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Committee on Subsidies and Countervailing Measures

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## SUBSIDIES

### NEW AND FULL NOTIFICATION PURSUANT TO ARTICLE XVI:1 OF THE GATT 1994 AND ARTICLE 25 OF THE AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES

UKRAINE

The following notification, dated 15 July 2015, is being circulated at the request of the Delegation of Ukraine.

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## INTRODUCTION

This notification was prepared pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures.

This notification relates to subsidies granted in 2013 and 2014, and provides statistical information for respective years.

In preparing this notification, Ukraine has taken into account applicable "General Rules" listed in G/SCM/6/Rev.1.

## 1 PART I. HORIZONTAL PROGRAMMES

### 1.1 Special Economic Zones and Priority Territories

In reporting period the investment projects in SEZ and Priority Territories are implemented under the regular tax regime.

During reporting period there were not any changes in respect to policy/objective, background and authority, form of the subsidy, to whom and how the subsidy is provided, in comparison with information given in G/SCM/N/155/UKR of 26 May 2008, G/SCM/N/186/UKR of 3 July 2009, G/SCM/N/220/UKR of 7 July 2011 and G/SCM/N/253/UKR of 11 July 2013.

The only change is with regard to termination of the SEZ "Port Crymea" and PT in the Autonomous Republic of Crymea (The law of Ukraine of 12.08.2014 No. 1636).

Some tax privileges were granted to some enterprises by judgement of courts only.

Total amount:

Form of Subsidy	SEZ, million UAH		Priority Territories, million UAH	
	2013	2014	2013	2014
Exemption from income tax	-	-	0	0
Exemption from import duties	Not applicable		Not applicable	
Deferment of VAT	221,5	243,3	0	0
Exemption from land tax	Not applicable		Not applicable	

### 1.2 Technological Parks

Policy objective and/or purpose

Encourage investment, promotion of research and development of new technologies.

Background and authority

The basic legislative acts providing for the establishment and functioning of the technological parks are contained in:

- Law of Ukraine "On Changes to the Law of Ukraine "On Special Regime of Innovation Activity of the Technological Parks" and other laws of Ukraine" of 12 January 2006 No. 3333-IV (with changes and amendments);
- Law of Ukraine "On innovation activity" of 4 July 2002 No. 40-VI (with changes and amendments);
- Law of Ukraine "On priority directions of the science and technology development" of 11 July 2001 No. 2623-III (with changes and amendments);
- Law of Ukraine "On state target programs" of 18 March 2004 No. 1621-IV;
- Law of Ukraine "On priorities of the Innovation Activity in Ukraine" of 16 January 2003 No. 433 IV (with changes and amendments);
- Decree of the Cabinet of Ministers of Ukraine of 17 December 1999 No. 2311 (with changes and amendments) approving the Procedure of Consideration and Approval of the Priority Directions of

Activity of the Technological Park, the Procedure of Consideration, Examination and Registration of Technological Park's Projects;

- Decree of the Cabinet of Ministers of Ukraine of 2 February 2011 No. 118 approving the procedure of accumulation of corporate income tax amounts on special account of technological park, use and control of such amounts;
- Decree of the Cabinet of Ministers of Ukraine of 21 March 2007 No. 517 approving the procedure of control and monitoring of the technological parks projects implementation;
- Decree of the Cabinet of Ministers of Ukraine of 29 November 2006 No. 1657 approving procedure for state registration of technological parks and its projects.

The relevant laws with regards to tax and import duty incentives are:

- Law of Ukraine of 6 December 2012 No. 5515-VI "On State Budget of Ukraine for 2013" (with changes and amendments);
- Law of Ukraine of 16 January 2014 No. 719-VII "On State Budget of Ukraine for 2014" (with changes and amendments);
- Law of Ukraine "On Customs Tariff of Ukraine" as amended by the Law of Ukraine of 19 September 2013 No. 584-VII.

#### Form

Accumulation of import duty and credit support.

#### Explanation of Benefits

Accumulation of import duty

Amount of import duties, which accrued during the import of new materials, equipment, components used to implement technological parks projects and are not produced in Ukraine, transferred to a special account and used solely for the purpose of scientific and technological activities, the development of scientific technical and scientific research base of the parks.

Credit support

Since 2006 each year the State Budget of Ukraine should foresee certain budget for:

Full or partial (up to 50%) loans with zero interest (with inflation indexation) for park's projects;

Full or partial compensation of interest paid by park's project implementation authority to commercial banks and other finance institutions for loans for park's projects.

However in 2013 and 2014 there have not been foreseen any funds in the State Budget for loan support.

#### Beneficiaries

Beneficiaries of the favorable regime are technological parks, their participants and joint enterprises implementing projects in priority areas.

Technological park – is a legal person or association of legal persons which are implementing innovative projects, implication of high technology developments.

Priority directions for each technology park are developed according to the Law of Ukraine "On Priority Directions of Science and Technology Development" of 11 July 2001 No. 2623-III, Law of Ukraine "On Priorities of Innovative Activity in Ukraine" of 16 January 2003 No. 433-IV, considered by the Presidium of the National Academy of Science and approved by the central government authority responsible for science issues.

Amount

	2013, million UAH	2014, million UAH
Usage of sums of import duty that are accumulated on a special accounts of parks and projects	0	0
Credit support (Full or partial compensation of interest paid by park's project implementation authority to commercial banks and other finance institutions for loans)	0	0
Full or partial loans with zero interest	0	0
Exemption from income tax	0	0

Duration

The favorable regime for technological parks established for the period of 15 years and is acting during the implementation of technology park projects.

Trade effects

It is not possible to evaluate trade effects.

