



To:  
Prime Minister of Ukraine  
Mr. Denys Shmyhal

Ref. # 532/2012/2023

20th of December, 2023

**Subject: domestic taxation changes relevant to the transparency of the grain export**

Dear Prime Minister,

Gafta is the international association representing the agricultural commodity trade, established in 1878. Our membership comprises over 1,900 agricultural commodity companies in more than 100 countries worldwide. It is estimated 80% of the world's trade in grain is shipped on Gafta contract terms.

GAFTA's Ukrainian Regional Trade Committee met on the 14<sup>th</sup> December 2023. Members raised concerns about the new legislative initiatives reflected in the Draft Laws (DLs) 10168-2 and 10169-2 which so far went through the first reading in the Parliament.

Both DLs introduce new rules for export of the agricultural products bringing changes to the currency regulation, VAT administration and customs control procedures.

It has been stated that the VAT refund has to be connected to the currency returns with the proof or evidence to be provided that namely those specific products have been exported which is impossible for bulk grains (its storage is comingled and not identity preserved).

We question the alternative proposal in DL 10169 -2: it allows companies to avoid conformity procedures and allows the payment of a 10 % export duty in case the newly introduced export conformity procedures are blocked or not met for some reason.

Thus, the export will be allowed to those wishing to pay 10 % export duty with further not refunding the VAT. These two elements will have serious repercussions for producers and farmers who cannot sustain such costs.

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Our committee is concerned with the lack of transparency on these different procedures. Gafta support open and free trade, noting the fungibility of commodities and these instruments in our view lack transparency and by allowing intervention in the market and regulating exports or prohibiting the free registration of tax invoices will have a very negative effect and create export barriers. When we made a calculation, the impact on an exporting company may amount to as much as 1.5 million \$ on an average vessel of 25,000t of corn.

The above-mentioned legislative changes will cause significant losses for Ukrainian farmers and traders and lead to disruption of trade and traders powerless to fulfill contractual obligations. **We are looking for your support in opposing these draft measures and instead promote free and open trade of agricultural commodities which is essential to Ukraine in the current environment and is also essential to ensure global food security.** This has been highlighted in all international bodies with WTO advocating to all members to avoid imposing export restrictions and rather support open and free trade.

We look forward to hearing from you.

Sincerely yours,

Anna Golodova  
Director of GAFTA Kiev office

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