

UDC 332.36

P. Garasym

Doctor of Economic Sciences, Professor

N. Klym

PhD in Economics, Associate Professor
National Forestry University of Ukraine

R. Khomyak

PhD in Economics, Associate Professor
Lviv Polytechnic National University

FEATURES OF TAXATION OF FORESTRY ENTERPRISES

Abstract. The article deals with the features of taxation of forestry enterprises. The domestic practice of tax calculation and payment by enterprises of the State Forestry Agency of Ukraine and the foreign experience of taxation of forestry enterprises are researched. Particular attention is paid to resource payments of forestry enterprises, and rent for the special use of forest resources in particular. The essence of the research has been studied, and the payments to the state and local budgets of the rent for the special use of forest resources have been analyzed. The focus is on the recent changes in taxation of forest enterprises and their financing.

The article determines the relevance of studying the problem of taxation of forestry enterprises and focuses on its financing, which hinders the process of reforestation and forest conservation. It is emphasized that taxation of forestry enterprises should stimulate entrepreneurial initiative, be simple and understandable and ensure the efficiency of the collecting taxes process.

The purpose of the article is to consider the peculiarities of the taxation of forestry enterprises, which are subordinated to the State Forestry Agency of Ukraine.

The research objective is to analyze the tax payments paid by forestry enterprises, to investigate the nature of rent payments, the rent for the special use of forest resources in particular, to study the latest changes in taxation of forestry enterprises and financing of forestry measures.

In the course of the survey it was determined that forestry enterprises are in the general system of taxation and pay taxes, fees (including for the use of forestry resources), which are determined by the Tax Code of Ukraine. In the part of taxes on the use of natural

resources special for forestry the rent for the special use of natural resources is particular.

The analysis of tax payments paid by enterprises of forestry is carried out. According to the results of the activity of the state enterprises of the forest industry for UAH 1 of the received budget funds for forestry and hunting, guard and protection of forests, there were paid UAH 8 in 2015 and UAH 64 in 2016 taxes and payments.

The nature of rent payments, rent for the special use of forest resources in particular, is investigated; taxpayers, the object and the base of taxation, features of accrual and payment are defined.

Analyzing the payment of taxes and fees by state enterprises of the State Agency of Forest Resources of Ukraine for 2015–2017, the distribution of the rent for the special use of forest resources within the state and local budgets was 56 % / 44 %, respectively.

The experience of foreign countries regarding taxation of the forestry enterprises has been studied. It primarily involves the clear definition of ownership of forests, the access and the use of forests, the use of new trends in sustainable forest management and environmentally sound technologies, which are taken into account when defining the policy of taxation of forest owners. Analyzing the objects from which taxes are levied in forestry in such economically developed countries such as Canada and the USA, Germany, Poland, it is determined that the main ones are wood, logging, land, forest rights

The article focuses on the latest changes regarding taxation of forestry enterprises and financing of the forestry measures. The decision to create a fund of a state development of forestry, its source of formation and directions of the use of the funds are considered.

It is noted that the decision of issues of taxation of forestry enterprises is of strategic importance not only for the national economy, but also for the ecological safety of Europe. Taxes paid by forestry enterprises are fiscal, but the ecologization of the tax system should include state support for the conservation of the forest fund and be accompanied by the integration of forestry products into the industry of the country. This provides additional economic and environmental benefits.

The use of taxes in domestic practice, that allow the removal of part of the rent and net profits of forestry enterprises to finance the recreation of forest resources will promote the stimulation of ecologically balanced and sustainable forest management.

Key words: taxation, forestry enterprises, rent for the special use of forest resources, State Agency of Forest Resources of Ukraine.

