

Paid land-use and problem of assessment of lands

I. Novakovska,

PhD in Economics

V.Fylka, V. Shveda

National Aviation University

The purpose. To study processes of formation and development of institute of pay for land and features of assessment of lands. **Methods.** Analysis, generalization. **Results.** Influence of paid land-use on state of use and protection of land reserves, and also aftereffect of realization of indexing of assessment of lands for 1996-2014. **Conclusions.** The necessity is considered of building National fund of protection of lands of Ukraine and change of acting legal field concerning indexing of lands of agricultural assignment and other classes of land reserves.

Key words: *pay for land, normative money value of lands, indexing money value of lands, normative of unearned income.*

The payment for land for the first time in Ukraine was introduced in the process of implementing the land reform, which began on March 15, 1991. The reform led to the need for a clear organization of relations between the land user and the owner of land associated with the introduction of land plots into market circulation, not only as a means of production, but as a spatial, territorial basis for its placement and development and settlement of the population. The definition of a real, fair land price is the most practical complexity, since, in addition to the importance of regulating economic relations in the country, land prices are also an extremely important factor in the implementation of civil law agreements related to land use.

The land use fee was introduced in 1992 with the aim of generating a source of funds for financing measures for rational use and protection of land, improving soil fertility, carrying out land reform, conducting a cadastre, land management and land monitoring, and the development of infrastructure of settlements. The Law of Ukraine "On Land Fee" of July 3, 1992 sets the rates of land tax by category of land and the procedure for its calculation and payment; the size, terms and conditions for the payment of rent, the distribution and use of funds from the payment for land [2].

The said law stipulated that the payment for land should be used exclusively for the following purposes: financing of measures for rational use and protection of land, increasing soil fertility; maintenance of the state land cadastre, land management, land monitoring; creation of a land innovation fund; compensation of expenses of owners of land and land users, connected with management on the lands of lower quality; economic incentives for landowners and land users to improve land quality, increase soil fertility and productivity of forest land; provision of preferential loans, partial repayment of loans and compensation of losses of income of land owners and land users as a result of temporary conservation of land not caused by their fault; carrying out of the land reform, as well as for the land-economic arrangement, the development of urban planning documentation and the development of the infrastructure of settlements.

For the centralized implementation of the abovementioned measures and works, 30% of the land tax payments received on the accounts of local budgets should be centralized on a special budget account of the State Committee for Land Resources of Ukraine, 10% - on special budget accounts of the Autonomous Republic of Crimea and regions. Centralized funds are directed to the development and use of state programs of rational land use, soil fertility enhancement, reimbursement of expenses related to the management of land of lower quality, protection of land resources in conjunction with other environmental protection measures, development of national and regional infrastructure, land cadastre, land management, land monitoring, and conducting land reform.

However, in accordance with the laws of Ukraine of 17.02.2000 № 1458-III and from 07.12.2000 № 2120-III the validity of the articles of the Law "On Land Fee" regarding the payment of the fee (Article 3) and on the centralization of funds from the land tax (Article 21) was stopped in 2001 Later Art. 21 is excluded from the law in general (from March 25, 2005), and Art. 3 and 22 (directions of using centralized funds) - excluded in accordance with the law of June 3, 2008 With the enactment of the Tax Code (as of January 1, 2011), the

Law "On Land Fee" expired [13]. Since then, there are no legal norms in the current legislation regarding the peculiarities of using the funds from the payment for land. This fee has become a regular tax payment to the budget and in no way affects the contribution and responsibility of the state for the rational use and protection of land. The peculiarity of this problem is the fact that the state is obliged to take care of all the land fund of the country. However, 47.8% of the land is now a state property, and the state budget should be directed to the protection and ensuring the effective use of it.

The Constitution of Ukraine (Article 14) states that the land is the main national wealth, which is under special protection of the state. It's a pity that in the state budget of the country for 2012, 2013, 2014, 2015 there were no funds for land protection at all. That is, not on any special, but on the usual protection that was carried out earlier and to a large extent inhibited the processes of degradation of soil cover.

