

environmental tax proves the thesis that the tax administration institute covers not only the provisions of the general part of the Tax Code of Ukraine, but also the provisions of a special part of the code. They, in turn, organically supplement and develop the general provisions of tax administration, determining the specifics of the procedure in the context of a specific payment.

**Key words:** environmental tax, legal nature, administration, tax elements.

УДК [657.1:341.1]

S. SALIY

*Solomiya Saliy, a post-graduate student of Ivan Franko National University of Lviv*

## REFORMING THE TAXATION SYSTEM IN TERMS OF INTERACTION WITH INTERNATIONAL FINANCIAL ORGANIZATIONS

**Problem statement.** An important aspect of Ukraine's interaction with international financial organizations (*hereinafter – IFOs*) is the reform of the taxation sphere, because the success of the implementation of economic programs and projects depends on the fullness of the State Budget of Ukraine. The relevance of the tax reform is stated in the Strategy for Sustainable Development “Ukraine–2020” of January 12, 2015, that defines that the purpose of the tax reform is the creation of the tax system that is simple, economically fair, with a minimum of time to calculate and pay taxes, creates the necessary conditions for the sustainable development of the national economy, ensures sufficient filling of the State Budget of Ukraine and local budgets.<sup>1</sup>

**Setting objectives.** The purpose of the article is to analyze the international commitments of Ukraine in the sphere of taxation, that allows to define two key directions of interaction with international financial organizations, which are the reform of the material and procedural part of the tax law.

**Analysis of recent researches and publications.** The basis of the theoretical consideration of this work was laid by the results of researches: S. Lazur, Y. Bugrimova, Y. Fedchishin, O. Kuzmenko, M. Plugatyr, O. Khotenko and others. Analytical statistics and reports, that are published on the official Internet pages of international financial organizations and public administration bodies, are used as well.

**Presenting the main material.** The study of Ukraine's international commitments makes it possible to identify two key directions of interaction with international financial organizations in the area of taxation. The first one is the reform of the material part of the tax law and the second direction is the reform of the procedural part of the tax law. Based on this, cooperation with the IFOs aims at achieving the following objectives: 1) reforming the tax system and 2) reforming the tax administration procedure. Therefore, we will analyze the main amendments and changes in these areas that have been implemented to meet international obligations.

**1. Reforming the tax system.** The establishment of the modern tax system in Ukraine is related to the adoption of the Law of Ukraine “On the Taxation System” in 1991, that became the basis for further development of the tax system. However, it should be noted that at this stage Ukraine did not cooperate with the IFOs because the first projects of the IMF and the World Bank began to be implemented in 1995, that recommended to pursue tough fiscal policy, abolish special tax privileges, improve the legal regulation of the corporate income tax and value added tax etc.,<sup>2</sup> but the choice of mechanisms for the implementation of these recommendations rests on the Ukrainian side. Starting from 2010, the provisions relating to the tax area are becoming more detailed in the program documents with the IMF and the World Bank.

For execution of the provisions of the IMF Stand-By Program in 2010, changes and amendments to the tax legislation were introduced in order to reduce the deficit of the state-owned sector in 2010 to 5.5% of GDP. In particular, the excise duty on gasoline, filter cigarettes and various types of alcoholic beverages were increased; restrictions on the transfer of losses in 2009 were set, which otherwise could “blur” the 2010 income tax on corporate profit tax. In addition, the Government was committed to expand the tax base and to ensure greater uniformity of the taxation system, reducing the threshold of turnover for taxpayers under the simplified system of taxation up to UAH 300,000 for individuals; to provide timely and complete VAT refunds for all applications.<sup>3</sup> Definitely, an important event in the context of unification of the taxation system was the adoption of the Tax Code of Ukraine of 02.12.2010, that replaced a large number of legislative acts on taxation.

