments⁶³. It is used to ensure farms pay at least a minimum amount of tax based on land.

Formula:

$$\text{MTO} = \text{NMV} \times 0.05 \times \text{Months in operation} \div 12$$

Any taxes already paid are subtracted from this result. If the result is still positive, the difference between MTO and total taxes must be paid. If NMV is not defined for this particular land, it is required to use NMV for 1 hectare of arable land for a particular region and multiply it to the area of this land.

⁵⁹ [OECD. \(2020\). Guidance on the Implementation of Country-by-Country Reporting – BEPS Action 13, OECD/G20 Base Erosion and Profit Shifting Project. OECD Publishing.](#)

⁶⁰ [Article 39-2 of the Tax Code of Ukraine](#)

⁶¹ [Article 39-3 of the Tax Code of Ukraine](#)

⁶² [Clause 140.2 of the Tax Code of Ukraine](#)

⁶³ [Articles 38-1 and 297-1 of the Tax Code of Ukraine](#)

ANNEX A

Table A1. Economic accounts for agriculture, 2021⁶⁴

Indicator	EU		Ukraine		Difference in the share of output in agriculture
	Million euro	Share of output in agriculture (%)	Million euro	Share of output in agriculture (%)	
Output in agriculture	455570	—	42292	—	—
Intermediate consumption	264913	58.15	24439	57.79	0.36
Consumption of fixed capital	64205	14.09	1539	3.64	10.45
Compensation of employees	46247	10.15	3972	9.39	0.76
Other taxes on production ⁶⁵	4440	0.97	94	0.22	0.75
Other subsidies on production	51838	11.38	173	0.41	10.97
Net operating surplus/ mixed income	127603	28.01	12420	29.37	(1.36)

Source: Eurostat, State Statistics Service of Ukraine, and National Bank of Ukraine

Note:

- The EU's agricultural sector is more capital-intensive.
- Ukrainian agricultural entities receive fewer subsidies for production.
- Ukrainian agricultural business receives a bigger net operating surplus.

⁶⁴ 2021 is defined as a year for observation due to the absence of full-scale war shocks and the availability of required data

⁶⁵ CIT and VAT are not counted in the Economic accounts for agriculture (Paragraph 4.22 of the European system of accounts — ESA 2010).

ANNEX B

Table B1. CIT and VAT levels in the Ukrainian agricultural sector

Type of products or activity	Output, million euro	Share in total output	Level of VAT payment, %	Level of VAT payment depends on the share, %
Grains and oilseeds (without rice)	28298	0.66912	2.68	1.79324
Rice	14	0.00033	1.71	0.00056
Vegetables and melons, roots and tubers	1848	0.04370	3.39	0.14813
Tobacco	32	0.00076	3.38	0.00256
Fibre crops	111	0.00263	1.11	0.00292
Other annual and biennial crops	2856	0.06752	1.79	0.12086
Grapes	104	0.00245	4.95	0.01214
Berries, nuts, other fruit trees, and bushes	788	0.01863	2.85	0.05309
Cattle and buffalo	619	0.01463	2.69	0.03934
Horses and other equines	30	0.00072	0.32	0.00023
Sheep and goats	32	0.00076	3.73	0.00282
Swine	1190	0.02815	1.59	0.04476
Poultry	2047	0.04839	1.03	0.04984
Other animals	40	0.00095	4.56	0.00433
Support activities for animal production	4283	0.10128	6.92	0.70087
Total	42292			2.98

Source: State Tax Service of Ukraine, State Statistics Service of Ukraine, and National Bank of Ukraine

To assess the actual tax burden on agricultural entities, it is essential to estimate the level of VAT payment for agricultural entities, which is the ratio of VAT payable to the total declared taxable output. After determining this value, it is possible to calculate the VAT share in €1 of agricultural output⁶⁶. To simplify the calculation, the tax base for VAT was taken as the total value added for the agricultural sector, as defined by the State Statistics Service of Ukraine⁶⁷.

