

LAW OF UKRAINE

On Stimulation of Agricultural Development for the Period of 2001 - 2004

As changed and amended
by the Law of Ukraine
of June 7, 2001 No.2514-III

This Law shall determine fundamental principles of state policies on the reform of agriculture as a priority industry within the national economy during the period from 2001 to 2004.

Section I. GENERAL PROVISIONS

Article 1. Definitions of Terms

In this Law, the terms shall have the following meaning:

“industry standard costs” shall mean a total of expenses of business entities incurred in the course of production and sale of agricultural products determined on the basis of socially necessary standard costs for this industry, productivity of land and livestock;

“secured price (support price)” shall mean the cost of products guaranteed by the State, which compensates average industry standard costs and ensures a minimum profit sufficient for reproduction;

“reduced interest rate” shall mean a rate applied when granting loans to agricultural enterprises under the special lending regime;

“compensation for interest rates” shall mean compensation by the State for a part of value of loans taken by agricultural products at commercial rates pursuant to agreements;

“provision of loans to agriculture” shall mean a system of measures undertaken by the State aimed at satisfying needs of agricultural products for credit facilities for a certain time period;

“profit rate” shall mean an index that characterizes a ratio between the profit and average annual value of fixed and circulating assets, including the value of land;

“agricultural products” (agricultural products) shall mean products manufactured in agriculture and classified under codes 01.11 - 01.42 and 05.00.1 - 05.00.42 in the State Classifier of Products and Services DK 016-97;

“special lending regime” shall mean a system of measures undertaken by the State and aimed at providing loans to agricultural enterprises taking into account specifics of their production and financial activities;

“agriculture (agricultural production)” shall mean a type of economic activity aimed at manufacturing products pertaining to biological processes of growing such products intended for consumption in a raw and processed form and the use for non-food purposes;

“agricultural productsr” shall mean an individual or legal entity engaged in manufacturing of agricultural products, processing its own products and their marketing;

“agricultural enterprise (including farms, fishing and fish-farming enterprises)” shall mean a legal entity whose core activity is to grow and process agricultural products, the proceeds from which constitutes not less than 50 percents of such entity’s total proceeds.

Article 2. Fundamental Principles of Cooperation between Governmental Agencies and Agricultural Producers

Priority development of agriculture shall be ensured through:

support of stable legislative and regulatory framework for purposes of ensuring predictable conditions for development of entrepreneurship in agriculture;

non-interference of executive agencies in choice of forms of entrepreneurship and entrepreneurial activity of business entities, except for cases determined by law;

stimulation of development of private entrepreneurship;

ensuring protection of the right of ownership to land, property and results of their work for business entities;

state support to scientific researches on creation and introduction of new environmentally appropriate energy-saving growing technologies, extended processing of agricultural raw materials and manufacturing of competitive domestic products from them;

carrying out the procurement of agricultural products for the State needs;

support of agricultural products, infrastructure of the agricultural market, production of strategically important types of agricultural products aimed at ensuring food safety of the State;

forming price, tax and crediting mechanisms taking into account specifics of agricultural production as a seasonal industry with a deferred capital turnover and low profit rate;

subsidies for production of livestock, fish and fish-farming products, and flax;

promoting expansion of the basis of national raw materials for production of tobacco products, namely through the introduction of obligatory use of tobacco raw materials grown and fermented in Ukraine for national cigarettes of unlicensed brands protected by a Ukrainian trademark;

combination of compulsory and voluntary insurance;

creation of conditions for providing loans to agricultural products taking into account the seasonal nature of production;

promoting development of a network of advisory agricultural services and a system for monitoring the agricultural market.

Section II. PRICE FORMATION AND SUPPORT OF PROFITS IN AGRICULTURE

Article 3. Price policy and support of profits of manufacturers of agricultural products

A price policy in agriculture shall be pursued on the basis of free price formation in combination with the state regulation and support of profits of agricultural products and antimonopoly control over prices for agriculture produce as well as material and technical resources (services) they consume.

With respect to agricultural products, processing, supply, servicing and other enterprises and organizations prices for commodities, works and services are formed on the basis of demand and supply taking into account state support as based on industry standard costs and average profit rates throughout the national economy.

