

Ukraine 2M18 budget revenue drops 0.5%, 6% below plan

Ukraine

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Analyst: "Hopefully, improved economic growth in the following months will boost revenues and prevent the government from resorting to bad practices."

KYIV, Mar 5, 2018.-. Ukraine's state budget revenue dropped 0.5% yoy to UAH 115.5 bln in 2M18, which is 5.8% below plan, Concorde Capital informed clients based on a State Treasury report on March 2. A 10.7% yoy tax revenue drop to UAH 70.8 bln - amid VAT reimbursement growth of 38.5% yoy to UAH 23.6 bln - resulted in a 24.2% yoy net tax revenue fall to UAH 47.2 bln. At the same time, customs revenue surged 23.1% yoy to UAH 49.7 bln. For 2M18, the collections of Ukraine's State Fiscal Service were 6.4% below plan as net tax revenue dropped 16.0% below the plan while customs revenue outperformed the plan by 5.2%. Local budget revenue swelled 18.1% yoy to UAH 34.3 bln in 2M18 and exceeded the plan by 1.8%. Social payments (personal income tax and Pension Fund contributions paid by employers) jumped 31.1% yoy to UAH 32.3 bln. Concorde analyst Evgeniya Akhtyrko added: "The significant drop in tax revenues, amid high VAT reimbursement, looks worrisome as some political forces could use this situation as a pretext for halting VAT reimbursement or for inventing some surrogates for direct cash reimbursement (e.g. VAT bonds). Should this happen, exporters's revenue will decline, resulting in smaller foreign currency inflow to the country. To improve the situation with tax collection, the tax authorities might also increase pressure on businesses by using more methods of "manual" collection instead of an automatic regime. Hopefully, improved economic growth in the following months will boost revenues and prevent the government from resorting to bad practices.

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