The problem statement

The State Forestry Agency of Ukraine (hereinafter the State Forestry Agency), which coordinates the activities of 406 enterprises, institutions, organizations, conducts domestic state policy in the field of forestry and hunting. [7, p. 41]. The residual financing of the industry in recent years in relation to forestry measures, excessive felling of forests, technological backwardness, and tax pressure have led to the fact that having 9th place in the area of forests and 6th place in terms of wood reserves in Europe, Ukraine's forestry is only 15.9 % [6]. The system of taxation of forestry today does not stimulate, and the lack of budget financing is hampering the process of reforestation and forest conservation. Most scholars and practitioners attribute this to the fact that resource payments of forestry enterprises do not relate to the size of forest land and depend on the volume of harvested wood [10, pp. 50–54]/

The topicality

The article determines the relevance of studying the problem of taxation of forestry enterprises and focuses on its financing, which hinders the process of reforestation and forest conservation. It is emphasized that taxation of forestry enterprises should stimulate entrepreneurial initiative, be simple and understandable and ensure the efficiency of the collecting taxes process. Taxation of forestry enterprises should stimulate entrepreneurial initiative, be simple and understandable and ensure the efficiency of the process of collecting taxes. The lack of a mechanism for accumulation and redistribution of

income from forestry management creates problems of insufficient budget financing of measures for the guard and protection of forests and forestation.

The review of last scientific progress and publications

Recent studies on taxation of forestry enterprises were conducted by such authors as Y. Koval, O. Furdichko, I. Sinyakiewicz, V. Moroz and others. The conducted researches emphasize the urgency of the problem of taxation of forestry enterprises and define it as the determining part of the national tax and environmental policy of Ukraine and the accounting systems of forestry enterprises.

The purpose and problem of research

The purpose of the article is to consider the specifics of the taxation of forestry enterprises, which are subordinated to the State Forestry Agency of Ukraine.

The research objective is to analyze the tax payments paid by forestry enterprises, to investigate the nature of rent payments, the rent for special use of forest resources in particular, to study the latest changes in taxation of forestry enterprises and financing forestry measures.

The exposition of basic matter and finding of research

The size of budget revenues from forestry enterprises depends not only on the results of their activities, but also on the tax policy of the state. Norms of domestic legislative acts provide for payment for the use of natural resources and conservation and restoration of the environment. Unfortunately, taxes paid by forestry enterprises, ensure the fiscal and distributive functions of the country's tax system in the absence of proper incentives for ecologically balanced, sustainable forest management.

Forestry enterprises are in the general system of taxation and pay taxes, fees (including for the use of forest resources), which are determined by the Tax Code of Ukraine. In the part of taxes on the use of natural resources special for forestry there is a rent for the special use of natural resources (Fig. 1).

The experience of foreign countries regarding taxation of forestry enterprises primarily involves a clear definition of ownership of forests, access to and

Features of Taxation of Forestry Enterprises

use of forest resources, the use of new trends in sustainable forestry management and environmentally sound technologies that are taken into account in determining the policy of taxation of forest owners. Analyzing the objects from which taxes in forestry economically developed countries such as Canada and the United States, Germany, Poland are levied, it

is determined that the main ones are wood, logging, land, forest rights [9, p. 89].

The vast majority of forests in Ukraine are state-owned. About 1.3 million hectares (13 %) of the forestry lands are at the disposal of communal enterprises and 0.1 % are forests that are privately owned [7].

