

DIRECTIONS OF ACTIVATION OF ENTERPRISE ACTIVITIES IN UKRAINE THROUGH INCREASING THE EFFICIENCY OF TAXATION REGULATORY TOOLS

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Summary.

The article argues that the economy of Ukraine is characterized by an extremely low level of industrial, investment and innovation activity compared to economically developed countries. There is a lack of tools in Ukraine to stimulate such manifestations in the mechanism of corporate income tax.

The use of stimulating tools to intensify the economic activity of enterprises in the mechanism of income taxation through the provision of tax benefits to industrial enterprises that implement investment and innovation in priority areas and sell competitive products is proposed; resumption of tax holidays for enterprises of certain industries and newly created enterprises that create jobs is proposed; introduction of accelerated "tax" depreciation for high-tech industries is proposed.

Key words: *income tax, enterprise, tax benefit, regulatory tools.*

JEL Classification: *H210 Taxation and Subsidies: Efficiency; Optimal Taxation; H300 Fiscal Policies and Behavior of Economic Agents: General.*

Introduction

In modern conditions, the priority of any economic transformation in Ukraine is to ensure sustainable economic growth. The experience of economically developed countries shows a significant role of tax policy in ensuring economic growth, because it is through the use of various incentive instruments (tax benefits, tax deductions, discounts, accelerated depreciation, etc.) a number of countries have demonstrated rapid progress in business activation, growth of socio-economic development and raising the country's competitiveness rating on the world stage. Income tax is the main tax that performs a regulatory function and affects the degree of economic activity of enterprises in the country.

1. Literature review.

Among the latest scientific works devoted to the study of the fiscal and regulatory function of income tax, it is worth noting the works of such scientists as Khomutenko V. and Khomutenko A. [1, 2], (the fiscal and regulatory efficiency of the income tax is investigated), Sokyрко O. and Kasyanchuk A. [3] (the mechanism of taxation and fiscal significance of income tax in the formation of state revenues are considered), Gaevskaia L. and Marchenko O. [4]

[methodological and applied approaches to stimulate innovation through tools of the mechanism of corporate income taxation). The achievement of science on the impact of income taxation on the activities of enterprises, of course, is significant. However, given the need to support business in a pandemic, it is advisable to conduct a study of the regulatory potential of corporate income tax and identify areas to intensify the activities of enterprises in Ukraine through the transformation of tax incentives for income tax.

2. Research methodology, data, hypotheses

The political and economic crisis of 2014–2015 led to the leveling of positive changes in the economic dynamics of Ukraine, which led to a deterioration in the performance of Ukrainian enterprises. In addition, in 2014, the loss of Ukraine's temporarily occupied and uncontrolled territories affected the number of enterprises in Ukraine (Fig. 1).