At the same time, according to the Law of Ukraine “On Amendments to the Tax Code of Ukraine and Certain Legislative Acts of Ukraine on Tax Reform” of 28.12.2014 No. 71-VIII the number of taxes and fees was reduced from 22 to 9 as an important step towards the liberalization of the tax system that improves business conditions and simplifies the financial reporting system.<sup>4</sup>

Subsequently, the main directions of Ukraine's cooperation with the IMF in reforming Ukraine's tax system are defined in the framework of the "Extended Fund Facility" (EFF) program of March 2, 2017 and focus on the following aspects: tax administration reform, including strengthening the requirements for simplified taxation and cancellation of a moratorium on tax audits and labor inspections of small enterprises, an increase of fines for informal employment and strengthening the quality of inspections.<sup>5</sup>

While the Concept of Partnership with Ukraine for 2017–2021 fiscal years with the World Bank Group determines that the taxation system and the pension system remain the main sources of fiscal vulnerability. It states that despite the recent reforms, the taxation system remains difficult and unfair and there is the need for wider tax reform: the expansion of the tax base; the elimination of individual exceptions and gaps, including the strengthening of international tax mechanisms, that counteract erosion of the tax base, as well as strengthening of tax administration.<sup>6</sup>

For execution of the recommendation on the expansion of the tax base the Order of the Cabinet of Ministers of Ukraine "On Approval of the Action Plan for Implementation of the Strategy for Reforming the Public Finances Management System for 2017–2020" of 24.05.2017 was adopted, that envisages the elaboration of a plan of measures to counteract strategies and tax practices of tax base erosion and income tax deduction (BEPS) in the following areas: combating tax abuses related to the use of special tax regimes; avoidance of abuses during the application of tax conventions; increasing the effectiveness of dispute settlement mechanisms for the application of double taxation treaties between countries.<sup>7</sup>

One of the commitments is to reform the simplified taxation system. For its implementation it is stated in the Strategy for Reforming the Public Finances Management System for 2017–2020, that it is necessary to review the conditions for the application of the simplified taxation system in relation to categories of persons, types of activity, volume of income and tax rates. More attention will be paid to introducing indirect methods for controlling the income of citizens and expanding the basis of property taxation.<sup>8</sup> However, for the present time the changes are more technical, but the issue of systemic reformation of the simplified taxation system is not completed.

The Law of Ukraine "On Amendments to the Tax Code of Ukraine and Certain Legislative Acts of Ukraine on Tax Reform" of 28.12.2014 No. 71-VIII sets a moratorium on conducting inspections of enterprises, institutions and organizations, individuals-entrepreneurs (the volume of income to UAH 20 million in the previous calendar year) by the State Fiscal Service of Ukraine and its territorial bodies, the State Audit Office of Ukraine and its territorial bodies.<sup>9</sup>

The Memorandum on Economic and Financial Policies under the IMF's "Extended Fund Facility" (EFF) program of March 2, 2017 provides the lifting of the moratorium on tax audits and labor inspections of small enterprises, an increase of fines for unofficial recruitment and increasing the quality of inspections.<sup>10</sup> According to Art. 2 of the Law of Ukraine "On the Temporary Peculiarities of the Implementation of State Supervision (Control) in the Sphere of Economic Activities", a moratorium on carrying out by the state supervision (control) bodies of planned measures for the execution of state supervision (control) in the sphere of economic activities was implemented until December 31, 2018.<sup>11</sup>

One of the recommendations of international financial organizations is the creation of a transparent administration system and VAT refunds. It is important to overcome the difficulties dealing with control of the accrual, payment and refunds of VAT, as well as reducing the risk of tax manipulation leading to non-payment or groundless VAT refund.

In addition, the procedure for paying advance payments was changed in accordance with the Law of Ukraine "On Amendments to the Tax Code of Ukraine and Certain Legislative Acts of Ukraine regarding the Balance of Budget Revenues in 2016" No. 909-VIII of December 24, 2015, by excluding the provision providing for a monthly payment of advance payments of corporate income tax.

