

WORLD TRADE ORGANIZATION

G/SCM/N/220/UKR
7 July 2011

(11-3336)

**Committee on Subsidies and
Countervailing Measures**

Original: English

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 1 July 2011, 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 2009 and 2010, 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.

I. PART I. HORIZONTAL PROGRAMMES

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 and G/SCM/N/186/UKR of 3 July 2009.

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

Total amount:

Form of Subsidy	SEZ, thousand UAH		Priority Territories, thousand UAH	
	2009	2010	2009	2010
Exemption from income tax	90,1	0	0	5 313,0
Exemption from import duties	0	0	0	0
Deferment of VAT	68 708,7	140 401,9	0	0
Exemption from land tax	0	0	0	0

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 priority directions of the science and technology development" of 11 July 2001 No. 2623-III (with changes and amendments);
- 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 23 November 2006 No. 1643 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.

Incentives offered in the form of import duty and internal tax exemptions are reflected in the relevant tax laws.

Corporate Income Tax

- Law of Ukraine "On Corporate Income Tax" as of 28 December 1994 No. 334/94-VR (with changes and amendments).

Import duties

- Law of Ukraine "On Common Customs Tariff" of 5 February 1992 No. 2097-XII (with changes and amendments); and
- Law of Ukraine "On Customs Tariff of Ukraine" of 5 April 2001 No. 2371-III (with changes and amendments);
- Law of Ukraine of 31 May 2007 No. 1109-V "On amendments to the Customs Tariff of Ukraine".

VAT

- Law of Ukraine "On Value Added Tax" of 3 April 1997 No. 168/97 (with changes and amendments).

Form

Tax exemptions/deferral and credits support.

Explanation of benefits

Exemption from income tax.

Sums of income tax are accumulated on a special account and used for science, scientific and technical activity, development of the park's scientific and technological and research and exploratory development basis only.

VAT payment deferral

The promissory note for 720 calendar days is used for tax obligations while importing new equipment and parts and for 180 calendar days while importing materials which are not produced in Ukraine (in both cases). The period is calculated from the day when the promissory note is given to the customs authority.

Exemption from payment of import duties

New materials, equipment, component parts used as inputs in projects could be imported duty-free if they are not produced in Ukraine.

Loan support

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

Full or partial (up to 50 per cent) 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.

In 2009 and 2010 there has not been foreseen any funds in the State Budget for loan support.

Beneficiaries

Beneficiaries of the favourable regime are technological parks, their participants and joint enterprises implementing innovative 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 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

	2009, million UAH	2010, million UAH
Exemption from income tax (usage of sums of income tax that are accumulated on a special accounts of parks and projects)	1,547	29,3
Credit support (Full or partial compensation of interest paid by park's project implementation authority to commercial banks and other finance institutions for loans)	Not applied	Not applied
Exemption from payment of import duties	3,436	4,9
VAT payment deferral	1,4	0

Duration

The favourable regime for technological parks established for the period of 15 years.

Trade effects

It is not possible to estimate what, if any, trade effects may result from the use of the programs described.

3. State support to realization of innovative and investment projects in the real sector of economy

Policy objective and/or purpose

Support to realization of innovative and investment projects in the real sector of economy, introduction of advanced technologies.

Background and authority

The Law of Ukraine "On the state budget on 2010" of 27 April 2010, No. 2154-VI provides funds in amount 1 000 000,0 thousand UAH.

Decree of the Cabinet of Ministers of Ukraine of 16 June 2010 No. 476 approves the procedure for use of funds of the Stabilization Fund in 2010 for the state support to realization of innovative and investment projects in the real sector of economy, including cheaper loans.

Form

Compensation of interest rate on the loan

Funds allocated to compensation of interest rate on the loans taken by enterprises in national currency and/or in foreign currency, including loans from the foreign financial institutions, for realization of innovative and investment projects.

Compensation is given for amount actually paid for loans in amount of 1,2 of the National Bank rate at the date of calculation of interest rate of the loans.

Co-financing of realization of investment project

State support of investment project by co-financing (state investment) is subject to size of state corporate rights what should exceed 25% of authorized capital of the winner.

