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THE IMPACT OF TAXES ON THE ACTIVITIES OF AGRICULTURAL ENTERPRISES: UKRAINIAN AND EUROPEAN PRACTICE

Viktoriia RUDENKO[1], Halyna POHRISHCHUK[1], Nataliia DOBIZHA[1], Olena MOSKVICHOVA[2] , Iryna HRYHORUK[3]

[1]Vinnytsia Educational and Research Institute of Economics of West Ukrainian National University, 37 Honta Str., Vinnytsia, Ukraine, E-mails: v.rudenko@wunu.edu.ua, g.pohrishchuk@wunu.edu.ua, n.dobizha@wunu.edu.ua
[2]The National University of Life and Environmental Sciences of Ukraine, 15 Heroiv Oborony Str., Kyiv, Ukraine, E-mail: devenezia@nubip.edu.ua
[3]Vinnytsia Finance and Economics University, 71a Pirogov Str., Vinnytsia, Ukraine, E-mail: irrada150582@gmail.com

Corresponding author: devenezia@nubip.edu.ua

Abstract

The study of the impact of taxes on the activities of agricultural enterprises is important in the context of ensuring the financial sustainability of the agricultural sector, increasing its competitiveness, and harmonizing the tax policy of Ukraine with European standards. The purpose of the article is to identify the features and state of taxation of agricultural enterprises in Ukraine, compare them with European practice, and substantiate recommendations for optimizing tax policy to stimulate the development of the Ukrainian agricultural sector. The study is based on official statistical data of the State Statistics Service of Ukraine, as well as on regulatory legal acts, analytical reports, and scientific publications devoted to issues of tax regulation of agriculture. The article uses a set of scientific research methods, in particular: methods of analysis and synthesis, deduction and induction, comparative method, statistical method, SWOT analysis method, and generalization method. The main results of the study are: identification of key features of taxation of the agricultural sector, in particular special taxation regimes and tax benefits, as well as assessment of their impact on the financial stability and competitiveness of agricultural producers; conducting a comparative analysis of the positive and negative aspects of existing taxation systems of agricultural enterprises in Ukraine; establishing the state, challenges, and opportunities that farmers face in modern conditions; consideration of the European experience of taxation of the agricultural sector and ways of its application in Ukraine to create a favorable tax environment for the development of agriculture. The study concluded that tax regimes and benefits significantly affect the financial sustainability and competitiveness of agricultural enterprises, while there are several challenges, in particular, regarding the significant tax burden and complex tax administration. Borrowing European experience and optimizing tax policy in Ukraine will contribute to creating a more favorable environment for the development of the agricultural sector and its effective integration into the market economy.

Key words**:** *taxes, agricultural enterprises, tax benefits, tax policy, tax burden*

INTRODUCTION

Taxes are crucial to the growth of agricultural enterprises, influencing their financial stability, competitiveness, and ability to attract investments. The taxation of the agricultural sector remains a highly sensitive issue for both domestic economies and global trade, as it shapes production incentives, the extent of government support, and the sector's adaptability to international market dynamics. Different countries apply different models of tax regulation of agricultural business, which necessitates a comparative analysis of Ukrainian and European practices.

The relevance of the study is due to a several factors. First, in Ukraine, the tax burden on agricultural producers is subject to constant changes, which complicates their long-term financial strategy, as discussed in the studies of Dehtiarova (2017) [3], Lutsenko and Polyantseva (2021) [11], Berezhenna and Kulakivska (2020) [2] and others. Secondly, the European Union demonstrates stable and predictable approaches to taxation of the agricultural sector, which contributes to its sustainable development, as reflected in the studies of Gruziel and Raczkowska (2018) [7]. Thirdly, the war in Ukraine has caused

additional challenges in the field of tax policy, which requires optimization of the tax burden and adaptation of the system to new realities Parfeniuk and Yastrubskyi (2022) [15].

The significance of this work in the scientific discourse lies in the comprehensive analysis of the impact of taxes on the functioning of agricultural enterprises in Ukraine, in particular in the context of general and simplified taxation systems, which complements the research of Koba and Shynkar (2019) [9], Lysenko (2017) [12], Kononenko and Nazarova (2022) [10] and others. The article, based on OECD materials (2020) [14] and research by Détang-Dessendre and Guyomard (2023) [4], compares the effectiveness of tax mechanisms in Ukraine and EU countries, which allows identifying the strengths and weaknesses of the domestic tax system. In addition, the impact of tax benefits on the investment activity of agricultural businesses is analyzed and recommendations are formulated for improving budget and tax policy based on the authors' research under the leadership of Rudenko et al. (2023 and 2024) [16; 17].