**2. Reforming the procedure for tax administration.** First of all, it deals with reforming the State fiscal service of Ukraine in terms of increasing transparency of its functioning and accountability, as well as strengthening the institutional mechanism. It should be noted that the formation of the State Fiscal Service of Ukraine, its institutional, functional and organizational development took place during the cooperation with the IMF and the World Bank Group, however, at the beginning of the interaction, the issue of the State fiscal service of Ukraine activities was considered indirectly in the context of the implementation of the state fiscal policy (the term "State Fiscal Service of Ukraine" is used as a generalization for the denotation of the State Tax Service of Ukraine (1990–1996), the State Tax Administration of Ukraine (1996–2000), the State Tax Service of Ukraine (2010–2012) and the Ministry of Revenues and Fees of Ukraine (2012–2014)). However, the ineffectiveness of tax administration, the lack of quality interaction and information provision between taxpayers and controlling authorities led to the need to find ways to reform the State Fiscal Service of Ukraine.

The main guidelines for the reform of the State fiscal service of Ukraine are set out in the Memorandum on Economic and Financial Policies under the IMF's "Extended Fund Facility" (EFF) program of March 2, 2017. The Memorandum states that the main purpose of reform is to increase the transparency, accountability,

efficiency and integrity of the State Fiscal Service of Ukraine and transform it into an organization that provides revenue collection services.<sup>12</sup>

In addition, in June 2017, an International Council of the representatives of the EU, Germany, Canada, the USA, as well as the EBRD and the IMF, that monitors the reform process, identifies priorities, coordinates working groups and provides expert support, was established. This makes it possible to assess the progress of transformation of the State Fiscal Service of Ukraine objectively, increases attention and confidence in changes, that are based on world practices and are under the control of independent experts.<sup>13</sup> To realize this goal, the following tasks are foreseen:

– the Key Performance Indicators system was implemented and the transparency and accountability of the State Fiscal Service of Ukraine was increased by changing its subordination, because the Regulation on the State Fiscal Service of Ukraine, approved by the Resolution of the Cabinet of Ministers of Ukraine of May 21, 2014 No. 236, stipulated that the State Fiscal Service of Ukraine is directed and coordinated by the Cabinet of Ministers through the Minister of Finance.<sup>14</sup> An external audit of IT systems and the State Fiscal Service of Ukraine databases will be also conducted to ensure the integrity of information system operations (IT systems) and the supervision of the Ministry of Finance of Ukraine over the State Fiscal Service of Ukraine IT operations;<sup>15</sup>

– the next measure stipulated in the Memorandum is the full merger of tax and customs administrations into a single legal entity by the end of March 2017 and the consolidation of regional tax and customs authorities into a single office, one for each region, by the end of March 2017.<sup>16</sup> In this context, the Ministry of Finance of Ukraine has developed the Concept for reforming the system of bodies implementing the state tax and customs policy of 29.03.2017. However, on January 11, 2018, the Government abolished the decisions concerning the reform of the system of state tax and customs policy bodies, as well as the reorganization of the territorial offices of the State Fiscal Service of Ukraine.<sup>17</sup> It means that, in fact, the reform in this direction has been suspended;

– the Memorandum states that the Ministry of Finance of Ukraine and the State Fiscal Service of Ukraine are currently in the process of harmonization of the methodology and mechanism for accelerating inspections of State Fiscal Service of Ukraine staff. After that, by the end of March 2017, a new model of financing of the State Fiscal Service of Ukraine will be approved to ensure an adequate level of salaries of already-tested State Fiscal Service of Ukraine specialists.<sup>18</sup>

It is also important to note that one of the key innovations planned to be launched in 2020 is the automatic exchange of information between fiscal authorities on non-resident financial accounts according to the international standard (Common Reporting Standard) developed by the OECD and endorsed by the G20.<sup>19</sup> Today the most common way is to exchange tax information on request based on the Convention on Mutual Administrative Assistance in Tax Matters of 1988, to which Ukraine acceded in 2009; bilateral tax information exchange treaties; the relevant provisions of the conventions on the avoidance of double taxation. Transmissions are subject only to the data referred to in the request, provided that their transmission is substantiated and accurately corresponds to the international instrument on which the exchange of information is carried out.<sup>20</sup>

