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CHANGES IN THE TAX LEGISLATION OF UKRAINE DURING MARTIAL LAW

ЗМІНИ ПОДАТКОВОГО ЗАКОНОДАВСТВА УКРАЇНИ ПІД ЧАС ВОЄННОГО СТАНУ

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Селіванова Н.М., Григор'єва А.В., Пробняк О.Є. Зміни податкового законодавства України під час воєнного стану. Оглядова стаття.

Стаття присвячена дослідженню сутності функціонування податкової політики в Україні під час воєнного стану. Розглянуті основні дослідження і публікації вітчизняних вчених-науковців, охарактеризовані різні трактування податкової політики, її методи, принципи та підходи. Охарактеризовано основні положення щодо розширення можливостей представників бізнесу під час воєнного стану. Розглянуто основні зміни податкового законодавства України під час воєнного стану стосовно суб'єктів малого бізнесу, а саме фізичних осіб підприємців. Оцінено умови функціонування податкової політики України в воєнний час. Надані основні тимчасові обмеження та нові податкові реформи, які запровадив Уряд для підтримки економіки, а саме для фізичних осіб підприємців, адже саме вони потерпають на сьогоднішній день найбільше на ряду із великим бізнесом.

Ключові слова: податкова система, платник податків, оподаткування, податкові органи, податковий агент, податкові пільги, держава, воєнний стан

Selivanova N.M., Hryhorieva A.V., Probynyak O.E. Changes in the Tax Legislation of Ukraine During Martial Law. Review article.

The article is devoted to the study of the essence of the functioning of tax policy in Ukraine during martial law. The main studies and publications of domestic scientists-scientists are considered, various interpretations of tax policy, its methods, principles and approaches are characterized. The main provisions on expanding the opportunities of business representatives during martial law are described. The main changes in the tax legislation of Ukraine during the martial law in relation to small business entities, namely individual entrepreneurs, are considered. The conditions of functioning of the tax policy of Ukraine during wartime are evaluated. The main temporary restrictions and new tax reforms introduced by the Government to support the economy, namely for individual entrepreneurs, because they suffer the most today, along with big business, are provided.

Keywords: tax system, taxpayer, taxation, tax authorities, tax agent, tax benefits, state, martial law

Problem solving. As a result of Russia's invasion of Ukraine on February 24, 2022, the country suffered considerable destruction, which led to economic decline.

Doing business in certain regions became impossible, and in the consumer market panel behavior has grown considerably. The government has decided to introduce temporary restrictions and new tax reforms to support the economy and prevent panic. The government decided to introduce temporary restrictions and new tax reforms to support the economy and prevent panic. The relevance of the mentioned topic made it necessary to consider new trends that will allow determining the future of tax legislation in the future conditions of martial law.

Analysis of recent researches and publications

The question of the state of the modern tax system and directions for its improvement was considered by the following Ukrainian scientists: G.A. Biletskaya, L.N. Burkova, T.V. Yefimenko, Yu.M. Melnychuk, L.V. Trofimova and others. The problem of researching ways to improve the tax system, taking into account the modern conditions of the market economy in connection with the annual changes in the legislation of Ukraine and the modern European integration of Ukraine, is extremely urgent.

Unsolved aspects of the problem

The works of the presented scientists highlight current issues regarding the development and formation of the tax system in Ukraine under the conditions of constant changes in the regulatory framework of our country. But the issue of changes in the tax system of Ukraine during the martial law has

not been studied much, which determined the relevance and choice of the topic of this article. Despite the great achievements of domestic scientists in the world of modern events, the study of Ukraine's experience in tax reform during martial law requires special attention. Changes in the system of taxation of the activity of individual entrepreneurs are especially in need of research, since they are the ones who suffer the biggest losses today, along with large businesses.

The aim of the article is to study the peculiarities of changes in the tax legislation of Ukraine in terms of taxation of small business entities under martial law.

The main part

The tax system is a key element of the country's economy, as it ensures its vital activities and acts as a tool for influencing socio-economic processes. Taxes significantly affect the level of financial security of the country and contribute to the development of the financial system from the point of view of the socio-economic stability of society, the state, regions, businesses, and citizens.