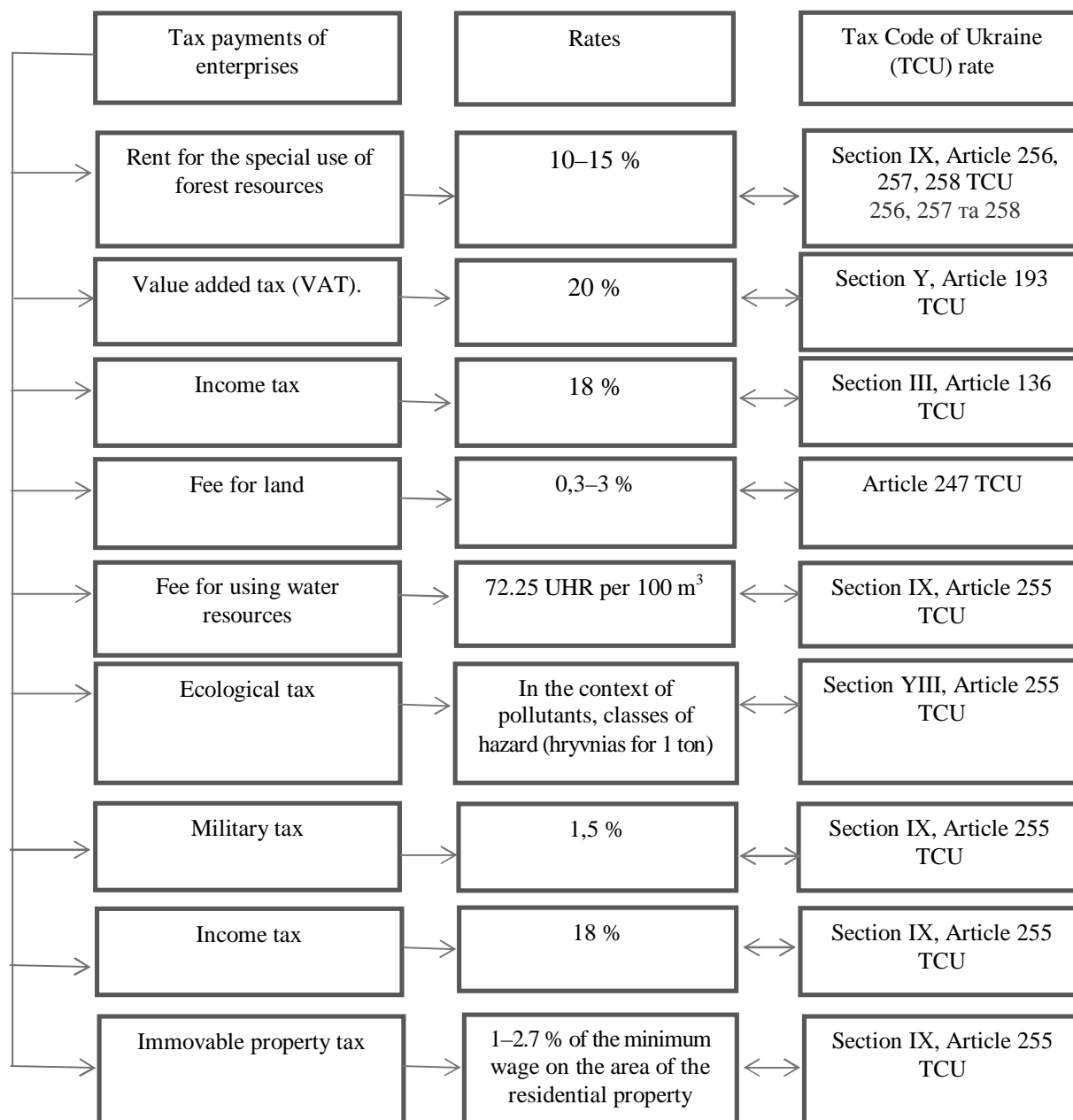


Fig. 1. The main tax payments of forestry enterprises under the Tax Code of Ukraine

For forest management, forests are provided for the permanent use of enterprises, institutions and the organization of several dozens of ministries and departments and 73 % of forests – the State Forestry Agency [6, p. 5].

The land tax in Ukraine is levied as a component of the rent for the special use of forest resources in the form of forest taxes, although the object of the payment is wood (forest), and not land (land plot).

Table 1
Types of taxes in the forestry of foreign countries

Countries	Types of taxes in the forestry sector							
	Land tax	Natural resource tax	Forest tax	Round timber tax	Forest tax on the lease	Lease tax	Tax on forest heritage	The tax on the harvesting license
Canada, USA	+	+	+	+	+	+	+	+
Poland	+	+	+	+	-+	-	+	-
Germany	+	-	+	+	+	-	+	-
Estonia	+	+	+	-	-	-	+	-

Payers of the rent for the special use of forest resources are forest users – legal entities, their affiliate, branches, other separate units that do not have the status of a legal entity, permanent representative offices of non-residents who receive income from sources of their origin from Ukraine or perform agency (representative) functions in relation to such non-residents or their founders, individuals (except for individuals who are entitled free of charge without obtaining a special permit to use forest resources in accordance with forest legislation) and individuals – entrepreneurs, that carry special use forest resources under a special

permit (a forest harvesting ticket or a forest ticket) or under the terms of the long-term temporary forest use [2, 3].