In addition, the direction of work under the IMF's "Extended Fund Facility" (EFF) program of March 2, 2017, as well as in accordance with the Association Agreement between Ukraine, on the one hand, and the European Union, the European Atomic Energy Community and their member states, on the other hand, is a comprehensive reform of the customs authorities. Given this, one of the strategic directions of development till 2020 is the State Customs Service and border cooperation, acceleration of customs formalities, integration of Ukraine into the common European transit area and optimization of transit procedures, strengthening of risk management system and targeted control, development of law enforcement functions in the customs direction.<sup>21</sup>

One of the measures to overcome corruption, fight against smuggling and violation of customs rules, automate the work of customs services, simplify customs procedures was the introduction of automated system "single window" of February 1, 2018 during the customs clearance of goods and vehicles, which greatly simplifies and shortens the time for customs procedures, because of a single electronic database that allows controlling bodies to interact in an automatic mode.<sup>22</sup> In addition, in order to implement the provisions stipulated in the Memorandum, a draft Law of Ukraine "On Amendments to the Customs Code of Ukraine regarding the bringing of transit procedures in accordance with the Convention on a Single Mode of Transit and the Convention on Facilitation of Trade in Goods" was prepared.

One of the important commitments of Ukraine in the framework of cooperation with the IMF is the creation of the new civil service responsible for investigating financial crimes against the state under the management of Ministry of Finance to replace the current tax police and consolidate all powers to combat financial crimes against the state in one agency, while avoiding duplication of functions.<sup>23</sup>

For execution of this provision, the Draft Law of Ukraine "On Amendments to the Tax Code of Ukraine" was adopted on December 21, 2016, which provided the liquidation of the tax police and the creation of a new body – the Financial Police. Due to a technical error, the section "Tax police" from the Tax Code of Ukraine

was deleted, which legally led to the delegalization of the tax police. However, in fact, the tax police continues to function before the creation of the Financial Police, therefore one of the priority issues is the final elimination of the tax police and the creation of a new analytical body to combat financial crimes against the state – the Financial investigation Service (a draft Law of Ukraine on the National Bureau of Financial Security of Ukraine 2351-VIII of March 20, 2018<sup>24</sup>).

At the same time, an important aspect of ensuring compliance with tax legislation and the stability of budget revenues is a qualitative improvement of the taxation system, active development of IT infrastructure and simplification of procedures related to the administration of taxes, fees and payments. Undoubtedly, such measures are necessary components of increasing tax discipline, strengthening confidence in fiscal authorities, and preventing tax evasion as well. That is why this issue is an important direction of Ukraine's cooperation with international financial organizations.

A striking example of the simplification of tax compliance is the introduction of the electronic filing and electronic payment of taxes with the help of the automated system called “Single Window of Electronic Reporting”, which simplifies the financial reporting in general. In this context, the strategic goal is the introduction of modern information technology and the further development of conditions for increasing the possibility of electronic submission of tax reporting. Carrying out high-quality consulting and explanatory work allows taxpayers to correctly apply the legal provisions in practice, to pay taxes in a timely manner and to prevent violations. On the other hand, it contributes to restoring confidence in the State Fiscal Service of Ukraine as an open and transparent institution.

**Conclusions.** Within the framework of cooperation with international financial organizations, a large-scale tax reform is being implemented, that involves reforming certain strategic areas: expanding the tax base and strengthening international tax mechanisms; reform of the simplified taxation system; income tax reform; the reform of the State Fiscal Service of Ukraine, the customs authorities of Ukraine and the Financial Police; simplification of tax compliance procedures, etc.

<sup>1</sup> Про Стратегію сталого розвитку «Україна–2020» Указ Президента України; Стратегія від 12.01.2015 № 5/2015. – URL: <http://zakon0.rada.gov.ua/laws/show/5/2015> (дата звернення 24.08.2018)

<sup>2</sup> Press Release: IMF Approves Three-Year Extended Fund Facility for Ukraine. – URL: <http://www.imf.org/en/News/Articles/2015/09/14/01/49/pr9838> (дата звернення 24.08.2018).