The essence of tax policy is interpreted differently in economic systems that had different prerequisites for development. In particular, researchers of Western economic systems focus on its fiscal content within the framework of current measures in the field of

taxation [1]. However, taxes have not only a fiscal meaning, but also a regulatory, social, and distributive meaning, so fiscal policy is a narrower and rather erroneous concept, since tax policy is characterized by a much wider spectrum of action and influence.

The Tax Code of Ukraine defines tax policy as "...state activity in the field of establishment, legal regulation and organization of tax payments and tax payments to centralized funds of state monetary resources" [2]. However, these characteristics are more characteristic of the field of tax law in the context of action in the field of the tax mechanism.

Ukrainian scientists express different, sometimes diametrically opposed views on the economic essence of tax policy. The interpretation of tax policy by domestic scientists is considered in more detail in figure 1.

So, three directions can be distinguished in the interpretation of the economic essence of tax policy. We will consider this issue in more detail in figure 2.

Taking into account a wide range of opinions, it can be argued that tax policy is a strategic plan for the use of a set of functional tools of economic influence, which is implemented in the field of taxation on the basis of certain norms of tax legislation in the field of the tax mechanism in order to ensure the effective implementation of the tax system.

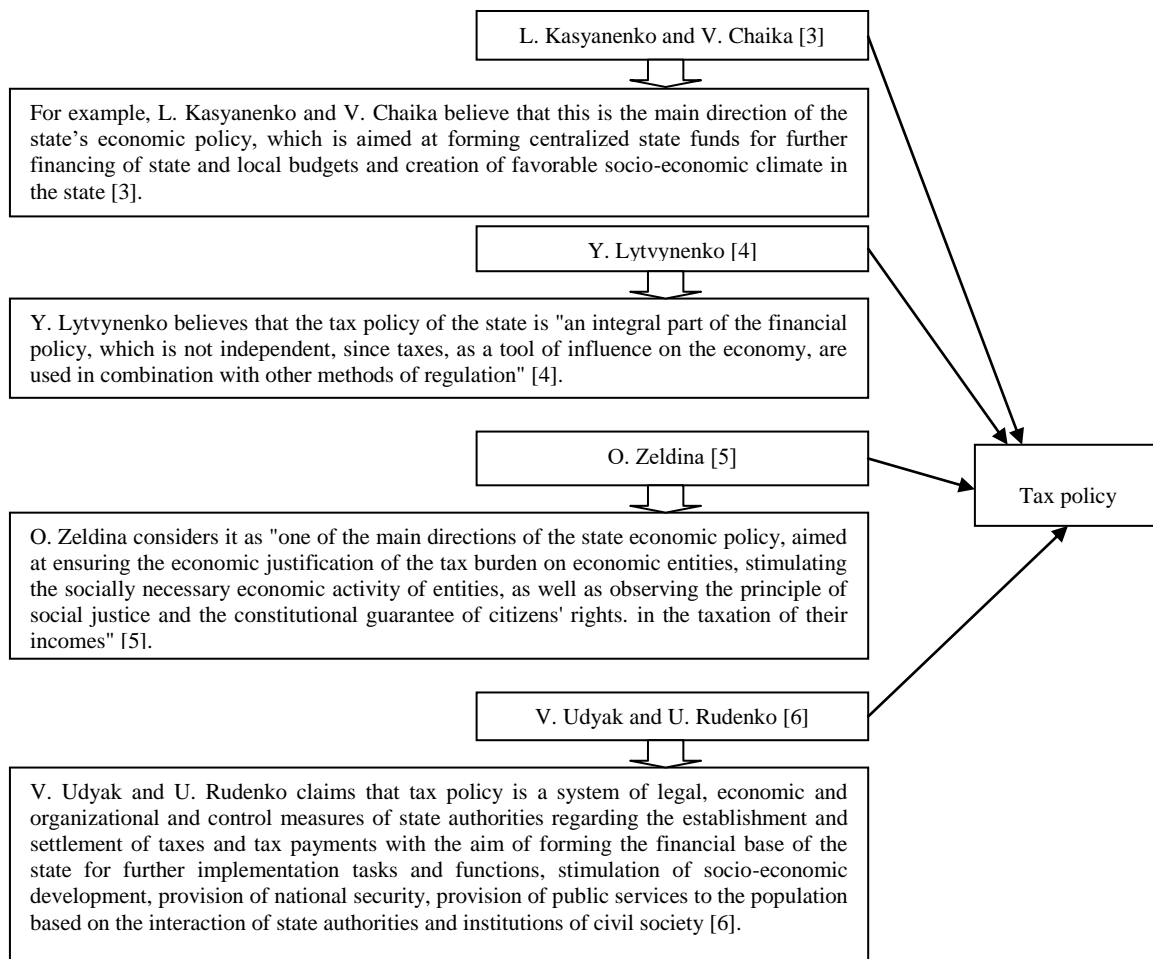


