

Adaptation of tax legislation to wartime conditions

Adaptación de la legislación fiscal a las condiciones de Guerra

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Abstract

After the adoption of Ukraine as a candidate for EU membership, there is a logical need to study effective ways of unifying the current tax legislation of Ukraine following the legislation of the EU countries. The general scope of this work was to define and integrate these changes into the legislation of Ukraine based on the analysis of the experience of foreign countries. This descriptive and analytical study was conducted by analysing legislative frameworks and historical data. Dialectical, normative-dogmatic, logical-semantic and formal-logical methods were used. The article analyses the international experience of tax changes in countries where martial law was introduced for different periods. It is considered what changes the tax legislation of Ukraine has undergone for business under the influence of the military aggression of the Russian Federation. The fundamental changes in the tax system of Ukraine as a result of the implementation of the tax reform, which is already taking place today, are considered, namely changes to such taxes as VAT, personal income tax, a single tax, excise, as well as the procedure for taxation of the military tax



administration. Current and future changes to the tax system of Ukraine within the framework of the tax reform introduced since the beginning of the war in Ukraine are analysed. The international experience of tax reforms in countries where martial law was introduced was studied. As a result, constructive changes in the tax sphere are proposed, which will positively affect the formation of the country's budget.

Keywords: martial law; state budget; tax legislation; tax revenues.

Resumen

Tras la adopción de Ucrania como candidato a miembro de la UE, existe una necesidad lógica de estudiar formas efectivas de unificar la legislación fiscal actual de Ucrania siguiendo la legislación de los países de la UE. El objetivo general de este trabajo fue definir e integrar estos cambios en la legislación de Ucrania sobre la base del análisis de la experiencia de países extranjeros. Este estudio descriptivo y analítico se realizó analizando marcos legislativos y datos históricos. Se utilizaron métodos dialécticos, normativo-dogmático, lógico-semántico y lógico-formal. El artículo analiza la experiencia internacional de cambios tributarios en países donde se introdujo la ley marcial en diferentes períodos. Se describen los cambios que ha sufrido la legislación fiscal de Ucrania para los negocios bajo la influencia de la agresión militar de la Federación Rusa. Se analizan los cambios fundamentales en el sistema fiscal de Ucrania como resultado de la implementación de la reforma fiscal, que ya está teniendo lugar en la actualidad, a saber, cambios en impuestos como el IVA, el impuesto sobre la renta personal, un impuesto único, impuestos especiales, así como como el procedimiento de tributación de la administración tributaria militar. Se analizan los cambios actuales y futuros en el sistema fiscal de Ucrania en el marco de la reforma fiscal introducida desde el comienzo de la guerra en Ucrania. Se estudió la experiencia internacional de reformas tributarias en países donde se introdujo la ley marcial. En consecuencia, se proponen cambios constructivos en el ámbito tributario, que incidirán positivamente en la formación del presupuesto del país.

Palabras clave: ingresos tributarios; legislación tributaria; ley marcial; presupuesto estatal.

Introduction

The tax legislation of Ukraine is one of the most complex in the legal system of Ukraine. At the same time, there is a trend towards its instability. However, as the practice of its enforcement



shows, changes made to the laws of Ukraine on taxation quite often cause new problems (Maistrenko, 2005).

Taxes are a complex and highly influential financial category in all economic phenomena and processes. It is no exaggeration to say that, on the one hand, taxes are the financial basis of the state's existence, a measure of its capabilities in the global economic space in terms of the development of science, education, and culture, guaranteeing financial security, and the growth of the public welfare of the people.

On the other hand, taxes are a tool for redistributing the income of legal entities and individuals in the state; their mobilisation and use affect the interests of not only every entrepreneur or citizen but also the entire strata of the population and social groups. Today, taxes are the most effective tool of the state's influence on social production, its dynamics and structure, the development of science and technology, and the scope of social guarantees for the population.