The object and the base of the taxation of the payment for the special use of forest resources is given in Fig. 2.

Subjects of forestry relations that issue special permits, by the 10th of the month following the reporting quarter, send to the bodies of the State Tax Service a list of forest users who have been issued harvesting tickets and forest tickets in the form established by the central executive body, which ensures formation state financial policy, in agreement with the central executive body, which ensures the formation of state policy in the field of forestry [3].

Forest users who make a special use of forest resources pay a rent on the basis of special permits (wood harvesting or forest tickets) or in accordance with the terms of the contract for the long-term temporary use of forests (Article 256.1 of Article 256 of the Code) and quarterly tax returns for the rent for the special use of forest resources. It is paid in equal parts from the amount of the rent, specified in the harvesting tickets received (special permits) within 10 calendar days after the expiration of the deadline for submission of the tax return issued in the corresponding calendar year, except for the amounts indicated in Fig. 3.

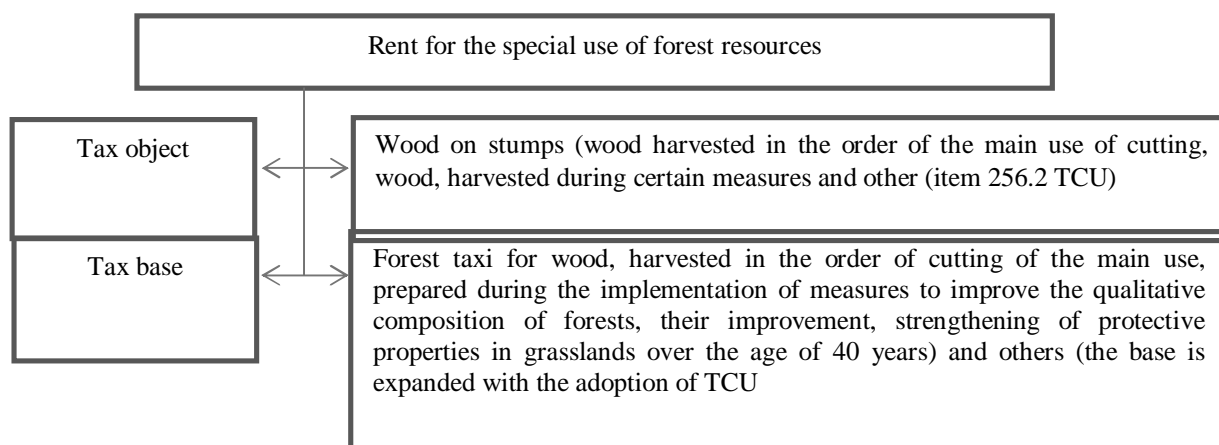


Fig. 2. The object is the base of taxation of rent for the special use of forest resources