Figure 1. Interpretation of the definition of "tax policy" by different authors
Source: compiled by authors on materials [3-6]

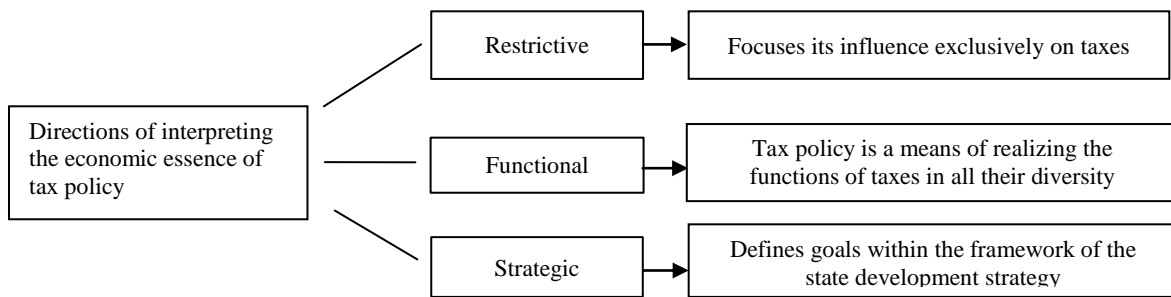


Figure 2. Interpretation of the economic essence of tax policy
Source: compiled by authors on materials [1-4]

The invasion of the aggressor country into Ukraine on February 24, 2022, which was accompanied by irreparable loss of population, occupation of territories, destruction of infrastructure, including educational and medical institutions, cultural heritage, houses, roads, as well as mass migration of the population, including abroad, provoked a number of negative consequences for the Ukrainian economy. The main ones include: an increase in the consumer price index, a drop in exports and imports, a disruption in supply chains, a drop in the country's GDP, etc. In addition, these factors are associated with significant expenditures of the country's budget on social assistance, restoration of destroyed infrastructure facilities, and military

expenditures. The support of the EU countries and the world cannot fully compensate for such significant costs, and therefore Ukraine needs ways to supplement the budget from internal sources. One such source is tax revenue from domestic business.

On March 15, 2022, the state took one of the first and most important steps regarding financial support for business during martial law - it adopted the Law "On Amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the validity of norms during martial law" (Law of Ukraine No. 2120-IX (2022) [7]). See Figure 3 for more details on the main provisions on expanding the opportunities of business representatives during martial law.