Since taxes are essentially a product of the evolution of the economy and the state, the tax system is formed primarily under the influence of objective factors. At the same time, in a modern democratic legal condition, the introduction of certain forms of taxation results from the will of parliament members, a compromise of the interests of various political parties, representing the interests of multiple sections of society (Savchenko, 2001).

The tax system of Ukraine is a type of open, dynamic system; it is a set of taxes established in the country. Its openness means the need for analysis, primarily of external factors under the influence of which its formation takes place. Its systematicity requires that taxes be interconnected, organically complement each other, and not contradict the system and its elements. The system approach means that both functions of taxes should be implemented. From the standpoint of the fiscal position, the tax system must ensure a guaranteed and stable flow of income to the budget; from the perspective of regulation, it must provide the state with the opportunity to influence all aspects of the socio-economic development of society Tax Code of Ukraine (Parliament of Ukraine, 2023).

A new tax reform is being prepared in Ukraine, significantly reducing taxation for citizens and businesses. There will be the only regulatory document regulating relations regarding the payment of taxes. It will contain explicit definitions of all elements of taxes and fees and establish the rights and obligations of taxpayers and tax authorities.



Ukraine faces the choice of a development path in the direction of a modern civilisational model, the implementation of which is intended to promote progress in all spheres of life of society and the state. Tax reforms in Ukraine directly affect the form of legal regulation of relations in the realm of public finance and depend on the tax policy, which is developed at different levels of management. These changes necessitate rethinking many issues, including income taxation problems (Latkovska, 2021).

The simplicity and comprehensibility of the norms (compared to the current legislation) will allow us to avoid double interpretation of the norms, contradictions and misunderstandings in applying the Tax Code of Ukraine in practice (Parliament of Ukraine, 2023). On the one hand, this will ease the situation of taxpayers, and on the other hand, it will lead to the possibility of the tax authorities performing their control functions.

This study analyses the current situation that arose around tax reform due to the war with the Russian Federation. It is considered what changes the tax legislation for business has undergone. The general objective of this research is to propose constructive changes in the tax sphere that will positively affect the formation of the country's budget without tax pressure on enterprises and businesses, based on the analysis of the international experience of tax changes in countries where there was martial law in this or the last century. Those critical changes in the future can be integrated into the tax legislation of Ukraine to meet all the requirements of European legislation.

Methods

As the methodological basis of the research, due to the specifics of the topic studied in the article, general scientific and unique legal methods of knowledge of legal reality were used. The dialectical method was fundamental for revealing taxation's peculiarities in martial law conditions and tax policy changes to recover the economy after the war's end. The systematic approach was helpful in forming the structure of the study and the most important conclusions. Logical-semantic and formal-logical methods contributed to analysing the international experience of taxation during military operations. The normative-dogmatic method was used to understand the critical changes in the tax legislation of Ukraine during military operations, including military tax administration, taxation of personal income, value-added tax, excise tax, and uniform tax. The use of all these



methods made it possible to analyse Ukrainian tax legislation at the current stage of its genesis and the need for a balanced tax policy.

Results and Discussion

All wars are primarily wars of the economies. The economy and business must work under any conditions, and the state must adopt the tax burden and tax rules to these conditions to facilitate the survival of the business. In Ukraine, under wartime conditions, the economy and the state budget are undoubtedly in a difficult situation. There is no need to repeat the figures of material damages, direct and indirect losses, lost opportunities, lost incomes of entrepreneurs and employees, and tax revenues that the country suffered as a result of Russian aggression. War is a real serious test not only for the government and the country's sovereignty but also for ordinary citizens and the national economy in general. The state faced the issue of settling many other problems considering new challenges. The issue of taxation is no exception, so several laws have been passed, more than one change will probably be adopted, and more than one reform will likely be announced.

For objective reasons, the tax revenues of the state budget, on the one hand, caused by the reduction or cessation of economic activity of economic entities in Ukraine, have significantly decreased, and the expenses for waging war, including at the expense of the state budget funds, have increased significantly. This means a shortage of funds that needs to be financed. At the expense of what sources and in what way it can be done - an extremely difficult question. Sources and forms of such funding can and should be different.