<sup>3</sup> Україна: Лист про наміри. Мінфін України, Національний банк, Кабінет Міністрів України; Лист, Заходи, Меморандум від 16.07.2010. – URL: [http://zakon3.rada.gov.ua/laws/show/890\\_005](http://zakon3.rada.gov.ua/laws/show/890_005) (дата звернення 24.08.2018).

<sup>4</sup> Про внесення змін до Податкового кодексу України та деяких законодавчих актів України щодо податкової реформи. Верховна Рада України; Закон від 28.12.2014 № 71-VIII. – URL: <http://zakon3.rada.gov.ua/laws/show/71-19> (дата звернення 24.08.2018).

<sup>5</sup> Лист про наміри від 2 березня 2017 року. Україна: Меморандум про економічну і фінансову політику. – 34 с. – С. 14. – URL: <https://bank.gov.ua/doccatalog/document?id=46564506> (дата звернення 24.08.2018).

<sup>6</sup> Концепція партнерства Світового банку з Україною на 2017-2021 фінансові роки. 96 с. – URL: <http://documents.worldbank.org/curated/en/501881501141799939/pdf/114516-UKRAINIAN-PUBLIC-WBUkraineCPFUKR.pdf> (дата звернення 24.08.2018).

<sup>7</sup> Про затвердження плану заходів з реалізації Стратегії реформування системи управління державними. Кабінет Міністрів України; Розпорядження, План, Заходи від 24.05.2017 № 415-р. – URL: <http://zakon5.rada.gov.ua/laws/show/415-2017-%D1%80> (дата звернення 24.08.2018).

<sup>8</sup> Про схвалення Стратегії реформування системи управління державними фінансами на 2017–2020 роки: Розпорядження Кабінету Міністрів України від 8 лютого 2017 р. № 142-р. – URL: <http://zakon0.rada.gov.ua/laws/show/142-2017-%D1%80> (дата звернення 24.08.2018).

<sup>9</sup> Про внесення змін до Податкового кодексу України та деяких законодавчих актів України щодо податкової реформи. Верховна Рада України; Закон від 28.12.2014 № 71-VIII. – URL: <http://zakon3.rada.gov.ua/laws/show/71-19> (дата звернення 24.08.2018).

<sup>10</sup> Лист про наміри від 2 березня 2017 року. Україна: Меморандум про економічну і фінансову політику. – 34 с. – С. 14. – URL: <https://bank.gov.ua/doccatalog/document?id=46564506> (дата звернення 24.08.2018).

<sup>11</sup> Про тимчасові особливості здійснення заходів державного нагляду (контролю) у сфері господарської діяльності. Верховна Рада України; Закон від 03.11.2016 № 1728-VIII. – URL: <http://zakon5.rada.gov.ua/laws/show/1728-19> (дата звернення 24.08.2018).

<sup>12</sup> Лист про наміри від 2 березня 2017 року. Україна: Меморандум про економічну і фінансову політику. – 34 с. – URL: <https://bank.gov.ua/doccatalog/document?id=46564506> (дата звернення 24.08.2018).

<sup>13</sup> Бугрімова Я. Реформа фіскальної служби. Місія здійснена. – URL: [https://dt.ua/finances/reforma-fiskalnoyi-sluzhbi-misiya-zdiysnenna-267385\\_.html](https://dt.ua/finances/reforma-fiskalnoyi-sluzhbi-misiya-zdiysnenna-267385_.html) (дата звернення 24.08.2018).

<sup>14</sup> Про Державну фіскальну службу України. Кабінет Міністрів України; Постанова, Положення від 21.05.2014 № 236. – URL: <http://zakon3.rada.gov.ua/laws/show/236-2014-%D0%BF> (дата звернення 24.08.2018).

<sup>15</sup> Лист про наміри від 2 березня 2017 року. Україна: Меморандум про економічну і фінансову політику. – 34 с. – С. 15–16. – URL: <https://bank.gov.ua/doccatalog/document?id=46564506> (дата звернення 24.08.2018).

<sup>16</sup> Там само. – С. 16.

