

“Management of tax system adopting to European standards”

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Viktoriia Ostapenko (Ukraine)

MANAGEMENT OF TAX SYSTEM ADOPTING TO EUROPEAN STANDARDS

Abstract

Ukraine is a social and legal state and seeks to become part of the European community. Therefore, the tax system needs to be reorganized regarding the level of financing of public goods, which will ensure the formation of financial resources sufficient for the fulfillment of the assigned functions of the state and guaranteeing citizens a sufficient standard of living. All this requires harmonization of the legal norms of Ukraine in accordance with the requirements of the European Union. Formation of tax policy in post-socialist countries has features related to the restructuring of the socio-economic system and redistributive mechanisms in the context of the formation and establishment of market relations.

The aim of the work is to generalize theoretical approaches and develop practical recommendations for management of tax system adapting to European standards. The object of the study is the process of managing the tax system in Ukraine. The subject of the study is theoretical, methodological and practical principles aimed at managing the tax system of European standards. To solve the problems set in the work, such general scientific methods and research methods were used as analysis, economic-statistical method, synthesis, graphical and tabular method, historical methods of induction and deduction, method of theoretical generalization, system method.

The conceptual approaches to the development of the tax system are proposed. The determinants of tax policy formation are determined. There are four main time stages of development of interstate cooperation in the tax area, which correspond to the waves of globalization of the world economy.

Keywords

tax policy, integration, European Union, tax system, adopting,
harmonization

JEL Classification

E62, F36, H70

B.M. Остапенко (Україна)

УПРАВЛІННЯ ПОДАТКОВОЮ СИСТЕМОЮ ВІДПОВІДНО ДО ЄВРОПЕЙСЬКИХ СТАНДАРТІВ

Анотація

Україна є соціально-правовою державою та прагне стати частиною європейської спільноти. Тому податкова система потребує реорганізації щодо рівня фінансування суспільних благ, що забезпечить формування фінансових ресурсів, достатніх для виконання закріплених функцій держави і гарантії громадян на достатній рівень життя. Все це потребує гармонізації правових норм України відповідно до вимог Європейського Союзу. Формування податкової політики в постсоціалістичних країнах має особливості, пов'язані з реструктуризацією соціально-економічної системи та перерозподільними механізмами в контексті формування і встановлення ринкових відносин.

Метою роботи є узагальнення та розробка теоретичних підходів, а також розробка практичних рекомендацій щодо управління податковою системою відповідно до європейських стандартів. Об'єктом дослідження є процес управління податковою системою в Україні. Предметом дослідження є теоретичні, методологічні та практичні принципи, спрямовані на управління податковою системою європейських стандартів. Для вирішення поставлених в роботі завдань використовувалися загальнонаукові методи і методики дослідження: аналіз, економіко-статистичний метод, синтез, графічний і табличний метод, історичні, методи індукції і дедукції, метод теоретичне узагальнення, системний метод.

Запропоновано концептуальні підходи до розвитку податкової системи. Визначено детермінанти формування податкової політики. Виділено чотири основні часові етапи розвитку міждержавного співробітництва в податковій сфері, які відповідають хвилям глобалізації світової економіки.

Ключові слова

податкова політика, інтеграція, Європейський Союз, податкова
система, прийняття, гармонізація

Класифікація JEL

E62, F36, H70

INTRODUCTION

European economic integration, which occurs simultaneously with the globalization of the world economy, actualizes the study of tax policy at the level not only of the state, which, in particular, seeks to benefit from involvement in world economic relations and (or) participation in integration processes. Moreover, these two subjects of tax policy develop it to achieve positive changes in socio-economic development, but set different goals depending on the priorities of their functioning and development.

The state, which forms its tax policy, seeks to comply primarily with its own national interests in specific internal and external socio-economic and institutional conditions. At the same time, the tax policy of the integration envisages the balancing of often contradictory national interests to create favorable conditions for the development of the integration education in general and its participants in particular. Sometimes it requires the consent of the latter to deterioration of certain national economic conditions for other benefits both in the near future and in the future.

1. LITERATURE REVIEW

The need for the state to integrate into the EU and the processes of changing the state tax policy during this integration have been repeatedly emphasized in the works of many researchers. Romaniuta (2015) focuses on the EU tax policy and its particularities in terms of integration. The author examines the national features and trends of tax convergence in Europe from 1995 to 2008. The author identifies the effects of integration into tax administration in the EU. The tax policy of the EU is considered, the processes that took place before (at an early stage) of the financial and economic crisis, and it is determined that this is no less important than the analysis of new tax events. The author examines the dynamics of average taxation in the EU-6, EU-15, ESA-17 and the new EU member states.