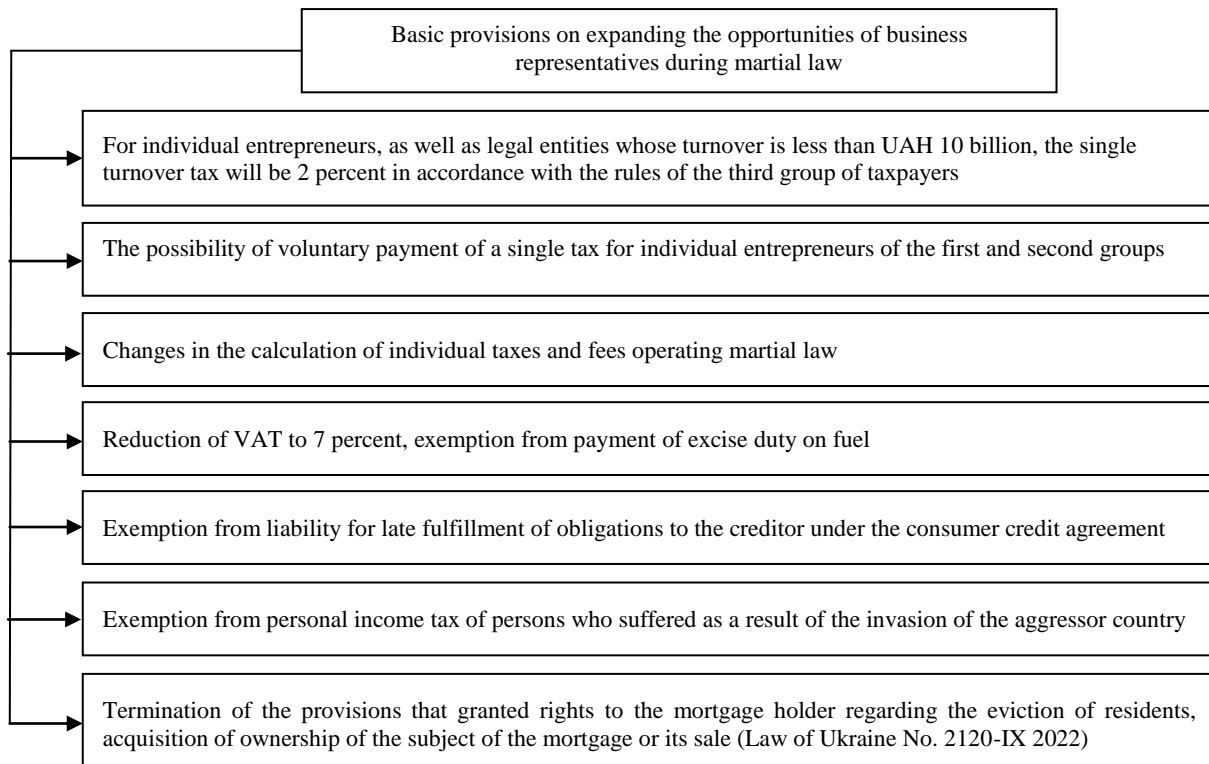


Figure 3. Basic provisions on expanding the opportunities of business representatives during wartime state
Source: compiled by authors on materials [7]

Evaluating the main provisions of the adopted law, it can be said that a number of its provisions relate to the simplification of the taxation system and the creation of favorable conditions for doing business, in

particular for representatives of small and medium-sized businesses, because a number of provisions are aimed at supporting tax payers. This is explained by the fact that small businesses have more chances to

survive in crisis conditions due to their high ability to adapt to the current conditions.

Since the beginning of martial law, the Verkhovna Rada of Ukraine has adopted a number of amendments to the Tax Code of Ukraine regarding issues of taxation and reporting of private enterprises. Laws [7, 8] made changes directly related to the taxation of FOP.

From April 1, 2022 and until the termination or abolition of martial law on the territory of Ukraine, special business rules apply to individual entrepreneurs, which may differ depending on the category of FOP and type of activity.

Yes, FOPs of the 1st and 2nd groups of the simplified taxation system have the right not to pay a single tax. At the same time, such persons do not fill out the declaration of a single tax payer - an individual - an entrepreneur for the period in which the single tax was not paid [7].

From April 1, 2022 until the end of the martial law, entrepreneurs of the first and second groups may not pay the single tax and fill out the declaration of the payer of the single tax. In addition, they are allowed not to pay the unified social tax for themselves and for employees mobilized to the Armed Forces of Ukraine (Figure 4).