Features of Taxation of Forestry Enterprises

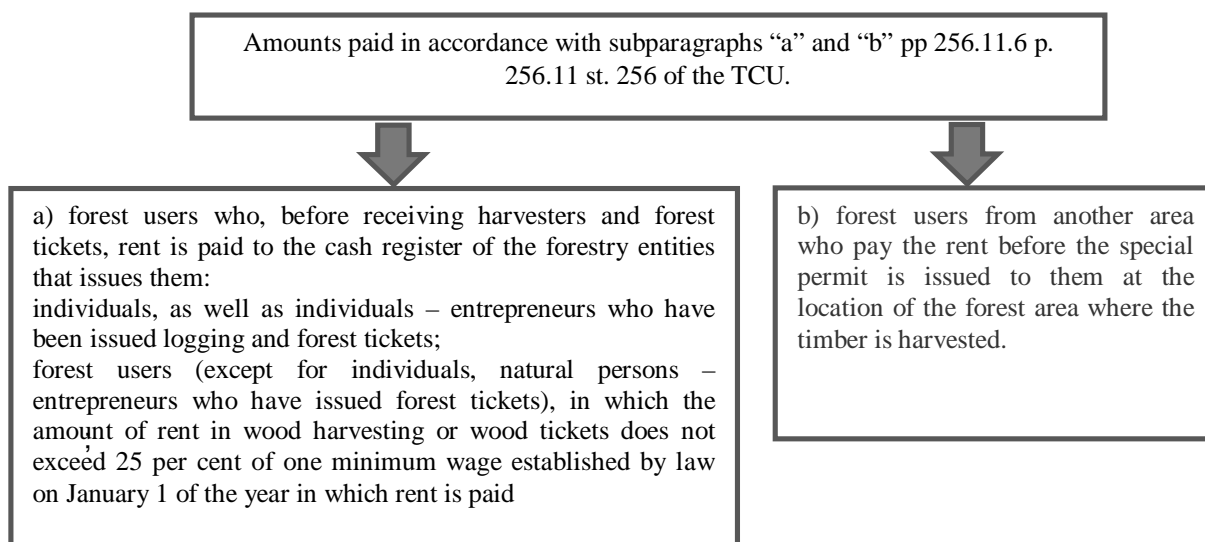


Fig. 3. Amounts of the rent payments for the special use of forest resources specified in harvesting tickets, which are not taken into account when paying by forest users

The amount of the rent, specified in the harvesting and in the forest ticket, subjects to conversion by the subject of forest relations, which issues special permits, if [2, 3]:

a) the total number of actually harvested wood during its issue, taking into account the area exceeding the number indicated in the harvest book and the number more than 10 percent;

b) the actual use of forest resources exceeds the amount specified in the forest ticket for the entire amount of such excess.

The fee rates for the harvesting of wood of the main forest species are differentiated in the section of two belts, five bits and large, medium and small business (bark) wood, as well as firewood (with bark). Distribution of forests by belts [2]:

– all forests belong to the first zone, with the exception of the forests of the Transcarpathian, Ivano-Frankivsk and Chernivtsi regions and the forests of the mountainous area of the Lviv region;

– the forests of the Transcarpathian, Ivano-Frankivsk and Chernivtsi regions and the forests of the mountainous zone of the Lviv region belong to the second belt.

The trunk segments (in the upper section without bark) in diameter from 25 centimeters or more belong to the big wood of all forest species, the segments in diameter from 13 to 24 centimeters belong to the average, the segments in diameter from 3 to 12 centimeters belong to the small wood. The firewood includes varieties that can be used for

technological purposes, and are also not suitable for industrial processing (firewood).

For the wood harvested during selective felling: the main use of the rate-collection is reduced by 20 percent, and measures to improve the qualitative composition of forests, their improvement, strengthening of protective properties (in woodland over 40 years old – logging of forest care, selective sanitary felling, selective forest-dependent felling, felling associated with the reconstruction, landscaping felling and reformation felling) – by 50 percent. Percentage discounts are calculated from each collection rate separately [2, 3].

The collection rates for the harvesting of secondary forest materials, the implementation of by-products of forest use and the utilization of useful properties of forests, are set by the The Verkhovna Rada of the Autonomous Republic of Crimea, oblast, Kyiv and Sevastopol city councils.

Despite the fact that the rent for the special use of forest resources is only 0.1 % of tax revenues in the structure of all incomes of the consolidated budget of Ukraine [6], it is, of course, one of the important sources of the formation of financial resources for part of the rent for the use of natural resources of enterprises and the component of revenues of the state and local budgets of Ukraine.

According to the State Forestry Agency in 2017, forestry enterprises paid taxes and dues

and ECU for the amount of 5026.5 million UAH to the budget of Ukraine. The largest share in the amount of taxes and duties paid is VAT –

38 %, personal income tax (24 %), the rent for the special use of forest resources (21.2 %) [7, p. 26].