The purpose of this study is to analyze the impact of tax policy on the activities of agricultural enterprises in Ukraine and European countries, analyze the features of taxation of the agricultural sector, assess its impact on the financial stability and competitiveness of agricultural enterprises, and formulate recommendations for improving Ukraine's tax policy, taking into account European experience.

The scientific novelty of this study lies in expanding the understanding of tax approaches to regulating the agricultural sector in Ukraine, taking into account European experience. The study's findings can serve as a basis for formulating recommendations to enhance Ukraine's tax policy, aiming to strengthen the agricultural sector's competitiveness and align it with international standards.

MATERIALS AND METHODS

The study utilized a diverse range of scientific and regulatory sources, including legislative acts of Ukraine and the European Union governing agricultural taxation, official statistical data, analytical reports from international organizations, scholarly works of domestic and foreign researchers, as well as materials from the Ministry of Finance of Ukraine, the State Statistics Service of Ukraine, and specialized agricultural associations.

A variety of research methods were employed, including comparative analysis to evaluate the taxation of agricultural enterprises in Ukraine and the EU, identifying similarities and differences; the statistical method to examine the dynamics of the tax burden on Ukraine's agricultural sector; SWOT analysis to identify strengths, weaknesses, opportunities, and threats within the current tax system; system analysis to explore the relationship between tax incentives, financial stability, and competitiveness of agricultural enterprises; and the generalization method to synthesize taxation approaches in Ukraine and the EU, forming conclusions on optimizing Ukraine's agricultural tax policy.

The use of these methods provided an objective assessment of the impact of taxation on agricultural enterprises, enabled an evaluation of the effectiveness of existing tax regulations, and facilitated the development of recommendations for improving Ukraine's tax system, incorporating European best practices.

RESULTS AND DISCUSSIONS

Agriculture plays a key role in economic development, ensuring food security, employment, and foreign exchange earnings from agricultural exports. At the same time, the agricultural sector is significantly affected by external and internal factors, including fluctuations in product prices, changes in climatic conditions, market instability, and rising production costs. In such conditions, effective state regulation becomes a necessary tool to support agricultural enterprises and ensure their stable operation.

As noted by Odintsov et al. (2020) [13], the development of agricultural production depends on key reproduction factors such as labor, capital, and land. However, the state plays a crucial role in managing these factors

through tax and financial support, land regulation, the adoption of innovative technologies, and the creation of favorable conditions for product exports.

From our perspective, taxation serves as a fundamental tool for state intervention in the economy, particularly in shaping the growth of agricultural enterprises. A well-designed tax policy not only ensures budget revenues but also fosters the development of the agricultural sector by enhancing its competitiveness and financial resilience.

Taxes significantly influence the operations of agricultural enterprises, as they impact not only financial expenditures but also strategic decision-making. Various tax instruments directly affect the sector's profitability, investment potential, competitiveness, and long-term stability. In this context, scholars, in particular Durst and Monke (2001) [5], J. Beckman et al. (2018) [1], Berezhenna and Kulakivska (2020) [2], identify several main aspects through which taxes affect the activities of agricultural enterprises:

1. ***Impact on profitability***. Taxes paid by agricultural enterprises are part of the total costs and directly affect their profitability. A high level of tax burden can reduce net profit, which limits the enterprise's ability to reinvest in development, modernization of production, or cover financial needs in crisis. Therefore, an excessive tax burden can lead to a reduction in profit, which reduces the ability of enterprises to invest in new technologies and equipment or improve the skills of employees. At the same time, a low tax burden, on the contrary, allows agricultural enterprises to receive more profit from the sale of products, which contributes to their development and modernization.

2. ***Impact on investment activity***. Tax incentives or a simplified taxation system can be an important factor in deciding on investments in the agricultural sector. Nations that offer advantageous tax policies can encourage both local and foreign investments, fostering economic growth in the agricultural sector. A simplified tax system helps minimize administrative complexities, making it easier for small and medium-sized farmers to operate efficiently. Additionally, tax incentives for agricultural producers—such as preferential loans, tax deductions for purchasing farming equipment, or subsidies for implementing eco-friendly innovations—can drive modernization efforts and enhance productivity.

3. ***Impact on pricing***. Tax rates play a crucial role in shaping price dynamics within the agricultural market, directly impacting production costs and overall market competitiveness. In particular, increasing taxes on fuel, land, or real estate increases the cost of production, which in turn can lead to higher prices. If taxes on wheat, milk, or other products increase, an agricultural enterprise will be forced to increase the prices of its products to maintain profitability. In conditions of economic instability or lack of liquidity, agricultural enterprises may also be forced to compensate for costs by reducing profits, which can lead to an increase in the level of debt burden.

