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ANALYSIS OF INDIRECT TAXATION IN UKRAINE: MODERN STATE AND DIRECTIONS OF IMPROVEMENT

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The article is devoted to the analysis of the current situation of indirect taxation in Ukraine. The authors have analyzed the structure and dynamics of indirect taxes for last three years. In addition, the role of state budget revenues of Ukraine was investigated. It identified drawbacks of indirect taxation and the way of its improvement. It is noticed that most of the revenues of the state budget of Ukraine one provided by indirect taxes. The analysis conducted in this article allows to conclude that there are serious shortcomings in the tax system, such as a decline in economic growth and investment activity in the country. The administration system of the country is not able to stop the possibility of tax evasion in full measure. Possible solution of this problem is improving of the organization of tax control in Ukraine and the rates differentiation of indirect taxes depending on the level of consumption of certain goods and income of consumers.

Keywords: tax system, tax, indirect tax, good and service tax, excise tax, tax code of Ukraine.
indirect taxation in the formation of the state budget of Ukraine, to identify the advantages and disadvantages of indirect taxation.

The main part

The purpose of the article is to analyze the current state of indirect taxation in Ukraine, as well as in the analysis of the structure and dynamics of indirect taxes for the past three years, covering the role of indirect taxation in the formation of the state budget of Ukraine, to identify the advantages and disadvantages of indirect taxation. A significant role in ensuring the implementation of the state functions of regulating economic processes belong taxes. They are, first, provide the financial base of the state, and secondly - is the main means to achieve its economic and social interests.

![Classification of indirect taxes](https://example.com/fig1)

**Fig. 1. Classification of indirect taxes**

*Source: Compiled by the author according to the material [4]*

According to the economic nature of the indirect taxes are divided into:

1) excises – this is an indirect tax on certain goods (products), which are included in the price of goods (products) (value added tax and excise tax)

2) duties – is an indirect tax on goods and other items that cross the border of Ukraine.

They are set in a surcharge on the customs value of the goods.

In scope of application the indirect taxes are divided into:

According to the economic nature of the indirect taxes are divided into:

1) excise tax – this indirect tax on certain goods (products), which are included in the price of goods (products) (VAT and excise tax)

2) duties – an indirect tax on goods and other items that cross the border of Ukraine [5].

They are installed in the form of allowances to the customs value of these goods. In the scope of indirect taxes are divided into:

1) universal – an indirect tax levied on all goods and services, other than those which is exempt from taxation. Universal indirect tax in the tax system of Ukraine is considered to be the value added tax;

2) specific – an indirect tax levied only those goods and services, the list of which defined by the legislation. The specific indirect taxes in the tax system of Ukraine is the excise tax and duty.

On the mechanism of foreclosure indirect taxes are divided into:

1) single-stage – an indirect tax levied once at a certain stage product turnover. These indirect taxes in Ukraine are excise taxes and duties.

2) multi – an indirect tax to be collected at each stage of the trade – the value added tax.

If there is a cumulative (cascade) effect of indirect taxes are divided into:

1) cascade – indirect taxes collection mechanism which provides for the re-taxation of goods and services at all stages of their treatment;

2) does not cascade – indirect taxes collection mechanism which eliminates the possibility of re-taxation of goods and services, providing the same tax revenues for the same goods and services, regardless of the number of stages of their treatment on the way from producer to consumer [4].

Indirect taxes play an important role in the state forming the largest share of revenues of the State Budget of Ukraine (table 1).

The table shows that the main source of income of the state budget of Ukraine (SBD) are tax revenues, which during 2013 – (third quarter) 2016. They have a tendency to grow. This suggests tax burden distribution mainly in consumer products, and to a lesser – on its manufacturer. So in 2013, part of tax revenues in the SBD was 81.78%, in 2014 the proportion of tax revenue accounted for 78.46%, in 2015 part of tax revenue and decreased slightly was 76.58%, but in the III quarter of 2016 it reached 87.38% of the value.

Among tax revenues particularly important role played by indirect taxes, share in earnings SBD was in 2013 – 52.17%, in 2014 – 55.05%, in 2015 – 52.72%. In the third quarter of 2016 the share of indirect taxes has increased and is 60.84%. 

The Ukrainian tax system identifies two groups of taxes: direct and indirect.