Author's works view certain types of taxes in a separate country of the world. So, Mokrisova (2018) considers environmental taxes in the tax system of the Slovak Republic. Author defines relations that affect environmental taxes, as well as the nature of environmental taxes, focuses on the need to implement environmental tax reform. The legal protection of the Slovak Republic for the purpose of implementation of all conventions and programs has been determined and also has been implemented in governmental strategic decisions. Ivanova, Margasova and Peretiatko (2017), Tulush (2015) discuss conceptual issues regarding the nature and efficiency of taxes on income and value added. Improved tax policy tools, proposed the adoption of tax breaks on a permanent basis in bankruptcy procedures restorative procedures.

The authors determine the effect of taxation on state regulation of the economy. Danisauskas (2015) proves the importance of the relationship between state economic policy and taxation. It was been proven expediency of taxation of illegally produced product. It is substantiated that taxation of illegally produced products negatively affects the country's economic status and the economic policy of society, motivating some people to be involved in the shadow economy.

Huu and Quach (2017) identify five key changes to the corporate income tax, corporate income tax and non-agricultural land tax. It has been proved that the decline in housing prices in the average of 6-11% affects the change in incomes of individuals' incomes.

2. AIMS

The aim of the work is to generalize theoretical approaches and develop practical recommendations for management of tax system adapting to European standards.

3. METHODS

The theoretical and methodological basis of the research is the position of modern economic theory, legislative, normative and instructional documents on taxation, scientific works of domestic and foreign scientists. In the process of research, various methods were used, in particular, a systematic approach for generalization world experience in tax system management and forming strategy of legal adaptation of tax legislation of Ukraine.

4. RESULTS

At the turn of the 21st century, in the context of deepening globalization of the world economy, the expansion of the relationship between the national tax systems of the countries of the European Union (EU) and their gradual harmonization are carried out continuously. Globalization involves the process of convergence of consumer preferences and the universalization of the range of goods all over the world, with world goods being displaced locally. The main components of the modern global economy are innovation, knowledge and information technology, which are the sources of productivity and competitiveness. The new economy is organized mainly through a global network of management, production and distribution, rather than individual firms, covering all spheres of the world economy, in particular, production-innovation, financial and credit, trade and intermediary spheres. In each of the aforementioned spheres, there is a tax component and it is extremely important for the success of the globalization process to take into account the tax implications of integration decisions, such as the EU countries. It is possible to distinguish four main time stages of development of interstate cooperation in the tax sphere, which correspond to the waves of globalization of the world economy (Table 1).

With the creation of the EU (the Maastricht Treaty was signed in 1992 and put into effect in 1993), the deepening of European economic integration naturally led to the development of the concept of intergovernmental tax harmonization (from the Greek “harmonia” – bringing it into conformity, coherence). It involves the development of a common strategy of countries in the field of taxation at the appropriate stage of integration cooperation, the coordination of tax policy, the systematization and unification of individual taxes and tax systems of countries that are part of international regional associations.

The Maastricht Treaty (European Commission, n.d.) also defines the main provisions of the EU for the unification of indirect taxes: VAT is paid in the country of origin, the unity of the basic VAT rate (at least 15%) and preferential (not less than 5%), the limited range of goods that can be exempted from VAT (mainly for social purposes); unification of excises – for some goods (tea, salt, sugar) are canceled, for other (including coffee) uniform rates are set. Also, harmonized rules for determining taxable profits, in particular, in terms of depreciation, consolidated reporting system, reporting period – one year, investment privileges. The tax policy of the European Union can be considered as a system of measures carried out by the institutions and bodies of the EU, as well as its member states (Figure 1).

Today, given the specifics of fiscal policy and taxation systems in each country, the EU refused to create a single tax system. Instead, it was decided to bring the legislation of the EU Member States on taxation in line with the EU Treaty.

Table 1. Stages of globalization and development of interstate cooperation in the tax system [systematized on (Danisauskas, 2015; Ivanova, Margasova, & Peretiakko, 2017; Mokrisova, 2018; Tyschenko, Ostapenko, & Babenko, 2018)]