## 2 PART II. SECTORAL PROGRAMMES

The legislative bases for Ukraine's sectoral programs are found in:

- Enabling legislation specific to the sector itself (shipbuilding, aircraft etc.) cited below for each Sector; and
- The law applying a particular tax measure under for which assistance is provided (exemptions or deferral for import duties, VAT etc.).
- Law on state budget for respective year, such as:
- Law of Ukraine of 6 December 2012 No. 5515-VI "On State Budget of Ukraine for 2013" (with changes and amendments);
- Law of Ukraine of 16 January 2014 No. 719-VII "On State Budget of Ukraine for 2014" (with changes and amendments);

The Sector specific enabling legislation is identified under each of the supported sectors listed below.

The relevant tax laws providing benefits to enterprises in supported sectors are:

- Law of Ukraine "On Customs Tariff of Ukraine" as amended by the Law of Ukraine of 19 September 2013 No. 584-VII;
- Law of Ukraine "On the unified Customs Tariff" (with changes and amendments) of 5 February 1992 № 2097-XII (became invalid due to entry into force of the Customs Code of Ukraine, are applied certain transitional provisions);
- Customs Code of Ukraine (Law of Ukraine of 13.03.2012 No. 4495-VI);
- Tax Code of Ukraine (Law of Ukraine of 02.12.2010 № 2755-VI).

### 2.1 Shipbuilding

#### Policy objective and/or purpose

The overall objectives for providing assistance to the shipbuilding industry are to:

- Promote better use of the industry's existing production and Research and Development facilities; and
- Encourage new investment in the industry to achieve greater efficiency and competitiveness.

#### Background and authority

Until 1 January 2012 the subsidy measures were provided under the Law of Ukraine "On Measures of State Support for the Ship-Building Industry in Ukraine" №1242-XIV (amended as of 15 June 2004 No. 1766-IV) and the Decree of the Cabinet of Ministers of Ukraine № 1256 of 21 December 2005 (with changes and amendments) approving the list of enterprises-beneficiaries of support of shipbuilding industry.

In 2013-2014, support was provided in accordance with the provisions of the Tax Code.

#### Form

##### Credit support

From 1 January 2013 till 1 January 2017, the support of seagoing crafts, river boats and other floating means, building and reconstruction of basic production assets of shipbuilding industry shall be provided by partial compensation of the interest paid to commercial banks for the provided credits. Every year a certain budget allocation should be foreseen by the Law of Ukraine "On State Budget" for providing such a support.

The procedure of use of such allocations from the State Budget is annually determined by the Cabinet of Ministers of Ukraine.

Though, in 2013 and 2014 no allocations were made for this purpose.

VAT payment deferral

Pursuant to section 3 of the Tax Code, the importation by shipbuilding enterprises under the customs regime into the customs territory of Ukraine of equipment and components that are not produced in Ukraine for use in economic activities, provided that customs declaration is completed, may present on their own customs authority (a customs authority shall accept) tax bill in the amount of tax liability on the value added tax, determined in such a customs declaration. List of equipment and components that are imported by domestic enterprises of shipbuilding industries and are not produced in Ukraine, is approved by the Cabinet of Ministers of Ukraine (see reference below).

Exemption from import duties

In accordance with paragraph 4 (6) of the transitional provisions of the Customs Code of Ukraine temporarily, until 1 January 2016, from import duty for importation into the customs territory of Ukraine and placing into the import customs regime are exempted:

equipment and components that are not produced in Ukraine and imported to the customs territory of Ukraine by domestic enterprises of shipbuilding industry for use in their economic activities. The list of these goods with indication of tariff codes is approved by the Cabinet of Ministers of Ukraine;

The Resolution of the Cabinet of Ministers of Ukraine of 28 May 2012 No. 466 "On approval of the list of equipment and components that are not produced in Ukraine and imported to the customs territory of Ukraine by domestic enterprises of shipbuilding industry for use in economic activities, that are temporarily exempt from import duty when imported into the customs territory of Ukraine and the placed into the customs regime of import".

Exemption from corporate income tax

In accordance with subsection 17 of Section 4 of the Tax Code of Ukraine, starting from 01.01.2011 and for a period of 10 years, shipbuilding enterprises shall be exempted from taxation income earned from their operations.

Exemption from land tax

In accordance with subsection 6 of Section 4 of the Tax Code of Ukraine, until 1 January 2016 shipbuilding enterprises shall be exempted from land tax.

Beneficiaries

The Cabinet of Ministers of Ukraine approves a list of eligible shipbuilding enterprises according to the order determined in the Decree of Cabinet of Ministers of Ukraine of 12 July 2005, No. 555. The current approved list of enterprises appears in the Resolution of the Cabinet of Ministers of Ukraine of 21 December 2005, No. 1256 (last changes – by Decree of Cabinet of Ministers of Ukraine of 10 June 2009 No. 574).

Amount

	2013, thousand UAH	2014, thousand UAH
Credit support	Not applied	Not applied
Exemption from import duties	0	0
Deferment of VAT	10,912.5	Not applied
Exemption from income tax	74,256.9	1,160.2
Exemption from land tax	32,631.8	22,285.2

Duration

Duration depends on the forms of support mentioned above in the relevant paragraphs.

Statistics for evaluation of trade effect

<b>Amount of production*</b>	2013, thousand UAH	2014, thousand UAH
Seagoing crafts and other floating means	Not available	Not available

\* Total production, including production of enterprises-beneficiaries

**2.2 Aircraft**Policy objective and/or purpose

The overall objective for providing aid to the aircraft construction industry is to promote an efficient use of existing production, research and development facilities and to encourage investment to provide for modernization of the industry.

Background and authority

Support is provided in accordance with the Law of Ukraine of 20.01.10 No. 1814-VI "On amendments to some of the laws of Ukraine concerning state support to aircraft industry in Ukraine".

The Law of Ukraine of 12.07.07 No. 2660-III "On aircraft industry development" (with changes and amendments).

The Law of Ukraine of 05.06.12 No. 4884-VI "On amendments to the Law of Ukraine on the development of the aircraft industry" concerning state supports for domestic sales of aviation equipment production.