4. ***Environmental impact***. In EU member states and other developed countries, environmental taxes are increasingly being used to encourage sustainable agriculture. These taxes can have both positive and negative effects on farmers. For instance, levies on carbon dioxide emissions or charges for using pesticides and fertilizers may raise operational expenses for agricultural businesses. However, these measures can also encourage farmers to adopt more sustainable technologies, potentially leading to long-term financial benefits. At the same time, tax benefits for ecological agriculture (organic farming, renewable energy sources, water conservation) can compensate for additional costs, providing enterprises with an incentive to implement the latest environmental technologies.

5. ***Impact on the social sphere***. Taxes on wages (social security contributions) can significantly affect the employment and social conditions of workers in agricultural enterprises. For example, high rates of social contributions can lead to increased costs of maintaining the workforce, which forces agricultural enterprises to look for ways to optimize work processes (for example, through automation). Similarly, reduced tax rates on wages or employee benefits can encourage

businesses to expand their workforce and enhance social protections for employees.

Overall, taxation plays a crucial role in shaping the financial stability, investment potential, adaptability, and competitiveness of agricultural enterprises. A well-structured tax policy that aligns with the unique characteristics of the agricultural sector can serve as a catalyst for growth, whereas overly complex or high tax burdens may impose additional challenges for efficient business operations. Streamlining the tax system is essential for fostering long-term stability and sustainable development in agriculture.

In Ukraine, agricultural enterprises have the option to operate under either the general or simplified taxation system, depending on factors such as production volume, revenue structure, and workforce size.

Under the general taxation system, as outlined in the Tax Code of Ukraine (TCU) [20], businesses are subject to standard tax regulations unless they opt for a simplified system.

The main tax is the corporate income tax (18%), which is levied on net financial results (revenues minus expenses). Additionally, enterprises are required to pay a value-added tax (VAT) at a standard rate of 20%, or 14% for specific agricultural products, which enables them to obtain tax credits and partially offset costs.

Also, **agricultural enterprises under the general taxation system pay a single social contribution of 22% of the payroll**, property tax (real estate tax, land tax), and in the case of the sale of excisable goods, it is an excise tax. It should be noted that from 1998 to 2016, agricultural enterprises paid VAT under a special regime, which allowed business entities to accumulate funds to meet their own targeted needs. The abolition of VAT benefits in the taxation of agricultural producers since 2017, according to A. Lysenko, led to an increase in tax revenues to the budget. However, existing approaches do not contribute to the creation of equal taxation conditions for business entities of different sizes, forms of ownership, and types of activity [12].

The simplified system of taxation of agricultural enterprises in accordance with the TCU is a special tax regime that allows for reducing the tax burden and simplifying accounting for agricultural producers. A key characteristic is the option to pay a single tax under the fourth group, which serves as a substitute for corporate income tax and certain other general taxes. This tax is calculated based on the size of agricultural land holdings and their normative monetary valuation rather than the enterprise's income. As a result, farmers can predict their tax obligations independently of their financial performance. To use this regime, an enterprise must meet certain criteria, in particular, at least 75% of its income must come from agricultural production. In addition to the single tax, enterprises pay VAT according to general rules (20% or 14% for certain types of agricultural products), and also deduct a single social contribution (SSC) in the amount of 22% of the minimum or actual wage. It is worth mentioning that Ukraine implemented a simplified taxation system for agricultural enterprises in 1998 with the introduction of a fixed agricultural tax, which consolidated multiple state taxes and fees into a single payment. In 2015, as part of the tax reform, the fixed agricultural tax was abolished, and agro-industrial enterprises were allowed to switch to the fourth group of the single tax, which is calculated based on the area of agricultural land. According to Sarapina and Yeremian (2021) [18] , the reforms carried out in 2015 allowed to reduce the tax pressure, stabilize the costs of enterprises, and simplify accounting, which is especially important for small and medium-sized farms. At the same time, an unfair distribution of the tax burden between large and small enterprises arose, there was a lack of incentives for the modernization of production, and there was a risk of abuse through the use of tax optimization schemes [18].

Comparison of key characteristics of the general and simplified taxation systems for agricultural enterprises is an important tool for choosing the most optimal tax regime that meets the specifics of the activities of a particular enterprise. Since the agricultural sector is characterized by seasonality, fluctuations in product prices, and high production risks, the choice of taxation system

has a direct impact on the financial stability, competitiveness, and investment attractiveness of the economy.

Ukrainian scientists have paid much attention to the issues of comparing the general and simplified taxation systems for agricultural enterprises, in particular, Koba et al.(2019) [9], Parfeniuk and Yastrubskyi (2022), [15], Husiev (2021) [8].

Based on their research and our own conclusions, we have formed key differences between taxation systems in agriculture (Table 1).

