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TAX REFORMS: EUROPEAN EXPERIENCE AND UKRAINIAN REALITIES

Introduction. During the years of independence in Ukraine there were realized series of tax reforms. However every follow-up tax reform didn't take into account the shortcomings of the preceding tax reforms and this was detrimental to their results rating. The tax policy of Ukraine is directed to budget deficiency payments and it ignores at the same time the aggravation of other macro economical indices. That's why the actual question is to uncover the shortcomings of the past tax reforms in Ukraine and to compare them with tax reforms in the countries of European Union for realization of the reasoned tax reform in Ukraine.

References review. The questions of a tax reform are considered in the works of such foreign scientists as M. Devereux, J. Edwards, R. Griffith, J. Jensen, M. Keen, R. Lisovski, P. Sorensen, P. Svensson and others. Certain aspects of the tax reform of Ukraine are presented in the works of such scientists as T. Efymenko, T. Koshchuk, A. Krysovaty, V. Melnyk, A. Sokolovska and others, in this works the particular consideration is given to the experience of realization of tax reforms in the European Union countries and to the possibility of the adaptation of this experience into Ukrainian practice.

Research objective. The work objective is the investigation of the tax reform which were conducted in Ukraine and the objective is also the study of the experience of their realization in the European Union countries for discovering of the directions of further reforming of the tax system of Ukraine in the modern conditions.

Results of research. In Ukraine during the period of 1992 – 2018 years there were realized four tax reforms. The first tax reform was realized in 1992. As a result there were introduced such taxes as a value added tax (tax on sales/purchases), excise tax, various contributions into non-state trust funds and other obligatory payments. The object of a profit taxation in this period was the income of enterprises and the maximal income tax rate in 1993 was 90%. Subsequently there happened a significant aggravation of macro economical indices, namely the steep downfall of a real GDP (Gross Domestic Product), a high level of a deficit and of unemployment (Figure 1).

The second tax reform was realized in 1995. Starting from this year the taxes are imposed not upon the income, but upon the profit of the enterprise at the rate of 30%. And the maximal income tax rate was lowered to 50% and after that to 40%. The lowering of the rates of the basic taxes contributed to the deceleration of decline rates of the basic macro economical indices.

In consequence of realization of the new tax reform there was introduced a simplified system of the taxing of “Small business” enterprises and a simplified system of a personal income taxing, and also there was lowered an income tax rate down to 25%. Besides that there were delivered significant tax preferences, a great number of which were abolished in 2005. All this created possibilities for the economic development in the country what echoed on improvement of the basic macroeconomic indices.