The following data indicates the dynamics of events held in Ukraine after the adoption of the Law "On Land Fees" (table).

At present, there is a steady tendency to deteriorate the quality of soils, during the past 25 years the content of humus in soils has decreased by 0.22 percentage points and is 3.14%.

Significant areas of land (13 million hectares of agricultural land), of which almost 11 million hectares - arable land, are affected by water erosion, and more than 50% of all arable land is deflationally hazardous.

The state budget does not finance the costs of maintaining the state land cadastre, land management and land monitoring. No State Program for Land Use and Protection. The State Statistics Service in 2007 even canceled the form of statistical reporting of the 4th "Report on the implementation of measures for the protection of land".

Given that the budget receives about 13 billion UAH annually from the payment for land, the National Fund for the Protection of Land should be formed and allocated to it 10% of the budget from the payment for land, the target contributions of agricultural holdings and part of the proceeds from the sale of land tenure rights state and communal property.

In order to carry out a cash valuation of land provided for by the Law "On Land Fee," the Government approved in March 1995 the Methodology for the valuation of agricultural land and settlements [6], in May 1997. - Methodology of monetary valuation of non-agricultural land (except settlements) [7], and in October 2002 - Methodology of expert monetary valuation of land [8].

The aforementioned monetary valuation of agricultural and non-agricultural land was named normative, unlike the expert monetary valuation of land plots used for the implementation of civil law agreements.

As you know, the normative monetary valuation is used to determine the amount of land tax; rent for land plots; losses of agricultural and forestry production, as well as developing indicators and mechanisms for economic incentives for rational land use. Its role in regulatory policy can be illustrated by the fact that on the basis of this estimate, 13 billion UAH of land payment per year comes to the budget, and the rent for citizens - owners of land shares, for example, amounts to 12.5 billion UAH per year [12].

The normative monetary valuation of agricultural land was carried out only once in July 1995, while according to the law, for the past 20 years, we had three (five to seven years) renewal of the assessment.

The assessment of land in cities, towns and villages in 2013 is completed. However, the lands of 1288 settlements need to update the normative monetary valuation of land. With regard to non-agricultural lands, which are located outside of settlements, their normative monetary value is not yet completed.

The essence of normative monetary valuation of land consists in the fact that for the determination of rental income from the use of land to use not real, but the average normal, that is, the normative (reference) value of the crop and the level of production costs for the lands of specific agro-industrial groups and natural and agricultural areas of the country that is not envisaged by the current Methodology. The convenience of land placement and the level of its arrangement is the basis for appraising the land of settlements, and the rental income due to the arrangement of the site or the average annual economic effect from the use of areas of the corresponding functional purpose - for other non-agricultural land. That is why the Law of Ukraine "On land valuation" dated December 11, 2003 stipulates that the normative monetary valuation is a capitalized rental income from a land plot determined according to established and approved norms [3].

Indicators of annual rental income are set for the lands of industry, transport, communications, energy, defense in each of the regions. For the lands of nature conservation, recreation, recreation, and historical and cultural purposes, the value of the normative average annual effect from their use is determined, as well as coefficients taking into account their value within each of the regions, the coast of the seas, mountainous

and foothill parts of the territories. The normative annual average economic effect of forestry is established for the Polissya and Forest-steppe regions, and the average annual production costs, taking into account the economic value of the soils, are for the areas of the Steppe [1]. Only for the category of agricultural land the indicators of normative rent income in terms of the administrative-territorial units of natural and agricultural areas and agro-industrial groups of soils has not yet been established and approved.

A series of approaches to calculating the rental income, adjusting the norms to the level of productivity in the region by average, changing the rental income without proper justification, introducing infrastructure development coefficients, etc., published in June 2015 in the draft methodology of the normative monetary valuation of agricultural land [9].

