

UDC 631.115:336.226.1:336.225.68

O. Melnychuk, Ph.D in Economics, Associate Professor under the State Agrarian and Engineering University in Podilya

ACTUAL PROBLEMS OF TAXATION OF FARMING PROFITS

Annotation. *The article depicts peculiarities of taxation of farming households in the light of adoption of the Tax Code in Ukraine. The author discloses the key problems of determination and accounting of income from realization of agricultural products, as to taxation of which privileges are provided for.*

The main source of income for rural population is income from selling agricultural products which was grown at personal gardens and farms. Absence of a clear technique for administration of such income with the fiscal agencies and unwillingness of the tax payers themselves for the income to be authentically accounted for the purpose of taxation, all this results in a possibility of avoiding taxation of income which exceeds the law-set limits as to amount of income, received from selling animal products, and area of lands in which it is possible to receive income obtained from realization of plant products.

An imperfect mechanism for administration and accounting of income with the fiscal agencies makes it possible for farming households to avoid taxation. Unavailability of a legal instrument for assessment and distribution of income, for the purpose of taxation, among household members infringes the principle of equality and social fairness as described in the Tax Code.

Effectiveness of reforming the tax system with regard to taxation of income of farming households depends, to a great extent, on quality and validity of administering an object of taxation.

Keywords: *farming household, income, personal income tax, taxation principles.*

Problem definition. Reform of the taxation system in Ukraine has covered basic taxes and dues and fees which form profits of local budgets, which has caused changes in the structure of their receipts. The main budget-forming national tax recovered into the local budget is the personal income tax. Along with it, the budget of local governments is formed by both local taxes and dues and fees, a list of which has been sufficiently reduced because of the Tax Code having been enacted.

However, the tax reform has not intensified independence of the local budgets of rural areas, but, on the contrary, destabilized their being pumped up. That is why the changes, entered in the Tax Code

of Ukraine in part of farming taxation, an attempt has been made to regularize and raise receipts of village councils, but the techniques of how to realize the mechanism in practice have not been worked out.

Uncertainty of the mechanism for taxation of farming profits provides for further studying issues of their being formed and accounted to objectively collect the personal income tax.

Analysis of the latest studies and publications. A significant contribution to development of the modern theory of income taxation has been made by such famous domestic scientists as O.Vasylyk [1], O. Desiatniuk [3], Yu. Ivanov [3], A. Krysovatyi [3], A. Sokolovska [9], V. Fedosov [12], S. Yurii [13]. Studies of farming taxation are highlighted in the titles of M. Demianenko [6], D. Dema [2], V. Zhuk [6], M. Kotsupatryi [6], L. Lavrynenko [6], P. Sabluk [6], V. Synchak [10], L. Tulush [11], and other scientists.

At the same time, there are no comprehensive studies of problems on defining and forming farming profits, including profits from keeping personal part-time farming and attracting such farming to the taxation process in the light of passing the latest changes in the Tax Code. Problem in taxation of farming profits is that, as per regulations, taxation applies to income of every individual, but not of subjects altogether.

Definition of the study aim. The aim of this study is objectively finding a solution to scientific grounds for the mechanism for taxation of farming profits, which will make it possible to increase not only income of the local governments, but social aspects of development of rural areas.

Exposition of the base material for study. In the developed countries, special experts – the financial consultants – are engaged in running finance of farms. Their main assignments are to seek for reserves to cut family expenses and to rationalize them, optimize taxation, run family savings etc. [4, p. 240].

Studying the issue of farming taxation, the terms ‘farm (farming household)’ and ‘family’ are considered by us to be identical categories, because they go as economic units comprising one or more persons who provide the economy with resources and utilize the money received for the resources to purchase goods and services which satisfy material needs of a person [5, p. 771].

Specificity of the industry involves inclusion of a farm income in total farming profits, provided that the area of a plot of land exceeds 0.06 hectares, as well as inclusion of plots of land given for vegetable growing, mowing, and grazing; income from property, presented in the form of rent for land and property shares.