The Decree of the Cabinet of Ministries of Ukraine of 21.07.10 No. 680 "On import on the customs territory of Ukraine of goods by aircraft enterprises" (with changes and amendments) clarifies requirements concerning eligible import volumes and ensuring of its proper end use.

FormExemption from import duty

In 2013 and 2014 in accordance with paragraph 4 of subsection 2 of section XX "Transitional Provisions" of the Tax Code of Ukraine (the Law of Ukraine of 02.12.2010 No. 2755-VI), subparagraph 2 of paragraph 4 of Section XXI "Transitional Provisions" of the Customs Code Ukraine (Law of Ukraine Act of Ukraine of 13.03.2012 No. 4495-VI) temporarily until 1 January 2016 are exempted goods, imported (reimported) by aircraft enterprises eligible by the Art. 2 of the Law "On aircraft industry development", by such HS (UKTZED) codes:

2707 20 90 00, 2707 30 10 00, 2707 99 80 00, 2710 11 21 00, 2710 19 81 00, 2710 19 99 00, 2712 20 90 00, 2805 30 90 00, 2818 10 90 00, 2827, 2835, 3204 90 00 00, 3207 40 30 00, 3208, 3209, 3211 00 00, 3214 10 10 10, 3603 00, 3604 90 00 00, 3703 10 00 00, 3703 90 10 00, 3824 10 00 90, 3824 90 35 00, 3824 90 40 00, 3824 90 50, 3824 90 65 00, 3901, 3909, 3911, 3917, 3919, 3920, 3921, 4002, 4005, 4006 90 00, 4008, 4009, 4011 30 00 30, 4016, 4017 00, 7003, 7007, 7019, 7202, 7205 10 00 00, 7205 29 00 00, 7207, 7208, 7209, 7211, 7212, 7213, 7214, 7215, 7217, 7218, 7219, 7220, 7221 00 10 00, 7223 00, 7224 90 18 00, 7225, 7226, 7227, 7228, 7229, 7304, 7311 00 10 00, 7312, 7315, 7318, 7326, 7407, 7409, 7411, 7413 00, 7419, 7502, 7504 00 00 00, 7505, 7506, 7507, 7508, 7601, 7603, 7604, 7605, 7606, 7607 11 90 00, 7607 19 99 00, 7607 20 91 00, 7608, 7609 00 00 00, 7616, 8101, 8102, 8104, 8105, 8108, 8111 00 90 00, 8112, 8307, 8409 10 00 00, 8411 11 00 00, 8411 12, 8411 21 00 00, 8411 22 20 00, 8411 22 80 00, 8411 81 00 00, 8411 82, 8411 91 00 00, 8411 99 00 00, 8412 10 00 10, 8412 21 80 10, 8412 29 89 10, 8412 31 00 91, 8412 39 00 10, 8412 80 80 10, 8412 90 20 10, 8412 90 80 10, 8413 19 00 00, 8413 20 00 00, 8413 30 20 00, 8413 30 80 00, 8413 50 40 00, 8413 50 69 00, 8413 50 80 00, 8413 60 39 00, 8413 60 69 00, 8413 60 70 00, 8413 60 80 00, 8413 70 21 00, 8413 70 29 00, 8413 81 00 00, 8413 91 00 90, 8414 10 89 10, 8414 20 80 10, 8414 30 20 10, 8414 30 81 10, 8414 30 89 10, 8414 51 00 10, 8414 59 20 91, 8414 59 40 10, 8414 59 80 10, 8414 80 11 10, 8414 80 19 10, 8414 80 22 91, 8414 80 28 10, 8414 80 73 91, 8414 90 00 00,



8415 81 00 30, 8415 82 00 30, 8415 83 00 10, 8415 90 00 00, 8419 50 00 00, 8419 81 20 10, 8419 81 80 10, 8419 90 85 00, 8421 19 70 10, 8421 21 00 00, 8421 23 00 30, 8421 29 00 00, 8421 31 00 00, 8421 39 20 00, 8424, 8425 11 00 00, 8425 19 80 00, 8425 31 00 00, 8425 39 30 00, 8425 39 90 00, 8425 42 00 00, 8425 49 00 00, 8443 32 10 00, 8456, 8457, 8458, 8459, 8460, 8461, 8462, 8463, 8466, 8471 30 00 00, 8471 41 00 00, 8471 49 00 00, 8471 50 00 00, 8471 60 60 00, 8471 60 70 00, 8471 70, 8473 30, 8479 89 97 90, 8481, 8482, 8483, 8501 20 00 10, 8501 31 00 10, 8501 32 20 10, 8501 32 80 10, 8501 33 00 10, 8501 34 92 10, 8501 34 98 10, 8501 40 20 10, 8501 40 80 10, 8501 51 00 10, 8501 52 20 10, 8501 52 30 10, 8501 52 90 10, 8501 53 81 00, 8501 61 20 10, 8501 61 80 10, 8501 62 00 10, 8501 63 00 10, 8502 11 20 10, 8502 11 80 10, 8502 12 00 10, 8502 13 20 10, 8502 13 40 10, 8502 13 80 10, 8502 20 20 10, 8502 20 40 10, 8502 20 60 10, 8502 20 80 10, 8502 39 20 10, 8502 39 80 10, 8502 40 00 10, 8504 10 20 10, 8504 10 80 10, 8504 31 80 00, 8504 32 20 10, 8504 32 80 10, 8504 33 00 10, 8504 40 90 00, 8504 50 20 10, 8504 50 95 10, 8505, 8506, 8507 10 41 10, 8507 10 49 10, 8507 10 92 10, 8507 10 98 10, 8507 20 41 10, 8507 20 49 10, 8507 20 92 10, 8507 20 98 10, 8507 30 89 00, 8507 40 00 00, 8507 80 80 00, 8507 90 90 00, 8511 10 00 10, 8511 20 00 10, 8511 30 00 10, 8511 40 00 10, 8511 50 00 10, 8511 80 00 10, 8515, 8517 70 11 00, 8517 70 19 10, 8525 50 00 10, 8525 60 00 00, 8526 10 00 10, 8526 91 20, 8526 91 80, 8526 92 00 10, 8528 41 00 00, 8528 51 00 00, 8528 59 90 00, 8528 61 00 00, 8529 10 69 10, 8529 10 80 10, 8529 10 95 10, 8529 90 97 10, 8531 10 95 10, 8531 20 20 10, 8531 20 40 10, 8531 20 95 10, 8531 80 20 10, 8531 80 95 10, 8532, 8533, 8535, 8536, 8537, 8538 10 00 00, 8538 90 99 00, 8541, 8542, 8543, 8544, 8545, 8546, 9014 10 00 10, 9014 20 20 10, 9014 20 20 90, 9014 20 80 10, 9014 20 80 90, 9014 90 00 90, 9017 20, 9017 30, 9017 80, 9020 00 00 00, 9023 00, 9024, 9025 11 80 10, 9025 19 20 10, 9025 19 80 98, 9025 80 20 10, 9025 80 40 10, 9025 90 00 95, 9026 10, 9026 20, 9026 80, 9026 90 00 00, 9027, 9029 10 00 10, 9029 20 38 10, 9030 10 00 00, 9030 20 10 00, 9030 20 30 00, 9030 20 91 00, 9030 31 00 00, 9030 32 00 00, 9030 33, 9030 39 00 00, 9030 40 00 00, 9030 84 00 00, 9030 89 30 00, 9030 90 85 00, 9031 80 34 00, 9031 90 85 00, 9032 10, 9032 20 00 00, 9032 81 00 00, 9032 89 00 00, 9033 00 00 00.