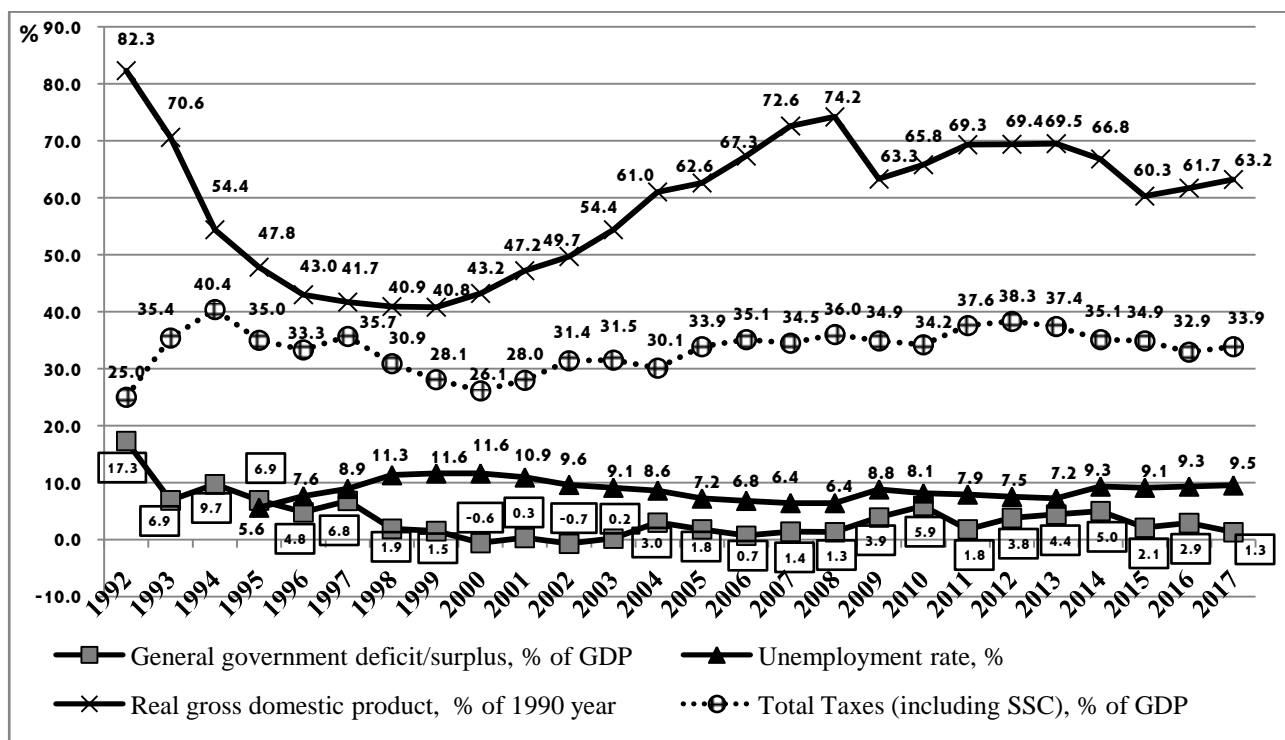


Fig. 1. The dynamics of the indexes of individual macroeconomic indicators and the tax burden of the Ukraine*

*built by the author based on [1-2]

After adopting of the Tax Code in 2011 year there was realized the last tax reform, as result of which there was reduced the number of taxes at the expense of decreasing of the local taxes and contributions, there was also introduced an ecological tax, rental payments, a tax for immovable, which differed from a land parcel, and other taxes and contributions. The income tax rate was gradually lowered down to 18% and there were introduced privileges which stimulate energy conservation and the development of the investment-innovation activity, but these privileges were abolished hereafter. However, such changes haven't promoted to the improvement of the economic indices of the country.

The analysis of the tax reforms which were realized in Ukraine witness about the presence of a number of shortcomings: the income tax doesn't perform a stimulating function; the personal income tax doesn't contribute to the income leveling (to the income equalization) and to the raising

of the human wellbeing; the standing tax privileges are ineffective; the fiscal orientation of tax instruments.

That's why the particular importance has the study of the experience of the tax reforms realization in European countries what is particularly updated in virtue of the course line of Ukraine towards Europe. According to our opinion, it makes economic sense to consider the experience of such countries as Bulgaria, Poland and Rumania. These particular countries by their level of development are in proximity with Ukrainian realities, their have post-socialist past and they have become the European Community members relatively recently.

In Ukraine during the analyzed period the tax burden level has diminished (Figure 2). However, in 2016 year it was higher than in Bulgaria and in Rumania, but it was lower than in Poland and on the average among the European Union countries. Whereas the average level of taxation in the European Union countries has increased, there is in evidence a tendency to the lowering of the tax burden in the analyzed countries.