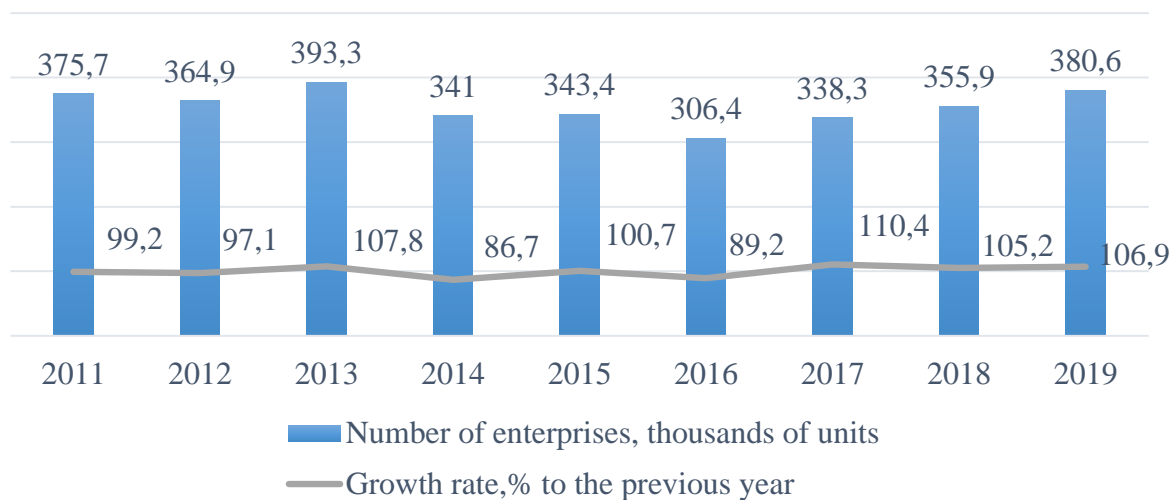


Figure 1. Dynamics of the number of enterprises in Ukraine

Source: built on data [5]

The positive dynamics of the company's performance in Ukraine has resumed since 2016: the total financial result according to the State Statistics Service of Ukraine [1] amounted to UAH 69.9 billion. in 2016 and UAH 237 billion. in 2017 (Fig. 2).



Figure 2. Financial results before corporate income tax in Ukraine, UAH billion

Source: built on data [5]

In our opinion, the most important factor of economic growth for Ukraine is capital (investment), which should be attracted for the general intensification of entrepreneurial activity,

structural changes in the national economy, technological and technical re-equipment, modernization and re-profiling of existing industries, overcoming the raw materials economy, development of production infrastructure, training and retraining of highly qualified personnel that meet the requirements of the international standard.

The level of investment activity has a significant impact on the volume of national income of society, its dynamics depends on many macro-proportions in the domestic economy. Regarding the formation of investment capital for structural changes in the economy, it is necessary to take into account the country's ability to mobilize both domestic and foreign investment resources.

The main factors determining the increase in investment activity are:

- increase of investment resources of the population due to growth of real money incomes;

- improving the financial position of business entities;

- formation of a positive investment image of Ukraine.

The most desirable form of investment for developing economies is foreign direct investment, as this form of raising funds allows for large projects, causes the arrival of new technologies, new corporate governance practices, etc. In Ukraine, the current situation regarding the mobilization of foreign direct investment: in 2019 their volume decreased compared to the record year of 2012 by 63.5% or 5331 million dollars USA (Fig. 3).

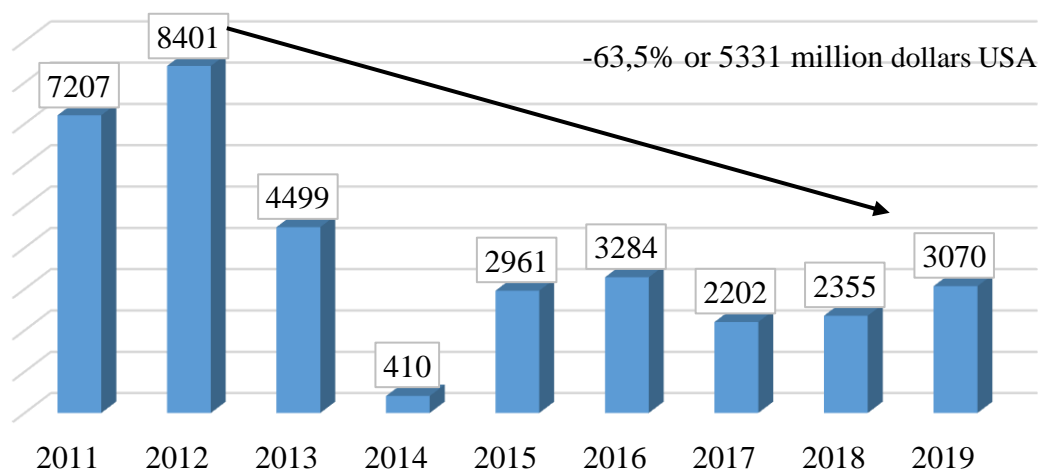


Figure 3. Dynamics of foreign direct investment inflows to Ukraine (million USD)

Source: built on data [5]

In the annual competitiveness rating of the World Economic Forum, Ukraine in 2019 ranked 85th out of 141 countries, in 2018 Ukraine ranked 83rd out of 140 countries (our country was between Sri Lanka and Moldova). At the same time, according to the level of technology implementation in 2019, Ukraine was on the 78th place (in 2018 - 77). One of the reasons for this level is primarily low investment and innovation activity [6].