Beneficiaries

Enterprises that realize innovative and investment projects selected on a competitive basis in accordance with the procedure approved by the Order of State Agency on investments of 10 August 2010 No. 39. The Order defines certain criteria for selection such as science and technology, production, marketing, financial, social and ecological factors.

Amount

Form	2010, thousand UAH
Compensation of interest rate on the loan	222 522,5
Co-financing (state investment)	None

Duration

During 2010.

Trade effects

It is not possible to estimate what, if any, trade effects may result from the use of the programs described.

II. PART II. SECTORAL PROGRAMMES

The legislative bases for Ukraine's sectoral assistance 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 current year.

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 State Budget of Ukraine for 2009" No. 835-VI as of 26 December 2008;
- Law of Ukraine "On State Budget of Ukraine for 2010" No. 2154-VI as of 27 April 2010;

Import duties

- Law of Ukraine "On Common Customs Tariff" 5 February 1992 No. 2097-XII (with changes and amendments); and
- Law of Ukraine "On Customs Tariff of Ukraine" as of 5 April 2001 No. 2371-III (with changes and amendments);
- Law of Ukraine of 31 May 2007 No. 1109-V "On amendments to the Customs Tariff of Ukraine";

VAT

- Law of Ukraine "On Value Added Tax" as of 3 April 1997 No. 168/97 (with changes and amendments);

Income Tax

- Law of Ukraine "On Corporate Income Tax" as of 28 December 1994 No. 334/94-VR (with changes and amendments).

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

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

Form

Deferral of Corporate Income Tax.

At option of an eligible shipbuilder, advance payments received from a customer and earmarked loans received for financing of seagoing crafts, river boats and other floating means may be placed in a special account and be exempt from withholding tax. Funds in such accounts may only be used to meet costs associated with fulfilling the contract under which the advance payments are made or earmarked loans are received. In the fiscal year in which the builder delivers the ship to the customer, payments to and from the special account are included in gross revenue/expenditure for the purpose of calculating profit for corporate income tax.

Credit support

Since 1 January 2005, the support of seagoing crafts, river boats and other floating means, building and reconstruction of basic production assets of shipbuilding industry was exercised by partial compensation of the interest paid to commercial banks for the provided credits. Every year a certain budget allocation is 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 2009 and 2010 no allocations were made for this purpose.

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

	2009, million UAH	2010, million UAH
Deferral of Corporate Income Tax	8 597,8	452,6
Credit support	Not applied	Not applied

Duration

Until 1 January 2012.

Statistics for evaluation of trade effect

Amount of production	2009, million UAH	2010, million UAH
Seagoing crafts and other floating means	556,4	795,9

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

In 2009 in accordance with the Law of Ukraine of 26 December 2008 No. 835-VI part of the budget of the Stabilization Fund is directed to finance investment projects of the aircraft enterprises.

The Decree of the Cabinet of Ministries of Ukraine of 28 April 2009 No. 409 approves the Order of application in 2009 of funds of the Stabilization Fund foreseen in the state budget in accordance with Art. 76 of the Law of Ukraine of 26 December 2008 No. 835-VI.

The Resolution of the Cabinet of Ministries of Ukraine of 22 April 2009 No. 447-r approves the Order of financing of investment projects of the aircraft enterprises.

In 2010 support is provided in accordance with the Law of Ukraine of 20 January 2010 No. 1814-VI "On amendments to some of the laws of Ukraine concerning state support to aircraft industry in Ukraine".

Also by the law No. 2154-VI of 27 April 2010 "On the State Budget of Ukraine in 2010" it is foreseen compensation of interest rates for credits taken by aircraft enterprises for realization of investment projects. The Resolution of the Cabinet of Ministers of 22 April 2009 No. 447-r approves the procedure for financing of investment projects that implemented by the aircraft enterprises.

The Decree of the Cabinet of Ministries of Ukraine of 21 July 2010 No. 680 "On import on the customs territory of Ukraine of goods by aircraft enterprises" clarifies requirements concerning eligible import volumes and ensuring of its proper end use.

Form

Loan support

The state enterprises receive loans with zero interest rate for realization of certain investment projects.

Beneficiaries

Three state aircraft enterprises that used loans for full-scale production of AN-148 and AN-74 aircrafts and for modernization and repair of AN-24, AN-26, AN-32 aircrafts.

