

THE TAX SYSTEM OF UKRAINE IN THE TRANSITION ECONOMY

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Urgency of the research. Taxes and the tax system are the most important issues that concern the society and always cause wide resonance. This question applies to every citizen, entrepreneur, state budget employee, touches the interests of all social groups from oligarchs to working pensioners. The topicality of the study of the tax system of Ukraine in the conditions of social and economic transformation is due to the objective need for a quality tax policy aimed at increasing social welfare.

Target setting. The formation of the competitive economic structure of the society requires a fair system of filling the budget and trust funds, which must be provided by the state tax system. This system should be neutral to business and should not reduce the incentives to work for both employees and entrepreneurs. Therefore, at the stage when it is needed to accelerate the economic development in the conditions of the integration of Ukraine into the European Union, it is particularly important to implement a functioning tax system, which will be adequate to the social and economic conditions in Ukraine and will correspond with the principles and standards of the EU.

Actual scientific researches and issues analysis. Among the foreign authors, who investigated the essence and principles of the functioning public finance and made a significant contribution to the development of the theoretical and practical foundations of taxation, we should note James M. Buchanan [1], R. Musgrave [1], Stephen Smith [2]. The works of contemporary domestic authors V. Andrushchenko [3], Z. Varnaliia [3; 4], O. Desiatniuk [5], Y. Ivanov [3; 5], A. Krysovatyi [5], M. Krupka [6], I. Lukianenko [7; 8], I. Liutyi [9], L. Sidelnykova [10], A. Sokolovska [11], I. Chuhunov [12] proposed the approaches to reforming the tax system of Ukraine, however, some issues of the functioning of the modern tax system need to be clarified.

Uninvestigated parts of general matters defining. Recognizing the significant contribution of these researchers to the study of theoretical, methodological and practical aspects of the formation and functioning of the state tax system, the issues of improving the theoretical substantiation and practical issues of the functioning of the modern tax system, and proper application of tax instruments for the regulation of investment processes remain relevant.

The research objective. The purpose of the article is to highlight the theoretical and practical principles of building a tax system of the state in the context of the transformation of the economy, to identify the main directions of the improvement of the Ukrainian tax system and tax instruments for the regulation of investment processes in Ukraine.

The statement of basic materials. After gaining independence, Ukraine began to form a tax system based on the European models and tax practices. At the same time, the transition from the Soviet command and administrative model of economy to the market economy is accompanied by social, political and financial problems, which are defined by the peculiarities of the country that carries out its own, unfortunately, extremely slow way of transition.

The tax system of Ukraine was formed on the basis of the need to solve complex social and political tasks caused by the post-Soviet heritage – economic problems and burdensome consequences of overcoming the Chernobyl catastrophe. Now, there is even an additional burden connected with the need to withstand Russian aggression. Therefore, the priorities of fiscal goals in taxation have always prevailed other goals of social and economic development.

It should be noted that the formation of a modern tax system did not manage to avoid errors and problems caused by the consequences of the past. With the ability of the tax system to provide more than 80% of the revenues to the

consolidated budget (see Table 1) the tax collection process is organized basing on the old command and administrative methods, although somewhat updated due to the technological progress. The authors of the collective monograph "Reforming of the Tax System of Ukraine: Theory, Methodology, and Practice" mention that "the Ukrainian tax system is not free from the errors and presence of elements that are the consequences of the past system" [3, p.39].

Among domestic scholars, there is some discrepancy in the views on the definitions of "tax system" and "taxation system". Thus, the authors of the monograph "Tax Administration in Ukraine: Condition, Problems, Prospects for Development" (2017) state, "If the tax system is the collection of taxes, fees, other mandatory payments and contributions to the budgets and state trust funds, then the system taxation is a wider concept."

The notion of "taxation system" is understood as the set of interconnected and interdependent taxes, fees, other

mandatory payments and contributions to the budgets and state funds, the principles, forms and methods for their establishment, modification, calculation, payment and collection, administration and cancellation." [6, p.14]. And vice versa, A. Krysovatyi, [5, p.39] consider the system of taxation as the element of the tax system.

In our opinion, these concepts are identical. The tax system of the state cannot exist without taxes, fees, mandatory payments, and state administrative apparatus aimed at executing these tasks (Fig.1). Moreover, the term "taxation system" in the current Tax Code of Ukraine is not used.

