

MILITARY BONDS

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Abstract: *The article examines the modern possibilities of purchasing military bonds in Ukraine and their importance for the economy and society of the country as a whole.*

Key words: war bond, investment, interest income, securities

The Russian Federation's aggression against Ukraine created a financial crisis and significantly deepened the state budget deficit. In addition to foreign financial assistance, attracting funds on a loan basis in the national currency will have the least critical consequences for the state. Therefore, it is important for Ukraine at the moment to use effective financial instruments to support the economy, which can be supported by the country's population.

State domestic debt securities of Ukraine can be represented as domestic state loan bonds and treasury bills. By Resolution of the Cabinet of Ministers of February 25, 2022 No. 156 On the issue of bonds of the internal state loan "Military Bonds", it was decided to carry out state internal borrowing in the amount of up to 400 billion hryvnias through the phased issuance of bonds of the internal state loan "Military Bonds" with the following basic conditions:

- nominal value of one bond - 1000 hryvnias;
- coupon period - one year;
- income rate - 11 percent per annum;
- term of circulation - up to 15 years.

Funds raised from the placement of bonds are credited to the state budget. Military bonds are state securities issued by the government to support the Armed Forces and the economy of Ukraine during the war. There are several issues of domestic state loan bonds (OVDP) from the Ministry of Finance of Ukraine, which is considered the issuer. The money from the purchase of such bonds is used to support the Armed Forces of Ukraine and uninterrupted provision of the state's financial needs under martial law. Citizens of Ukraine over the age of 18 can purchase military bonds [1].

A bond is similar to a loan, as it is a debt instrument that represents the issuer's obligation to repay the debt. Like a share, a bond brings income (interest or coupon; investment profit is the difference between the purchase price of the bond and the nominal value), but the difference is that the share is a share instrument that gives the right to receive dividends in case the issuer makes a corresponding decision. and also gives the right to participate in the management of the company through voting at the general meeting of shareholders.

There are two types of bonds. The first type - bonds sold at a price below par, but repaid (paid to the client) at par. Such a bond does not provide interest (coupons). The second type is bonds, for which the owner of the bonds is paid not only the nominal value at maturity, but also regular interest (coupons). Interest is paid only on coupon OVDP, with a periodicity of once every 182 days on a clearly established date and in a clearly established amount. Bonds can be purchased at any time, but interest will be paid on a clearly established date, regardless of the date and price of the bond.

The price of the bond can be both less and more than the nominal value. The purchase price consists of the nominal value + premium (if the nominal yield is greater than the current one), or discount (if the nominal yield is lower than the current one) + accumulated coupon income [2].

Banks trading OVDP must have a license for professional activities in the capital markets for trading in financial instruments, which involves dealer activity. Some banks are primary dealers in the purchase of OVDP bonds at auctions of the Ministry of Finance of Ukraine [3]. The results of auctions for the sale of OVDP are announced on the MFU website [4]. Thus, the auction of November 22, 2022 allowed to attract UAH 1.18 billion to the State Budget of Ukraine (Table 1).

Table 1

The result of the OVDP auction of November 22, 2022 for military bonds in the national currency*

The period of attraction of funds	Rate, %	Involved in the State Budget, million hryvnias
6 months	14,00	236
1 year	14,00	13
1,2 years	18,50	12
2 years	19,25	918
Total		1180

* according to the Ministry of Finance of Ukraine, source: bonds.gov.ua

OVDP are recorded in non-documentary form, i.e. not in paper form. Proof of ownership of the OVDP is a securities account statement from a depository institution (for example, a bank). OVDPs are registered on personalized accounts, in case of liquidation of the depository institution, OVDPs will be transferred to any other depository institution at the direction of the owner of the securities. The income of the OVDP owner is not subject to personal income tax and is not included in the total monthly (annual) taxable income of an individual. Not taxed:

- interest income (coupon) accrued on domestic state loan bonds (clause 165.1.2 of the Tax Code of Ukraine - PKU);

- investment income (the difference between the income from the sale and the costs of purchasing OVDP) from operations with bonds of the domestic state loan (clause 165.1.52 of the PKU) [2].

Usually, at auctions, primary dealers buy military bonds in large volumes, after which they sell them to their clients on the so-called secondary market. Primary dealers are banks, including state and financial institutions, investment funds. In some investment funds and companies, the purchase of military bonds is more attractive than in banks. Since the minimum volume of securities is not established, and there are no commercial commissions for such transactions.

The amount of income received by the taxpayer as interest accrued on bonds of the domestic government loan and investment profit from operations with these papers is also not subject to military levy taxation.

To date, military bonds are the most effective investment in support of the Armed Forces of Ukraine, protection from inflation, which will allow you to preserve the territorial integrity of Ukraine, the economy and save savings. The mechanism for issuing military bonds launched by the Ministry of Finance of Ukraine is a real financial aid to the Armed Forces of Ukraine and the state during the war, as well as an opportunity for everyone who wants to help the defenders of the state, at the same time, on the conditions of returning the invested funds with obtaining a profit for their use by the state.

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