Tax revenues have always been the main source of revenue for the state budget of Ukraine and accounted for an average of 85% of its revenue. Now they have decreased to 70%, and in the event of the continuation of the active phase of the war, there is a real threat of further reduction even of this already rather modest value.

The classical scholars, who studied the nature of statehood, always pointed out that the state can perform its functions only if there are funds, the main source of which are taxes. Given that tax relations, as a rule, involve a confrontation between two participants - the state and the payer, we note that their goals are also correlated in different ways. The state's goal is to collect as much money as possible from paying taxes, while the taxpayer's goal is to know exactly what the taxes will be. Understanding that the transfer of funds to the state takes place to ensure the common



interests of taxpayers - medicine, education, management, law, and order, the taxpayer wants quality medicine, medical services, compliance with law and order, quality conditions for receiving education, etc.

But at the same time, citizens' awareness of taxes in Ukraine is critically low. About 50% of citizens consider all or at least a part of public services to be free, more than 20% believe that "taxes are robbery", and none of the 2,000 respondents to the survey, which was conducted by the Kyiv International Institute of Sociology (2022) at the request of the "The Price of the State" project, answered all five basic questions about taxes correctly.

Relations between the state and local self-government bodies, on the one hand, and taxpayers, on the other, are initially based on inequality of their rights and legitimate interests. Still, the rights and legitimate interests of such entities should not be contrasted, as there is a need to observe a certain balance of rights and legitimate interests of a public and private nature in the field of taxation based on the interest of public entities and taxpayers in each other, since taxes, fees and payments are the financial basis of the activity of the state and local self-government bodies, which is directly related to the interests of the taxpayers themselves in connection with placing a tax burden on them (Latkovskiy, 2020).

Therefore, speaking today about taxes, the positions of government representatives, entrepreneurs, and the business environment have once again radically diverged. After all, the first who care about the state budget and look at the dynamics of revenues advocate for an increase in taxes, and the restoration of tax audits, while the other side presents its irrefutable arguments about the impossibility of increasing the tax pressure. At the same time, the conflict seems to be gaining momentum, which is extremely undesirable since today, Ukraine needs consolidation, not quarrels, which only weaken the country. However, we believe it is impossible to raise taxes right now. And the explanation for this can be found in the following.

First, it does not actually provide anything to the state budget; it will only serve as an additional trigger for public discontent. For example, raising the rate of the military levy even to 6% does nothing for the budget since employment in the real sector of the economy has decreased many times; in many of the best cases, employers pay their employees only the minimum wage, and charging this levy to state employees, including the military, who now receive appropriate wages; this is a transfer of money from one budget pocket of expenses to another pocket of revenues, which does not affect the balance of the state budget in any way for the better. Moreover,



there is not enough fiscal potential to increase any taxes because the tax base of all taxes without exception has decreased. Let us recall that in Ukraine, the tax base is a physical value or another characteristic expression of the object of taxation to which the tax rate is applied and which is used to determine the amount of the tax liability. As specified in the Tax Code of Ukraine (2010), the object of taxation can be property, goods, income (profit) or its part, turnover from the sale of goods (works, services), transactions for the supply of goods (works, services), and other objects defined by tax legislation, with the presence of which tax legislation binds the taxpayer to tax liability.

Secondly, it is known that a crisis is not only a threat but also an opportunity. In this regard, there is an opportunity to once and for all solve the problem of the shadow sector of the economy, which in Ukraine, especially in difficult times, has always been a kind of security buffer for the Ukrainian economy and is acting as such now. By increasing taxes, the state sends a clear signal to those who work there that it plans to continue operating within the old paradigm of tax administration. Creating a European-style tax system without considering the peculiarities and needs of the national economy, to building highly complex and inefficient tax administration tools that only complicate the management process and create additional problems for taxpayers, led the country into a difficult situation. Another opportunity to co-opt the shadow sector into the official economy is lost by raising taxes (Dmytryk, 2021).