The CIT cannot be calculated in the same way as VAT, because the total agricultural output includes the output of Single Tax payers exempt from paying CIT. Therefore, agricultural CIT was estimated using the proportion of tax payments between Single Tax and CIT in 2017–2018, based on data from the State Tax Service of Ukraine⁶⁸. The value of the Single Tax for Group IV was taken from the State Budget of Ukraine for 2021, totaling €164 million⁶⁹. The calculated proportion of tax payments between Single Tax and CIT in 2017–2018 is 0.1466, which implies that the CIT paid for 2021 is approximately €24 million.

For the calculation of labor taxes, levies, and contributions, the Compensation of Employees from the Economic Accounts for Agriculture (2021) was split into three components:

- Compensation of employees excluding labor taxes, levies, and contributions;
- PIT (18%) and Military Levy (1.5% in 2021, not 5% as defined later);
- Single Social Contribution⁷⁰ (22%).

We can estimate the shares of main taxes, levies, and contributions for an average Ukrainian agricultural entity in 2021 using a structured 5-step approach.

Step 1. Take the main indicators from the Economic accounts for agriculture⁷¹.

Step 2. Identify the Single Tax payments using the income part of the State Budget of Ukraine.

Step 3. Compute the CIT to Single Tax payments ratio for previous fiscal years, based on data published by the State Tax Service of Ukraine.

Step 4. Calculate the VAT payment levels indicator for the agricultural sector using official data from the same authority.

The results are allocated in “€1 of output” for the average Ukrainian entity to show the approximate tax burden and real net profit, as shown in Table B2. For such estimation, we defined the VAT payment level indicator for an average agricultural firm as 2.98% and applied the rates of taxes, levies, and contributions, which were actual in 2021.

⁶⁶ We used the mechanism described in Letter of the State Tax Service of Ukraine No. 51/2/99-00-04-03-01-02 dated January 18, 2024

⁶⁷ [State Statistics Service of Ukraine. \(2021\). Economic accounts for agriculture](#)

⁶⁸ [Agropolit. \(2019\). Structure of taxes paid by the agricultural sector in 2017–2018: By types and areas of activity](#)

⁶⁹ [Ministry of Finance of Ukraine. Open Budget Ukraine](#)

⁷⁰ The maximum contribution base for SSC was not applied in the calculation, as the average wage in agriculture is significantly lower than the maximum taxable base in 2021 (€360<€2800). Thus its effect on the total contribution is negligible

⁷¹ [State Statistics Service of Ukraine. \(2021\). Economic accounts for agriculture](#)

Table B2. Breakdown of €1 of output for the average Ukrainian entity

Indicator	Percentage of €1 of output
Intermediate consumption ⁷²	57.8
Consumption of fixed capital	3.6
Compensation of employees (without Single Social Contribution)	6.4
CIT	0.1
Single Tax	0.4
VAT	1.3
PIT and Military Levy (for employees)	1.3
Single Social Contribution	1.7
Other taxes	0.2
Net profit	27.2

Source: author's elaboration

The tax percentages per €1 of output, presented in this study, do not represent effective tax rates in the strict sense. Therefore, they cannot be directly applied to the average taxpayer under a particular tax. For instance, the effective CIT rate would be higher if calculated only for CIT taxpayers, using their taxable profit, rather than total agricultural profit, which also includes income and expenses of both CIT and Single Tax payers. Consequently, the same is true for Single Tax, where the presence of CIT payers distorts the effective rate, and VAT, where the calculations are based on total agricultural gross value added rather than the actual taxable base of VAT payers.

Therefore, this table aims not to define the effective tax rates, but to illustrate the actual tax burden and the net profit after all deductions. For an average Ukrainian agricultural entity, the combined share of all defined taxes, levies, and contributions represents approximately 5% (0.1% CIT + 0.4% Single Tax + 1.3% VAT + 1.3% PIT and Military Levy + 1.7% Single Social Contribution + 0.2% Other taxes) of every €1 of output. Of this, labor-related taxes and contributions (PIT, Military Levy, SSC) make up close to 3%. The average net profit represents approximately 27.2% of every €1 of output.

⁷² It means that each €0.578 of every €1 of agricultural output is spent on goods and services that are consumed during the production process. The same explanation applies to the other indicators

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