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FEATURES OF FISCAL INSTRUMENTS TO RESTORE SUSTAINABLE AGRARIAN AND RURAL DEVELOPMENT IN UKRAINE

Fiscal policy is the main instrument of state regulation of the development trends of the agricultural sector and an important component of the country's system of financial support for sustainable agrarian and rural development. The problems of increasing the effectiveness of fiscal instruments to support domestic agricultural producers are becoming particularly relevant in the conditions of martial law and post-war recovery. The agricultural sector guarantees food security at the national and global levels and remains one of the main GDP- and system-forming components of the Ukrainian economy amid unprecedented military challenges and risks. The issues of scientific substantiation of directions for modernising of fiscal regulation of the development of the domestic agricultural sector, related to the growth of the socio-economic effect from the use of state instruments to support and stimulate the industry's development in modern economic conditions, are relevant and important.

When studying the features of fiscal regulation of Ukraine's agricultural sector development, it should be noted that since 2017, the main instrument of state support for domestic agricultural producers has been direct budget support in the form of partial compensation for the cost of production resources. The total amount of direct budget support was supposed to be at least 1% of agricultural output, but this norm was never met. The trends of the pre-war and war periods indicate a decrease in the volume of direct budget support for domestic agricultural producers relative to gross agricultural output, from a maximum of 0.9% in 2017 to 0.6% in the pre-war 2021 and 0.2% in the war years [1].

It is important to note that, until 2017, tax instruments to support domestic agricultural producers consisted of a preferential VAT regime and option to choose a simplified taxation system based on a single tax. At the same time, the use of budget support instruments was quite limited and focused mainly on stimulating the development of the livestock and agricultural product processing industries, reducing the cost of lending, and providing budget lending to farms. Following the gradual abolition of the special VAT regime for agricultural producers in 2016-2017, the use of tax support instruments has declined significantly. Currently, tax support only provides for the possibility of choosing a simplified taxation system through the payment of a single tax of group IV for agricultural producers with a share of agricultural production of at least 75%, as well as the application of a reduced VAT rate of 14 % for certain types of agricultural products.

The persistent trends of the pre-war and war periods towards a decrease in the volume of direct budgetary support for domestic agricultural producers, with limited use of tax support instruments for the industry’s development, significantly limit the possibilities of effective use of the regulatory potential of fiscal policy in achieving the strategic priorities of the country's agrarian and rural development. Effective and efficient fiscal support for the industry is important in the context of significant military risks to maintain the positive dynamics of domestic agricultural production, its restoration in the war-affected and deoccupied territories, and reform in line with the standards of the EU’s Common Agricultural Policy (CAP). It is advisable to increase the volume of direct budgetary support for agricultural producers to 1% of agricultural output, and, in the medium and long term, gradually raise it to the standards for providing financial support within the framework of the EU’s CAP. It is necessary to reform industry production processes in accordance with EU requirements, increase the competitiveness of domestic agricultural producers, and ensure their successful integration into European agri-food markets.

In the structure of budget support for Ukrainian agricultural producers in the pre-war period of 2017-2021, the largest share on average was support for the development of livestock and processing of agricultural products (51.9%), partial compensation for the cost of domestically produced agricultural machinery and equipment (19.5%), financial support through cheaper loans (15.0%), support for the development of horticulture, viticulture and hop growing (8.6%), support for the development of farms (4.0%) [1].

During the war period, there is a reformatting of directions and modernization of fiscal support instruments for Ukrainian agricultural producers, taking into account the criterion of the expected effect in terms of restoring economic activity and rebuilding the affected territories, as well as stimulating the development of the industry based on sustainable, innovative, environmental and inclusive EU’s approaches and standards [2].

The development of horticulture, berry growing, viticulture, greenhouse farming, development of livestock and processing of agricultural products, advanced development of small agricultural producers and increased state financial support for them, production of domestically agricultural machinery and equipment, development of reclamation systems and water user organizations, demining of agricultural lands, stimulation of domestic demand for domestic goods and services, state stimulation of the creation of industrial parks, etc. A tool for state grant support for agricultural producers based on co-financing in priority areas for the development of the domestic agricultural sector (creation or development of horticulture, berry growing, viticulture, greenhouse farming, agro-processing enterprises) has been introduced, provided that they achieve socially significant socio-economic results. These include the creation of new jobs to support employment and incomes of the population, internally displaced persons, veterans, contributing to the replenishment of the revenue part of the state and local budgets through the payment of taxes in the amount of grants received, carrying out entrepreneurial activities in territories affected by hostilities to ensure their reconstruction, etc.

It should also be noted that the processes of increasing the differentiation of instruments and volumes of budget support for agricultural producers in Ukraine, taking into account the territorial criterion, depending on the coverage of military operations, the level of destruction and losses incurred, with an emphasis on assistance to the most affected regions and territories with increased military risks. Priority budget stimulation of the development of credit support for the production and export activities of agricultural producers and their preferential lending with the participation of the state (launch of the Fund for Partial Guarantee of Loans in Agriculture, improvement of state programs “Affordable Loans 5–7–9%”, “Affordable Financial Leasing 5–7–9%”, “Affordable Factoring”) and the expansion of their action in de-occupied, affected and close-to-combat zones territories. The advanced development of digitalisation and automation of the processes for providing state financial support to agricultural producers through the State Agrarian Register and the Diya portal are also priorities in the war and post-war periods.

Increasing the effectiveness of state support for domestic agricultural producers also requires strengthening the synchronization and coherence of state strategic planning for the country's agrarian and rural development (Strategy for the Development of Agriculture and Rural Areas in Ukraine for the period until 2030, Food Security Strategy of Ukraine for the period until 2027, Concept of the State Targeted Economic Program for the Development of Livestock Breeding for the period until 2033, etc.) and medium-term program-targeted planning of agricultural budget programs. It will ensure alignment between the approved strategic priority tasks for industry development and the results of state administration bodies’ activities in their implementation [3; 4].

It is also important to increase the effectiveness of budget programs to support the industry by scientifically substantiating the assessment of their effectiveness and socio-economic efficiency in terms of the impact on the indicators of the functioning of agro-industrial production sectors, the level of competitiveness and productivity of domestic agricultural producers, indicators of socio-economic development of rural areas, employment of the population, etc. It will support the development of sub-sectors and areas that have the greatest socio-economic effect for the country, generate high added value, and make a significant contribution to post-war reconstruction and the restoration of the country.

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