The Cabinet of Ministers approves the volume and procedure for import of such goods (Decree of the Cabinet of Ministries of 21.07.10 No. 680).

If end use of these goods was improper or imported eligible volumes were exceeded then to the aircraft enterprises apply provisions of the Law of Ukraine "On the procedure of paying off taxpayers" debts to the Budget and State special funds".

#### Exemption from VAT

In accordance with paragraph 4 of subsection 2 of section XX "Transitional Provisions" of the Tax Code of Ukraine (the Law of Ukraine of 02.12.2010 No. 2755-VI) the aircraft enterprises eligible by the Art. 2 of the Law "On aircraft industry development" are exempted from VAT on such operations:

- Importation in the customs territory of Ukraine in the import (reimport) regime of goods (except excise goods) what used for aircraft industry needs, if such goods are exempted from import duty in accordance with subparagraph 2 of paragraph 4 of Section XXI "Transitional Provisions" of the Customs Code of Ukraine (the Law of Ukraine Act of Ukraine of 13.03.2012 No. 4495-VI);
- Supply in the customs territory of Ukraine of results of research and development activities what conducted for aircraft industry needs.

If legal requirements were violated then to the aircraft enterprises apply provisions of the Law of Ukraine "On the procedure of paying off taxpayers' debts to the Budget and State special funds".

#### Exemption from land tax

The aircraft enterprises eligible by the Art. 2 of the Law "On aircraft industry development" are exempted from land tax then their land is directly used for production of final products in particular: aircraft, it's corps, engines, including warehouses, hangars, runways, and places for aircraft refueling points and flight control.

#### Bonus or accelerated depreciation

In accordance with the Law "On corporate income tax" bonus depreciation is the depreciation of main assets that provides for inclusion of part of the costs for its acquisition (construction) to gross costs of the taxpayer and further depreciation of residual value of main assets under general norms.

Accelerated depreciation is the depreciation of main assets what carried out by double general norms.

Simultaneous application of bonus and accelerated depreciation to the same main assets is not allowed.

Temporary till 1 January 2016 eligible aircraft enterprises have the right to apply bonus depreciation to the new (which were not in use) main assets of 50% to book value of main assets of group 3 and 100% for group 4 by the results of the first reporting period when objects of such main assets were put into operation if these objects used exclusively for:

- a. development and production of aircraft techniques and engines;
- b. conversion, repair, modification, technical service of aircraft techniques and engines;
- c. research and development for aircraft industry.

#### Exemption from corporate income tax

In accordance with paragraph 17 (r) of subsection 4 of the Tax Code of Ukraine from 01.01.2011 for a period of 10 years aircraft enterprises shall be exempt from corporate income tax, resulting from operations, as well from research and development work performed by such enterprises for the needs of aircraft industry;

#### Credit support

From 1 January 2013 till 1 January 2017 is implemented state support of aviation equipment of domestic production through the mechanism of partial compensation of the interest paid to commercial banks for the provided credits. Every year a certain budget allocation should be foreseen by the Law of Ukraine "On State Budget" for providing such a support.

The procedure of use of such allocations from the State Budget is annually determined by the Cabinet of Ministers of Ukraine.

Though, in 2013 and 2014 no allocations were made for this purpose.

#### Making payments in foreign currency

In accordance with the Law of Ukraine of 23.09.94 No. 185/94-VR "On making payments in foreign currency" the final payments for export and import transactions of eligible aircraft enterprises are carried out not later than 500 calendar days after the transfer of down payments for development, production, conversion, repair, modification, technical service of aircrafts and engines.

#### Beneficiaries

Legal entities – residents of Ukraine that carry out activity in aircraft industry and have respective licenses and certificates granting the rights for development or production, or repair, or conversion, or modification or technical service of aircrafts and aircraft engines, and meet at least two of the following criteria:

- a. Develop aircrafts and aircraft engines, produce aircrafts and aircraft engines, repair aircrafts and aircraft engines;
- b. Fulfill state or military order on development of aircrafts and aircraft engines, production of aircrafts and aircraft engines, repair of aircrafts and aircraft engines;

- c. Ensure implementation of international obligations of Ukraine by international contracts on development of aircrafts and aircraft engines, supply of aircrafts and aircraft engines, production of aircrafts and aircraft engines, repair of aircrafts and aircraft engines.