Proceeding from the fact that the scientific definition should be a concise expression of the essence of the phenomenon, and reflect the most significant qualitative characteristics of the subject, in determining the tax system, we propose to allocate the following components: direct taxes, fees, mandatory payments, management apparatus and tax legislation. These components provide the formation of tax

Table 1

The Structure of the Tax Revenues of the Consolidated Budget of Ukraine in 2012-2016, in %

Indicators	2012	2013	2014	2015	2016
Total tax revenues, including:	80,93	79,94	80,58	77,85	83,13
<i>Taxes on income, profits, taxes on the increase of market value, of which</i>	27,81	28,71	24,65	21,32	25,42
Tax and payment on personal income	15,28	16,29	16,49	15,33	17,73
Corporate income tax	12,52	12,42	8,81	5,99	7,69
<i>Rents and fees for the special use of natural resources</i>	3,94	6,52	7,37	6,43	5,95
<i>Internal taxes on goods and services, of which</i>	39,79	37,25	40,37	38,23	43,08
Excise tax on excisable goods (products) produced in Ukraine, including a special tax on the transactions in alienation of securities and derivatives transactions	6,43	6,26	6,19	5,95	7,04
Excise tax on imported excisable goods (products) imported into the customs territory of Ukraine	2,19	2,02	3,70	3,73	4,47
Value added tax on goods (works, services) produced in Ukraine	8,35	7,16	6,96	6,09	6,90
Value added tax on goods imported into the territory of Ukraine	22,81	21,80	23,52	21,28	23,18
<i>Taxes on international trade, of which</i>	2,96	3,01	2,76	6,18	2,60
Import duty	2,91	3,00	2,72	6,12	2,55
Export duty	0,05	0,02	0,05	0,06	0,05
Total consolidated budget revenues	100,00	100,00	100,00	100,00	100,00

Source: composed and calculated basing on [14]

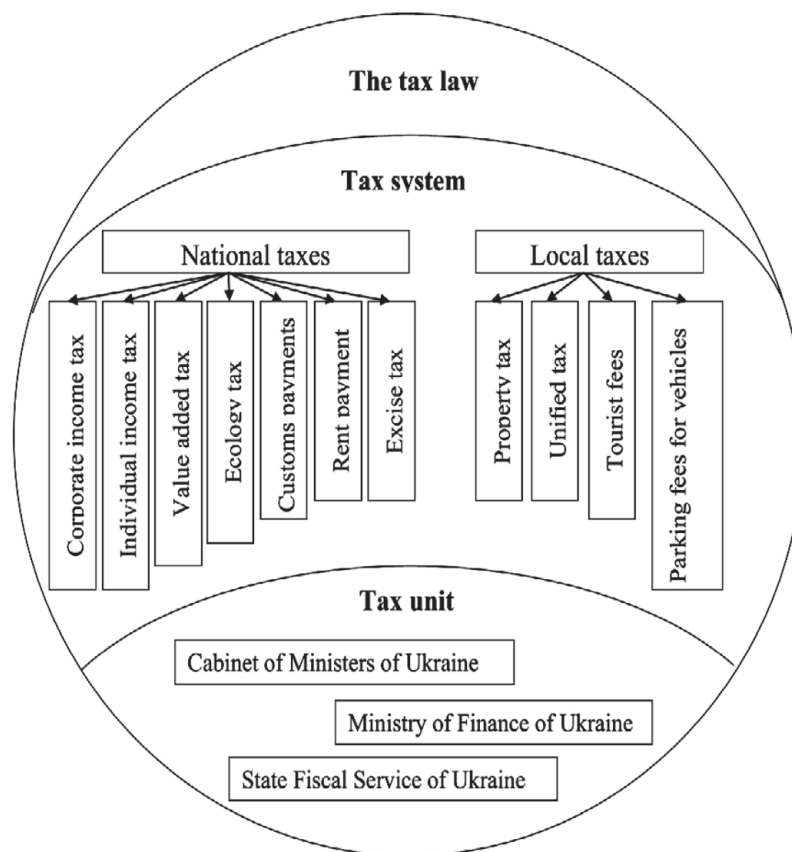


Fig. 1. The composition of the tax system of Ukraine

relations between different social groups: payers – employers, payers – local authorities, employers – central and local authorities’ bodies, and others.