Table 1. Comparison regarding the key characteristics of the general and simplified taxation systems for agricultural enterprises

Criterion	General taxation system	Simplified taxation system
Taxpayer category	All agricultural enterprises	Only agricultural enterprises (≥75% of income from the sale of agricultural products)
Accounting for income and expenses	Full accounting, expenses reduce the tax base	Simplified accounting, expenses do not affect the amount of tax
Tax incentives	Possible tax benefits and VAT refunds	Exemption from land tax, predictability of rates
Tax burden	High, depends on the enterprise's profit	Fixed, depends on the area of land and its regulatory assessment
Tax administration	Complex: involves registering as a VAT payer, submitting tax reports monthly	Simple: tax reports are submitted once a year
Control by tax authorities	High frequency of tax audits	Lower frequency of tax audits as taxation is fixed

Source: Compiled based on research Husiev (2021) [8], Koba et al. (2019) [9], Parfeniuk and Yastrubskyi (2022), [15]

To select the most suitable tax regime that supports the financial stability of an agricultural business, it is essential **to evaluate the advantages and disadvantages of both the general and simplified taxation systems**.

The general system imposes a full tax burden, which may be challenging for small and medium-sized farmers, yet it offers benefits such as access to a tax credit and the ability to deduct expenses.

In contrast, the simplified system allows for a reduction in tax and administrative complexity but may have limitations in the development and attraction of investments.

These advantages and disadvantages are reflected in Table 2.

Table 2. Comparative table of advantages and disadvantages of the general and simplified taxation systems for agricultural enterprises

Criterion	General taxation system	Simplified taxation system
Advantages	Possibility of taking into account expenses and depreciation to reduce the tax base; unlimited list of activities; possibility of using tax incentives; VAT refund in case of export.	Simplified tax administration and reporting; lower tax burden compared to the general system; no land tax (included in the single tax); predictability of the tax burden, as the single tax rates do not depend on market fluctuations.
Disadvantages	Complex accounting and tax reporting; high tax burden (income tax, VAT, land tax); mandatory payment of land tax; high level of tax audits and financial control; large amounts of income tax if the company has high revenues and significant profits.	Activities are limited to agricultural production (≥75% of income); single tax is charged regardless of actual income; no possibility of VAT refund (if not a VAT payer); not all expenses can be taken into account in the tax base; fixed amounts of single tax can be burdensome in years with low harvests or losses.

Source: Compiled based on research Husiev (2021) [8], Koba et al. (2019) [9], Parfeniuk and Yastrubskyi (2022), [15]

The tax burden is a key indicator that allows us to assess the impact of taxes on the functioning of agricultural enterprises. By determining the share of taxes in the income or expenses of an agricultural business, the tax burden helps to analyze the level of fiscal pressure and its consequences for the financial stability, profitability, and competitiveness of agricultural enterprises. Excessive tax burden can reduce profitability, and limit opportunities for investment and technological development, while a balanced tax system helps stimulate production, and modernization and attract capital. In addition, the analysis of the tax burden allows us to assess the effectiveness of tax incentives and support for the agricultural sector by the state, as well as identify the need to adjust tax policy to create a more favorable environment for the development of agriculture.

In Ukraine, despite the tax reforms carried out, the level of the tax burden on agricultural enterprises in 2014-2023 constantly increased, which is reflected in Fig. 1.

The tax burden on agricultural enterprise income in Ukraine increased during 2014-2019, decreased in 2020 and 2021, and

stabilized again at 6.7% in 2022 and 2023. The increase from 3.2% in 2014 to 6.7% in 2023 indicates an increase in the share of taxes paid by agricultural enterprises from their income, which is associated with tax reforms and changing market conditions. The tax burden on agricultural enterprise expenses in Ukraine also showed a growing trend, from 3.7% in 2014 to 10% in 2021, and then stabilized at 7.6% in 2022 and 2023. Such dynamics indicate an increase in production costs and a greater impact of taxes on such expenses.

In the European Union countries, tax mechanisms aimed at supporting the agricultural sector are in place, including simplified taxation systems, tax incentives for investments, flexible VAT systems, and a combination of tax and budget support. Taking this experience into account in Ukraine is important for improving tax policy, reducing the tax burden on agricultural business, stimulating its development, and adapting to modern economic challenges.