List of eligible aircraft entities approved by the Decree of the Cabinet of Ministers of 09.06.10 No. 405 and of 12.02.2014 No. 56.

#### Amount

	2013, thousand UAH	2014, thousand UAH
Exemption from import duty	6162,1	5570,5
Exemption from VAT on import of goods	285 405,7	345 787
Exemption from VAT on supply of research results	14 871,6	20 584,2
Exemption on land tax	44 237,4	43 809,1
Exemption from corporate income tax	387 098,1	642 723,3

#### Duration

Until 1 January 2016 (on credit support – until 1 January 2017).  
Exemption from corporate income tax established for 10 years from 01.01.2011.

#### Statistics for estimation of trade effects

Production by industry*	2013, thousand UAH	2014, thousand UAH
	Not available	Not available

\* Total production, including production of enterprises-beneficiaries

### **2.3 Machinery for agriculture**

#### Policy objective and/or purpose

Creation of favorable economic conditions for increasing the production of agricultural machinery and equipment for the food processing industry, improving the system of ensuring domestic agriculture machinery and equipment.

#### Background and authority

Law of Ukraine "On the promotion of the domestic machinery for agriculture" of 07.02.2002 No. 3023-III;

Resolution of the Cabinet of Ministers of Ukraine "On approval of the purpose state program of the technology policy realization in agriculture for the period until 2015" of 30.05.2007 No. 785;

Law of Ukraine of 6 December 2012 No. 5515-VI "On State Budget of Ukraine for 2013" (with changes and amendments);

Law of Ukraine of 16 January 2014 No. 719-VII "On State Budget of Ukraine for 2014" (with changes and amendments);

Law of Ukraine of 4 April 2013 No. 183-VII "On amendments to Customs Code of Ukraine and some others laws of Ukraine".

#### Form:

#### Reimbursement of interest rates on loans

partial (70 %compensation of the rate of the National Bank of Ukraine on bank credits granted to enterprises of domestic machinery for the manufacture of agricultural machinery and equipment

for agriculture, and government support of banks that provide long-term financing of these enterprises;

partial (40 % compensation by the state of the cost of agricultural machinery and equipment, supplied for agricultural producers and enterprises and for food and processing industry;

Loans to domestic agricultural machinery is carried out in order to provide loans on a general basis and as special treatment credit, which provides up to 70 % discount rate of the National Bank of Ukraine on bank credits.

In 2013 – 2014 no budget was allocated in the State Budget of Ukraine for this purposes.

#### Exemption from corporate income tax

In accordance with paragraph 17 of subsection 4 of the Tax Code of Ukraine from 01.01.2011 for a period of 10 years agricultural machinery enterprises shall be exempt from corporate income tax. However this provision was terminated since 1 January 2015 (Law of Ukraine of 28.12.2014 No. 41-VIII concerning tax reform).

#### Exemption from import duty

In accordance with subparagraph 8 of paragraph 4 of Section XXI "Transitional Provisions" of the Customs Code of Ukraine, temporarily, until 1 January 2017, materials, components, devices and/or supplies are exempt from import duty for importation into the customs territory of Ukraine and placing into the customs regime of import if they are imported into the customs territory of Ukraine by national agricultural machinery enterprises (if such goods are not produced in Ukraine). Specified in this subparagraph goods exempt from tax provided that the goods are used for the production of taxable machinery and / or equipment for agriculture referred to in part 1 of Article 1 of the Law of Ukraine "On the promotion of the domestic machinery for agriculture". Procedure for importation, the list of such enterprises and the list of products with the tariff codes are established by the Cabinet of Ministers of Ukraine.

Resolution of the Cabinet of Ministers of Ukraine of May 23, 2012 No. 459 "On issues of importation into the customs territory of Ukraine of materials, parts, components and / or component parts for production machinery and / or equipment for agriculture."

However in 2013 – 2014 none of the eligible producers have used this form of support.

#### Beneficiaries:

Agricultural machinery enterprises – residents in Ukraine that produce domestic machinery and equipment for agriculture, i.e., vehicles, machinery, equipment, technological complexes and lines are used in agriculture, food and processing industry for works on cultivation, harvesting, storage and processing of agricultural products.

#### Amount:

	2013, thousand UAH	2014, thousand UAH
Reimbursement of interest rates on loans	0	0
Exemption from corporate income tax	52,392.9	50,719.1
Exemption from import duty	0	0

#### Duration:

Amount of support for privileged crediting is determined annually according to the State Budget. Exemption from corporate income tax established from 01.01.2011 till 31.12.2014. Exemption from import duties established until January 1, 2017.

Statistics for estimation of trade effects

Production by beneficiaries	2013, million UAH	2014, million UAH
Agricultural machinery, tractors, seeders, harvesters	Not available	Not available

**2.4 Space Industry**Policy objective and/or purpose

Support is intended to preserve and effectively employ the existing scientific, research, and production potential of Ukraine's space industry as a priority component of the high technology sector and to encourage investment as to ensure the future viability of the industry.

Background and authority

Preferential tax treatment for eligible enterprises in the space industry was provided for in the Law of Ukraine "On State Support of Space Activity" No. 1559-III of 16 March 2000.