According to the Decree of the Cabinet of Ministers of Ukraine dated October 31, 2011 № 1185, from January 1, 2012 a coefficient of 1.756 was introduced to the monetary valuation of arable land [14]. Moreover, the ratio that occurred over 15 years between the levels of normative monetary valuation of arable land, perennial plantations, hayfields and pastures has been groundlessly changed as the increase in the monetary valuation has been carried out only for arable land. In terms of 1 hectare, the estimation of perennial plantations, hayfields and pastures decreased in comparison with arable land in monetary terms. The correlation between the assessment levels compared to the arable land (1.0) decreased: perennial plantations from 3.73 to 2.12, hayfields - from 0.49 to 0.28, pastures - from 0.30 to 0.17.

Such an unjustified change in the effects of a previously performed assessment reduces the role of soil cultivation, which takes into account the indicators of estimation of all agricultural lands and the ratio of estimations by type of land and natural and agricultural areas, and also adopted by the authors of the Methodology for the calculation of rental income for natural and agricultural areas.

Taking into account that from January 1, 2015 land tax rates increased in percentage to the normative monetary valuation of land: for arable land, grassland and pastures - from 0,1 to 1,0%, perennial plantations - from 0,03 to 1,0% , the reduction of revenues to the budget from the payment for land in view of the groundless decrease in the assessment of the listed lands will amount to more than 0.6 billion UAH in 2015.

Scientists of National Scientific Centers of NAAS "Institute of Agrarian Economics" and "Institute of Agrochemistry and Soil Science named after O.N. A new methodological approach has been worked out to determine the indicators of normative monetary valuation of land based on normative (natural) productivity of grain crops (without corn) and standard production costs for their cultivation (according to technological maps), which is considered in the expert environment much more acceptable [5].

However, the issue of establishing scientifically substantiated norms of rental income on various agro-industrial groups of soils and the country's natural and agricultural districts, the capitalization of these norms, the use of indicators of soil cultivation of natural and agricultural areas, carried out in 1993 according to the only methodology in the country, and, in particular, indexation of normative monetary valuation of lands require additional scientific substantiation.

In particular, for the period from 1996 to 2014, the indexation of land valuation was made on the cumulative value of the coefficient of 3.997, which was determined on the basis of inflation indices, and the arable land, in addition, from 1.1.2012, the coefficient of 1.756, in connection with the increase in grain prices, led to the fact that the level of assessment of all lands increased 4 times, and arable land - 7.02 times. This is in no way connected with the dynamics of the level of standard rental income for the use of agricultural land, the land of settlements and non-agricultural land outside the settlements [4].

The purchase and sale by citizens of land plots for gardening, construction and maintenance of a residential building and utility buildings (private plot), other buildings and structures, carried out on the basis of market relations, are subject to appropriate taxes.

In general, instead of indexing wages, pensions, and other payments to the population in view of the growth of inflation in the country, the state increases the burden of payment for land each year. The introduced principle - that the higher level of inflation in the country, the highest estimate of the land - is devoid of any logic and needs immediate review.

Social dissatisfaction and resistance of the population, small and medium-sized businesses in Kyiv, Lviv, Mykolaiv and other cities, as well as among farmers and tenants of agricultural land, associated with the annual increase in land valuation, requires the adoption of appropriate measures.

The assessment of land, as stated in the law, should be reviewed and updated after 5-7 years, remaining unchanged during the 5- or 7-year period. If, however, the cost of land valuation increases simultaneously with the growth of inflation, then the need to develop a methodology for normative monetary valuation of land

will disappear altogether. Consequently, the process of land taxation in modern conditions requires an immediate change in the legal field. First of all, it is necessary to amend the Tax Code of Ukraine (VVR, 2011, No. 13-14, No. 15-16, No. 17, item 112):

- 1) in clause 1 of clause 271.1 of Art. 271 - delete the words "taking into account the coefficient of indexation determined in accordance with the procedure established by this section";
- 2) Art. 289. Indexation of normative monetary valuation of land - delete.

