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# ANALYSIS OF INFLUENCE OF FACTORS ON INCOME TAX IN UKRAINE

Об'єктом дослідження є фактори, здатні прямо або побічно вплинути на податок на прибуток як на локальному, так і макрорівні. В ході дослідження динаміки змін податку на прибуток в Україні під впливом різних факторів використовувався абстрактно-логічний метод, яким досліджено значуще місце податку на прибуток в національній економіці країни. Отримано, що податок на прибуток підприємств в Україні можна характеризувати як аналог поширеного в світі податку на прибуток корпорацій. Це пов'язано з тим, що великі платники податків, яких менше 1 % юридичних осіб в Україні в цілому, мають велике фіскальне значення, зокрема, забезпечують близько 55–59 % надходжень податку на прибуток до зведеного бюджету. У порівнянні з країнами ЄС з 2011 до 2016 року ставка податку на прибуток в Україні знизилася з 25 % до 18 %, хоча дохід країни не змінився. Частка же податку на прибуток у ВВП згідно зі статистичними даними мала тенденцію до зниження і наближається до середнього рівня в країнах Організації економічного співробітництва і розвитку. Розглянуто чинники, які впливають на податок на прибуток в результаті реформ: розмір ставки податку, ВВП, витрати на науково-технічні роботи, обсяги фінансових результатів виробничих установ і організацій до оподаткування, їх сезонні особливості. Динаміка податку на прибуток істотно вплинула на економіку країни, її доходи і грошові потоки в результаті всіх податкових змін. Система оподаткування прибутку підприємств вимагає подальшого реформування щодо встановлення оптимальної ставки стягнення з прибутку, усунення необґрунтованих пільг, інтегрування системи оподаткування дивідендів, а також удосконалення адміністрування. Так, в 2015–2016 роках кількість підстав для отримання пільг скоротилася в 4 рази – до 24 і 22, відповідно.

**Ключові слова:** податок на прибуток, бюджетні кошти, податкові реформи, динаміка зростання, фіскальна політика, податкові надходження.

## 1. Introduction

Corporate income tax refers to a group of mandatory fees, which bring the largest share of income in the state budget of Ukraine. In addition to fiscal, it also performs regulatory and incentive functions, redistributing capital and influencing the development of entrepreneurship in individual industries. The study of the characteristics of the corporate income tax and the modeling of its receipts is extremely important, and the influence of the macro level is directly proportional. The relevance of the study is explained by the modern realities in which the need arises to constantly search for the optimal fiscal policy, in particular regarding capital taxation, which would correspond to the level of development of the economic system, the stage of capital accumulation and its distribution. Analysis of recent publications shows that there is a problem in the distribution of income tax between different levels of the budget system [1], and income tax revenues are modeling, that is, they themselves are influenced by factors [2]. To solve these problems, the aim of research is determination of these factors that affect the income tax on enterprises' profits, having analyzed the dynamics of development and the peculiarities of this type of monetary recovery in Ukraine in recent years. Therefore, the object of research is choosing factors that can directly or indirectly affect the income tax both at the local and macro level.

## 2. Methods of research

In the course of research, general scientific and special methods and techniques of cognition are applied. With the help of the abstract-logical method, the significant place of the income tax in the national economy of the country is investigated.

The methods of analogy, the dialectical method and the systematic approach are used to compare the tax and its factors among other countries.

Using induction and deduction methods, factors to improve tax policy and current reforms are justified.

The dialectical method of cognition, combined with observation and comparison, makes it possible to prove that the income tax significantly influenced the country's economy, its income and cash flows as a result of all tax changes.

## 3. Research results

The dynamics of income tax on enterprises in the budget of Ukraine during 2014–2017 illustrates the Table 1.

As the Table 1 shows, the main regulatory impact on the economy is provided by the value-added tax, excise tax, corporate income tax, on personal income. The share of corporate income tax in the structure of state budget revenues in 2017 was 2.2 % of GDP, which is 0.1 % less than in 2016.