Thirdly, the tax burden on citizens and entrepreneurs has already increased significantly. For some reason, state officials always react positively enough to volunteer movements and significant amounts of aid funds that society provides for the Ukrainian army, and not only, but they forget to take this factor into account during the formation and implementation of the state's tax policy. Meanwhile, the provision of volunteer assistance, regardless of its form, financial, material, labour, etc., is nothing more than a form of taxation, or rather self-taxation, that is, the voluntary collection of resources to finance the socially important needs of the country in which a mature civil society is formed. After the war, it is worth returning to the issue of considering the number of funds transferred for these needs when determining tax liabilities, at least from personal income tax.

Therefore, obtaining additional tax revenues for the state budget of Ukraine remains an urgent issue.



According to UN data, as of the end of May of this year, more than 6 million Ukrainians have left the borders of our country since the beginning of the war. As of now, this number may be much higher because the aggressor continues to attack settlements in the regions of western Ukraine, where a large number of internally displaced persons have stopped, and therefore the number of people leaving is constantly increasing. EU countries accept the absolute majority of refugees. The means of their existence are financial, social, and material aid from recipient countries, as well as personal savings of these people. If all these people were in Ukraine, their consumption would be subject to VAT taxation under normal conditions, and the budget would receive the usual tax revenue. In April of this year, the amount of income from this basic tax for the state budget was reduced by more than half, largely due to these circumstances. The number of final consumer expenses of our compatriots who left Ukraine should be subject to taxation and can provide, according to estimates, from UAH 15 to 18 billion of additional tax revenue for the state budget every month. All these people remain citizens of Ukraine, are its tax residents, and therefore the specified funds should be directed to the Ukrainian budget. At the current level of development of digital technologies and means of tax administration in the EU countries, technically ensuring this process will not present significant difficulties. It is only necessary to update the issue before the relevant fiscal authorities of the EU countries. These are not critical amounts of tax revenues for the budgets of these countries, but for the Ukrainian budget, this object of taxation should become a significant source of additional tax revenues.

Answering the question: is it necessary to carry out tax reform after the end of the war? The answer is unequivocal - it is necessary! After all, the model of the tax system that exists in Ukraine at the moment does not meet its needs for sustainable development, and it will not meet even more for the post-war recovery of the economy. Problems existed both in the structure of the tax system and the model of individual taxes and inadequate means of administration. And this issue deserves special attention.

International experience of taxation during military operations

A war never passes without a trace for the budgets of states involved in armed conflict. There are few methods of raising funds for military needs, so, logically, one of the main ones is raising taxes. The international experience of raising taxes in countries with martial law in this or



the last century allows today to analyse the consequences and correct tax actions in a war situation, which is taking place in Ukraine, but in today's modern realities.

World War II was once seen as the "great equaliser" of economic disparities, which left a lasting legacy of lower inequality in many Western countries (Scheidel, 2017). These times are widely documented in the international literature and are associated with the destruction of capital, as well as the demand for labour, social preferences, economic regulation and progressive taxation (Scheve & Stasavage, 2016).

Taxes were not only raised during the war but remained an essential source of budget revenue long after its end. Taxes were constantly changing, from narrow collections of incomes of well-to-do families to contributions of a general social scale. What used to be a "class tax" has become a "mass tax" (Steinmo, 2003).

Wartime taxation was greatly affected not only by regulatory changes but also by the high level of inflation caused by the war and its aftermath. Inflation has reduced the real level of exempt tax thresholds, deductions, and limits. This fundamentally changed the tax system. The inflation mechanism was not quantified in those days, so it was difficult to correctly estimate the increase in taxes during the World Wars concerning the inflation that occurred after they ended.