The price policy and support of profits of agricultural products are aimed at ensuring reproduction of agricultural products through introduction of secured prices (costs of support), regulation of profits through the system of state grants and subsidies.

Part four of Article 3 has been removed

(pursuant to the Law of Ukraine
of 07.06.2001 No. 2514-III)

The State shall create a system for monitoring prices for agricultural products as well as material and technical resources (services) that are used in agriculture.

Section III. TAX AND BUDGETARY POLICIES

Article 4. Taxation of Agricultural Producers

During the period of effect of this Law, no amendments shall be made to the legislation that may increase a tax burden on agricultural products.

In case of Introduction of results of the scientific research, financing of the research related to agricultural production shall be tax exempt.

Article 5. Taxation of Export-Import Operations

Components and spare parts for agricultural machinery shall be exempt from the import duty and value-added tax.

Duties and other taxes shall not be imposed in case of importation into the customs territory of Ukraine of components and spare parts for agricultural machinery, herbicides and pesticides that are not produced in Ukraine.

(part two of Article 5 article
as amended by the Law of Ukraine of 07.06.2001 No. 2514-III)

Article 6. Fixed Agricultural Tax

For the period until January 1, 2004 agricultural enterprises shall pay a fixed agricultural tax pursuant to the Law of Ukraine "On Fixed Agricultural Tax".

Article 7. Value-Added Tax

It is provided that until January 1, 2004 amounts payable as the value-added tax levied on the sale of agricultural products shall remain at the disposal of agricultural enterprises and shall be used for replenishing fixed and circulating assets.

Until January 1, 2004, the total amount of the value-added tax payable into the budget by the processing enterprises of all types of ownership for sold milk and milk products, meat and meat foods shall be transferred only to agricultural products as subsidies for meat in live weight and milk, which such agricultural products sold to the processing enterprises.

Article 8. Charges for Development of Viticulture, Gardening and Hop-Growing

For a period until January 1, 2004 charges for development of viticulture, gardening and hop-growing shall be paid pursuant to the Law of Ukraine "On Charges for Development of Viticulture, Gardening and Hop-Growing".

Article 9. Time Periods within which Tax Liabilities Arise

For enterprises that supply material and technical resources and render services to agricultural products of all types of ownership and for agricultural products that sell their own agricultural products and products as a result of the processing thereof, the date when tax liabilities on the sale of goods (work, services) arise shall be the date of depositing funds from a buyer of products (works, services) to a taxpayer's bank account; in case of in kind settlement – the date on which a taxpayer received goods (work, services) as payment for supplied (sold) goods (work, services).

Article 10. Use of Funds from the State Budget of Ukraine for Agricultural Development

Part of expenditures of the State Budget of Ukraine on financing agricultural development shall be not less than 5 percents of the budgetary expenditures.

Expenditures items of the State Budget of Ukraine related to financing of agriculture shall be formed directly by the Ministry of Agrarian Policy of Ukraine proceeding from the general amounts of budgetary allocations for this industry.

Section IV. PECULIARITIES OF CREDITING AGRICULTURE

Article 11. Peculiarities of Crediting Agricultural Producers

Loans to agricultural products shall be granted through a combination of generally accepted procedures for the extension of loans with a special lending regime, taking into account specifics of agricultural production and conditions for conducting economic and land reforms in rural areas.

Article 12. State Support for the Extension of Loans for Agriculture

State support shall be provided on the basis of a mechanism for extending loans for agriculture, which mechanism shall be developed by Cabinet of Ukraine Ministers.

Components of a mechanism for providing loans to agriculture are as follows:

determination of amounts of loans from state resources allocated for development of agriculture;

creation of an infrastructure for financial and lending support to agriculture;

a special lending regime which envisages compensation from the State Budget of Ukraine for loan interests in an amount not less than 50 percents of the discount rate established by the National Bank of Ukraine.

Article 13. Procedure for Granting and Recording Loans Granted under Special Lending Regime

For purposes of granting and recording short-, medium- and long-term bank loans granted under a special lending regime, banks shall open separate credit accounts. For granting medium and long-term bank loans, there may be opened special credit lines.