Paragraph 6.3. of the Tax Code of Ukraine states, “The aggregate of national and local taxes and payments collected in accordance with the procedure established by this Code is the tax system of Ukraine.” [13].

In a broader sense, the tax system is the collection of taxes, fees, and mandatory payments, which are set in accordance with the Tax Code and other legislative acts, and are subordinated to the government.

Each system has a purpose, a task, goals of functioning, and specific features that are directed by a certain management system to get the desired result. The purpose of the tax system is to mobilize a part of the GDP to the budgets and state specific funds, to the disposal of state and local government bodies to ensure the fulfillment of their functions and influence on social and economic processes.

The tax system is managed on the basis of the current legislation by the Cabinet of Ministers of Ukraine and the Ministry of Finance of Ukraine, to which the State Fiscal Service of Ukraine, the State Treasury Service of Ukraine, and the State Financial Monitoring Service of Ukraine are subordinated. Each body has its own specific functions and performs tasks that are in the field of functioning of the tax system.

The normative legal basis for the functioning of the tax system is the Constitution, the Codes, laws, decrees, and resolutions, which establish the legal basis for its functioning. At the state level, the following normative acts form the development of the tax system of Ukraine: the Constitution of Ukraine, Budget Code of Ukraine (which defines the mechanism for enrollment of tax payments to the budgets), Economic Code of Ukraine, Tax Code of Ukraine, Customs Code of Ukraine, Law of Ukraine “On the Collection and Accounting of the Unified Contribution for the Mandatory State Social Insurance”, and others.

According to the international classification of tax revenues, the following groups of tax payments are distinguished: taxes on profit, income (position 1000); taxes on wages and labor (position 3000); property taxes (position 4000); taxes on goods and services (goods position 5000); others (position 6000); mandatory payments to the social insurance fund, which are treated as taxes (position 2000) [14].

The budget classification of tax revenues in Ukraine is developed in accordance with the international norms, and allows to distinguish the following most important groups of tax revenues. For fiscal value in 2016, the first place is occupied by the group of domestic taxes on goods and services, which includes VAT and excise tax; it reached its highest value for the last 5 years – 43.08%. The second place is occupied by

the taxes on income and profit – 25.42%, 3rd place – by rent payments – almost 6%. The significant increase in the share of taxes on international trade in 2015 was due to the introduction of a temporary additional duty on imported goods. Since the revenues from the property tax group forms less than 1% in the income structure, we have not distinguished these revenues in this table.

It is worth to distinguish the elements of the tax system – taxes, fees, mandatory payments, management apparatus, legislation, and tax elements that determine the internal content of this financial category. Table 2 identifies tax elements according to the current Tax Code of Ukraine.

It should be noted that tax sanctions are also an important element of the taxation, because the lack of control and lack of responsibility for timely payment of taxes worsens tax discipline. Thus, when studying the mechanism of taxation, it is important to understand its functioning by distinguishing the main elements of the tax: taxpayers, objects of taxation; tax bases; tax rates; tax calculation procedure; tax periods; terms and order of tax payment; terms and procedure for reporting about tax calculation and payment. At the same time, each tax has its special additional elements, which provide a mechanism for the functioning of a specific tax.

The introduction of a simplified system for taxation of small businesses – the unified tax as an alternative to the general tax system in 1999 – can be seen as a small step towards the development of entrepreneurship in Ukraine. It helped to legalize and additionally create thousands of jobs, and by drawing from the “shadow” the part of the income of a small business, significantly increased the revenues to local budgets from the taxation of the activity of newly created enterprises and incomes of individuals-entrepreneurs. Due to the inclusion in the unified tax of a fixed agricultural tax in 2015, its share in local budget revenues in 2016 amounted to 10.1%. [16] At the same time, in recent years, taxpayers have been subject to tax increases for small businesses, since tax payments are set as a percentage of the minimum wage that the government substantially increased in 2017 and this trend continues in 2018.

