

UDC 330.4

DOI <https://doi.org/10.26661/2414-0287-2021-4-52-20>

INCREASING THE RATINGS OF THE ECONOMY OF UKRAINE CONSIDERING THE COMPETITIVENESS OF TAX SYSTEM

Oleinikova L.H.

*Academy of Financial Management of the Ministry of Finance of Ukraine
Ukraine, 01054, Kyiv, O. Honchara str., 46/48
oleynikova.mila@ukr.net
ORCID 0000-0001-8204-4434*

Key words:

Rating, category Paying taxes, indicators, number of payments, tax rate, World Bank, ranking, tax system

The Ease of Doing Business Index has been found to provide an objective assessment of the business climate in the countries of the world in terms of the simplicity of the most important administrative procedures for small and medium-sized businesses. The Ease of Doing Business Index has been identified as an annual World Bank study conducted since 2003 and provides objective information for understanding and improving normative and legal regulation of entrepreneurial activity. It is substantiated that the World Bank, in its turn, has developed a set of indicators on the basis of which it evaluates the economic efficiency and quality of the national economy from the standpoint of development of competitive business. This ranking is a global investigation. It is accompanied by a rating of countries around the world by indicator of creating favorable conditions for doing business in each of them. The project assesses and monitors changes in regulations governing the activities of small and medium-sized companies throughout their life cycle - from creation to liquidation. There are 10 indicators of business regulation, which take into account the time and cost of the entrepreneur's compliance with state requirements for registration of a new enterprise and its activities, conducting trade operations, ensuring the implementation of contracts, taxation and liquidation of the enterprise, which allows to determine the rating of business assistance. The indicators are equilibrium. Such variables herewith are not taken into account as macroeconomic policy, infrastructure quality, labor skills, exchange rate fluctuations, investor opinion, security and corruption. The dynamics of Ukraine's place in the Doing Business ranking in 2012-2020 is analyzed. Proposals are made to reduce significantly the number of payments, further increase Ukraine's ratings in the category Paying taxes.

ПІДВИЩЕННЯ РЕЙТИНГІВ ЕКОНОМІКИ УКРАЇНИ З УРАХУВАННЯМ КОНКУРЕНТОСПРОМОЖНОСТІ ПОДАТКОВОЇ СИСТЕМИ

Олейнікова Л.Г.

*ДННУ «Академія фінансового управління»
Україна, 01054, м. Київ, вул. О. Гончара, 46/48*

Ключові слова:

Рейтинг, категорія «оподаткування», індикатори, кількість платежів, податкова ставка, Світовий банк, ранжування, податкова система

Встановлено, що індекс легкості ведення бізнесу (Ease of Doing Business Index) надає об'єктивну оцінку бізнес-клімату в країнах світу з погляду простоти найважливіших для малого і середнього бізнесу адміністративних процедур. Визначено, що індекс легкості ведення бізнесу – щорічне дослідження групи Світового банку, що розраховується з 2003 р. і дає об'єктивну інформацію для розуміння і вдосконалення нормативно-правового регулювання підприємницької діяльності. Обґрунтовано, що світовий банк, у свою чергу, розробив набір індикаторів, на підставі яких здійснює оцінку економічної ефективності та якості середовища національної економіки з позиції розвитку конкурентоспроможного бізнесу. Цей рейтинг являє собою глобальне дослідження. Його супроводжує рейтинг країн світу за показником створення в кожній із них сприятливих умов ведення бізнесу. В межах проекту оцінюються й відстежуються зміни нормативно-правових актів, котрі регулюють діяльність малих і середніх компаній протягом усього їх життєвого циклу – від створення до ліквідації. Виокремлено 10 індикаторів регулювання підприємницької діяльності, які враховують час і вартість виконання підприємцем вимог держави щодо реєстрації нового підприємства і його діяльності, проведення торговельних операцій, забезпечення виконання контрактів, оподаткування й ліквідації

підприємства, що дозволяє визначити рейтинг сприяння ведення бізнесу. Індикатори є рівноважними. При цьому не враховуються такі змінні, як макроекономічна політика, якість інфраструктури, кваліфікація робочої сили, коливання валютних курсів, думки інвесторів, безпека й рівень корупції. Проаналізовано динаміку зміни місця України в рейтингу Doing Business у 2012-2020 рр. Внесено пропозиції щодо суттєвого зменшення кількості платежів, подальшого підвищення рейтингів України в категорії «оподаткування».