It is worth considering the experience of Great Britain in the 20th century during the First World War. According to Terraine (2008), by introducing an increased income tax, Great Britain managed not only to attract funds to the budget but also to significantly reduce the population's purchasing power while avoiding hyperinflation. One of the arguments for raising taxes during the war was that if the funds for its conduct were raised by obtaining loans, then taxes would somehow increase when those loans had to be paid back.

The main advantage of Great Britain is the tax system. It is a country with a very respectable jurisdiction that is trusted by investors and partners. Great Britain has a relatively low tax burden and a reasonably flexible tax system. With the correct organisation of business processes, it is possible to avoid paying VAT and tax on the repatriation of profits. Corporate tax here is 19% but will increase to 25% in 2023. The standard VAT rate is 20%. However, VAT is not charged if the company provides services or sells goods outside the country.

Withholding tax (tax on dividends or tax on capital withdrawal: interest, dividends, or royalties) is 20%. Capital gains tax - 19%. It is necessary to pay attention to the unusual tax on



digital services (digital service tax), which is 2%. Online advertising and online services also fall under this concept (United Kingdom Public Sector Information, 2022).

The government of this country offers tax breaks and deductions for tech companies, but you have to know how to use them. For example, if the Ukrainian shareholders of a British company decide to distribute part of the profit in the form of dividends and withdraw them to Ukraine, these dividends will not be taxed. The sale of assets will be subject to capital gains tax. There is also a unique business structure here – a Limited Liability Partnership, which allows you not to pay taxes if the profit was received outside the territory of the Kingdom.

To support Ukraine and inflict economic pressure on the aggressor country, Great Britain announced the suspension of the exchange of tax information with Russia and Belarus. Today, the critical focus of Great Britain has become the issue of taxes. To overcome the economic problems caused by the shocks of the COVID-19 pandemic, as well as the potential drop in fuel tax revenues due to the planned ban on new petrol and diesel cars, the country's government has taken a course to increase the tax burden to more than 36% of the total national income of Britain. This money was planned to be used in three directions: to improve the state of public finances, to finance new items of social expenditures, and to cover the costs of eliminating the long-term consequences of the pandemic.

Today, the issues of high rates of inflation in the British economy, the prediction of a significant increase in the discount rate by the central bank, and the growing debt burden, if the budget deficit from tax cuts will be covered by borrowing, are already being widely discussed (Zhelezniak, 2022).

Note that World War II further increased the tax burden for many countries: the personal income tax rate for the wealthiest in the US rose to 94% and remained at 91% until 1964. The Revenue Act of 1964 lowered the top tax rate from 91% to 70% (Tax Policy Center, 2022). Personal income tax became a mass tax that all working Americans began to pay. A mechanism for deducting taxes from wages was also created.

As for Ukraine, the current situation in the country can, to some extent, be compared with the Second World War, when the European countries participating in the war raised taxes and mobilised all possible resources for survival. And it is clear that there was a sharp decline in national economies in all states. However, there are no situations in recent history that Ukraine could be thoroughly compared to.



Most of the tax changes during the world wars are inappropriate for modern Ukraine because they brought the tax burden to its current level. It is worth considering the tax changes that have already taken place and will take place on the territory of Ukraine as a completely new, insufficiently researched topic of adaptation of the tax legislation of a country that is at war with an unequal military force and at the same time has substantial international support.

Fundamental changes in the tax legislation of Ukraine during military operations

One of the essential changes in the tax policy of Ukraine in modern realities is the suspension of deadlines for taxpayers and control bodies during the period of martial law in Ukraine. For this purpose, the legislator is trying to reset part of these terms. However, not everything is so clear regarding the suspension of all terms by the current version of the Tax Code of Ukraine (Parliament of Ukraine, 2023). Time limits in tax legislation determine the time limits within which a person must perform a specific action.

Stopping the running of the terms means that in the event of certain circumstances, in this case - the introduction of martial law, the running of the terms is stopped for the entire duration of this circumstance. From the date of termination of such circumstances, the period continues taking into account the time that has passed before their termination.