In 2013 and 2014 the support was provided according to the following regulations:

Law of Ukraine of 15.11.1996, No.502/96-VR "On Space Activities" (with changes and amendments);

"Tax Code of Ukraine" dated 02.12.2010, No. 2755-VI;

"Customs Code of Ukraine" dated 13.03.2012, No. 4495-VI;

Resolution of the Cabinet of Ministers of Ukraine of 29 December 2010 No. 1248 "On approval of the list of subjects of space activities that are exempt until January 1, 2015 from land tax for land for production purposes";

Resolution of the Cabinet of Ministers of Ukraine of 3 February 2010 No. 102 "On issues of importation into the customs territory of Ukraine goods within the international treaties (agreements) of Ukraine ratified by Verkhovna Rada of Ukraine on Space Activity as to creating space equipment without payment of import duties and value added tax";

Resolution of the Cabinet of Ministers of Ukraine of 3 February 2010 No. 102 "Issue of importation into the customs territory of Ukraine goods within international treaties (agreements) of Ukraine ratified by the Verkhovna Rada of Ukraine on Space Activity as to creation of space equipment without payment of import duties and value added tax" (with changes and amendments).

Law of Ukraine of 6 December 2012 No. 5515-VI "On State Budget of Ukraine for 2013" (with changes and amendments);

Law of Ukraine of 16 January 2014 No. 719-VII "On State Budget of Ukraine for 2014" (with changes and amendments).

Form:Exemption from VAT

Pursuant to subparagraph 4 of paragraph 4 of Section XXI of the Customs Code of Ukraine and subparagraph "a" of paragraph 3 of subsection 2 of section XX of the Tax Code of Ukraine during the validity of international treaties of Ukraine ratified by the Verkhovna Rada of Ukraine on Space Activity on creating space technology (including the units, systems and components for space systems, space launch vehicles, spacecraft and ground segments of space systems) but not later than 1 January 2018, the following operations are exempt from paying value added tax:

import into the customs territory of Ukraine under the customs regime of import of goods referred to in subparagraph 4 of paragraph 4 of Section XXI "Transitional Provisions" of the Customs Code of Ukraine, within the limit values set by the Cabinet of Ministers of Ukraine, provided proper use

of such products in the production of space equipment (including the units, systems and components for space systems, space launch vehicles, spacecraft and ground segments of space systems) by the residents - entities of space activity, which received a license for such activities and participate in the implementation of international agreements. List of such residents - entities of space activity is set by the Central Executive Body to Public Policy in the Field of Space Activities.

The order and import volumes of the above products are governed by the Resolution of the Cabinet of Ministers of Ukraine of 3 February 2010 No. 102 (with changes and amendments).

In case of infringement of proper use of the goods or exceeding limit values of imports established by the Cabinet of Ministers of Ukraine, the corresponding entity of space activity, which effectively allowed the right to tax incentives, be deemed to have deliberately evaded tax and penalties applied to it (financial) sanctions in accordance with applicable law.

#### Exemption from import duty

In accordance with subparagraph 4 of paragraph 4 of Section XXI of the Customs Code of Ukraine, temporarily, until 1 January 2018, the following goods are exempt from import duty for importation into the customs territory of Ukraine and placing into the customs regime of import: those imported into the customs territory of Ukraine by residents - the entities of space activity, within the frame of ratified by the Verkhovna Rada of Ukraine international treaties of Ukraine on Space Activity on production of space equipment (including the units, systems and components for space systems, space launch vehicles, spacecraft and ground segments of space systems) by such HS (UKTZED) codes: 2818 10, 2830 90 85 00, 2837, 2901, 2903, 2921, 2929, 2931 00 95 90, 3207 20, 3208, 3209, 3214, 3403, 3506, 3602 00 00 00, 3603 00, 3604, 3701, 3703, 3707, 3810, 3814 00, 3901, 3903, 3906, 3907, 3908 90 00 00, 3909, 3911, 3917, 3919, 3920, 3921, 3926, 4002, 4005, 4008, 4016, 4017 00 10 00, 4823 40 00 00, 4901, 4906 00 00 00, 5208, 5407, 5607, 5903, 5906, 5911 90 90, 6815 10, 6902, 7002, 7007 11 90 00, 7019, 7202, 7211, 7214, 7215, 7217, 7219, 7220, 7222, 7223 00, 7224-7226, 7228, 7229, 7304, 7407, 7409-7411, 7413 00, 7505, 7506, 7508, 7601, 7604-7608, 7616, 8101, 8102, 8104, 8105, 8108, 8112, 8307, 8412, 8414, 8421, 8471, 8473, 8479, 8482, 8483 30 80, 8501, 8504, 8506, 8507, 8517, 8523, 8526, 8529, 8532, 8533, 8536-8538, 8540-8544, 8547, 8803, 9014, 9015, 9023 00, 9026, 9027, 9030-9032, 9033 00 00 00, 9306 90 10 00.

The Cabinet of Ministers approves the volume and procedure for import of such goods (Decree of the Cabinet of Ministries of 03.02.2010 № 102 (with changes and amendments)).

#### Exemption from land tax

Pursuant to subsection 6 "Features levying land tax" of the Tax Code of Ukraine during the action of the ratified by Verkhovna Rada of Ukraine international treaties (agreements) of Ukraine on Space Activity on production of space equipment (including the units, systems and components for space systems, space launch vehicles, spacecraft and ground segments of space systems), but not later than 1 January 2018, residents - subjects of space activity, which received a license for its implementation and participate in the implementation of such treaties (agreements), shall be exempted from land tax for use of land for production purposes. The list of the eligible residents - subjects of space activity is approved by the Resolution of the Cabinet of Ministers of Ukraine of 29 December 2010 No. 1248.

#### Beneficiaries

The subjects of space activity - companies, institutions and organizations, including international and foreign, which according to the Law of Ukraine "On Space Activity" No. 502/96 of 15 November 1996 (with changes and amendments), are engaged in space activities, such as scientific space research, development and application of space equipment and use of space.

Amount

	2013, million UAH	2014, million UAH
Exemption from import duties	8,8	3,9
Exemption from VAT on import	14,1	18,3
Exemption from land tax	64,2	63,2

Duration

During validity of the international treaties of Ukraine on Space Activity on production of space equipment, until 1 January 2018.