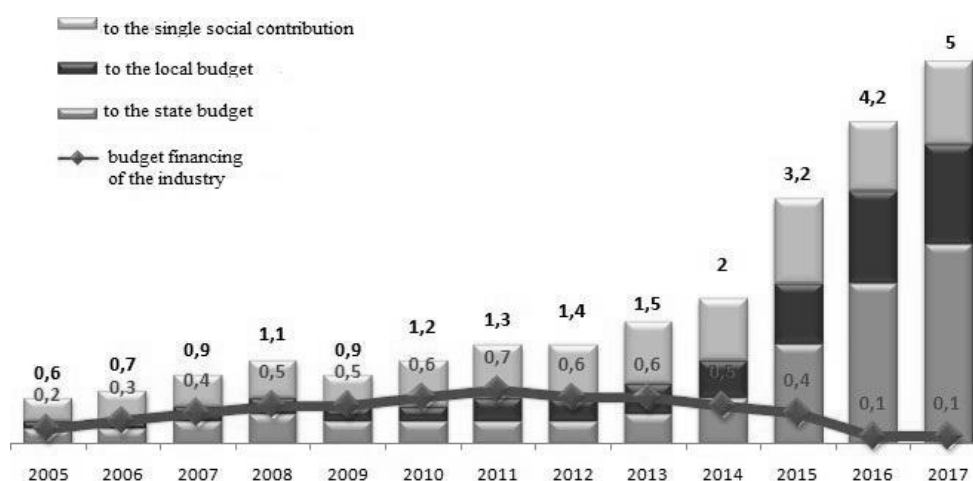


Fig. 4. Dynamics of the introduction of taxes and mandatory payments by enterprises of the State Agency of Forest Resources of Ukraine into the budget, UAH billions [7, p. 27]

According to the results of the activity of the state enterprises of the forest industry for UAH 1 of the received budget funds for forestry and hunting, guard and protection of forests, there were paid UAH 8 in 2015 and UAH 64 in 2016 taxes and payments.

Analyzing the payment of taxes and fees by state enterprises of the State Agency of Forest Resources of Ukraine for 2015–2017, the distribution of the rent for the special use of forest resources within the state and local budgets was 56 % / 44 %, respectively.

Table 2

Payment of taxes and fees by state enterprises of the State Forestry Agency, mln. UAH

Indicator	Years			Absolute deviation	
	2015	2016	2017	2016–2015	2017–2016
Included in the budget. including:	2059.7	3299.5	3904.2	1239.8	604.7
– to the state budget	1307.9	2055.2	2554.4	747.3	499.2
including: rent for the special use of forest resources	431.4	464.9	464	33.5	-0.9
– to local budgets	751.8	1244.3	1349.8	492.5	105.5
including: rent for the special use of forest resources	309.2	456	362	146.8	-94
Paid Single Social Contribution	1099.9	908.4	1122.3	-191.5	13.9
Together. taxes and Single social contributions are paid	3159.6	4207.9	5026.5	1048.3	919.6

It is compiled according to the data of the State Forestry Agency [6, p. 39; 7, p. 27]

Reduction of the rent for the special use of resources in 2017 as compared to 2016 was due to the reduction of harvested liquid wood from all types of felling (by 2.5 %). Despite the increase in the amount of tax payments (including rent for the special use of forest resources), in 2016 the funding for forestry and hunting activities from the state

budget was stopped and was carried out only under budget programs.

In order to reduce the cost of the staff maintaining, most forestry holdings, for the example of European countries, have started to draw the small private companies, which were on a simplified taxation system for forestry

Features of Taxation of Forestry Enterprises

operations (logging, logging, timber removal, harvesting of forest crops, etc.). According to the State Forestry Agency, almost 10.4 million cubic meters (66 %) of timber is harvested by hired brigades [7]. Following the adoption of the latest edition of the Tax Code, taxation of the simplified tax system has become more complicated, therefore, in the overwhelming majority, these enterprises are now shifting to the general system of taxation.

There is a scientific opinion that the replacement of the rent for the special use of forest resources for land tax (on the example of agricultural enterprises) will increase the efficiency of forest use [10]. However, in our opinion, the increase of tax pressure without revision of the model of redistribution of budget revenues and orientation to the ecological and economic activity of forestry enterprises will not affect the increase of financing of enterprises of the State Forest Fund and obtain an additional ecological and economic effect from their activity. For example, after the adoption of the Law No. 1621-VII from January 1, 2015, the VAT exemption on supply operations was cancelled, including the import of wood products of commodity positions 4401, 4403, 4404 under the Ukrainian Foreign Economic Relations (except for briquettes and granules of commodity subcategory UCT ZET 4401 30 90 00), as well as paper and cardboard for utilization (waste paper

and wastes) of commodity position 4707 according to the UKT LET and these operations are taxed at the rate of value added tax at the rate of 20% [1]. However, the increase in the amount of taxes paid to the state budget in 2016, compared with previous periods, did not affect the increase in financing of enterprises of the State Forest Fund [6; 7].