Size of most of personal income is indicated in bookkeeping documents and showcased in tax accounts, and afterwards it is collected and processed by tax authorities. However, accounting of farming households' income from running a farm does not exist, since it has not been provided for by the Law. So, prior to adoption of the Tax Code, by Subclause 4.3.36 of the Law of Ukraine "Upon Personal Income Tax," the income 'from transfer, directly by an owner, of agricultural products grown by an owner on plots of land given to them for the purpose of running a personal farm' was not included in a monthly taxed profit, and therefore the income was not subject to taxation [7]. That norm was transformed in the Tax Code and valid till October, 2012, when it was fundamentally supplemented with entered changes according to the Law of Ukraine "Upon Introduction of Changes in the Tax Code of Ukraine with regard to Regulation of Specific Issues of Taxation", No.5412-VI dd. 02.10.2012.

A special feature of the innovations was distinguishing and formation of farming profits which were exempted from taxation, and of profits which were to be taxed on the usual terms. This way, profits are exempted from taxation, if received due to running a personal farm on plots of land allocated for:

Gardening and/or construction and servicing of a residential building, and/or an individual summer cottage construction (at the same time, an owner of agricultural products has rented-out land shares);

A personal farm, at the same time a total area of a plot of land and a land share does not exceed 2 hectares [8].

In the event when the area of the plots of land exceeds 2 hectares, proceeds from sale of agricultural products are subject to taxation in accordance with general practices.

Consequently, for the taxation purposes, the owner of the agricultural products should send in to a tax agent a certificate on owning plots of land, which is issued by a village, town or city council to the address of

such a person the owner. Based on this certificate, a tax agent defines an income category and possibilities of it being taxed. It is understood that attraction of such a payer to the taxation process be possible just in case when the agricultural products are sold to a legal entity or a natural person the sole proprietor, who must do accounts under special categories in the tax accounts. If such products are distributed at a market place to a final buyer, which are inhabitants, the owner of the agricultural products may avoid payment of a personal income tax, since the Law does not provide for any mechanism to assess and detect such income.

That is why an issue of assessment of cash and material earnings of such persons, including for the purpose of taxation, remains actual.

Agricultural animal products being sold, earnings from sale of such products are not subject to taxation if the total annual earnings do not exceed 100 minimum salaries. The Tax Code norms do not clearly define the person who is to do accounts of such earnings, but such a person can be an owner of agricultural products himself/herself, a tax agent, in whose role may act both a controlling agency, and sole entrepreneurs. From the body of Subclause 165.1.24 of the Tax Code, an owner of agricultural products must submit to a controlling agency a certificate of independently raising animal products, which is issued by a village, town or city council to the address of such a person the owner, and, the set limit being exceeded, the tax is recovered according to the standard procedure [8]. So, assessing position of all subjects of taxation, it should be assumed that a buyer of agricultural animal products from a farm cannot be a tax agent, since they cannot objectively and authentically assess earnings of an owner of agricultural products. Final taxation outcome may be carried out exclusively on the basis of a fiscal year, when an owner of agricultural products submits an income declaration to the fiscal service bodies.

An optimal situation for an owner of agricultural products will be the situation when the products are transferred to a single buyer (for instance, milk is sold to a single processing enterprise), in which case it is simpler to do income accounting and divide the income between the farming household members. If during a year plant and animal products are concurrently realized by species, not every household is able, in virtue of its capacities and possibilities, to do accounts of the received earnings.

That is why we believe that contradictions relating to objectivity of taxation will rise right during the final taxation of earnings at year-end, so far as the earnings may be received by all the farming household members, but declared, for example, by only one of them. The applicable Tax Code does not provide for distribution of earnings between all members of farms. In our opinion, if the agricultural products were raised by several family members, so, accordingly, the earnings should be proportionally divided between them. In the event when information about income is submitted regarding just one member of a household, that will infringe principles of equality and justice as specified in the Tax Code.

It is required to take into consideration that the basic source of income for rural population is the same income from sales of agricultural products grown at personal gardens and farms, total value of which, over a year, may exceed the established limit. Unfortunately, absence of a clear mechanism to administer such income at the fiscal service bodies and unwillingness to register the income by the payers themselves may result in denying using this subclause, as it was observed during introduction and realization, in practice, of the real property tax different than a plot of land tax for natural persons.

International experience provides for a possibility to consider a farming household as a separate subject of taxation. Procedures for taxation of such a subject provide for an option for it to select a tax regime, taking into account possible circumstances and application of different tax rates depending on areas of activities and a household structure. In our opinion, such an approach ensures objectivity and social fairness with regard to taxation of personal income.

Conclusion. So, efficiency of reforming the tax system in part of personal income taxation depends, to a considerable extent, on quality and authenticity of administration of a subject of taxation.