In fact, the suspension of deadlines allows postponing the execution of certain actions for a period during which the execution of such an action is, in principle, difficult or impossible. Obviously, compliance with deadlines is difficult during wartime, and taxpayers may have questions about the possibility of holding them accountable for late payment of taxes, filing reports, or the possibility of listing their property as a tax lien during martial law, or even the possibility timely taking advantage tax amnesty. Let's consider the main changes to the tax system of Ukraine for the entire period of the introduction of martial law in Ukraine.

Military tax administration

First, the procedures of military tax administration, control, and accounting of taxpayers in this tax area changed. Thus, the Law of Ukraine No. 2120-IX - On the introduction of amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the effect of norms during the period of martial law (Parliament of Ukraine, 2022a), regulated that the passage of tax



terms for the period of martial law has stopped, in particular the statute of limitations, provided for in Art. 102 of the Tax Code of Ukraine (Parliament of Ukraine, 2023).

It is provided that the fine under Art. 129 of the Tax Code of Ukraine is not accrued, and the accumulated amount is subject to write-off if such a violation is the result of the introduction of martial law. At the same time, the damage caused by the inaction of the control body caused by the state of war is not subject to compensation. The moratorium on tax audits established in 2020 due to the COVID-19 pandemic has been suspended and replaced by another similar moratorium for the period of martial law.

Thus, the Law of Ukraine No. 2142-IX - On amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the improvement of legislation for the period of martial law (Parliament of Ukraine, 2022b), stipulates that during martial law, tax audits are not started, and audits that have been started are stopped. Exceptions to this ban are actual inspections in connection with budget reimbursement and inspections of declarations of payers of the single tax of the 4th group.

However, already on May 12, 2022, draft law No. 7360 - Draft Law on Amendments to the Tax Code of Ukraine and other laws of Ukraine regarding the peculiarities of the tax administration of taxes, fees and a single contribution during the period of martial law and state of emergency (Parliament of Ukraine, 2022c) was adopted as a whole, which also restored documentary checks of tax reporting.

In connection with the establishment of price regulation for some goods, the tax authority has been given the right during martial law to control and monitor the observance of fixed prices, ceiling prices, and ceiling levels of trade allowance established by the state. Such control is carried out by conducting actual inspections. So far, there are only two grounds for it: a written application by the consumer and receiving information from other authorities.

Law No. 2142-IX, dated March 24, 2022 (Parliament of Ukraine, 2022b), provided that in the event that a taxpayer is unable to fulfil tax obligations due to hostilities or the introduction of martial law, such a taxpayer must fulfil them within six months after the termination or cancellation of martial law. And individuals who directly take part in repelling armed aggression - within one month from the day of the appearance of such an opportunity.



However, draft law No. 7360, adopted on May 12, 2022 (Parliament of Ukraine, 2022c) |changed these terms: the 6-month term for business was shortened to two months. And for taxpayers - individuals, on the contrary, it has been increased to 60 days.

During the period of martial law, it is allowed to submit reports and other documentation in paper form. Correction of errors in the submitted declarations without fines is possible only until July 20, 2022. The passage of time regarding the taxpayer's registration by the tax office has also been stopped, apparently due to the blocking of the registers, which are now just starting to recover.

All operations of voluntary transfer or forced alienation of property in favour of the Armed Forces of Ukraine, other paramilitary formations, or state bodies are not considered sales operations for taxation purposes, in particular, with regard to excise goods. To meet defence needs, military-civilian administrations are given the right to release property from tax liens in a simplified manner.

Income tax

To settle the issue of taxation of goods received free of charge as charitable or humanitarian aid, the legislator provided that the amounts of charitable aid are not included in the taxable income of an individual if such persons are participants in hostilities or active employees and employees of paramilitary formations and law enforcement agencies, employees enterprises, institutions, organisations, civil defence forces involved in the implementation of measures for national security and defence, repelling and deterring armed aggression, individuals living in settlements where hostilities took place or forcibly displaced persons.