Conclusions

Indexation of normative monetary valuation of land plots introduced in 2000 with the use of consumer price indices for goods and services (inflation indices) has no relation to the amount of rent income from land plots, according to the approved norms which determines the monetary value of specific land plots.

Applying for the period of annual indexation of land valuation (1996-2015) inflation indexes as criteria for determining the size of the normative monetary valuation with a cumulative coefficient of 10.05 for arable land and 5,728 for other agricultural and non-agricultural land led to an unjustified increase in the corresponding assessment in 10 and 5.7 times and the corresponding increase in the level of payment for land (land tax and rent).

Due to the fact that the land valuation is determined only by the size of capitalized rental income, the indexation of the valuation should be canceled, using inflation indices in the country as a whole and make appropriate amendments to the Tax Code of Ukraine.

Bibliography

1. Dovidnyk iz zemleustroi; za red. L.Ia. Novakovskoho. — 4-te vyd., pererob. i dop. — K.: Ahrar. nauka, 2015. — S. 485 – 488.
2. Zakon Ukrainy «Pro platu za zemliu»//Zemelne zakonodavstvo Ukrainy. — K.: Urozhai, 2002, kn. 1. — S. 304.
3. Zakon Ukrainy «Pro otsinku zemel». — VVR, 2004. — № 15, st. 229.
4. Indeks inflatsii (Ukraina) 2000 – 2015. [Elektr. resurs]. — rezhym dostupu: index.minfin.com.ua
5. Materialy do Kruhloho stolu «Metodychne zabezpechennia normatyvnoi hroshovoi otsinky zemel silskohospodarskoho pryznachennia» [Elektr. resurs]. — rezhym dostupu: naas.gov.ua
6. Metodyka hroshovoi otsinky zemel silskohospodarskoho pryznachennia ta naselenykh punktiv, zatverdzhena postanovoiu Kabinetu Ministriv Ukrainy vid 23.03.1995 r. № 213//Zemelne zakonodavstvo Ukrainy. — K.: Urozhai, 2002, kn. 2. — S. 36.
7. Metodyka hroshovoi otsinky zemel nesilskohospodarskoho pryznachennia (krim naselenykh punktiv). — Tam samo. — S. 93.
8. Metodyka ekspertnoi hroshovoi otsinky zemelnykh dilianok. Metodychni osnovy hroshovoi otsinky zemel v Ukraini: navch. posib./Iu.F. Dekhtiarenko, M.H. Lykhohrud, Yu.M. Mantsevych, Yu.M. Palekha. — K.: Profi, 2007. — S. 52
9. Metodyka normatyvnoi hroshovoi otsinky zemel silskohospodarskoho pryznachennia (proekt) 23.06.2015 r. [Elektr. resurs]. — rezhym dostupu: land.gov.ua
10. Miroshnychenko A.M., Marusenko R.I. Naukovopraktychnyi komentar Zemelnogo kodeksu Ukrainy, 5-te vydannia, zminene i dopovnene. — K.: Alerta, 2013. — 544 s.
11. Natsionalna dopovid shchodo zavershennia zemelnoi reformy; za nauk. red. L.Ia. Novakovskoho. — K.: Ahrar. nauka, 2015. — S. 32.
12. Osnovy ekonomiky zemlekorystuvannia/I.O. Novakovska. — K.: VTs «Prosvita», 2013. — S. 95 – 105.
13. Podatkovyi kodeks Ukrainy (VVR, 2011, № 13 – 14, 15 – 16, № 17, st. 112).
14. Postanova Kabinetu Ministriv Ukrainy vid 31.10.2011 r. № 1185. [Elektr. resurs]. — rezhym dostupu: zakon5.rada.gov.ua/go/1185 – 2011.