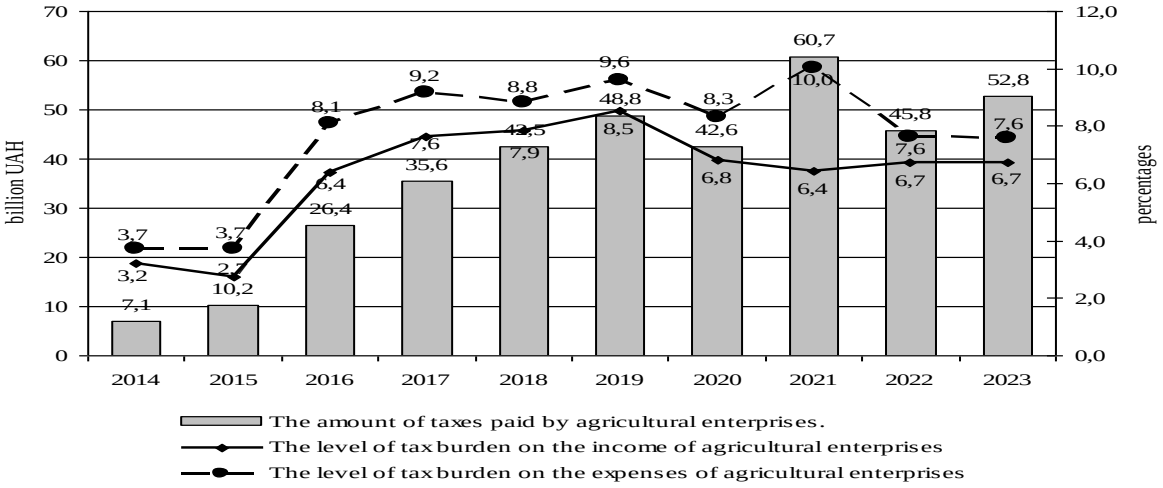

Fig. 1. Dynamics of the tax burden on agricultural enterprises in Ukraine in 2014-2023
Source: Compiled based on data from the State Statistics Service of Ukraine [SSSU] [19].

recent years, the tax burden on agricultural enterprises in Ukraine has remained relatively stable at approximately 6-8%, which is considered high compared to other nations. In contrast, the average tax burden on agricultural businesses across European countries varies depending on specific national tax policies and regulations. According to Gruziel and Raczkowska (2018) [7], in general, in EU member states, the average tax burden on agricultural enterprises usually ranges between 5% and 10%. In some countries, such as Germany, France, and Poland, this level may be even lower due to support in the form of subsidies, and in countries with less developed agriculture it may be higher [7].

To assess the impact of tax factors on the activities of agricultural enterprises in Ukraine, it is important to conduct a **SWOT analysis**. It allows for a comprehensive assessment of both positive and negative aspects of the national tax policy and to develop effective strategies for improving the tax conditions for doing business in the agricultural sector. Drawing on the research of Ukrainian scholars examining the taxation of agricultural enterprises, including Dehtiarova (2017) [3], Lutsenko and Polyantseva (2021) [11], as well as Kononenko and Nazarova (2022) [10], we carried out a SWOT analysis of the taxation system for agricultural enterprises in Ukraine, which is presented in Table 3.

The results of the SWOT analysis indicate that the taxation system for agricultural enterprises in Ukraine has several key advantages that facilitate the growth of the agricultural sector. Among the most significant are a comparatively low tax burden, the option to apply a simplified taxation system, and access to specific state support programs. This allows agricultural enterprises to reduce administrative costs and plan financial activities more effectively. However, there are also significant shortcomings that limit the

development of the industry. These include, in particular, the instability of tax legislation, the abolition of preferential regimes (in particular, the special VAT regime in 2017, as well as problems with VAT refunds for exporters. In addition, tax pressure is gradually increasing, which is especially noticeable for small and medium-sized farms.

Table 3. SWOT analysis of the taxation of agricultural enterprises in Ukraine

Factors	Strengths	Weaknesses
Taxation system	A simplified taxation system makes it possible to reduce the administrative burden and predict tax liabilities.	High dependence on changes in legislation, in particular regarding value-added tax.
Level of tax burden	Relatively low tax burden compared to other sectors of the economy.	The growing tax burden (especially after the 2016 reforms) and the abolition of benefits make it difficult to do business.
Financial support	State support programs (VAT refunds, grants) contribute to the development of agribusiness.	Inconsistent and inadequate state support, along with challenges in VAT reimbursement.
Flexibility in paying taxes	The presence of tax incentives, especially for small agricultural enterprises.	Absence of a well-defined long-term governmental strategy for agricultural sector taxation.
	Opportunities	Threats
Investment attraction	Simplifying tax administration can help attract investors and develop agribusiness.	Tax pressure and the unpredictability of tax policy can scare away investors.
Harmonization with the EU	Adapting the tax system to EU standards will expand export opportunities.	Partial abolition of tax benefits is possible within the framework of harmonization of legislation with the EU.
Technological development	The introduction of agricultural technologies allows for reducing costs and optimizing tax obligations.	Increasing taxes on agricultural land use and raising environmental standards.
State support	Implementing government support programs, such as loans and subsidies, can enhance the financial stability of agricultural enterprises.	Macroeconomic instability, ongoing military conflicts, and political uncertainties can restrict the ability to provide support for the agricultural sector.