Amount

	2009, million UAH
Credit support	260

Duration

During 2009.

Statistics for estimation of trade effects

	2009, million UAH
Production by beneficiaries, total	2 739,012

Compensation of interest rates on loans

Partial compensation of interest rates on loans taken by aircraft enterprises for implementation of investment projects.

Exemption from import duty

In accordance with item "r" of first part of Art. 19 of the Law "On Common Customs Tariff" exemption from import duty concerns goods, what 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 60 00 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 00, 3824 90 65 00, 3901, 3909, 3911, 3917, 3919, 3920, 3921, 4002, 4005, 4006 90 00 00, 4006 90 00 90, 4008, 4009, 4011 30 10 00, 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, 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 10 00, 8411 11 10 00, 8411 12 11 00, 8411 12 13 00, 8411 12 19 00, 8411 12 90 00, 8411 21 10 00, 8411 22 11 00, 8411 22 19 00, 8411 81 10 00, 8411 82 10 00, 8411 91 10 10, 8411 91 10 90, 8411 91 90 00, 8411 99 10 00, 8412 10 10 00, 8412 21 10 00, 8412 29 10 00, 8412 31 10 00, 8412 39 10 00, 8412 80 91 00, 8412 90 10 00, 8413 19 10 00, 8413 20 10 00, 8413 30 10 00, 8413 50 10 00, 8413 60 10 00, 8413 70 10 00, 8413 81 10 00, 8413 91 10 00, 8414 10 10 00, 8414 20 10 00, 8414 30 10 00, 8414 51 10 00, 8414 59 10 00, 8414 80 10 00, 8414 90 10 00, 8415 81 10 00, 8415 82 10 00, 8415 83 10 00, 8415 90 10 00, 8419 50 10 00, 8419 81 10 00, 8419 90 10 00, 8421 19 10 00, 8421 21 10 00, 8421 23 10 00, 8421 29 10 00, 8421 31 10 00, 8421 39 10 00, 8424, 8425 11 10 00, 8425 19 10 00, 8425 31 10 00, 8425 39 10 00, 8425 42 10 00, 8425 49 10 00, 8456, 8457, 8458, 8459, 8460, 8461, 8462, 8463, 8466, 8471 10 10 00, 8471 41 10 00, 8471 49 10 00, 8471 60 10 00, 8471 70 10 00, 8473 30, 8479 89 10 00, 8481, 8482, 8483, 8501 20 10 00, 8501 31 10 00, 8501 32 10 00, 8501 33 10 00, 8501 34 10 00, 8501 40 10 00, 8501 51 10 00, 8501 52 10 00, 8501 53 10 00, 8501 61 10 00, 8501 62 10 00, 8501 63 10 00, 8502

11 10 00, 8502 12 10 00, 8502 13 10 00, 8502 20 10 00, 8502 39 10 00, 8502 40 10 00, 8504 10 10 00, 8504 31 10 00, 8504 32 10 00, 8504 33 10 00, 8504 40 10 00, 8504 50 10 00, 8505, 8506, 8507 10 10 00, 8507 20 10 00, 8507 30 10 00, 8507 40 10 00, 8507 80 10 00, 8507 90 10 00, 8511 10 10 00, 8511 20 10 00, 8511 30 10 00, 8511 40 10 00, 8511 50 10 00, 8511 80 10 00, 8515, 8525 10 10 00, 8525 20 10 00, 8526 10 10 00, 8526 91 11 00, 8526 91 19 00, 8526 91 90 00, 8526 92 10 00, 8528 21 90 00, 8529 10 10 00, 8529 90 10 00, 8531 10 10 00, 8531 20 10 00, 8531 80 10 00, 8532, 8533, 8535, 8536, 8537, 8538 10 00 00, 8538 90 99 00, 8541, 8542, 8543, 8544, 8545, 8546, 9014 10 10 00, 9014 20 13 00, 9014 20 18 00, 9014 20 90 00, 9014 90 90 00, 9017 20, 9017 30, 9017 80, 9020 00, 9023, 9024, 9025 11 10 00, 9025 19 10 00, 9025 80 15 00, 9025 90 10 00, 9026 10 10 00, 9026 20 10 00, 9026 80 10 00, 9026 90 10 00, 9027, 9029 10 10 00, 9029 20 10 00, 9030 10 10 00, 9030 20 10 00, 9030 31 10 00, 9030 39 10 00, 9030 40 10 00, 9030 83 10 00, 9030 89 10 00, 9030 90 10 00, 9031 80 10 00, 9031 90 10 00, 9032 10 10 00, 9032 20 10 00, 9032 81 10 00, 9032 89 10 00, 9033.

