

Minutes of the Chamber Agricultural Committee Meeting with the World Bank Team
(Wednesday, April 18, Chamber office)

1. Agrarian logistics: further growth of agricultural output will not be possible without systemic reform of the Ukrainian railroads including solving all current issues with Ukrzaliznytsya (lack of grain hoppers and locomotives; unequal, non-transparent distribution of grain hoppers, cargo theft while transporting goods etc.) which do not give possibility to develop agricultural potential of Ukraine in full manner. In addition, Ukrainian port industry needs new major investments to be able to service the growth of Ukraine agricultural exports. Adoption of a new law on concessions in sea ports, and clear strategy for privatization of Government owned sea ports assets are the main preconditions for new investments into port infrastructure. And for further development of infrastructure Ukrainian Parliament should adopt legislation on river transportations.
2. Shadow grain market: share of shadow grain market in Ukraine significantly increased becoming one of the biggest threats for the Ukrainian economy. According to different sources its share reaches up to 40% of the whole grain market in Ukraine. The phenomenon of the shadow grain market is that the crop is bought from agricultural producers by intermediaries for "black" cash without any accounting documents and further using counterfeit accounting documents is on-sold directly for export or channeled to the legitimate grain market by being sold to law-abiding taxpayers. Experts of the Chamber Member Companies developed Draft Law which foresee the mechanism for reductions of shadow grain market share in Ukraine.
3. VAT refund for previous periods: Chamber Member Companies – large tax payers have been deprived of the possibility to receive "old VAT amounts" (filed before February 1, 2016 and not returned as of January 1, 2017). Nevertheless, the Tax Code of Ukraine clearly points that Temporary Register for accounting and returning of "old VAT amounts" should have been created till February 1, 2017, such Temporary Register has not been created yet and return of old VAT has not taken place. On January 19, 2018 Draft Law #7518 "On Amendments to Section XX of "Transitional Provisions" of the Tax Code of Ukraine regarding the Temporary Register of Applications for the Return of the Budget Compensation" was registered at the Parliament. Business community supports mentioned Draft Law, its adoption could unblock work of Temporary Register and help to return "old VAT amounts" to business. The key idea of the Draft Law is that declarations of taxpayers fall into the Temporary Registry in chronological order after the administrative appeal procedure / court decision has come to the end, and execution of such applications is not tied to allocation of funds in the State Budget of Ukraine.
4. Phytosanitary issues: on March 20, 2018 Draft Law #6673 "On Amendments to Some Legislative Acts of Ukraine regarding Settlement of Certain Phytosanitary Procedures" was adopted by the Parliament in the 1st reading. Business fully supports such decision and hope for adoption of Draft Law #6673 in general as soon as possible. Mentioned Draft Law will implement international practice to attract the private sector to provide product selection services and conduct phytosanitary expertise. This will reduce workload of the state phytosanitary laboratories and will allow them to refer their resource to phytosanitary field monitoring with the aim to improve phytosanitary condition of fields in Ukraine. In addition, such an increase in the efficiency and quality of phytosanitary procedures will increase the investment attractiveness of agrarian business in Ukraine.
5. VAT refund for oilseed crops during export: in December 2017 the Parliament of Ukraine voted to cancel the VAT reimbursement on export of soybeans from September, 2018 and rape from January 2020. According to experts of the Chamber Member Companies, non-reimbursement of VAT for oilseed crops during export will lead to drop in prices on the domestic market, which will result in reduction of production of these crops in Ukraine. As well it will motivate farmers to sell for cash, which will lead to increase of shadow grain market share in Ukraine. That is why, Chamber Members support adoption of Draft Law №7403-2 "On Amendments to the Tax Code of Ukraine regarding Certain Issues of Taxation of VAT on Operations for Export of Oilseeds to Custom Territory of Ukraine" which foresees abolishment of a provision regarding cancellation of VAT refund on export of soybeans and rape.
6. Greenhouse emissions: in 2014-2015 enterprises of fat-and-oil industry, owned by Chamber Members' Companies, were forced to make urgent investments in energy equipment in order to help the Government to balance its energy balance in a diversified environment. At the moment, companies are facing a problem of

investing in reducing emissions of pollutants from sunflower husk combustion in order to achieve promising technological standards within the timeframe set by the Order of the Ministry of Ecology and Natural Resources of Ukraine #540 dated November 13, 2009. It will require from enterprises to establish new specific technique and overall expenses necessary for this exceed USD 1 million for one plant. Chamber Members need extension of current technological standards for permissible emissions of pollutants during the combustion of sunflower husk to January 1, 2021. Having three years' time, business will be able to accumulate necessary resources and carry out appropriate technological improvements to comply with more strict standards established by the Government.

7. Raiding in agricultural sector: there are still cases when raiding in agricultural sector takes place. Nevertheless, that international business fully complied with Ukrainian legislation in terms of land lease rights, they could be illegally deprived of such rights which demonstrate that international companies become victims of a raider attack and illegal seizure of its assets.
8. Import of crop protection samples for trials into Ukraine: Chamber Members support adoption of Draft Law #6606 "On Amendments to the Article 4 of the Law of Ukraine "On Pesticides and Agrochemicals" on Import of Crop Protection Products to Ukraine", which foresee permission for import of innovative crop protection samples for the state trials in Ukraine, that will create an access to novelty products for Ukrainian farmers and representatives of agrarian business.