Statistics for estimation of trade effects

	2013, million UAH	2014, million UAH
Production of beneficiaries in comparative prices	3,108.2	3,226.1

**2.5 Coal Mining**Policy objective and/or purpose

To assist in restructuring and modernization in the coal mining sector, raising industrial safety, labour safety improvement.

Background and authority

In 2013, the state support for the coal mining industry was provided according to the Law on the State Budget of Ukraine for 2013 and regulations of the Cabinet of Ministers of Ukraine:

Resolution of the Cabinet of Ministers of Ukraine of March 11, 2011 No. 236 "On approval of the use of funds allocated in the state budget for restructuring of the coal and peat mining industry" (with changes and amendments);

Resolution of the Cabinet of Ministers of Ukraine of February 23, 2011 No. 154 "On approval of the use of funds provided in the state budget for the implementation of mine-rescue measures on mining enterprises" (with changes and amendments);

Resolution of the Cabinet of Ministers of Ukraine of February 23, 2011 No. 153 "On approval of the use of funds allocated in the state budget to offset the cost of coal mining enterprises, included in the cost of finished marketable coal products" (with changes and amendments);

Resolution of the Cabinet of Ministers of Ukraine of 13 April 2011 No. 398 "On approval of the use of funds provided in the state budget to occupational safety and improving worker safety at coal mining enterprises" (with changes and amendments);

Resolution of the Cabinet of Ministers of Ukraine of 8 October 2012 No. 988 "On approval of the use of funds allocated in the state budget for technical modernization of coal and peat mining enterprises, technical re-equipping of indicated enterprises" (with changes and amendments);

According to the Law of Ukraine of 05.12.2012 No. 5515-VI, it was foreseen in the State Budget of Ukraine for 2013:

- restructuring of coal and peat industry – 1 213 279,2 thousand UAH;
- support to the coal mining enterprises for partial refund of the expenses on production cost finished marketable coal products – 13 301 847,8 thousand UAH;
- technical modernization of coal and peat mining enterprises, technical re-equipping of indicated enterprises – 351 303,3 thousand UAH;

According to the Resolution of the Cabinet of Ministers of Ukraine of 3 July 2013 No. 472-r "On redistribution of some budget expenses and transfer of budget allocations foreseen in 2013 in the Ministry of Finance of Ukraine" under the State Budget program "State support of coal and peat mining enterprises, technical re-equipping of indicated enterprises" expenses are increased by 20 000 thousand UAH.

In 2014, the state support for the coal mining industry was provided according to the Law on the State Budget of Ukraine for 2014 and regulations of the Cabinet of Ministers of Ukraine:

Resolution of the Cabinet of Ministers of Ukraine of 11 March 2011 No. 236 "On approval of the use of funds allocated in the state budget for restructuring of the coal and peat mining industry" (with changes and amendments);

Resolution of the Cabinet of Ministers of Ukraine of 23 February 2011 No. 153 "On approval of the use of funds allocated in the state budget to offset the cost of coal mining enterprises, included in the cost of finished marketable coal products";

Resolution of the Cabinet of Ministers of Ukraine of 8 October 2012 No. 988 "On approval of the use of funds allocated in the state budget for technical modernization of coal and peat mining enterprises, technical re-equipping of indicated enterprises" (with changes and amendments);

Resolution of the Cabinet of Ministers of Ukraine of 1 March 2010 No. 243 "On approval of the State Targeted Economic Program of the energy efficiency and development of energy production of renewable energy sources and alternative fuels for 2010-2015".

According to the Law of Ukraine of 16.01.2014 No. 719-VII, it was foreseen in the State Budget of Ukraine for 2014:

- restructuring of coal and peat mining industry – 355 118,1 thousand UAH;
- support to the coal mining enterprises for partial refund of the expenses on production cost finished marketable coal products – 8 705 394,1 thousand UAH;
- technical modernization of coal and peat mining enterprises, technical re-equipping of indicated enterprises – 54 324,4 thousand UAH;

#### Form

Restructuring of coal and peat mining industry (granting funds for financing of liquidation of unprofitable mines)

In accordance with the Decrees of the Cabinet of Ministers No. 236 of 18.03.2011 the budget funds are directed to:

- preparation of coal mining enterprises to liquidation (preparation for transfer or cancellation of reserves of coal and other minerals, mining, machinery and equipment that is not used during the work associated with the physical liquidation of coal enterprises; reducing the number of employees; the arrears of wages and social benefits to compensate for damage caused to the health of employees in the performance of job duties; free for domestic coal; receive land titles and ownership of land and the right of permanent land use; environment protection and preventing from dangerous effects of coal enterprises preparing for liquidation, at the existing companies, buildings, environment and human health; drafting of liquidation and state control implementation plans);
- liquidation of coal and peat mining enterprises (physical liquidation of these enterprises, environmental protection, safety of surveying existing businesses and surrounding areas to overcome the negative social and economic consequences of liquidation in accordance with the duly approved procedure of liquidation projects);



- maintenance of drainage facilities financing, construction and reconstruction of which is foreseen by the projects of mines liquidation, provided that ensuring of their continued functioning is not included to the cost of such projects.
- repayment of debts by companies that restructured for the electricity used in prior years;

Budget funds are used to improve the efficiency of the coal industry through works and activities realization in preparation to the liquidation of coal mining, coal processing and peat mining enterprises and liquidation measures (legal and physical) of such enterprises, ensuring the maintenance of drainage facilities.

#### Partial refund of production costs

The state-owned coal mining enterprises (including brown coal producers) use the budget funds for salary payments and for compulsory payments, such as electricity and securing warranty obligations as to reimbursement of budgetary credits, received for discharge the salary indebtedness.

The funds are distributed between the state enterprises, which allocate the money on partial covering the expenses on production cost of their own coal products for 1 Hryvna cost of such a product, at the condition that the volume of the produced product (by the anticipated sale price) does not cover the cost of production.