Ukraine has an extremely low level of innovation activity. According to the State Statistics Service of Ukraine, the dynamics of the number of enterprises engaged in innovation is negative: if in 2016 the share of the number of industrial enterprises that implemented innovations (products and / or technological processes) in the total number of industrial enterprises was 16.6%, following the results of 2019, this indicator decreased to 13.8% (Fig. 4) (although some examples of innovative entrepreneurship and high technologies that are successfully developing in our economy exist).

According to the Bloomberg Innovation Development Index in 2020, Ukraine lost 3 positions in a year, which corresponds to 56th place in the ranking of 60 countries [7].

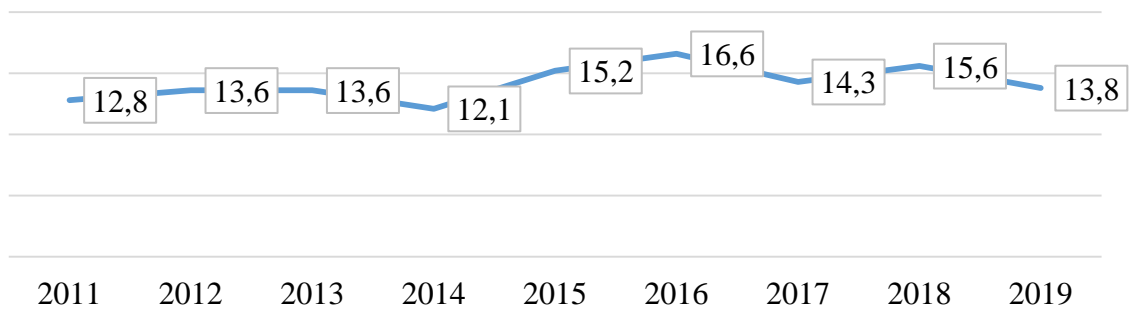


Figure 4. Share of the number of industrial enterprises that implemented innovations (products and / or technological processes) in the total number of industrial enterprises of Ukraine (%)

Source: built on data [5]

The most problematic issues of introduction of innovations and technologies in the production sector of Ukraine are:

- low level of cluster development;
- state organizations and institutions are not interested in purchasing new technological products or do not have sufficient funding for this;
- the share of enterprises that are ready to accept and implement innovations in their production process remains insignificant.

At the same time, the problem of low levels of foreign direct investment and technology transfer needs to be addressed. Coverage of the LTE mobile network in Ukraine was also noted by the authors of the report [7] as a weakness, which in turn slows down the development and implementation of new information and computer technologies.

Given the attractiveness of technologically oriented market economies for foreign investors, in the context of the struggle for foreign capital, it is necessary to increase the production and export of high- and medium-tech goods. The solution of this problem is connected with the renewal of the industrial potential of Ukraine, the increase of its technological level, with the structural restructuring of the industry of Ukraine. That is why the next priority should be state support measures aimed at the development of production (credit support, tax incentives).

In the European Union, in contrast to Ukraine, income tax provides a number of preferential regimes (non-taxable investment reserves, accelerated depreciation, investment tax rebate, investment tax credit and tax holidays), aimed at developing entrepreneurship by stimulating innovation and investment activities.

The basic corporate income tax rate in Ukraine is currently 18% and is among the lowest in Europe. The lowest rates in the EU are applied, and mainly in the countries of Central and Eastern Europe as a consequence of competition - the country's competition for raising capital through the formation of the most favorable tax regime.