Analysis of recent researches and publications

The impact of globalization on the change of the above mentioned competencies has led to the emergence of «hypercompetition» – a new economic category introduced by R. D'Aveni, who believes that hypercompetition is a «specific environment characterized by intense and rapid competitive activities in which participants need to quickly respond to generate new competitive advantages and at the same time reduce the advantages of their competitors» [1, p. 218]. Hypercompetition defines the next level of competition, which is based on innovation, technologies, information and human capital, which are constantly changing the competences of relations in the global environment.

Therefore, in order to increase the competitiveness of the tax system, the works of domestic financiers are analyzed, who study the problematic issues of ensuring a high level of rating of countries in the category of «taxation», namely the works of Bigun U.V. [8], Boiko O.V. [8], Herasymenko A.V. [2], Efymenko T.I. [3; 4; 5], Kelichavyi A.V. [6], Kucher A.V. [7], Sych E.M. [8], Kharchuk T.V. [9].

The purpose of the article

Make proposals based on in-depth analysis for significant reduction in the number of payments, further increase of Ukraine's ratings in the category Paying taxes.

Presentation of the main material

In the final rating «Ease of Doing Business» countries are ranked by the promotion for doing business. The country's high position means that its regulatory climate has a positive effect on doing business. The level of assistance is the average index of the country on 9 indicators, each of which has equal value.

Main indicators are: Starting a Business, Dealing with Construction Permits, Registering Property, Getting Credits, Protecting Minority Investors, Paying Taxes, Trading across Borders, Getting Electricity, Enforcing Contracts, Resolving Insolvency.

According to the World Bank methodology, three indicators are used to assess the administrative and tax burden on business entities:

- number of payments per year;
- time spent on tax reporting and payment of basic taxes;
- total tax and contribution rate (% of profit).

Each of the indicators by 1/3 affects the country's place in the rating Ease of Doing Business, so it is equally important in the formation of the overall rating in the category of «taxation».

It is worth noting that when compiling the rating there is a certain time lag of the period of its publication and the statistics on which it is calculated. Thus, the rating «Doing Business – 2011» did not take into account the reforms implemented in 2010–2011. To compile it the period from June 2009 to June 2010 was used – the initial stage of reforming the tax system. The rating «Doing Business – 2015» was formed on the basis of data for June 2013 – June 2014. Thus, the rating takes into account the reforms implemented in the countries with a time lag of 1.5 years.

According to the generalized assessment of the World Bank, in the rating «Doing Business – 2015» Ukraine ranked 96th out of 189 countries, which is 16 points higher than in the previous report (in 2014–112th place), while in the 2020 report it is 64th place. The Doing Business 2020 rating is more indicative in terms of assessing the reforms implemented in Ukraine than the ratings of previous years than, for example, the 2013–2015 data, as it already includes major changes introduced in the last six years due to improvements in Ukraine's Tax Code and active work to prevent the erosion of the tax base and the profits shifting under the BEPS Action Plan.

This increase in the overall rating of «Ease of Doing Business» of Ukraine was due to an raise in positions in such categories as:

- starting a Business (from the 76th – in 2015 to the 61st – in 2020);
- dealing with Construction Permits (from the 70th – in 2015 to the 20th – in 2020);
- getting Electricity (from 185th in 2015 to 128th in 2020);
- protecting Minority Investors (from 109th place in 2015 to 45th in 2020);
- trading across Borders (from 154th place in 2015 to 74th in 2020);
- paying Taxes (from 108th place in 2015 to 65th in 2020).

Analyzing the dynamics of change in Ukraine's place in the Doing Business ranking in 2012–2020, we can note the presence of positive changes. There was a significant increase in Ukraine's ratings not only in the category Paying Taxes, but in almost all categories, but in 2020 there is a slight deterioration in indicators such as Registering Property and Getting Credits, as well as indicators Enforcing Contracts, Resolving Insolvency (Table 1).

The country regained its lost position in the rankings after the crisis, improving its indexes as a result of reforms in three areas of enterprise regulation. However, despite this rise, Ukraine still loses to many countries compared, and, for example, some changes in Belarus and Kazakhstan were included in the list of world best practices for the year. Ukraine's relatively strong positions are in Starting a Business, Dealing with Construction Permits, Registering Property and

