

DOING AGRIBUSINESS IN UKRAINE

February, 2017

Dear Partner,

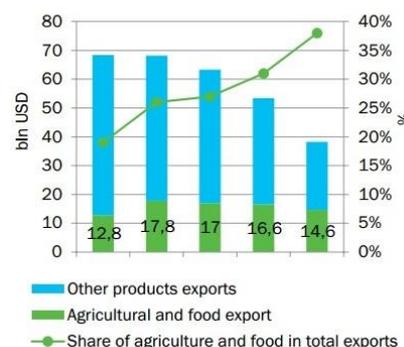
For better understanding of agribusiness in Ukraine we have analyzed businesses of our clients in 2016 and prepared for you the following information article.

Statistics of agribusiness in Ukraine in 2016

Ukraine is one of the world’s most productive farming regions and is known as “Europe’s granary”. As much as two-thirds of the country’s surface land consists of the so-called black earth (chornozem), a resource that has made Ukraine one of the most fertile regions in the world and famously called a “breadbasket”.

	Value in Ukraine	Average value in the world
% of Agriculture in GDP	9,8%	3,1%
Value added per one agricultural worker, USD	4 603\$	1 331\$

EXPORT REVENUE AND SHARE OF AGRICULTURAL PRODUCTION IN EXPORTS



Legal organization of agribusiness in Ukraine



In accordance with Ukrainian legislation only citizens of Ukraine and entities – residents of Ukraine could provide agribusiness in Ukraine. Nevertheless, foreigners could be shareholders of the company – resident of Ukraine and such company could provide agribusiness.

We propose to establish Limited Liability Company, where citizens of India will be shareholders. More than three years our clients from Poland and Italy have been doing agribusiness in Ukraine in such manner. According to Ukrainian Law number of shareholders in LLC cannot exceed 100 persons. Shareholders will get income from business as dividends and salary (if they will work themselves).

For doing business LLC should rent a land. Registration of 1 ha of land will cost approximately **300-350\$** (the price depends on type and location of land) (single payment). For better effectiveness we recommend to rent not less than 500 ha of land. The rent charge of 1 ha will be approximately **100-150\$ per year** (it also depends on a lot of factors). The period of rent cannot exceed 50 years (usually 10–15 years). In Ukraine land is not an object for sales.

Taxation of agribusiness in Ukraine

There are two possible tax regimes for agribusiness in Ukraine: the common regime and the fixed agricultural tax regime. During first year company could provide business only using common tax regime.

Main taxes in common tax regime	
Profit tax	18%
VAT	20%

From the second year of doing business agricultural manufacturers could use the common regime **or** the fixed agricultural tax regime. Agricultural manufacturers are eligible to apply for a single tax if they meet both the following two requirements:

- the share of the company’s income from agricultural production (i.e., sale of the company’s cultivated and processed products) to the total share of its income equals or exceeds 75 per cent; and
- these agriproducts were cultivated on land which such agricultural manufacturers own or lease, and the ownership title and leases has been duly registered.

The tax rates calculated as percent of the target-ratio based monetary valuation per hectare of agricultural land and were increased threefold as follows:

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- 0.95 for arable land, hayfields and pastures (except for arable land, hayfields and pastures located in mountainous areas and marshy wood land areas, and arable land, hayfields and pasture, as owned by agricultural producers that specialize in producing (growing) and processing crop products in greenhouses);
- 0.57 for arable land, hayfields and pastures located in mountainous areas and marshy woodland areas;
- 0.57 for perennial plantations (except for perennial plantations located in mountainous areas and marshy woodland areas);
- 0.19 for perennial plantations located in mountainous areas and marshy woodland areas;
- 2.43 for lands of water fund (lands of water fund include land occupied by: rivers, lakes, reservoirs and other water objects, swamps; coastal protection strips along the rivers; hydraulic water facilities and other channels, as well as land allocated for the easement for them).



Companies, which make a business using the fixed agricultural tax regime are free of profit tax.

**Professionals of our company will help you to calculate advantages and disadvantages of using different tax regimes.*

Successful examples of agribusiness of our foreign clients

AT Consulting has a lot of clients from Poland and Italy, which make an agribusiness in Ukraine. You will find some accounting information about business of one of our clients below.



One of our clients from Italy in 2016

Agricultural production	Planted area, ha	Collected		Sold*		Profit, \$	The profitability of production, %
		Tonnes	Net costs, \$	Tonnes	Income, \$		
Wheat	555	1411,643	75787,24	1380,443	152089,89	76302,65	100,68%
Spring barley	94,16	193,287	10254,30	193,287	17915,23	7660,93	74,71%
Sunflower	243,01	266,653	65549,35	265,135	79681,69	14132,34	21,56%
Soy	470,07	1006,304	162969,57	971,304	316273,37	153303,8	94,07%

** All agricultural production was sold in Ukraine (in case of export profitability will be higher).*

AT Consulting legal and accounting support

AT Consulting can provide complex accounting and legal support of your business in Ukraine, including:

- market research of agribusiness in Ukraine;
- registration of Limited Liability Company;
- getting of work permits for foreigners;
- registration of land and property;
- preparation and legal analysis of contracts and agreements;
- organization of accounting and tax accounting;
- assistance in communication and concluding agreements with contractors and consumers etc.



In addition we would like to inform you that stockbreeding is also very successful business in Ukraine (but more complicated). Looking forward for your decision about starting business in Ukraine.

Always at your disposal.

Sincerely,

AT Consulting