At the same time, the positive effects of the simplified tax system are undermined by the fact that large taxpayers use it for the reduction of the tax burden and do not declare a portion of income, by the inability to control the volume of transactions, non-transparent system of property, and its regressive character with respect to the income of taxpayers. A simplified taxation system enables small business entities

Table 2 **Components of the tax according to Section 1 of the Tax Code of Ukraine [11]**

Tax component name	Characteristics of the tax component
Tax payers	Individuals (residents and non-residents of Ukraine), legal entities (residents and non-residents of Ukraine) and their separate units that have, receive (transmit) tax objects or carry out activities (transactions) that are the subject to taxation and which are obliged to pay taxes and fees.
Object of taxation	Property, goods, income (profit) or part of it, turnover from the sale of goods, operations for the supply of goods and other objects specified by the tax law, the presence of which the tax law associates with the duty of paying taxes.
Base of taxation	Specific cost, physical or other characteristics of a particular tax object to which the tax rate applies and which are used to determine the amount of the tax liability.
Tax rate	The size of the tax revenues per unit of measurement of the tax base: there are absolute (tax rate, according to which the tax amount is set as a fixed value for each unit of measurement of the tax base) and relative (tax rate, according to which the amount of tax is set in percentage or multiples to the unit value of the tax base) tax rates.
The procedure for calculating the tax	The calculation of the amount of tax is carried out by multiplying the tax base with the tax rate with / without applying the appropriate coefficients.
Tax period	The established period of time, in accordance with which the calculation and payment of certain types of taxes and fees is made. The tax period may be a calendar year; calendar semester; calendar three quarters; calendar quarter; calendar month; calendar day.
The term and procedure for paying the tax	The period, which starts from the date of the taxpayer's tax liability for the payment of a specific tax type and ends on the last day of the period during which such a tax or fee must be paid in accordance with the procedure established by the tax law.
The term and procedure for submission of reports on calculation and payment of tax	The tax declaration is submitted for the reporting period within the established deadlines to the body of the State Tax Service, in which the taxpayer is registered.
Tax benefit	The tax and customs legislation provides for the taxpayer to be exempted from the obligation to calculate and pay taxes and fees, pay less taxes and fees if there are certain grounds for that defined by the Tax Code of Ukraine.

Source: composed basing on the Tax code of Ukraine [13]

not only to reduce the tax burden caused by the need to pay a numerical list of taxes, but also to protect them against tax arbitrariness of fiscal authorities, and to reduce the time and effort for tax and accounting reporting.

Conclusions. The effectiveness of taxation depends to a large extent on the level of control over the payment of taxes and the tax culture of citizens. Consequently, promising directions of improvement of the tax system of Ukraine can be measures aimed at reforming tax bodies, which would be guided by the best European models, and organization of explanatory and educational work with the taxpayers of different age groups.

The fundamental disadvantage of the Ukrainian tax system is the inequality in taxation, the discretionary use of tax rules. The work of the tax service is aimed at those taxpayers who are easy to verify, while some groups evade tax payments. Therefore, some taxpayers carry the excessive tax burden, while others – the minimum one or do not pay taxes at

all. It is worth taking into account the experience of German tax officers who constantly inspect big taxpayers, but small companies – only one time every 30-50 years.

For a country with a transformational economy, the implementation of fundamental principles in the construction of the tax system is an extremely difficult task. At the same time, in recent years, Ukraine has managed to eliminate certain distortions in the fiscal sphere: the achievements can include a significant reduction in the single social payment in 2016, the introduction of an automatic VAT refund system, and the introduction of a moratorium on small business audits.

The theoretical concept of conscious regulation of social and economic processes through taxes is to a large extent the task for the future and requires the achievement of certain temporary compromises regarding the prospects for the formation of an optimal structure of the tax system aimed at the balance of interests of all social groups.

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SUMMARY

The relevance of the study of the tax system is due to the objective need for qualitatively new instruments of taxation influence on economic development. Nowadays, the tax system of Ukraine is predominantly fiscal; since fiscal and other functions of taxes are interrelated in inverse proportion, their implementation is problematic. Therefore, despite the existence of the thorough research of the tax system of the state, there is a need to substantiate the essence, objectives, principles and criteria of the effectiveness of this complex and large-scale process. Exploration of the theoretical and practical principles of the state tax system development in

the context of the economy transformation, defines the main directions of the improvement of the tax system of Ukraine.

The article specifies the peculiarities of the formation of the tax system of Ukraine, considers the components of the tax and describes them. It emphasizes the need to control the timely payment of taxes and fees. The article determines the deficiencies of the domestic tax system, such as inequality in taxation and discretionary application of tax norms. The efforts for the improvement of the tax system of Ukraine should be aimed at reforming tax authorities, which should correspond with the best European models, and at organization of educational work with the taxpayers of different age groups.