Table 1 – Ukraine's place in the Doing Business ranking

Rating by categories	Business rating 2012 (183)	Business rating 2013 (185)	Business rating 2014 (189)	Business rating 2015 (189)	Business rating 2016 (189)	Business rating 2017 (190)	Business rating 2018 (190)	Business rating 2019 (190)	Business rating 2020 (190)
Overall rating	152	137	112	96	83	80	76	71	64
Starting a Business	112	50	47	76	30	20	52	56	61
Dealing with Construction Permits	180	183	41	70	140	140	35	30	20
Getting Electricity	169	166	172	185	137	130	128	135	128
Registering Property	166	149	97	59	61	63	64	63	61
Getting Credits	24	23	13	17	19	20	29	32	37
Protecting Minority Investors	111	117	128	109	88	70	81	72	45
Paying Taxes:	181	165	164	108	107	84	43	54	65
– number of payments	135	28	28	5	5	5	5	5	5
– time spent (hours)	657	491	390	350	350	355,5	327,5	327,5	328
– total tax and contribution rate, (% of profit)	57,1	55,4	54,9	52,9	52,2	51,9	37,8	41,7	45,2
Trading across Borders	140	145	148	154	109	115	119	78	74
Enforcing Contracts	44	42	45	43	98	81	82	57	63
Resolving Insolvency	156	157	162	142	14	150	149	145	146

Source: compiled according to: [11, p. 142; 12, p. 202; 13, p. 232; 14, p. 226; 15, p. 242; 16, p. 247; 17, p. 201; 18, p. 211; 19]

Enforcing Contracts. At the same time, the main problem areas that complicate the development of business in Ukraine are Getting Electricity (128th place), Trading across Borders (74th place), Resolving Insolvency (146th place) [10].

Data of Table 2 show that in the European Union countries the total number of payments varies from 8 units to 16 units in Cyprus with total time spent on tax payments from 50 hours in Estonia until 334 hours in Poland. It

Table 2 – Ratings of countries by category Paying Taxes in 2020

Country	Place in the ranking (among 190 countries)	Evaluation criteria (indicators)		
		Total number of payments, per year	Total time spent, hours	Total tax and contribution rate, (% of profit)
<i>Countries EU-10</i>				
Estonia	12	8	50	47,8
Cyprus	29	16	120	22,4
Latvia	16	7	169	38,1
Lithuania	18	10	95	42,6
Poland	77	7	334	40,8
Slovakia	55	8	192	49,7
Slovenia	45	10	233	31,0
Hungary	56	11	277	37,9
Czech Republic	53	8	230	46,1
Malta	78	8	139	44,0
<i>Countries of Europe and Central Asia</i>				
Azerbaijan	40	9	159	40,7
Belarus	99	7	170	53,3
Armenia	52	15	264	22,6
Georgia	14	5	216	9,9
Kazakhstan	64	10	186	28,4
Moldova	33	10	183	38,7
Russian Federation	58	9	159	46,2
Tajikistan	139	7	224	67,3
Uzbekistan	69	9	181	31,6
Ukraine	65	5	328	45,2
<i>Countries of Asia</i>				
Taiwan, China	39	11	221	36,8
India	15	11	252	49,7
Republic of Korea	21	12	174	33,2
Singapore	2	5	64	21

Source: compiled according to: [20, p. 37–40; 21, p. 37–40; 22, p. 37–40; 23, p. 37–40]

should be noted that the total tax rate 49.7 in Slovakia is higher than the average index for Europe and Central Asia and higher than the average index for countries of OECD (41.3%), which is a signal for further improvement of Ukraine's tax system in terms of tax rates of basic taxes and fees.

Ukraine's rating in the category Paying Taxes in 2011–2015 has a stable positive dynamics both as a whole and by individual indicators. This is mainly due to the adoption of the Tax Code of Ukraine (hereinafter – TCU) in 2011, which was reflected in the rating indicators in 2013 (according to the methodology of the World Bank), as well as further improvement of its norms and rules of taxation, positive changes in administration, introduction of electronic services and reporting.

The positive impact of the implementation of the TCU is confirmed by the forecast of rating indicators for the category of taxation, made by us in the study of the impact of this event on economic entities and international assessment.

Conclusions

A further increase in Ukraine's ratings in the category Paying Taxes is expected. The prerequisite for

this is the implementation of such positive steps in the system of administration of taxes, fees and mandatory payments, as:

- introduction of a risk-oriented control system into the practical plane, which affected the number of inspections and the quality of payer selection;
- establishment of a system of automatic VAT refund and registration of tax invoices;
- possibility for payers to submit remotely the reports on individual taxes (VAT, income tax);
- opening of payer service centers in all regions of Ukraine;
- perfectibility of the electronic service for the provision of electronic services to taxpayers – «Electronic Cabinet of Taxpayers», including for individuals and individual entrepreneurs; which with the help of a special access tool (for example, an electronic card of the payer) with the use of electronic-digital signature allows to work with the tax authorities in real time to a wide range of taxpayers, etc.

These steps improve qualitatively control, simplify administrative procedures and are positively perceived by taxpayers.