The Cabinet of Ministers approves the volume and procedure for import of such goods (Decree of the Cabinet of Ministries of 21 July 2010 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 item 11.34 of the Art. 11 of the Law "On value added tax" 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 item "r" of first part of Art. 19 of the Law "On Common Customs Tariff";
- 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, its corps, engines, including warehouses, hangars, runways, and places for aircraft refuelling 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.

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.

Corporate income tax features

The aircraft enterprises eligible for Art. 2 of the Law of Ukraine "On aircraft industry development" include to the gross income the cost of goods (services) supplied to the customer in the fiscal period when these goods (services) were actually supplied, without down payment received from the customer-taxpayer; and they include to the gross cost – the cost of goods (services) actually received by the customer-taxpayer without down payment delivered to the seller-taxpayer. This regime applies to operations on development, production, conversion, repair, modification, technical service of aircrafts and engines, and also to research and development for aircraft industry.

Making payments in foreign currency

In accordance with the Law of Ukraine of 23 September 1994 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. Exceeding of this period needs approval of the central authority on economic policy.

Beneficiaries

Legal entities – residents of Ukraine that carry out activity in aircraft industry and have respective licences 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) Fulfil 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 9 June 2010 No. 405.

Amount

	2010, thousand UAH
Compensation of interest rates on loans	0
Exemption from import duty	23 500
Exemption from VAT on import of goods	67 200
Exemption from VAT on supply of research results	0
Exemption on land tax	26 300
Corporate income tax features	71 400

Duration

Till 1 January 2016.

Statistics for estimation of trade effects

Production by beneficiaries	2010, thousand UAH
	n/a

3. 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 2009 according to the Decree of the Cabinet of Ministers of Ukraine of 28 January 2009 No. 69 there has been provided support to the coal mining enterprises (including brown coal mining enterprises) for partial covering the expenses on production cost.

According to the Decree of the Cabinet of Ministers of Ukraine of 16 March 2009 No. 196 there has been provided support to financing of investment projects of construction and technical re-equipment of the coal mining enterprises.

According to the Decree of the Cabinet of Ministers of Ukraine of 18 August 2005 No. 749 (with changes and amendments) there has been provided support to restructuring of the industry including repaying past-due (previous years) debts on electricity used by enterprises which are preparing to liquidation.

The scope of the program is defined according to the law of Ukraine on the State Budget of Ukraine for 2009.

According to the Law of Ukraine "On the State Budget of Ukraine for 2009" of 26 December 2008 No. 835-VI there has been foreseen:

- support to the coal mining enterprises (including brown coal mining enterprises) for partial refund the expenses on production cost – 750 000,0 thousand UAH;
- restructuring of coal industry including repaying past-due (previous years) debts on electricity (in sum 420 473,6 thousand UAH) used by enterprises which are preparing to liquidation – 1 086 192,5 thousand UAH;

- financing of investment projects of technical re-equipment – 275 383,3 thousand UAH;
- support to capital construction of objects of the coal mining and peat producing enterprises – 444 666,1 thousand UAH.

With regard to some amendments made, the annual planned amount of financing of mining industry in 2009 was:

- support to the coal mining enterprises (including brown coal mining enterprises) for partial refund of the expenses on production cost – 4 663 924,9 thousand UAH;
- restructuring of coal industry including repaying past-due (previous years) debts on electricity (in sum 420 473,6 thousand UAH) used by enterprises which are preparing to liquidation – 788 704,6 thousand UAH;
- financing of investment projects of technical re-equipment – 246 819,4 thousand UAH;
- support to capital construction of objects of the coal mining and peat producing enterprises – 444 665,5 thousand UAH.