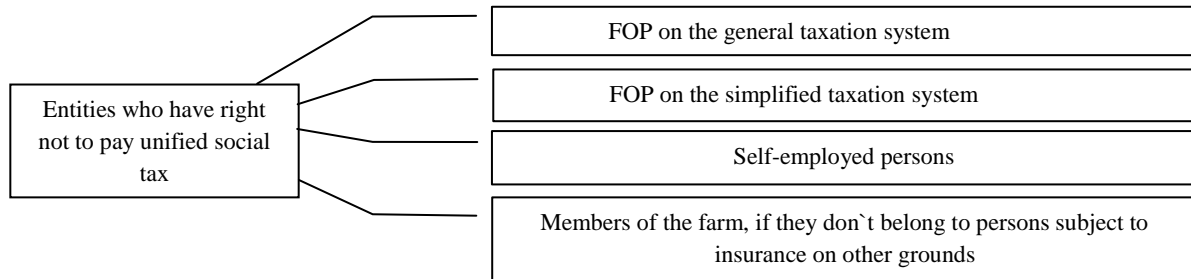


Figure 4. Entities who have right not to pay unified social tax

Source: compiled by authors on materials [7]

From 01.04.2022 to switch to the payment of a single tax at the rate of 2%, both sole proprietorships and legal entities that pay the single tax (in particular, sole proprietorships – payers of the EP not only of the 3rd, but also of the 1-2 groups), as well as sole proprietorships and legal entities that are on the general system taxation, provided that during the calendar (previous) year their income did not exceed 10 billion hryvnias.

To do this, you need to submit an appropriate application to the tax inspection control body using

the form (code F/J0102003), according to the order of the MFU dated 07/16/2019 No. 308, in electronic form through the taxpayer's electronic office on the DPS website. The simplified personal taxation regime will come into effect on the next working day after the application is submitted [8].

But currently there are restrictions on staying at the special rate of the single tax – 2%. The following cannot be payers of a special single tax (Figure 5):

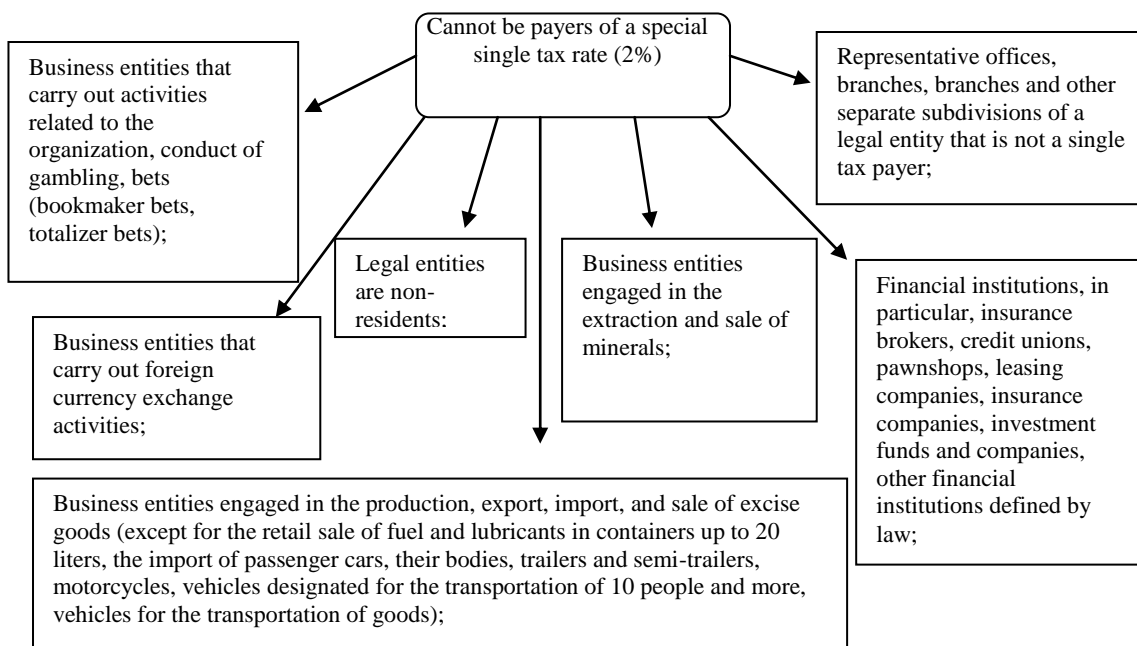


Figure 5. Entities who cannot be payers of a special single tax rate (2%)

Source: compiled by authors on materials [8]

The tax period for single tax payers of the third group, who use tax features, is equal to a calendar month. The declaration is submitted within 20 calendar days following the last calendar day of the reporting month. The amount of the tax liability specified by the taxpayer in the tax declaration submitted by him is payable within 10 calendar days following the last day of the relevant deadline for submitting the tax declaration [8].