References

1. d'Aveni R. Hypercompetition: Managing the Dynamics of Strategic Maneuvering / R. d'Aveni. N.Y. : The Free Press, 1994. P. 217–218
2. Herasymenko A.V. The evolution of competition theory in the history of economic thought of the XVIII–XX centuries. *Bulletin of the Kyiv National University of Trade and Economics*. 2009. № 1. P. 102–114.
3. Efymenko T.I. Current issues of modern strategies for reforming tax systems. *Finance of Ukraine*. № 3. 2013. P. 7–26.
4. Efymenko T.I. Taxes in the institutional system of modern economy / T.I. Efymenko; NAS of Ukraine, Inst. of Economics and predict. K., 2011. 688 p.
5. Efymenko T.I. Public Finance Management System of Ukraine: Problems of Economic Security. *Economy of Ukraine. Economy of Ukraine*. 2018. № 11(684–685). P. 28–46. ISSN 25229303. Access mode: http://nbuv.gov.ua/UJRN/EkUk_2018_11-12_4
6. Kelichavyi A.V. The evolution of competition: from the origin of the concept to modern features. *Socio-economic problems of the modern period of Ukraine*. 2015. Is. 5(115). P. 58–63.
7. Kucher A.V. Scientific bases of evolution of competition theory. *Bulletin of Petro Vasylenko Kharkiv National Technical University of Agriculture: Economic Sciences*. [online]. 2010. Is. 99. Access mode: <http://www.khntusg.com.ua/node/795>
8. Sych E.M., Boiko O.V. and Bigun U.V., 2012. Competition and competitiveness in the transport market: methodology of analysis. *Problems of improving the efficiency of infrastructure* : Coll. of scien. works. [online] № 34. Access mode: <http://jrn1.nau.edu.ua/index.php/PPEI/article/view/2510/2500>
9. Kharchuk T.V. Etymological and legal principles of interpretation of the essence of competition. *Galician Economic Bulletin*. 2016. № 2. P. 61–69.
10. Doing Business 2020. *Ease of Doing Business in Ukraine*. <https://www.doingbusiness.org/en/reports/global-reports/doing-business-2020>
11. Doing Business 2012 / The International Bank for Reconstruction and Development, The World Bank. 2011. 212 p. [Electronic resource]. Access mode: <https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB12-FullReport.pdf>
12. Doing Business 2013 / The International Bank for Reconstruction and Development, The World Bank. 2012. 282 p. [Electronic resource]. Access mode: <https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB13-full-report.pdf>
13. Doing Business 2014 / The International Bank for Reconstruction and Development, The World Bank. 2013. 316 p. [Electronic resource]. Access mode: <https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB14-Full-Report.pdf>
14. Doing Business 2015 / The International Bank for Reconstruction and Development, The World Bank. 2014. [Electronic resource]. Access mode: <https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB15-Full-Report.pdf>
15. Doing Business 2016 / The International Bank for Reconstruction and Development, The World Bank. 2015. 348 p. [Electronic resource]. Access mode: <https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB16-Full-Report.pdf>

16. Doing Business 2017 / The International Bank for Reconstruction and Development, The World Bank. 2016. 356 p. [Electronic resource]. Access mode: <https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB17-Report.pdf>
17. Doing Business 2018 / The International Bank for Reconstruction and Development, The World Bank. 2017. 312 p. [Electronic resource]. Access mode: <https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2018-Full-Report.pdf>
18. Doing Business 2019 / The International Bank for Reconstruction and Development, The World Bank. 2018. 311 p. [Electronic resource]. Access mode: https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf
19. Doing Business 2020 / The International Bank for Reconstruction and Development, The World Bank. 2019. 149 p. [Electronic resource]. Access mode: <https://www.doingbusiness.org/en/reports/global-reports/doing-business-2020>
20. European Union (EU) – Doing Business 2020: Region Profile / The International Bank for Reconstruction and Development, The World Bank. 80 p. [Electronic resource]. Access mode: <https://www.doingbusiness.org/content/dam/doingBusiness/media/Profiles/Regional/DB2020/EU.pdf>
21. Europe & Central Asia – Doing Business 2020: Region Profile / The International Bank for Reconstruction and Development, The World Bank. 87 p. [Electronic resource]. Access mode: <https://www.doingbusiness.org/content/dam/doingBusiness/media/Profiles/Regional/DB2020/ECA.pdf>
22. East Asia & Pacific – Doing Business 2020: Region Profile / The International Bank for Reconstruction and Development, The World Bank. 78 p. [Electronic resource]. Access mode: <https://www.doingbusiness.org/content/dam/doingBusiness/media/Profiles/Regional/DB2020/EAP.pdf>
23. Directive on Administrative Cooperation (DAC). [Electronic resource]. Access mode: https://ec.europa.eu/taxation_customs/sites/taxation/files/presentation_dac_evaluation_v3.pdf