It has also been established that individuals - entrepreneurs and persons engaged in independent professional activities and who are* on the general taxation system, can include as expenses amounts or goods transferred to the Armed Forces of Ukraine or other paramilitary formations or the state for defence needs.

The incomes of individual farmers will not be overlooked. It is provided that during martial law, in the case of selling one's agricultural products to a tax agent, the income received from this shall be taxed by such a tax agent. That is, when selling their own products to another agricultural producer or trader, the latter must perform the functions of a tax agent and withhold personal income tax and military duty.



VAT

During the state of martial law, interest in the amount of 120% of the discount rate of the National Bank of Ukraine is not charged on overdue debts from the budget that arose due to force majeure circumstances in connection with military aggression. That is an example of charging a penalty in case of detection of an understatement of the tax liability.

During the period of martial law, it is not considered to be used in non-taxable transactions or transactions that are not economic activities, if the goods purchased with VAT were destroyed or lost because of military aggression, and also if such goods were transferred to state or communal property, or defence needs. Also, operations of a free transfer in favour of the Armed Forces of Ukraine or other paramilitary formations are not considered to be a supply of goods.

Due to the military aggression of Russia, many registers were temporarily disabled for their protection and information preservation. So is the Unified register of tax invoices. Therefore, it was established that during the period of martial law, the registration of tax invoices or adjustment calculations is not carried out, and the inclusion of a tax credit is carried out based on primary documents drawn up following the Law of Ukraine "On Accounting and Financial Reporting in Ukraine". That is, based on paper documents.

At the same time, it is determined that within six months after the end of martial law, taxpayers are obliged to ensure the registration of all tax invoices and adjustment calculations for this period. And the amounts of the tax credit will be subject to clarification taking into account the data of tax invoices and adjustment calculations registered in the Unified register of tax invoices.

The legislation provides for the restoration of the tax obligation to submit reports, pay taxes, and register tax invoices and adjustment calculations in the State Revenue Service for taxpayers who can do so promptly. The list of documents that will confirm the impossibility of fulfilling tax obligations will be established by the Ministry of Finance.

Tax credit amounts for goods purchased but destroyed due to hostilities are included in the tax credit but are not subject to budgetary reimbursement.

To improve the fuel situation during the war, a reduction of the VAT rate to 7% was introduced for importing gasoline, heavy distillates, liquefied gas, oil, and crude oil products. The tax credit generated during martial law at the expense of such supplies is not subject to budgetary reimbursement and is included in the tax credit of the next reporting period.



Excise

During the period of martial law, fuel, liquefied gas, and petroleum products, the import of armoured vehicles for the purposes of defence and repelling aggression, as well as operations related to the physical transfer of excise goods to the Armed Forces of Ukraine and other paramilitary formations or the state as humanitarian aid or in the order of forced expropriation are exempt from excise tax withdrawal for defence needs.

If it is impossible to register an excise invoice in the Unified Register of Excise Invoices, the movement of fuel or ethyl alcohol is temporarily allowed subject to compliance with additional requirements for the goods and transport invoice: it must contain all the information that should have been reflected in the corresponding excise invoice.

Taxpayers (individuals) who, due to the consequences of their direct participation in hostilities, failed to comply with the deadlines for fulfilling their tax obligations regarding excise duty are released from responsibility for their non-fulfilment if they fulfil such obligations within one month from termination of the circumstances that prevented them. This term has been extended to 60 days.

Accounting for fuel and ethyl alcohol at excise warehouses, which are destroyed or located in the zone of hostilities or occupation, will be carried out based on the inventory data conducted after the restoration of their work.