The practice of fiscal regulation in economically developed countries shows that the income tax is the main tax that performs a regulatory function and affects the degree of economic activity.

It should be noted that until 2015, the mechanism of income tax in Ukraine provided for a number of incentive instruments for certain areas of enterprise activity. Thus, the Tax Code provided for exemption from income tax:

1) Within 5 years from the date of receipt of the first profit, 80% of the profit of enterprises received from the implementation of energy efficiency measures and the implementation of energy efficiency projects;

2) Within 5 years from the date of receipt of the first profit of 80% of the profit of enterprises received from the sale in the customs territory of Ukraine of the following types of goods of own production:

- energy efficient equipment and materials, products, the operation of which provides savings and rational use of fuel and energy resources;
- means of measuring, controlling and managing the cost of fuel and energy resources;
- equipment for the production of alternative fuels;
- equipment running on renewable energy sources;

3) By 2020, profits:

- enterprises obtained by them from economic activity on extraction and use of gas (methane) of coal deposits;
- producers of biofuels obtained from the sale of biofuels;
- enterprises obtained by them from the activity of simultaneous production of electric and thermal energy and / or production of thermal energy with the use of biological fuels;
- manufacturers of machinery, equipment, equipment working on alternative fuels, obtained by them from the sale of such types of machinery that were produced in Ukraine;

4) By 2021, profits:

- obtained from the main activity of light industry enterprises, except for enterprises that produce products on toll raw materials;
- enterprises of the electricity industry from the sale of electricity produced from renewable energy sources;
- shipbuilding industry enterprises;
- machine-building enterprises for the agro-industrial complex.

It was assumed that the amounts of funds exempt from taxation should be used by enterprises - payers of income tax - to increase production (services), re-equip the material and technical base, the introduction of new technologies related to the main activities of such taxpayers, and / or repayment of loans used for these purposes and payment of interest thereon.

However, as a result of changes to the Tax Code from 01.01.2015 [8], these benefits were canceled. In our opinion, such a step became destructive from the standpoint of Ukraine's economic growth, as tax incentives for strategically important areas of economic security of the state were abolished, namely incentives for Ukraine's energy independence and development of the country as an industrial (not raw material) state.

Currently, the mechanism of corporate income tax does not provide any tools to stimulate industrial, investment or innovation activities.

We believe that it is through the use of incentive tools in the mechanism of corporate income tax can achieve the intensification of industrial, investment and innovation activities of enterprises. In particular, it is advisable:

- introduce a mechanism for providing tax benefits to industrial enterprises that implement investments and innovations in priority areas and sell competitive products;
- to resume tax holidays for enterprises whose activities are aimed at increasing the energy independence of Ukraine (implementation of energy efficient projects, production of energy efficient equipment and materials, products, the operation of which provides savings and rational use of fuel and energy resources, etc.);
- to provide tax holidays for 5 years for newly created enterprises subject to job creation (compensation of budget losses will be the accrual of mandatory payments for labor costs - personal income tax, military tax, single social contribution);
- to introduce for high-tech industries the method of accrual of accelerated "tax" depreciation, the essence of which is to use higher depreciation rates depending on the service life of the equipment.

Conclusion

Therefore, in order to strengthen the positive regulatory impact of taxation on the development of industrial, investment and innovation activities in Ukraine, it is necessary in the income tax mechanism to introduce benefits to start-ups and industrial enterprises that implement investment and innovation in priority areas and sell competitive products. tax credits,

accelerated depreciation, income tax exemptions, tax holidays, etc.), introduce a mechanism for continuous monitoring of the effectiveness of tax benefits.

At the same time, in order to ensure investment attractiveness in Ukraine, certain preconditions must be created: in addition to the sphere of taxation, it also protects the property rights and interests of all business partners, political stability and a balanced economic course.

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