| Stage No. | Time period | Specificity of the process of globalization | Specificity of the process of intergovernmental tax cooperation |
|-----------|---|---|--|
| I | Second half of XIX century. –1913 (the beginning of the First World War) | The beginning of the globalization of world markets, the development of international investment cooperation and the transnationalization of companies | The beginning of cooperation between countries on the prevention of international double taxation of income and property of citizens and companies. Since 1843 – conclusion of the first international tax agreements. Intensification of the process of signing tax agreements after the introduction of the early XX century. Income Taxation (24 Bilateral Tax Conventions) |
| II | Interwar 20th anniversary (1919 – 1939) and the period of the Second World War (until 1945) | The division of the world economy into 2 subsystems after the revolution of 1917 in Russia. From the beginning of the 1930s to the end of the 1940s – the “black years” of disintegration (the period of the military confrontation between the states of the anti-Hitler coalition and the axis of Berlin-Rome-Tokyo). The beginning of the Cold War between the West and the East | Formation in 1919 – League of Nations; in 1920, its Finance Committee. Preparation of the first model tax conventions. Development of the process of international tax cooperation (10 tenths of the highest level). During the Second World War, the signing of the Mexican (1943) and London (1945) model tax conventions on the avoidance of double taxation of income and capital |
| III | The end of the 1940s - the middle of 1990's | The rapid development of transnational business and the growth of labor migration. The beginning of the formation of integration associations (NAFTA, EEC / EU, CEEC, etc.) and expansion of countries – tax havens. The collapse of the world socialist system at the turn of the 1980s and 1990s | Preparation of the Model Tax Conventions of the OECD (1963 and 1977) and the United Nations (1980) on the elimination of double taxation of income and capital. Signing of the Multilateral Tax Agreement of the Councils of Economic Mutual Assistance (1977 – 1978). The beginning of the process of European tax harmonization (coordination) within the framework of the EU (1993) and EurAsEC (1992–1995): the unification of indirect taxes and the rules for determining taxable profits |
| IV | Since the late 1990's till today | The beginning of the era of informational and financial globalization of the system of international relations. The rapid development of digital technology and e-commerce | Since 1998 – the beginning of international coordination of taxation of transactions in the field of e-commerce. In 2004–2007, enlargement of the EU to 27 members Start harmonization of direct taxes in the EU. Initiative of Germany and France (2011), on the harmonization of corporate tax regimes, financial transaction tax, the definition of a common tax base and rates, and the intention to establish an economic government by 2013. Establishment of the Customs Union (2011) by the EurAsEC countries (Russia, Byelorussia, Kazakhstan) and intentions to create a single economic space by 2015 |

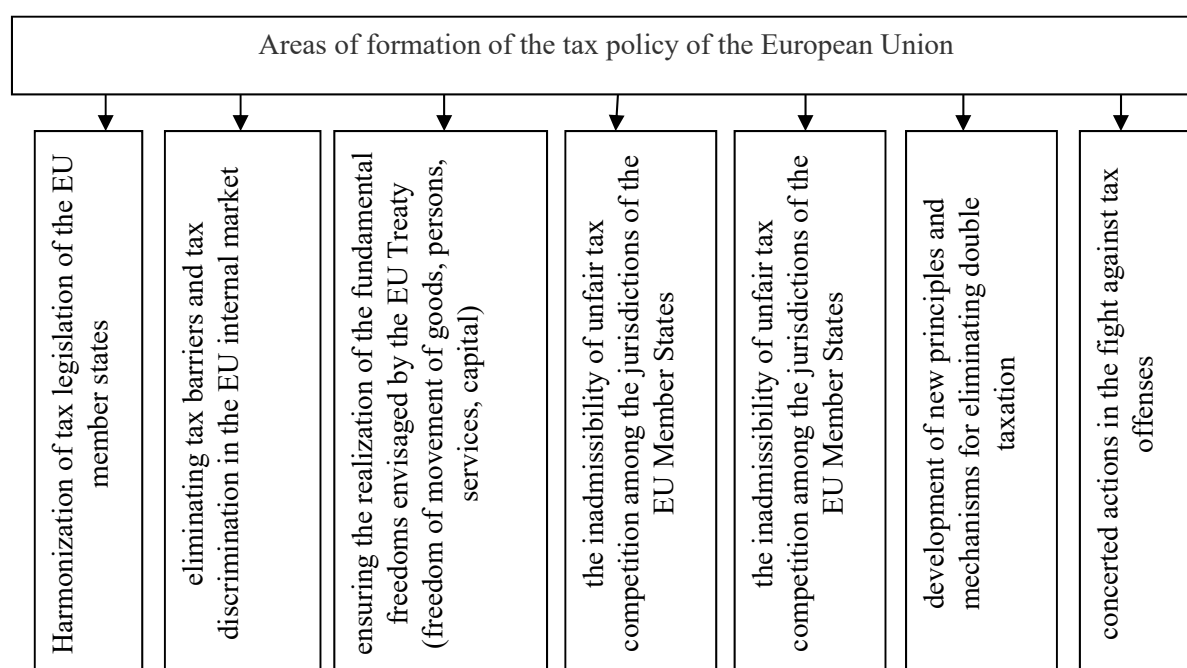


Figure 1. Areas of formation of the tax policy of the European Union [determined by (European Commission, n.d.)]