Direct taxes are paid by payers’ income and property. The amount of tax payers caused property condition of.

Indirect taxes are included in the price of goods and service, their amount for each taxpayer is determined by consumer and is not dependent on his income.

Indirect taxes are ones of the most important and complex taxes that exist in the national tax system. In the context of solving fiscal problems indirect taxes are always more effective then direct ones. Indirect taxes are divided into four attributes, each of which has two types (fig. 1).
It should also be noted that the dominant role in filling the GBU plays VAT. VAT volume is increasing every year: in 2013 VAT was 128 269 300 000 UAH, or 37.83%, in 2014 – 139 024 300 000 UAH, or 38.93%, in 2015 – 178 452 000 000 UAH, or 33.38%, in 2016 – 168,440.00 million UAH or 41.33%. However, despite the growth of rate, the VAT has some drawbacks, which today remain unresolved.

1. High level of tax rates. In Ukraine, the relatively high and in fact a single VAT rate – 20% (in addition to a 7% rate on medicines), which ensures the effectiveness of fiscal function, but actually implements other VAT functions. It is known that the highest bid does not stimulate economic activity, but rather hinders it.

2. The VAT refund problem. The volume of VAT refunds – this means reducing the state budget revenues, and thus reduce the fiscal significance of VAT. Amount of compensation VAT payers it up about a third of the collection of this tax [7].

3. Availability of unreasonably large amount of the VAT exemptions, purpose of which is opaque, and the control process – difficult.

4. The need to conduct a VAT number as the accounting and tax accounting. In order to determine the amount of VAT payable to the budget, the company organized a mandatory tax accounting of VAT tax invoices by compiling and maintaining the register of received and issued tax bills, which complicates the work of accountants.

5. The emergence of shadow schemes of evasion from payment of VAT. Minimizing VAT acquired critical volume, as evidenced by the poor performance of tax for quite a limited number of tax benefits, which should ideally be the only factor reducing performance [8].

All of the problems indicate that the VAT collection mechanism is still imperfect and needs further reform. To solve these problems the state needs:

1. Further improve legislation in the sphere of VAT. This will further eliminate low-quality characteristics of the current legislation, ensuring the stability of the legal framework and its systematization in the Tax Code of Ukraine.

2. The elimination of inefficient VAT exemptions. Although the list of benefits in Ukraine economically and socially justified, the question arises about the effectiveness and efficiency of their provision. Obviously, it is necessary to go to practice, which is used in most European countries. It is to reduce the rate of VAT with simultaneous elimination of most exemptions. This refutes the administration of the tax procedure and restores the principle of its validity [9].

3. Ensuring timely VAT compensation and the creation of conditions to prevent the new debt.

4. Improvement of the VAT administration processes. Automate the exchange of information on VAT system for better control of financial flows. This system will allow enterprises to quickly receive a confirmation of VAT from their trading partners, monitor and control the movement of goods between the companies for detection tax offenses.

Of course, the implementation of the proposed measures would lead to a decrease in VAT revenues in the first years of its implementation, but in the future, thanks to these measures, it is possible to achieve the legalization of goods flows, to increase consumption and to expand the tax base.

In the structure of tax revenue essential weight also has an excise tax, which, like VAT, is an indirect, that is paid, ultimately, is not the product manufacturer, and its buyer. It belongs to the category of specific excise duties which differ from those of VAT, which shall be established for certain types of goods by differential rates. This tax is levied on consumer goods, non-essentials, and level of profitability is high enough. This tax is primarily designed to perform a regulatory function, since it is able to influence the volume of production and consumption of excisable goods, such as alcohol, tobacco, fuel, electricity, vehicles [9].