A positive factor was the adoption of amendments to Article 98 of the Forest Code of Ukraine regarding the order of financing of such measures. This allowed removing the norms for the binding of funding for forestry enterprises to state target programs. In the plan to increase financing of the industry, there was made a decision to create a fund for state forestry development, which suggested increasing the rent for the special use of forest resources in the part of the timber harvested from the cutting of main uses [5]. In addition, it is proposed to fill the fund at the expense of part of the net profit (income) of state forestry enterprises in the special state budget fund [3; 7].

According to expert estimates, this decision should help to resolve the issue of forestry measures financing, ensuring not only the use of funds for the forests reproduction, guard and protection, fire protection measures, improvement of the quality of forests, conservation of forests, and forest management. The sources of fund formation and use of its costs are presented in Fig. 5.

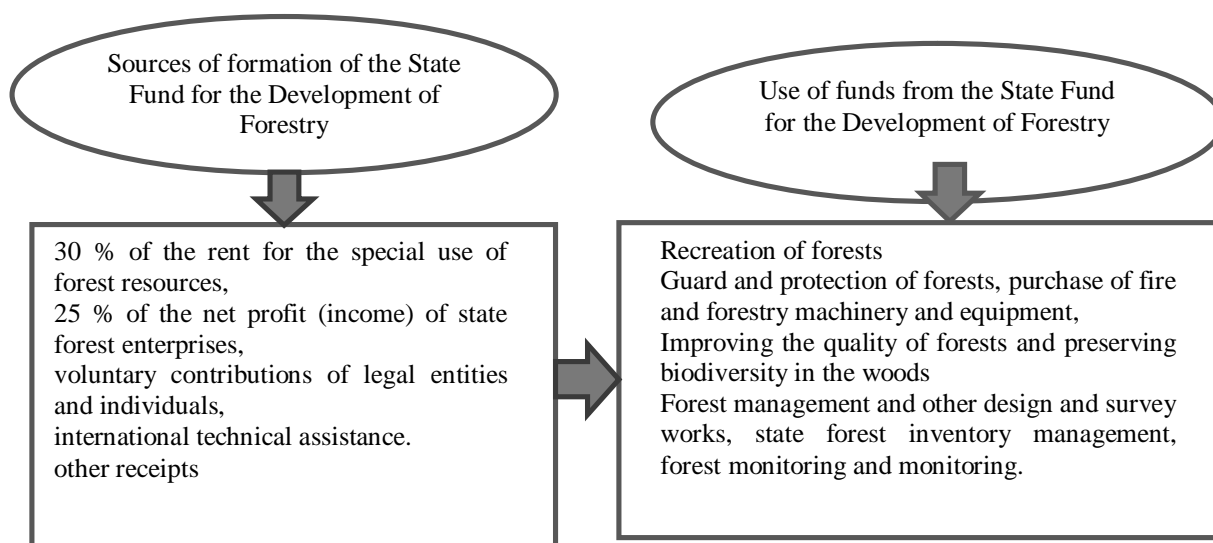


Fig. 5. The sources of formation and use of funds from the State Fund for Forestry Development [3; 5; 7, p. 26]

The conclusion

The decision of issues of taxation of forestry enterprises has a strategic significance not only for the national economy, but also for the ecological safety of Europe. Taxes paid by forestry enterprises are fiscal, but the ecologization of the tax system should include state support for the conservation of the forest fund and be accompanied by the integration of forestry products into the industry of the country. This will provide additional economic and environmental benefits.

Of course, rent for the special use of forest resources is one of the important sources of the formation of Ukraine's financial resources in terms of rent for the use of natural resources. The use in domestic practice of taxes that allow the removal of part of the rent and net profits of forestry enterprises to finance the recreation of forest resources will stimulate the promotion of ecologically balanced and sustainable forest management.