Single tax

Single taxpayers of the first to third groups are exempt from paying VAT when importing goods, except for payers who pay a single tax at the rate of 3% (and therefore are VAT payers). From April 1, 2022, individuals - entrepreneurs and payers of the single tax of the first and second groups have the right not to pay the single tax. At the same time, the tax declaration for such a period is not filled out, as the main office of the State Patrol Service in Kyiv designated (2022).

For taxpayers of the third group, the limitation on the amount of income is temporarily cancelled, and the opportunity to change the tax rate is given - to go to 2%. At the same time, such temporary features cannot be used by business entities engaged in foreign currency exchange, transactions with certain excise goods and minerals, financial companies, non-residents, as well as branches, representative offices, and units of non-payers of the single tax.



Taxpayers who were VAT payers before the transition to the 2% single tax are exempted from charging and paying VAT, their VAT registration is suspended, and all VAT tax obligations are suspended. At the same time, exemption from VAT does not apply to import operations, as well as to operations of supply on the territory of Ukraine of goods originating from the aggressor state. At the moment, it is not clear enough how this act will work.

The tax reporting period for "military" uniforms is equal to a calendar month, and the amount of the tax liability is payable within ten calendar days after the deadline for submitting the declaration has expired. In addition, the taxpayer has the right to independently refuse to use the temporary "military" version of the single tax.

The Cabinet of Ministers of Ukraine has the right to determine additional features of the calculation and payment of the single tax. Some features of the change in the taxation system are provided for payers who were income taxpayers. Thus, the overpaid amount of monetary liabilities from the corporate income tax that exists on the date of the transition to the payment of a single tax is preserved until the restoration of the general taxation system and can be included in the repayment of monetary liabilities from this tax.

The negative value of the object of taxation with income tax, which existed on the date of transition to the payment of a single tax, can be included in the reduction of the object of taxation with an income tax of enterprises after the resumption of its payment.

A payer who, during a calendar year, switched to paying a single tax at the rate of 2%, in the event that he resumes paying corporate income tax in the same year, prepares and submits a corporate income tax return with the cumulative total from the beginning of such calendar year, but without taking into account during the period of stay on the single tax. However, for the purposes of transfer pricing, the amount of annual income from the activity is calculated together with the income received by a single taxpayer.

Central interregional administration of the State Patrol Service for work with large taxpayers (2022) informed that the taxpayers who switched to the simplified taxation system with the payment of 2% are released from responsibility for the late fulfilment of tax obligations from February 24, 2022, if they started paying taxes within 60 days from the day of switching to the simplified system.



Conclusions

Ukrainian tax legislation at the current stage of genesis is characterised by such features as variability and imperfect quality. The Tax Code of Ukraine, adopted on December 2, 2010, has already been amended and supplemented by more than 170 laws. This leads to a significant change in the legal regulation of tax relations and, accordingly, to a change in judicial practice in the field of resolving these disputes. Currently, the issue of the quality of legislative acts is particularly relevant, the absence of which does not provide adequate protection against arbitrary interference by authorities in the property rights of individuals, particularly in the property rights of taxpayers.

At one time, the high dynamism of tax legislation did not make it possible to ensure the guaranteed stability of judicial practice in the field of tax relations. The quality of court decisions may depend on imperfect or unclear wording of provisions of laws, as well as on defects in procedural legislation.

In the conditions of martial law, the tax policy of the state must be balanced. The essence of such a policy should be aimed at stimulating economic growth and entrepreneurship in Ukraine. The taxpayer has the right to expect the state to fairly observe the principle of legal certainty and balance of interests. For quick and effective recovery and the creation of an attractive investment climate, Ukraine needs a tax policy that would meet the challenges of war and post-war times.

Given the fact that Ukraine has received the status of a candidate for EU membership, compliance with the principles of foreign tax legislation will bring Ukrainian legislation closer to European legal standards, contribute to the improvement of law-making mechanisms in law enforcement and serve as an additional guarantee of the protection of taxpayers.

Tax legal relations must be adjusted to the level of the standards of the European community. There is also an undeniable need for the unification of Ukrainian legislation following EU legislation.

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