Table 1. Structure of revenues of the State Budget of Ukraine

<table>
<thead>
<tr>
<th>№</th>
<th>Source of income</th>
<th>2013 year</th>
<th></th>
<th>2014 year</th>
<th></th>
<th>2015 year</th>
<th></th>
<th>2016 year (III quarter)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Million UAH</td>
<td>%</td>
<td>Million UAH</td>
<td>%</td>
<td>Million UAH</td>
<td>%</td>
<td>Million UAH</td>
</tr>
<tr>
<td>1</td>
<td>Total revenues</td>
<td>339057.6</td>
<td>100</td>
<td>357084.2</td>
<td>100</td>
<td>534648.5</td>
<td>100</td>
<td>407551.4</td>
</tr>
<tr>
<td>2</td>
<td>Tax revenues</td>
<td>277266.1</td>
<td>81.78</td>
<td>280178.2</td>
<td>78.46</td>
<td>409417.5</td>
<td>76.58</td>
<td>356098.1</td>
</tr>
<tr>
<td>3</td>
<td>Direct taxes</td>
<td>87360.6</td>
<td>25.77</td>
<td>71623.8</td>
<td>20.06</td>
<td>119642.1</td>
<td>22.37</td>
<td>107650.9</td>
</tr>
<tr>
<td>4</td>
<td>Indirect taxes, including</td>
<td>176897.87</td>
<td>52.17</td>
<td>196573.8</td>
<td>55.05</td>
<td>281863.8</td>
<td>52.72</td>
<td>247965.7</td>
</tr>
<tr>
<td>5</td>
<td>VAT</td>
<td>128269.3</td>
<td>37.83</td>
<td>139024.3</td>
<td>38.93</td>
<td>178452.4</td>
<td>33.38</td>
<td>168440.0</td>
</tr>
<tr>
<td>6</td>
<td>Excise tax</td>
<td>35363.1</td>
<td>10.43</td>
<td>44940.8</td>
<td>12.59</td>
<td>63110.6</td>
<td>11.8</td>
<td>65058.5</td>
</tr>
<tr>
<td>7</td>
<td>Duty</td>
<td>13265.47</td>
<td>3.91</td>
<td>12608.7</td>
<td>3.53</td>
<td>40300.8</td>
<td>7.54</td>
<td>14467.2</td>
</tr>
<tr>
<td>8</td>
<td>Other taxes and fees</td>
<td>13008.43</td>
<td>3.84</td>
<td>11980.6</td>
<td>3.36</td>
<td>7911.6</td>
<td>1.48</td>
<td>481.5</td>
</tr>
<tr>
<td>9</td>
<td>Non-tax revenue</td>
<td>50845.8</td>
<td>14.99</td>
<td>68355.2</td>
<td>19.14</td>
<td>119960.3</td>
<td>22.44</td>
<td>47196.2</td>
</tr>
<tr>
<td>10</td>
<td>Other income</td>
<td>10944.9</td>
<td>3.23</td>
<td>8550.8</td>
<td>2.4</td>
<td>5270.7</td>
<td>0.99</td>
<td>4257.1</td>
</tr>
</tbody>
</table>

Source: Compiled by the author according to the material [6]
During 2013-2016 (third quarter) years. In Ukraine, there is an increase in the excise tax, and also his share of the income SBD: 2013 figures were 35363100000 UAH, and 10.43% in 2014 44940800000 UAH, and 12.59%, respectively, in 2015 63110600000 UAH, and 11.8%, but compared with 2014, its share decreased in the III quarter 2016 – 65058500000 UAH, and 15.96%.

Despite the relatively high value of the excise tax income SBD, today in Ukraine is a tendency to use different payers of excise tax avoidance schemes from paying it. One of the peculiarities of the tax legislation on excise taxes in Ukraine is the presence of industrial exemptions. Excise tax exemptions include automotive and wine industry. Another and more significant feature is a tax exemption for certain types of goods or transactions. All of the problems of the excise tax in Ukraine in need of reform.

Ukraine needs in reform because of all the considered problems of the excise tax.

In order to improve the excise tax in Ukraine needs to:

- to systematize and apply the same methodological approach in the legislation concerning the levying of excise duty and to the tax code;
- enter the gradual increase in the size of tax rates, including through improving the rate of indexation mechanism set out in the national currency;
- improving the system of exemptions from payment of excise tax for the assessment of the appropriateness and effectiveness of their existence;
- strengthening of technical requirements and methods of control over production and turnover of excisable goods in order to prevent evasion of excise taxation.

The next indirect tax is a duty. The collection’s purpose of customs duties has a protective and fiscal nature. Protective character is to protect national producers. Fiscal character consists in recovery of duty for income in the national budget.