For entrepreneurs who switched to the simplified system of the third group, there is no limit on the number of employees; they do not pay VAT, the advance payment of the single tax is paid within the terms specified by the legislation [9]. The changes regarding the conditions of stay in the third group have not changed, only the terms for paying tax and submitting a declaration have changed. It is worth noting that when switching from the general system to the simplified one, business entities lose their tax credit, so not all companies took advantage of the innovations.

According to the new changes, taxpayers are exempted from the payment of the general minimum tax liability for land plots and from the environmental tax in the territories that are temporarily occupied or on which hostilities are conducted for the 2022 and 2023 tax years [2]. As before the introduction of changes, the local authority independently determines the amount of payment for the land. In the territories that are not occupied and where there are no active hostilities, the local authorities independently decide on the exemption from payment for certain land plots. The changes regarding the payment of the environmental tax are similar, i.e. taxpayers are exempted from paying the environmental tax if the enterprise is registered in temporarily occupied territories or where hostilities are taking place. In all other territories, the local government decides on tax collection independently.

It is worth noting that today for all taxpayers, in the event that the taxpayer does not have the opportunity to fulfill his tax obligation in a timely manner, there is an exemption from responsibility for failure to fulfill his tax obligation, including for compliance with the deadlines for paying taxes and fees and submitting reporting. At the same time, such an obligation must be fulfilled within six months after the termination or cancellation of martial law in Ukraine [10].

At the beginning of March, the parliament stopped the tax audits that had begun and prohibited the initiation of new ones. During martial law, only actual tax and chamber inspections are allowed.

Actual tax audits (at the place of actual activity of the payer) are carried out on the subject [2]:

- the legality of regulating the circulation of cash and cash operations;
- availability of licenses and certificates;
- compliance by the employer with the requirements of the law regarding the registration of labor relations;

— implementation of settlement transactions by taxpayers.

Chamber (in the premises of the DPS) inspections, initiated on the basis of the application for budgetary reimbursement of VAT, attached to the declaration.

Since February 24, many charitable organizations and foundations have been established to help the military and those affected by hostilities. For these organizations, changes in the legislation provide for tax benefits. Charitable assistance of the Armed Forces or TRO is not subject to VAT taxation. Targeted charitable assistance, which was provided to military personnel and persons who are in the territory where hostilities are being conducted, forced migrants and persons who suffered during military operations, is not subject to personal income tax and military levy.

Fiscal changes in the excise tax affected fuel. From now on, the following operations are not considered to be sales of fuel:

- supply of fuel on the territory of Ukraine as humanitarian aid;
- operations that are carried out in connection with the forced alienation or removal of fuel for the needs of the state or its transfer to the Armed Forces of Ukraine, military operations and other military formations of Ukraine.

Temporarily, for the period of martial law on the territory of Ukraine, a 0% rate of excise tax on fuel has been established [10].

Despite the decrease in the tax burden on enterprises, according to the State Tax Service, tax revenues to the state budget increased by 15.3% in the three quarters of this year compared to the same period last year [10].

Conclusions

Tax regulation for business is now different from what it was before the war. The state of war in Ukraine made adjustments to business activities, including small ones. The state did not leave business entities without support and introduced a number of preferences regarding the taxation of taxpayers' activities during the martial law in Ukraine. During the nine months of the war, the Verkhovna Rada managed to pass more than 10 laws on amendments to the Tax Code of Ukraine. The intensity of standard-setting work is high. Tax legislation has changed a lot and will continue to change. Therefore, it is necessary to carefully monitor changes in order to react in time. Lowering the tax burden greatly supports business from an economic point of view. The majority of enterprises have already taken advantage of the innovations and, thanks to this, have legally reduced their tax burden. This especially applies to the FOPs of the first and second groups, because they were the ones who suffered the most economically due to the war. After martial law is lifted, it will take a long time to return the tax system to its original mechanism. Now the main goal of the government is maximum support for entrepreneurs and creating conditions for them to survive this difficult period.

Abstract

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