References

1. Vasylyk O.D. Tax System of Ukraine: Schoolbook / Vasylyk O.D. – K.: Poligrafkniga, 2004. – 478 p.
2. Dema D.I. Simplified Taxation System: Realities and Prospects in

Ukraine /D.I. Dema, I.V. Shevchuk [Electronic resource] – Access Mode: <http://magazine.faaf.org.ua/content/view/1052/35/>.

3. Ivanov Yu. B. Tax System [Schoolbook] / Yu. B. Ivanov, A.I. Krysovatyi, O.M. Desiatniuk. – K.: Atika, 2006. – 920 p.

4. Zavorotnii R.I. Problems in Farm Financial Administration / R.I. Zavorotnii. Financial System of Ukraine: Collection of Scientific Papers. – Ostroh: Publisher: National University Ostroh Academy, 2007. – Issue 9. – P. 2. – 534 p.

5. McConnell K.R., Brew S.L. Economics: Principles, Problems and Policy. Translated from English. Revised Edition 11. K., HaGar, 1998. – 785 p.

6. Accounting at a Farming (Farm) Enterprise (Handbook) ed. M.Ya. Demianenko. – K.: IAE, 2001. – 403 p.

7. Upon Personal Income Tax: Law of Ukraine dd. 22.05. 2003 No. 889-IV [Electronic resource]. – Access Mode: search.ligazakon.ua/

8. Tax Code of Ukraine dd. 02.12. 2010. No. 2755-VI [Electronic resource]. – Access Mode: <http://zakon1.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=2755-17&p=1325929236848879>.

9. Sokolovska A.M. Fundamentals to Taxes: Schoolbook / Sokolovska A.M. – K.: Condor, 2010. – 326 p.

10. Synchak V.P. Condition and Perspectives of the Simplified Taxation System Functioning in Agriculture in Ukraine / V.P. Synchak // Collection of Scientific Papers of the Vinnytsia National Agrarian University. Series: Economic Sciences. – 2010. – Issue 5-2. – P. 104-108.

11. Tulush L.D. Forming a Mechanism for Taxation of Earnings from Running a Personal Farm /L.D. Tulush // Scientific Bulletin of the National University under the State Tax Administration of Ukraine (economics, law). – 2010. – No. 1. – P. 144-151.

12. Fedosov V.M. Finance Theory: [Schoolbook] / Fedosov V.M. – K.: CUL, 2010. – 572 p.

13. Yurii S.I. Fiscal and Incentive Efficiency of the Simplified Regimes of Taxation for Private Entrepreneurs / S.I. Yurii, O.R. Kvasovskiy // Finances of Ukraine. – 2002. – No. 8. – P. 63-70.

О.В. Мельничук, кандидат економічних наук, в. о. доцента ПДАТУ

АКТУАЛЬНІ ПРОБЛЕМИ ОПОДАТКУВАННЯ ДОХОДІВ СІЛЬСЬКИХ ДОМОГОСПОДАРСТВ

Анотація. Розкриваються особливості оподаткування сільських домогосподарств в світлі прийняття Податкового кодексу України. Автором розкрито основні проблеми визначення та обліку доходів від реалізації сільськогосподарської продукції щодо оподаткування якої передбачені пільги. Недосконалий механізм адміністрування та обліку доходів в органах фіскальної служби дозволяє сільським домогосподарствам ухилятися від сплати податку з доходів фізичних осіб. Відсутність механізму розподілу доходів з метою оподаткування між членами домогосподарства порушує принцип рівності та соціальної справедливості, що визначені у Податковому кодексі.

Ключові слова: сільське домогосподарство, дохід, податок з доходів фізичних осіб, принципи оподаткування.

Аннотация. Раскрываются особенности налогообложения сельских домохозяйств в связи с принятием Налогового кодекса Украины. Автором раскрыты основные проблемы определения и учета доходов от реализации сельскохозяйственной продукции, по налогообложению которой предусмотрены льготы. Невершенный механизм администрирования и учет доходов в органах фискальной службы позволяет сельским домохозяйствам уклоняться от уплаты налога с доходов физических лиц. Отсутствие механизма распределения доходов в целях налогообложения между членами домохозяйства нарушает принцип равенства и социальной справедливости, которые определены в Налоговом кодексе.

Ключевые слова: сельское домохозяйство, доход, подоходный налог, принципы налогообложения.