Loans shall be targeted for areas determined by the Cabinet of Ministers of Ukraine through the direct allocation by banks of funds to effect payments under settlement documents and payment orders that are presented by borrowers for payment.

Advance financing of manufacturing of agricultural products for the State needs shall be carried out via transfer of funds from the State Budget of Ukraine allocated for this purpose to separate credit accounts of borrowers. Advance financing is formalized by a special agreement, which envisages guarantees for delivery of products.

Article 14. Attachment of Land Plots in connection with Creditors' Claims

Attachment of a land plot owned by a citizen as private property as well as a land plot (share) in connection with creditors' claims shall not be permitted unless they are pledged.

Section V. INSURANCE OF AGRICULTURAL PRODUCTION RISKS

Article 15. Relations in the Area of Agricultural Risks Insurance

The yield of crops and perennial plantations shall be compulsorily insured by state-owned agricultural enterprises and yield of grains and sugar beets shall be insured by agricultural enterprises of all types of ownership.

Insurance premiums for compulsory insurance of harvest of agricultural cultures and perennial plantations shall be partially compensated from the State Budget of Ukraine in an amount not less than 50 percents of expenditures incurred by agricultural enterprises.

Section VI. INTERNATIONAL AGREEMENTS

Article 16. International Agreements

If an international agreement of Ukraine that has been ratified by the Verkhovna Rada of Ukraine contains rules other than those incorporated in this Law, the rules of the international agreement shall be controlling.

Section VII. ENFORCEMENT OF THE LAW

Article 17. Obligations to take into account Provisions of this Law in the Course of Development and Adoption of Legislative and other Regulatory Acts

Provisions of the Law of Ukraine "On Stimulation of Agricultural for the Period of 2001 - 2004" shall be obligatorily taken into account in the course of development and adoption of legislative and other regulatory acts.

Section VIII. FINAL PROVISIONS

1. This Law shall enter into force on the day of its promulgation.
2. This Law shall apply to legal relations that have arisen after the entry of this Law into force.
3. To acknowledge as such that have lost effect paragraph two of Chapter VII "Final Provisions" of the Law of Ukraine "On the Restoration of Solvency of the Debtor or Declaring it Bankrupt" as from the date of entry of this Law into force.
4. The Cabinet of Ministers of Ukraine shall:

within a three-month term from the day of enactment of this Law submit for consideration by the Verkhovna Rada of Ukraine proposals for bringing the laws of Ukraine into line with this Law and pass regulatory acts aimed at the enforcement hereof, bring its regulatory acts into line with this Law, and ensure that ministries and other central executive agencies bring their regulatory acts into line with this Law;

by March 1, 2001 together with the National Bank of Ukraine develop a draft Law of Ukraine on Peculiarities of Providing Loans to Agriculture;

submit in 2002 for consideration by the Verkhovna Rada of Ukraine a package of draft legislative acts of Ukraine on further development of agriculture;

develop in 2001 a regulation for the agro-industrial complex of Ukraine regarding determination of standard costs, establishment of secured prices, and a price formation procedure taking into account the profit rate;

introduce a mechanism envisaging an increase in expenditures of the State Budget for subsidizing agricultural products in proportion to the increase in the tax burden in the event that the current tax system undergoes changes;

within a three-month term from the day of enactment of this Law submit for consideration by the Verkhovna Rada of Ukraine a draft Law of Ukraine on introduction of amendments to the Law of Ukraine "On Payment for Land" regarding establishment of a uniform procedure for payment of a land tax by landowners and land tenants;

establish as from January 1, 2001, for enterprises manufacturing tobacco products a quantitative ratio of fermented tobacco grown in Ukraine differentiated as years with respect to annual demand of enterprises taking into account the achievement of 10 percents in 2004;

amend the Law of Ukraine "On Banks and Bank Activities" in the part governing the favorable regime of taxation of a part of banks' profits in proportion to the percentage share of resources which such banks allocated for agriculture, in total.

President of Ukraine

L. KUCHMA

**Kyiv
January 18, 2001
No. 2238-III**

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