Source: Compiled based on research Dehtiarova (2017) [3], Kononenko and Nazarova (2022) [10], Lutsenko and Polyantseva (2021) [11]

The evaluation of opportunities and challenges highlights Ukraine's considerable potential for enhancing tax policy in the agricultural sector. Aligning the tax system with European standards could create new prospects for sectoral growth, including expanding export markets, improving business conditions, and attracting investment. Notably, the taxation of agricultural enterprises in European countries incorporates specific features aimed at supporting the industry, meeting environmental standards, and promoting sustainable development and competitiveness. All European countries, as Détang-Dessendre and Guyomard (2023) argue, have common principles of taxation, but the details may vary depending on each country, its economic situation, agricultural sector policies, and environmental standards [4].

As reported by the Organisation for Economic Co-operation and Development, agricultural enterprises in European countries are subject to a range of taxes, encompassing both general taxation and sector-specific levies aimed at fostering agricultural development and promoting sustainability [14]. One of the main taxes is VAT, and agricultural products are often subject to reduced rates or preferential regimes, which helps to reduce the financial burden on farmers. In addition, agricultural enterprises may be exempt from VAT on exports to other EU member states or outside the EU. Farmers also pay land tax, although in many countries preferential rates or discounts are set for agricultural land. Fuel taxes, which apply to fuel and lubricants for agricultural machinery, are important, and farmers often have preferential rates or tax refunds. Income taxes for agricultural enterprises may have reduced rates, especially for small farms, for which simplified taxation is often provided. Environmental taxes are also an important aspect, which includes fees for the use of pesticides, fertilizers, and carbon dioxide emissions, incentivizing farmers to switch to more environmentally friendly technologies. In addition, exemptions are applied to excise duty on fuel, and tax discounts may be provided for enterprises engaged in organic farming or applying sustainable agricultural practices. The taxation system for agricultural enterprises in European countries is presented in Table 4.

Table 4. Taxes paid by agricultural enterprises in European countries

State	Income taxation		Property taxation		Tax on goods and services		Fuel Tax	Environmental taxes	Social security contributions
	Capital Gains Tax	Corporate Income Tax	Property and land tax	Transfers Acquisitions and Stamp Duties	Outputs	Inputs			
Austria	+	+	+	+	+	+			+
Belgium		+	+	+	+		+	+	+
Croatia		+			+	+	+		
Czech Republic	+	+	+		+		+	+	
Denmark			+				+	+	
Estonia			+				+	+	
Finland			+	+	+	+	+	+	+
France			+	+	+		+	+	+
Germany					+		+	+	+
Greece		+	+	+	+	+			
Hungary	+	+	+	+	+		+		
Ireland	+			+	+	+	+		
Italy		+	+	+	+	+	+		+
Latvia	+	+	+		+	+	+	+	+
Lithuania		+	+		+		+	+	+
Netherlands	+	+	+	+	+		+		
Norway	+		+				+	+	
Poland		+	+	+	+		+	+	+
Romania		+	+		+	+	+	+	+
Slovak Republic			+				+		
Slovenia			+	+	+	+	+	+	+
Spain			+	+	+	+	+	+	+
Sweden	+		+		+		+	+	
Switzerland	+		+		+	+	+		+
United Kingdom			+		+		+		

Source: Compiled based on data from the Organisation for Economic Co-operation and Development [OECD] [14].

In the European Union countries, tax mechanisms aimed at supporting the agricultural sector are in place, including simplified taxation systems, tax incentives for investments, flexible VAT systems, and a combination of tax and budget support. Incorporating this experience in Ukraine is crucial for enhancing tax policy, alleviating the tax burden on agricultural businesses, fostering their growth, and addressing contemporary economic challenges.

Adopting European practices in implementing simplified taxation systems for agricultural enterprises could play a key role in refining Ukraine's tax framework. The experience of EU countries demonstrates that such systems can greatly ease the operational burden on small and medium-sized agricultural enterprises, minimize administrative complexities, and support sectoral development. Various models of simplified taxation are successfully applied across EU nations and can be adapted to fit Ukraine's specific conditions. Thus, according to the Organisation for Economic Co-operation and Development, in France, the simplified taxation system for agricultural enterprises is called the "régime du forfeit".