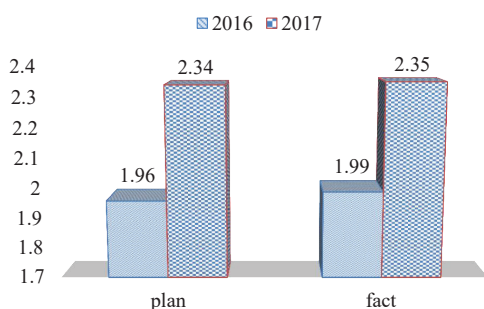
**Table 1**

Revenues of the consolidated budget of Ukraine for 2014–2017

Indicator	2014		2015		2016		2017	
	Billion USD	% of GDP	Billion USD	% of GDP	Billion USD	% of GDP	Billion USD	% of GDP
Revenues, including:	35.06	17.7	25.66	20.6	20.33	21.1	23.02	21.0
corporate income tax	4.99	2.5	2.18	1.7	2.2	2.3	2.46	2.2
value added tax	23.67	11.9	15.48	12.4	13.3	13.8	15.93	14.6
excise tax	5.62	2.8	3.96	3.2	3.63	3.8	3.98	3.6
personal income tax	1.59	0.8	2.83	2.3	2.41	2.5	2.75	2.5
subsurface use fee	2.28	1.1	2.31	1.9	1.6	1.7	1.61	1.5

**Note:** compiled on the basis of [3] taking into account significant changes in the exchange rate in Ukraine: 2014 – 7.993 UAH for 1 USD, 2015 – 15.9543 UAH for 1 USD, 2016 – 24.7922 UAH for 1 USD, 2017 – UAH 27.23 UAH for 1 USD

It should be noted that the trend of income tax revenues in the budget of Ukraine for the specified period were ambiguous. The Fiscal Service of Ukraine, in its report for 2017, explains this by fulfilling the indicative indicator of the Ministry of Finance (the general fund of the state budget) only by 95.3 % (Fig. 1).



**Fig. 1.** Comparative analysis of the implementation of indicative indicators for income tax in 2016–2017, billion USD [4]

This failure to fulfill indicative indicators of the Ministry of Finance’s revenues in terms of net profit (income) was due to the decrease in the third quarter of 2017 of the part of the net profit (income) declared to be paid by payers on line 09 «Part of net profit (income) payable» of the tax calculation of the part of net profit (income). This part of the net profit payable to the state budget by state-owned unitary enterprises and their associations (charges for the third quarter of 2017 amounted to 0.07 billion dollars, which is less than the plan), as well as the increase in tax debt on this payment [5]. In addition to this reason, from 2011 to 2016, the income tax rate decreased from 25 % to 18 %.

Profit tax is effectively used to regulate investment activity, develop small business, attract foreign capital to the country by providing various benefits to the state and setting tax rates. According to paragraph 30.9 of Article 30 of the Tax Code of Ukraine [6], tax incentives are provided by:

- tax deduction (discounts), which reduces the tax base to the tax accrual;
- reduction of tax liability after tax accrual;
- lowering the tax rate;
- exemption from tax payment [7].

If in 2011 there were 55 grounds for receiving other tax incentives for corporate income tax, in 2013 the num-

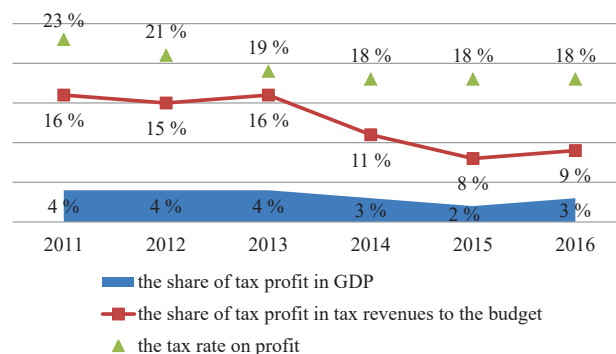
ber of grounds increased to 77. Namely: in 2014 – to 87, and in 2015–2016 the number of grounds for receiving benefits decreased by 4 times – to 24 and 22, respectively.