In 2010 in accordance with the Decrees of the Cabinet of Ministers of Ukraine of 26 May 2010 No. 360, No. 375 of 19 May 2010, No. 913 of 11 October 2010 there was support to coal mining enterprises for partial refund of the expenses on production cost, and restructuring of coal industry including repaying past-due (previous years) debts on electricity.

Besides the Decrees of the Cabinet of Ministers of Ukraine No. 663 of 28 July 2010 and No. 392 of 2 June 2010 approves the procedure for use in 2010 of funds of the Stabilization Fund for financing of investment projects of construction of the coal mining and peat producing enterprises.

The scope of programs is defined by the Law "On state budget in 2010" No. 2154-VI of 27 April 2010 as following:

- support to the coal mining enterprises for partial refund of the expenses on production cost – 5 814 665 thousand UAH;
- restructuring of coal industry (including brown coal mining enterprises) including repaying past-due (previous years) debts on electricity used by enterprises which are preparing to liquidation;
- financing of investment projects of technical re-equipment;
- financing of investment projects on construction of objects of the coal mining and peat producing enterprises.

Form

Partial refund of production costs

According to the Decree of the Cabinet of Ministers of Ukraine of 28 January 2009 No. 69 the coal mining enterprises (including brown coal producers) use the budget money for labour 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.

State support to investment projects of capital construction and technical re-equipment

The state or public ownership enterprises are granted state funds as permanent loan (The Resolution of the Cabinet of Ministers of Ukraine of 27 December 2001, No. 1764 "On approval of the Procedure for State Financing of Capital Construction", with changes and amendments). Objects for capital construction within investment projects are defined in accordance with State Program "Ukrainian coal" and Energy Strategy for the period to 2030.

Funds allocated for construction of objects (mine shafts, wells and mine horizons) which construction term is not exceeding one year and that will improve the safety of working conditions, modernization of underground transport, ventilation system.

Beneficiaries

The program concerns black coal, brown coal and peat producing enterprises of state ownership.

The program does not apply to enterprises subject to liquidation.

List of eligible enterprises is drawn up by the Ministry of Mining on the basis of economic indicators of enterprises activity and their plans for respective year.

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

In accordance with the Decrees of the Cabinet of Ministers No. 749 of 18 August 2005 and No. 375 of 19 May 2010 black coal, brown coal and peat producing enterprises use budget funds for preparation to liquidation, for the liquidation, for repaying past-due (previous years) debts on electricity by state enterprises in the process of preparation to liquidation.

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.

Amount

	2009, million UAH	2010, thousand UAH
Partial refund of expenses from the production price and support of capital construction and technical re-equipment	5 355,4	See detailed below
Restructuring of coal industry	788,7	1 092 430,4
Partial refund of production costs	See total above	5 807 270,0
Financing of investment projects on technical re-equipment	See total above	0
Financing of investment projects on construction	See total above	336 862,85

Duration

Is not determined, on the annual basis.

Statistics for estimation of trade effects

Amount produced by the enterprises which have got support	2009, million tons	2010, million tons
Black coal	38,4	27,3
Brown coal	n/a	n/a
Peat	n/a	n/a

4. 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".

Form

Exemption from import duties

Exemption applies to imports of products used for book-publishing (for example, paints, photo tapes, cellulose, polygraphic materials, equipment) that are not produced in Ukraine. The list of inputs to be exempted presented in Art.19 (item "o") of the Law of Ukraine "On the Common Custom Tariff" No. 2097-XII of 5 February 1992 (with changes and amendments).

Exemption from VAT on imports

The same as for import duties and also for operation on supply of these goods to publishing-houses and publishing organisations, 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.

Exemption from corporate income tax

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

Beneficiaries

Publishing-houses and publishing organisations, 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

	2009, million UAH.	2010, thousand UAH.
Exemption from corporate income tax	1,048	39 704,773
Exemption from import duties	4,8	n/a
Exemption from VAT on imports	34,1	36 119,488
Exemption from VAT on domestic sales	21,249	231,421

Duration

From 1 January 2004 till 1 January 2015.

Statistic for estimation of trade effects

Production	2009	2010
Number of titles of books and brochures, published items	22 491	373
Annual edition, thousands item	48 514,4	968,7