<sup>17</sup> Уряд скасував низку актів, без яких неможлива реформа ДФС, Мінфін. – URL: [https://espreso.tv/news/2018/01/16/uryad\\_skasuvav\\_nyzku\\_aktiv\\_bez\\_yakyykh\\_nemozhlyva\\_reforma\\_dfs\\_minfin](https://espreso.tv/news/2018/01/16/uryad_skasuvav_nyzku_aktiv_bez_yakyykh_nemozhlyva_reforma_dfs_minfin) (дата звернення 24.08.2018).

<sup>18</sup> Лист про наміри від 2 березня 2017 року. Україна: Меморандум про економічну і фінансову політику. – 34 с. – URL: <https://bank.gov.ua/doccatalog/document?id=46564506> (дата звернення 24.08.2018).

<sup>19</sup> Автоматичний обмін інформацією між фіскальними органами планується розпочати з 2020 року. – URL: <https://www.kmu.gov.ua/ua/news/250306535> (дата звернення 24.08.2018).

<sup>20</sup> Гордіюк І. Міжнародний обмін податковою інформацією. – URL: [https://www.asterslaw.com/ua/press\\_center/publications/international\\_exchange\\_of\\_information\\_in\\_tax\\_matters/](https://www.asterslaw.com/ua/press_center/publications/international_exchange_of_information_in_tax_matters/) (дата звернення 24.08.2018).

<sup>21</sup> Стратегічні ініціативи розвитку до 2020 року. – URL: <http://sfs.gov.ua/media-tsentr/novini/322784.html> (дата звернення 24.08.2018).

<sup>22</sup> Деякі питання реалізації принципу “єдиного вікна” під час здійснення митного, санітарно-епідеміологічного, ветеринарно-санітарного, фітосанітарного, екологічного, радіологічного та інших видів державного контролю. Постанова КМУ від 25 травня 2016 р. № 364. – URL: <https://www.kmu.gov.ua/ua/pras/249107456> (дата звернення 24.08.2018).

<sup>23</sup> Лист про наміри від 2 березня 2017 року. Україна: Меморандум про економічну і фінансову політику. – 34 с. – URL: <https://bank.gov.ua/doccatalog/document?id=46564506> (дата звернення 24.08.2018).

<sup>24</sup> Проект Закону про Національне бюро фінансової безпеки України № 8157 від 19.03.2018. – URL: [http://w1.c1.rada.gov.ua/pls/zweb2/webproc4\\_1?pf3511=63676](http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=63676) (дата звернення 24.08.2018).

### Резюме

**Салій С.Л. Реформування системи оподаткування в умовах взаємодії з міжнародними фінансовими організаціями.**

У статті проаналізовані основні положення системи оподаткування, що прийняті в умовах взаємодії з міжнародними фінансовими організаціями. Досліджено два ключових напрями взаємодії з міжнародними фінансовими організаціями у сфері податків – це реформування матеріальної (податкової системи) та процедурної частини податкового права (порядку адміністрування податків).

**Ключові слова:** система оподаткування, міжнародні фінансові організації, податкова система, публічні фінанси, податкова реформа, адміністрування податків.

### Резюме

**Салій С.Л. Реформирование системы налогообложения в условиях взаимодействия с международными финансовыми организациями.**

В статье проанализированы основные положения системы налогообложения, принятые в условиях взаимодействия с международными финансовыми организациями. Исследовано два ключевых направления взаимодействия с международными финансовыми организациями в сфере налогов – это реформирование материальной (налоговой системы) и процедурной части налогового права (порядка администрирования налогов).

**Ключевые слова:** система налогообложения, международные финансовые организации, налоговая система, публичные финансы, налоговая реформа, администрирование налогов.

### Summary

**Saliy S. Reforming the taxation system in terms of interaction with international financial organizations.**

In this article the main provisions of the taxation system adopted in terms of interaction with international financial organizations are analyzed. Two key areas of interaction with international financial organizations in the field of taxation are explored: the reform of the material (tax system) and the procedural part of tax law (the procedure of tax administration).

**Key words:** taxation system, international financial organizations, tax system, public finances, tax reform, administration of taxes.