Today, corporate income tax benefits are accounted for in two ways: «benefits that are losses of budget revenues» and «other tax benefits». A detailed list of tax benefits provided to enterprises in each tax year is approved by the State Fiscal Service of Ukraine in the relevant tax benefits directories. According to the reference book of tax benefits No. 83/1 and No. 83/2 [7], in 2017 there are 13 «benefits that are budget losses» and 27 «other benefits». Including 22 benefits related to exemption from the payment of tax participants of relevant international agreements [8].

Therefore, after analyzing the dynamics of development and features of the income tax in Ukraine in recent years, it can be attributed to the factors affecting this type of recovery from enterprises, the following:

- the size of the rate of this type of penalties;
- the volume of financial results of production institutions and organizations before taxation;
- GDP, expenditure on scientific and technical work and seasonal features of its operation and administration.

From 2011 to 2016, the income tax rate in Ukraine decreased from 25 % to 18 % and today is one of the lowest among the EU countries (Fig. 2).



**Fig. 2.** Dynamics of the share of income tax in GDP and tax revenues of the consolidated budget, % (calculated according to the Treasury, State Statistics Service [9] for 2014–2016, excluding the temporarily occupied territory of the Autonomous Republic of Crimea and part of the anti-terrorist operation zone (Antiterrorist operation))

As a result of tax reforms 2014–2016 – a reduction in the tax rate, changes in the payers’ contingent, the

list of tax benefits, and the economic crisis affected the implementation of both the fiscal and regulatory functions of income tax.

According to official data, the share of income tax in GDP tends to decrease and is approaching the average level in the countries of the Organization for Economic Cooperation and Development (OECD). In 2010–2015 in these countries, this figure was on average at 2.8 % of GDP. It is the lowest in Estonia (0.3 % of GDP), Slovenia and Latvia (1.5 %), Germany and Greece (1.7 %), the highest in Norway (8.4 %), Luxembourg (4.9 %), Czech Republic (3.4 %) [10].

As can be seen from Fig. 3, for the period from 2011 to 2016 in Ukraine, the share of income tax revenue in GDP decreased by 1.7 points. This, among other things, was influenced by changes in the mechanism for calculating and paying the income tax, as well as an increase in nominal receipts from other taxes and inflation. However, despite the complicated mechanism of tax administration and controlling the completeness of its payment, there are opportunities to minimize or hide objects of taxation. Although in Ukraine this tax remains one of the four budget-forming ones.

Corporate income tax in Ukraine can be characterized as an analogue of the corporate profits tax in the world. Statistical data from OECD countries show that the share of corporate tax (an analogue of domestic tax) in tax revenues varies from country to country. It is low in tax revenues in Finland, Hungary, Slovenia (4 % of tax revenues), the highest in Norway (17 %), and Chile (21 % of tax revenues) [3]. The reason for this is the differences not only in the amount of tax, but also in terms of attributing the company to a corporation, taxing oil revenues, the degree of dilution of the base by corporate tax, the use of other tools to defer tax payments [8].

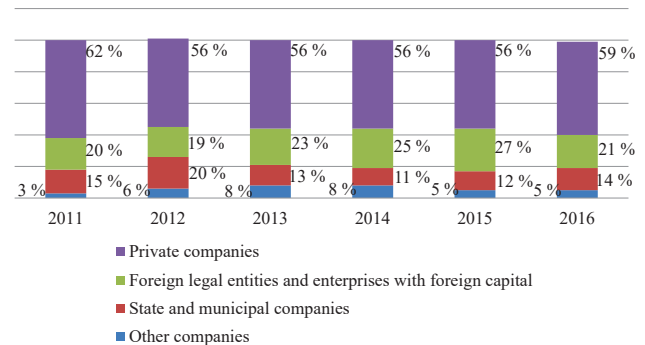
It is known that the tax on the profits of enterprises is paid by business entities – legal entities carrying out economic activities both in Ukraine and abroad. At the same time, the most influential are large taxpayers, which from January 1, 2017 include legal entities or permanent representative offices of non-residents on the territory of Ukraine. Their income from all types of activities for the last 4 consecutive tax (reporting) quarters exceeds 40 million USD (until 2017 – 18.36 million USD). The total amount of payments paid to the country's budget for the same period exceeds 0.73 million USD [3]. Such changes have led to a reduction in their number.