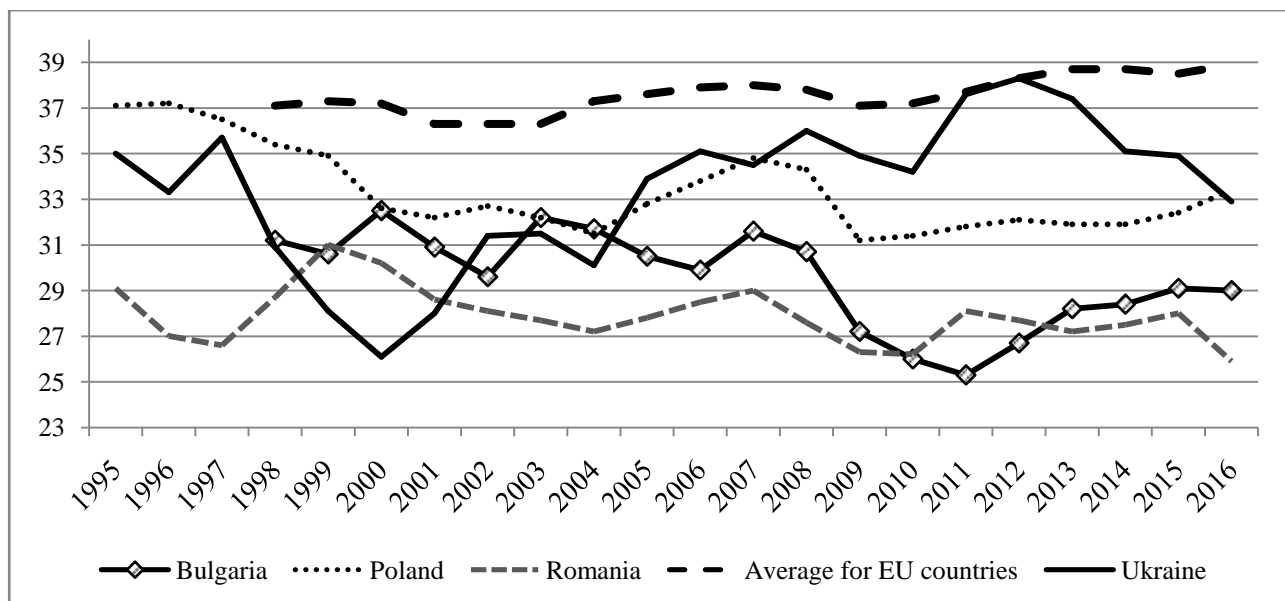


Fig. 2. Total tax revenue (including contributions for social insurance) of individual EU countries and Ukraine for the period 1995-2016, as % of GDP*

*built by the author based on [3]

Personal income rates (Figure 3) and corporate income rates (Figure 4) are higher in Ukraine than in Bulgaria and Rumania, but lower than in Poland and on the average among the European Union countries. However, there is in evidence a general tendency to their increase both in Ukraine and in European Union countries.

It is noteworthy that in separate European Union countries there are used in course of private person's taxation a non-taxed minimum, a progressive scale of rates and combined taxation of the family incomes.

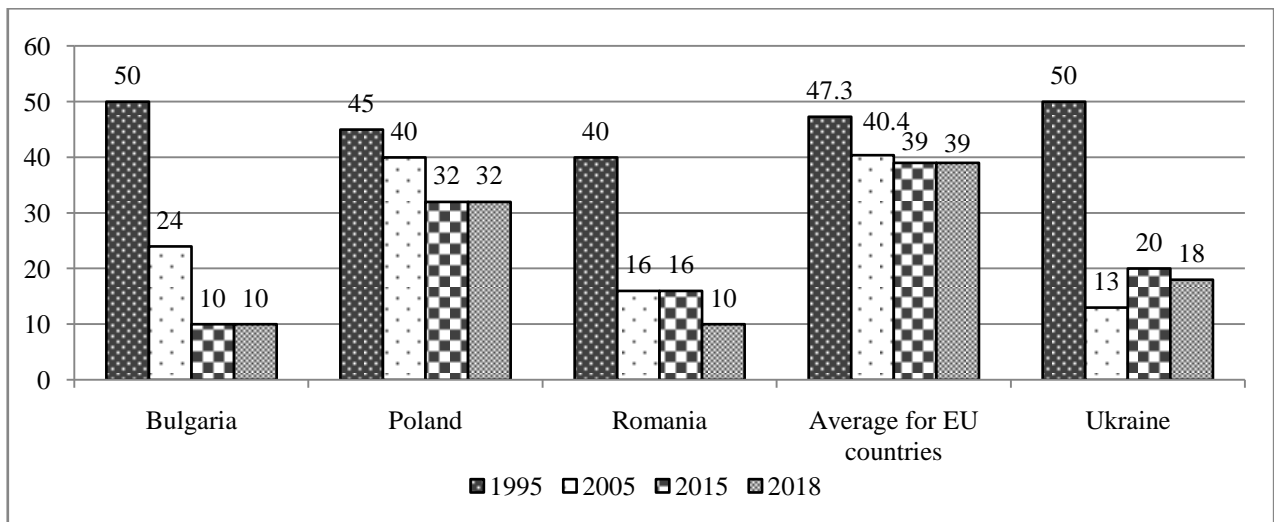


Fig. 3. Top statutory tax rate on personal income of individual EU countries and Ukraine for the period 1995-2018, in %*

*built by the author based on [3]

As far as the corporate income tax, in European countries there are actively used tax privileges which stimulate investment and innovation development in the country: tax reduction, tax investment credit and others.

