

Ukraine's Parliament Backs Import Tax Hike to Blunt Budget Crisis

By [The Moscow Times](#)

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A law would add 10 percent duty to taxes on food imports and an extra 5 percent on other imports excluding strategic imports such as gas.

KIEV — Ukraine's parliament gave preliminary approval on Thursday to a law that would simplify tax legislation and impose additional duties on imports in an effort to raise revenue amid economic crisis.

Ukraine's foreign currency reserves have more than halved since the start of the year to a 10-year low, due to gas debt repayments to Russia and efforts to support its struggling currency, the hryvnia.

Remaining reserves stand at just under \$10 billion, barely sufficient to cover two months of imports.

Some deputies argued the new law would unfairly increase prices for Ukrainians, many

of whom are already struggling to make ends meet as the economy teeters on the edge of bankruptcy.

Finance Minister Natalia Yaresko said import duties could generate 17.6 billion hryvnia (\$1.1 billion) for next year's draft budget, which is already forecast to show a deficit of 3.7 percent of GDP.

"There is no other option. Otherwise there won't be a budget for 2015," she told parliament.

The Ukrainian parliament is under pressure to approve a budget as soon as possible in order to get the next tranche of financial aid under a \$17 billion International Monetary Fund loan package.

Higher import duties would make it harder for foreign firms to sell their products in Ukraine, but Yaresko said the European Union and Ukraine's other Western backers understood Kiev's need to support its economy.

"It's understood that this step is temporary because we have such a problem with our balance of payments ... all international sides have no problem [with it]," she said.

The new law would add 10 percent duty to taxes on food imports and an extra 5 percent on other imports excluding strategic imports such as gas.

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