Dynamics of customs duties during the 2013-2016 (third quarter) years, it is ambiguous and does not have a distinct tendency to change. The share of customs payments is relatively low and ranges from 3.50-7.54% income of SBU in 2013. The amount of duty in Ukraine was 13265.47 million UAH, in 2014 it was 12608.7 million UAH, in 2015 the largest amount of duty Reported 40300.8 million UAH, in III quarter 2016 were received from the customs tax 14467.2 million UAH.

In Ukraine, the customs tax requires further development of customs control, this indicates that you need to change the concept of the customs authorities and settle the problems of legislative regulation of customs control, as still operate outdated regulatory inconsistencies that violate the consistency of tax and customs legislation, many regulations ineffective. In this situation it is necessary to apply the subtleties of international legal standards, it will use a lot of experience of foreign countries in accordance with our traditions, our mentality and scientific achievements of our scientists and lawyers to collect duties and all customs duties [8-10].

There is no procedure for collecting duties in the Customs Code of Ukraine. Anchoring at the legislative level, the collection's mode of taxes and other charges must be transparent to make the customs system of the country, to create guarantees for the state and other subjects of foreign economic activity.

Delivered in the foreword of the Customs Code of Ukraine (CCU) control objectives namely need to:

1) to protect the economic interests of Ukraine;
2) to protect the rights and interests of all business entities and citizens;
3) to ensure full compliance with the legislation of Ukraine, which is impossible without the creation of the necessary procedural rules concerning the use of all bodies of customs law.

The rules of levying duties and other taxes for moving goods across the customs border should get its consolidation at the legislative level. This will give additional guarantees for the state and the subjects of foreign economic activity. Critical is the adoption of the law in accordance with the CCU of which must be taken into account and rules of collection of customs duties.

For today several problems remain that affect the current state of customs and tariff regulation, namely:

- a significant distinction in the rates of import duty amounts to the same goods;
- establishment of combined and specific rates of import duty in spite of the specificity of the supply;
- the large number of unnecessary exemptions from payment of customs duty;
- ignoring the line ministries and departments of the basic principles and approaches to the preparation of legislation [10-13].

It is necessary to seek opportunities for collaboration between the State Customs Service, the Ministry of Finance and the State Tax Administration, for this it is necessary to create a single database containing:

1) the existing data on the implementation of the state budget;
2) the obligations of taxpayers to the budget of the state;
3) the tax history of all economic agents, it optimizes the oversight of the payment of taxes and other duties, both within the state and when crossing the border.

Another potential area of work of the State Fiscal Service is the definition and use of the simplified procedure for the application of customs clearance procedures in respect of certain resident companies [8-10].

Having considered all the problems on duty, you can suggest some changes to the current legislation and to provide for:

- strengthening of public authorities control the granting of customs privileges in order to avoid unjustified tax exemption;
Abstract

In the study collected and systematized statistical information about the data of indirect taxes for 2013-2016 (III quarter), and studied its trend.

The object of study is the system of indirect taxation in Ukraine, and the subject is the efficiency of its functioning.

There are investigated the role of indirect taxes in formation of a profitable part of the state budget of Ukraine; the study revealed that indirect taxes provide most of the income. The dominant role in filling the state budget of Ukraine plays a goods and services tax, on the second place are the excise tax, in third place are the customs duties. Tax receipts tend to increase for 2013-2016 (III quarter). However, indirect taxes have several disadvantages, in spite of the growth of all indicators. These deficiencies remain unresolved to date.

First of all, this situation shows the distribution of the tax burden mainly on consumers, and less on the manufacturers. Secondly, it of the ineffectiveness of the current tax system, tax legislation and administration. Thirdly, it shows the decline in economic growth and investment activity in the country.

All these shortcomings have a negative impact on the tax system of Ukraine. There is a decrease in solvency of consumers, reducing consumption of market goods and services and, ultimately, the reduction of the paid amounts of indirect taxes, because the increase in the tax burden on the economy increases.

The improving of the legislation in the sphere of indirect taxation, improvement of administration process, rational change in tax rates, the elimination of inefficient benefits, increasing control of public authorities over the taxes payment in Ukraine will allow to stimulate economic development of the country, to create conditions for attracting investment, developing private business, help reduce tax burden, to obtain a stable income to the State budget, and the like.

JEL Classification: H 22.

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