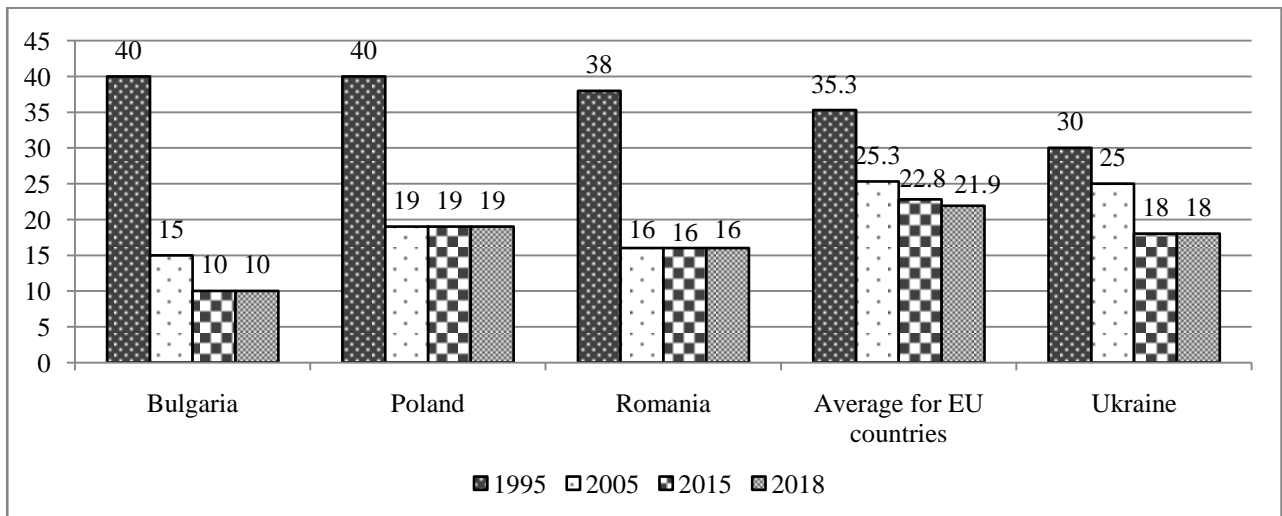


Fig. 4. Top statutory corporate income tax rates (including surcharges) of individual EU countries and Ukraine for the period 1995-2018, in %*

*built by the author based on [3]

The VAT rate in Ukraine and Bulgaria (20%) is higher than in Rumania, but it is lower than in Poland and on the average among the European Union countries (Figure 5). It is specially necessary to note that in European countries as distinguished from Ukraine there are used lowered rates of a given tax for goods of prime necessity.

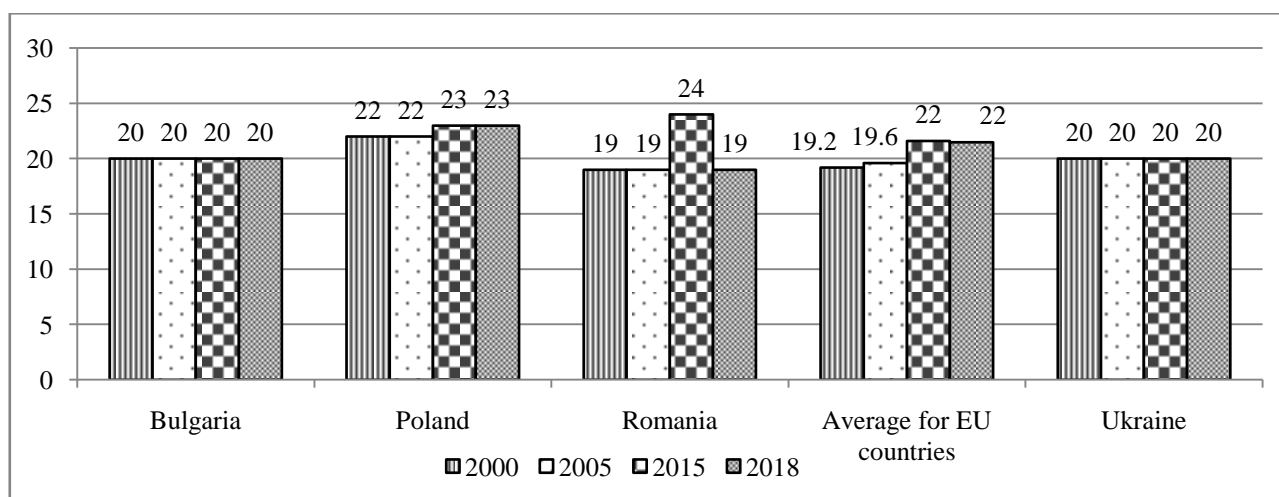


Fig. 5. VAT standard rates of EU countries and Ukraine for the period 2000-2018, in %*

*built by the author based on [3]

In the European Union countries the excise duties and ecological taxes perform regulative function which is achieved by way of establishing of high rates for these taxes. In Ukraine the excise tax rates and the ecological tax rates are significantly lower than in European countries.

Conclusions. The conducted analysis of the tax reforms of Ukraine and of European Community Countries has allowed to emphasize the following directions of the taxation system reformation in Ukraine:

- rising of the corporate income tax stimulating function by way of introduction of the tax investment credit and by way of the obligatory using of amortization fund of an enterprise for the renewal of its facilities;
- the introduction of the tax-free minimum income of private persons at the minimum subsistence level and the introduction of a progressive scale of tax rates for personal incomes;
- the introduction of the lowered rate for the income tax for goods of prime necessity;
- the rising of the rates for excise and for ecological taxes.

References

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