It should be noted that large taxpayers, of which less than 1 % of legal entities in Ukraine as a whole, are of great fiscal importance, since they provide about 55–59 % of income tax revenue to the consolidated budget. So, according to the results of 2016, the largest amount of income tax in the consolidated budget of Ukraine was paid:

- PJSC Ukrgezvydobuvannya (Naftogaz, Ukrgezvydobuvannya), Kyiv (149.25 million USD or 10.5 %);
- PJSC Ukrtransgaz (Naftogaz, Ukrtransgaz), Kyiv (1000.13 million USD, or 9.2 %);
- PJSC Motor Sich, Zaporizhzhia (76.63 million USD or 5.4 %);
- PJSC Zaporizhstal (68.58 million USD);
- PJSC «Naftogazvydobuvannya» (DTEK), Kyiv (56.47 million USD);

- SE «Ukrainian Sea Ports Authority», Kyiv (52.44 million USD);
- SE «NNEGC» EnergoAtom», Kyiv (44.37 million USD) [4].

In 2016, almost 60 % of tax revenues to the consolidated budget came from private enterprises, 14 % from state and municipal enterprises, 21 % from foreign enterprises and companies created with the participation of foreign capital (Fig. 3).



**Fig. 3.** The structure of corporate income tax receipts for 2011–2016 by ownership [3]

From Fig. 3, as of December 31, 2016, private sector enterprises ensured an increase in corporate income tax revenue by 3 %. And the share of income from foreign legal entities and enterprises with foreign capital decreased by 6 % compared with 2015.

The next factor is the amount of profit (taking into account its seasonal characteristics). Seasonal tax revenues associated with the features of its administration and the specifics of business activities. These include the payment of tax according to the declaration, as well as the implementation of plans for enterprises at the end of the year. A significant share of the cost of trade enterprises is the cost of services that are included in the cost. The commodity price index reflects the market conditions of various industries. However, high growth rates of the price index are often accompanied by a high level of inflation, that is, the volumes of tax revenues in nominal terms also increase. Thus, in order to take into account price growth trends, it is necessary to take into account the price index of goods in the seasonal component.

Investments can also be considered as a factor influenced by the rate on the tax on profits. The dividend taxation system that exists in Ukraine today greatly aggravates the tax burden on the company, reduces the country's investment attractiveness due to the lack of reduced income tax rates when taxing dividends such as in the Azerbaijan Republic: 10 % at a standard rate of 20 %. In Ukraine, the tax on dividend income is carried out at a total rate of 18 %, subject to the payment of dividends to a legal entity. In the case of payment of dividends to individuals, dividends are subject to tax on personal income and military tax [11].

#### 4. Conclusions

In the course of research, it has been found that the share of corporate income tax in the structure of state budget revenues of Ukraine in 2017 is 2.2 % of GDP, which

is 0.1 % less than in 2016. According to official data, this tendency is down to the average level in OECD countries. In general, the analysis of the dynamics of changes in the income tax in Ukraine shows a gradual expansion of the tax base while easing the fiscal burden on enterprises, confirmed the feasibility of the tax reforms carried out. It has been analyzed that from 2011 to 2016 the income tax rate in Ukraine decreased from 25 % to 18 % and today is one of the lowest among European countries. It has been revealed that the tax on the profits of enterprises in Ukraine can be characterized as an analogue of the corporate profits tax in the world. Large taxpayers who provide about 55–59 % of income tax revenue in the consolidated budget of the country are considered.

The research results can be useful in reducing the single tax rate on profits when taxing dividends, eliminating unjustified tax benefits, optimizing the tax base and improving administration, since there are still features of income shadowing, hiding tax subjects and unresolved investment strategy of country development. The official data in this report helps to understand the impact of some factors on the complex mechanism of administering the income tax and controlling the completeness of its payment. Therefore, this tool should be used in a balanced and integrated manner.

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