The prospective of further research in this field

Taxation of forestry enterprises should stimulate forestry activities and entrepreneurial initiatives, be simple and understandable and ensure the efficiency of the process of accumulation and distribution of tax payments.

References

1. *Pro vnesennia zmin do Podatkovoho kodeksu Ukrainy ta deiakyykh inshykh zakonodavchykh aktiv Ukrainy. Zakon Ukrainy vid 31 lypnia 2014 roku No. 1621–VII* [On amendments to the Tax Code of Ukraine and some other legislative acts of Ukraine. Law of Ukraine dated July 31, 2014 No. 1621-VII]. (2014). Retrieved from <http://zakon.rada.gov.ua/go/1621-18> [in Ukrainian].
2. *Podatkovyi kodeks Ukrainy* [The Tax Code of Ukraine]. (2018). Retrieved from: <http://zakon5.rada.gov.ua/laws/show/2755-17> [in Ukrainian].
3. *Pro spravliannia u 2018 rotsi rentnoi platy za spetsialne vykorystannia lisovykh resursiv: Lyst DFS Ukrainy vid 01.02.2018 No. 3000/7/99-99-12-03-04-17* [About the lease in 2018 of the rent for the special use of forest resources: Letter DFS of Ukraine from 01.02.2018 No. 3000 / 7 / 99-99-12-03-04-17]. (2018). Retrieved from: <http://sfs.gov.ua/podatki-ta-zbori/zagalnodержavni-podatki/rentni-plat/rentna-plata5/listi-/72799.html> [in Ukrainian].
4. *Biudzheth Ukrainy 2016* [The Budget of Ukraine 2016]. (2016). Kyiv: Statistical Collection Ministry of Finance of Ukraine [in Ukrainian].
5. *Pro dodatkovy zakhody shchodo rozvytku lisovoho hospodarstva, ratsionalnoho pryrodokorystuvannia ta zberezhenia ob'ektiv pryrodno-zapovidnoho fondu vid 21.11.2017 r. №381/2017* [On additional measures for the development of forestry, rational use of nature and preservation of objects of the nature reserve fund of 21.11.2017, No. 381/2017]. (2017). Retrieved from: <http://www.president.gov.ua/documents/3812017-23066> [in Ukrainian].
6. *Publichnyi zvit derzhavnogo ahentstva lisovykh resursiv Ukrainy za 2016 rik* [Public report of the State Forestry Agency of Ukraine for 2016]. (2016). Retrieved from: http://dklg.kmu.gov.ua/forest/document/177277;/pz_0303.pdf [in Ukrainian].
7. *Publichnyi zvit derzhavnogo ahentstva lisovykh resursiv Ukrainy za 2017 rik.* [Public report of the State Forestry Agency of Ukraine for 2017]. (2017). Retrieved from: <http://komekolog.rada.gov.ua/uploads/documents/35328.pdf> [in Ukrainian].
8. *Kontseptsiia natsionalnoi ekolohichnoi polityky Ukrainy a period do 2020 roku: vid 17 zhovtnia 2007 No. 880-r.* [The concept of the national environmental policy of Ukraine and the period until 2020: from October 17, 2007, No. 880-p]. (2007). Retrieved from: <http://zakon3.rada.gov.ua/laws/show/880-2007-%D1%80> [in Ukrainian].
9. *Moroz V. P. (2010). Dosvid zarubizhnykh krain shchodo opodatkuvannia lisovoho hospodarstva: ekoloho-ekonomichni aspekty.* [Experience of foreign countries in relation to taxation of forestry: ecological and economic aspects]. Retrieved from: http://nltu.edu.ua/nv/Archive/2010/20_5/86_Moroz_20_5.pdf [in Ukrainian]
10. *Tkachiv S. M. (2017). Opodatkuvannia lisovoho hospodarstva: problemy i perspektivy* [Taxation of forestry: problems and perspectives]. Retrieved from: http://www.agrosvit.info/pdf/14_2017/11.pdf [in Ukrainian].