This system allows farmers to pay a fixed tax based on established income, which significantly simplifies tax administration and reduces the accounting burden. In addition, enterprises with small incomes can take advantage of the "micro-fiscal" system, which provides an even more simplified form of taxation. In Germany, for agricultural enterprises, there is a simplified form of accounting and taxation for small farms. This is the "Landwirtschaftliche Buchführung" system, which allows farmers with small incomes to keep simplified accounting and submit shortened reports. At the same time, there are also options for small businesses to choose a simplified taxation system, where taxes are paid based on a fixed rate. In Italy, for farms with income up to a certain limit, there is the "regime deiminimi" system, which allows farmers to pay taxes based on a fixed rate. This allows small farms to simplify accounting and reduce the administrative burden. In Poland, there is the "ryczałt" system, which allows small farms to pay taxes on the basis of a chosen fixed rate depending on the type of activity and income. This approach enables small farmers to concentrate on production without having to spend time on complex tax reporting [14].

While European countries generally apply a simplified taxation system that primarily considers the income level of agricultural producers, in Ukraine, the simplified taxation system is based on the classification as agricultural commodity production. In particular, the share of such production obtained in the previous tax (reporting) year must be at least 75%. Moreover, the calculation of the single tax in Ukraine does not depend on the income of agricultural enterprises but

rather on the size of agricultural land and/or water fund lands, taking into account the land category (type) and its location. Considering European standards, it is advisable to introduce a mechanism for calculating the single tax based on the income of agricultural producers, which will make the taxation system fairer, since enterprises with lower incomes will not pay excessive taxes, regardless of the size of land use.

European countries implement a range of preferential VAT taxation mechanisms for agricultural producers, aimed at enhancing their competitiveness, alleviating the financial burden, and promoting the development of the agricultural sector. Taking into account the specific characteristics of agricultural production in Ukraine, adopting this experience could be a significant step toward optimizing the tax system.

According to Eurofiscalis (2025), many EU member states apply reduced VAT rates to agricultural products [6]. For example, Spain, Slovenia, Italy, Ireland, Greece, Croatia, and Belgium apply reduced or zero input VAT rates for purchases of inputs by agricultural enterprises. In Finland, a reduced VAT rate is applied to the purchase of animal feed. In Ireland, there is an option to refund VAT paid on the construction of agricultural buildings, structures, and land reclamation. Additionally, basic food products are often either exempt from VAT or taxed at lower rates. Furthermore, while a reduction in agricultural prices can positively impact farmers by boosting demand, consumers are the primary beneficiaries of this policy measure.

In Ukraine, a reduced VAT rate of 14 percent has also been introduced since 2021 for transactions on supplies to the customs territory of Ukraine and imports of certain types of agricultural products into the customs territory of Ukraine. Simultaneously, broadening the application of reduced VAT in line with European practices could help alleviate the tax burden on agricultural producers and enhance their competitiveness. Furthermore, it would be prudent to introduce clear timelines for verification and automatic VAT refunds, similar to the practices adopted by EU member states such as Sweden and Denmark; use modern digital technologies to control the VAT refund process and avoid corruption risks; introduce effective monitoring to identify schemes to minimize tax liabilities; create a single database of agricultural sector transactions, which will allow more effective tracking of suspicious transactions, etc.

Reforming the VAT administration in agriculture will increase the efficiency of the tax system, reduce administrative pressure on agricultural producers, and stimulate their development. The introduction of European practices, in particular, automation of the refund process, reduction of the VAT rate, and support for small farmers will contribute to increasing the competitiveness of the Ukrainian agricultural sector.

Investment tax incentives are an important tool for stimulating the modernization and development of agricultural enterprises in European countries. They are aimed at supporting investments in the latest equipment, technologies, environmentally friendly production, and increasing productivity. Ukraine, having significant agricultural potential, can adapt European experience in this area to increase the competitiveness of its farmers.

Thus, as evidenced by the research of Rudenko et al (2024) [17], France has a system of tax credits for innovative investments (Crédit d'impôt recherche), which allows enterprises to reduce tax liabilities when investing in technology, automation, and digital solutions. In Germany, special depreciation mechanisms are used that allow for the faster write-off of costs for agricultural equipment and machinery, which reduces the tax burden on producers. In the Netherlands, the Energy Investment Allowance (EIA) tax incentive is in place, offering additional benefits to businesses that invest in energy-efficient and environmentally friendly technologies. In Poland, small and medium-sized agricultural producers can take advantage of special investment deductions, which enable them to reduce their tax base by the amount spent on modernizing their technical equipment (Rudenko et al., 2023) [16].

Considering European practices, Ukraine should implement the following measures to stimulate investment activity among agricultural enterprises:

1) introduction of a tax credit for innovations – providing agricultural enterprises with the opportunity to reduce tax liabilities when investing in new technologies, irrigation systems, bioenergy, and production automation;

2) accelerated depreciation of fixed assets for enterprises that are on the general taxation system – creating mechanisms that allow agricultural enterprises to write off the cost of equipment more quickly and reduce the tax burden in the first years after investment;

3) tax breaks for environmental initiatives – introduction of profit tax reduction mechanisms for enterprises investing in CO_2 emission reduction, energy efficiency, and renewable energy sources (analogous to the EIA program in the Netherlands);

4) creation of special conditions for small farms – expanding access to investment tax breaks for small agricultural enterprises that do not have significant financial resources for modernization.