The list of such enterprises is determined by the Ministry of Energy and Mines on the basis of economic performance of companies and their plans for the year.

#### Beneficiaries:

The program concerns black coal, brown coal and peat producing enterprises of state ownership what are preparing to liquidation and objects of enterprises, which are being liquidated.

#### Funding for technical re-equipment of coal mines

In accordance with the Decrees of the Cabinet of Ministers of Ukraine of 20 June 2011 No. 836, of 8 October 2012 No. 988 (with changes and amendments) and of 11 September 2013 No. 637, the budget for this program is provided on a non-returnable basis.

Budget funds are used to improve the efficiency of mining enterprises machinery to meet the needs of branches of the national economy with high-quality coal and peat production and aimed at:

- 1) technical re-equipment of:
  - coal mines (treatment, tunnel faces and stationary technological systems);
  - peat mining enterprises, including briquetting plants;
- 2) compensation of interest on loans to companies involved in the 2012-2013;
- 3) implementation of the mining equipment renovation program.

The list of coal mines prepare the Ministry of Energy and Mines by competitive selection procedure, which is set by the mentioned Ministry.

#### Funding for the construction of coal and peat mining enterprises

According to the Decrees of the Cabinet of Ministers of Ukraine of 9 March 2011 No. 226, of 2 April 2012 No. 286, of 8 October 2012 No. 988, of 20 February 2013 No. 117 and of 11 September 2013 No. 673 the budget allocated to coal and peat mining enterprises on non-returnable basis.

Budget funds are used to improve the efficiency of enterprises to meet the needs of industries in the required amount of coal and peat by the construction, reconstruction, technical re-equipment of enterprises that provide support, increase of their production capacity for the extraction and processing of coal and peat, improving working conditions and increasing safety, and aimed at:

- 1) implementation of capital construction projects;

- 2) compensation for interest on loans attracted for technical re-equipment;  
 3) technical upgrading of public peat mining enterprises;

Beneficiaries:

The programs are applied to coal and peat producing enterprises of state ownership.

Amount

	2013, thousand UAH	2014, thousand UAH
Partial refund of production costs	13,301,847.8	8,705,394.9
Restructuring of coal and peat industry	1,178,418.0	355,118.1
support of technical re-equipment	342,803.5	54,324.4
support of capital construction		

Duration

Is not determined, on the annual basis.

Statistics for estimation of trade effects

Amount produced by the enterprises - beneficiaries	2013, million tons	2014, million tons
Black coal	24,1	16,0
Brown coal	Not available	Not available
Peat	Not available	Not available

## 2.6 Book-Publishing

### Policy objective and/or purpose

Overcoming of the crisis in this sector and providing for development of Ukrainian book-publishing.

### Background and authority

Support is provided by the Law of Ukraine "On State Support of Book-publishing in Ukraine" of 6 March 2003, No 601-IV (with changes and amendments) and the Law of Ukraine of 20 November 2003, No 1300-IV and No 521-VI of 18 September 2008 "On amendments to some laws of Ukraine concerning state support to book-publishing in Ukraine", Customs Code of Ukraine (the Law of Ukraine of 13.03.2012 No 4495-VI), the Tax Code of Ukraine (the Law of Ukraine of 02.12.2010 No 2755-VI), the Law of Ukraine "On the State Budget of Ukraine for 2013" of 6 December 2012 No 5515-VI (with changes and amendments), the Law of Ukraine "On the State Budget of Ukraine for 2014" of 16 January 2014 No 719-VII (with changes and amendments).

Form:

### Exemption from import duties

Exemption applies to imports of products used for book-publishing (for example, paints, cellulose, polygraphic materials, equipment) that are not produced in Ukraine. The list of inputs to be exempted presented in subparagraph 1 of paragraph 4 of Section XXI "Transitional Provisions" of the Customs Code of Ukraine.

### Exemption from VAT on imports

The same as for import duties and also for operation on supplying of these goods to publishing-houses and publishing organizations, polygraphic enterprises on the territory of Ukraine.

Exemption from VAT on domestic sales:

Exemption applies to supply of services by business entities-residents of Ukraine which simultaneously conduct books-publishing activity and activity of production and distribution of books and production of paper and cardboard. The gross income of such business entity from mentioned activity should be not less 100% of its total gross income in the first reporting (fiscal) period from the time of its establishment or not less 50% of its total gross income in the previous reporting (fiscal) period.

The following operations are exempt from VAT:

performance and delivery of services in publishing, in activities on production and distribution by publishers, publishing organizations, printing businesses, distributors of book products manufactured in Ukraine, real production and /or supply of paper and cardboard, produced in Ukraine for the production of books, student notebooks, textbooks of domestic production as well as and operation on supply of books produced in Ukraine, except for advertising, services on placement of advertising and erotic materials and advertising and erotic publications.

Exemption from Corporate Income Tax

Exempted income of publishing-houses and publishing organizations, polygraphic enterprises, received from publishing activity in Ukraine, exempt publishing materials of erotic nature.

Beneficiaries:

Publishing-houses and publishing organizations, polygraphic enterprises and distributors of books-publishing production which conducting their activity in accordance with the Law of Ukraine "On publishing" No 318/97-VR of 5 June 1997 (with changes and amendments).

Amount

	<b>2013, million UAH</b>	<b>2014, million UAH</b>
Exemption from Corporate Income Tax	37,7	33,8
Exemption from import duties	4,1	3,4
Exemption from VAT on imports	843,9	607,05
Exemption from VAT on domestic sales	3,8	2,3

Duration

From 1 January 2004 till 1 January 2015.

Statistic for estimation of trade effects

<b>Production</b>	<b>2013</b>	<b>2014</b>
Number of titles of books and brochures, published items	304	198
Annual Edition, thousands items	1278,7	975,4