The introduction of investment tax incentives based on European experience will allow Ukrainian agricultural enterprises to accelerate technical re-equipment, increase competitiveness, and meet modern environmental standards. Providing credits, implementing accelerated depreciation, and lowering the tax burden for investment projects will foster the development of Ukraine's agricultural sector, bringing it closer to European agricultural production standards.

It is important to note that in European countries, support for the agricultural sector is based on a comprehensive approach that combines tax incentives with direct budget subsidies. Such a model contributes to the financial sustainability of farmers, stimulates innovation, and allows them to adapt to market challenges and climate change. Tax incentives are supplemented by budget support in the form of direct subsidies through the Common Agricultural Policy (EU countries receive subsidies to support farmers, depending on the area of land and environmental standards); investment grants for the modernization of agricultural machinery and the construction of processing plants; financing of ecological farming (countries such as the Netherlands and Sweden provide additional funds to farmers who adhere to sustainable development standards); compensation mechanisms in times of crisis, in particular during droughts, floods, market fluctuations (in Germany and France, farmers receive budget support in case of emergencies).

Ukraine can adapt to the European experience by implementing the following measures:

1) combining tax breaks with budget subsidies – providing state financial assistance to farmers in combination with reduced income taxes and VAT;

2) introducing a single tax-budgetary mechanism to support agricultural producers, which will provide for a reduced tax burden for environmentally responsible enterprises and direct budget assistance for eco-technologies;

3) support through state guarantees – state subsidization of loans, as in Poland and the Czech Republic, will allow small agricultural producers to attract financing for development;

4) introducing special tax holidays for young farmers, similar to Austria and Italy, which will stimulate new agricultural startups.

According to Rudenko et al. (2024) [17], the integration of tax and budgetary instruments will enable Ukraine, particularly in the context of post-war reconstruction, to implement priority state investment projects in agriculture, fostering economic growth and social well-being.

Therefore, adopting the taxation practices of European countries in the agricultural sector represents a crucial step towards enhancing Ukraine's tax system, boosting its efficiency, and creating a favorable environment for agricultural businesses. European countries frequently employ flexible taxation mechanisms that reflect the actual income of agricultural producers, encourage investment, offer preferential VAT regimes, and effectively combine tax and budgetary support measures. The implementation of these approaches in Ukraine will not only reduce the tax pressure on the agricultural sector but will also stimulate its development, contribute to

the modernization of enterprises, attract investment, and increase the competitiveness of domestic agricultural products in international markets.

CONCLUSIONS

Thus, taxes play a key role in the activities of agricultural enterprises, affecting their profitability, investment attractiveness, competitiveness, and financial stability. A high level of tax burden can limit the possibilities of agricultural business to modernize, introduce innovations, and expand production, while a well-thought-out system of tax benefits can promote its development. In addition, tax policy affects pricing, the social sphere, and the environmental sustainability of the agricultural sector. Therefore, a balanced tax system is an important tool of state regulation that contributes to the sustainable development of agriculture.

Agricultural enterprises in Ukraine have the opportunity to choose between the general and simplified taxation systems depending on the specifics of their activities, financial conditions, and income structure. The general taxation system involves paying income tax, VAT, a single social contribution, and property tax, making it more advantageous for large agricultural enterprises with stable incomes, as they can benefit from tax credits and cost optimization. In contrast, the simplified taxation system, which entails paying a single tax under the fourth group, enables small and medium-sized agricultural producers to decrease their tax burden since the tax amount is based on land area rather than income. This approach ensures predictable expenses but simultaneously limits flexibility in tax planning.

Taxation of agricultural enterprises in European countries is based on supporting the agricultural sector, ensuring sustainable development, and considering the environmental requirements. The general principles are reduced VAT rates, preferential regimes for small farms, special taxes on fuel, and environmental taxes that stimulate the use of environmentally friendly technologies. Different countries implement their own simplified taxation mechanisms aimed at easing the administrative burden on farmers. In Ukraine, the current simplified taxation system for the agricultural sector is determined by land size rather than the actual income of enterprises, which may lead to an imbalance in the tax burden. The introduction of European experience, in particular the calculation of taxes based on income, would make the system fairer and more efficient. In addition, expanding the practice of reduced VAT rates for agricultural products, automating VAT refund processes, and simplifying tax reporting will help increase the competitiveness of the Ukrainian agricultural sector. In general, the implementation of European approaches to the taxation of agricultural businesses can become an effective mechanism for stimulating the development of agricultural production, reducing the tax burden on farmers, and supporting their economic stability.

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