In the narrow sense, harmonization refers to tax rates and tax base, and in the broader context of the entire tax system. Harmonization of taxation first appeared and began to be applied in the late XIX – early XX century during the creation of customs unions in a number of countries (Table 2). Modern advantages of harmonization are seen in preventing tax arbitrage, reducing barriers to business activity within the EU and removing deformations during the placement of capital. The convergence of tax systems of countries with excellent political and socio-cultural characteristics involves the development and implementation of fiscal regulation mechanisms at all hierarchical levels of the integration group, but remains acute and politically debatable (State Fiscal Service of Ukraine, n.d.).

Table 2. Development of tax system harmonization [systematized on (Danisauskas, 2015; Ivanova, Margasova, & Peretiatko, 2017; Mokrisova, 2018; Tyschenko, Ostapenko, & Babenko, 2018)]

| Period / author / document | Content |
|--|---|
| 1968 | The first attempts to harmonize concerned indirect taxes and successfully completed the introduction of VAT, but did not lack attention to direct taxes |
| 1962 Neumark Report | The introduction of a unified taxation system for companies with a minimum rate of 15% |
| Program of harmonization of direct taxes (1967) | Envisaged a full-scale unification of approaches to taxing companies |
| Van den Tempel Report (1972), Proposals for the Harmonization of Income Tax (1975) | Have shifted emphasis towards individual elements of the tax system, without providing for its complete unification |
| New recommendations for taxation (1990) | Proposed a common tax base for those companies whose activities are limited to several countries |

The process of harmonizing taxes faces the solution of two opposite in essence problems. The essence of the first is that the formation of a single internal market involves the unification of tax legislation. This is especially true for the profits of enterprises and the income of investors, because only the solution of this problem allows the capital to move freely between EU member states and to avoid barriers that hinder the development of scientific and technological integration and the dissemination of the latest advances in science, technology and technology between the states. On the other hand, the harmonization of taxes, its rates, the provision of various investment privileges affects the domestic policy of the state, objectively reduces the amount of taxes received in the revenue part of the state budget. In addition, the government's influence on domestic producers is decreasing. Therefore, the solution to these problems is of great importance. Harmonization of tax legislation, which is perceived as a reduction in tax pressure, is determined by two groups of causes (Figure 2).

Tax harmonization involves limiting part of the tax powers of the member states of the interstate association. Such restrictions are manifested in the form of regulating types of taxes, the limits of setting their rates, methods of administration, etc. In turn, the Member States of the intergovernmental association agree to restrict their fiscal powers to the extent that their interests are better satisfied at the level of the union than at the national level. Therefore, the creation of equal conditions and opportunities, on the one hand, and the tax sovereignty of the Member States of the association, on the other hand, provide the basic institutional principles of tax harmonization (Table 3).

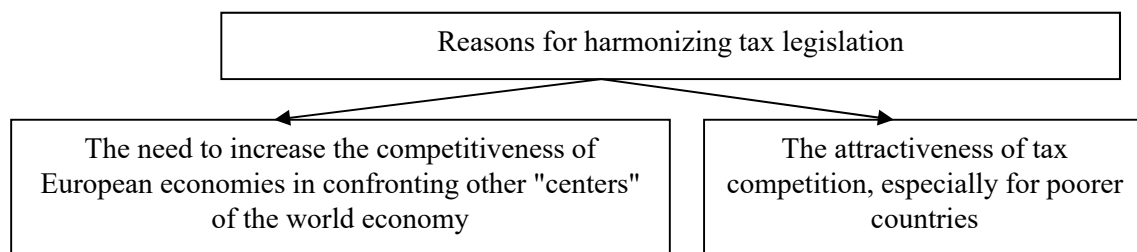


Figure 2. Reasons for harmonizing tax legislation

Table 3. Basic institutional principles of tax harmonization [determined by (European Commission, n.d.)]

| Principle | Essence | Source |
|---|--|--|
| Principle of proportionality | Envisages limiting the activities of EU institutions by the powers granted to them by the EU constituent documents and the established objectives of European integration | Article 5 of the EU Treaty |
| The principle of subsidiarity | EU institutions do not have the right to intervene independently in the functioning of any of the segments of the economy of the Member States, except where such intervention is necessary to meet the EU's strategic objectives. | Article 5 of the EU Treaty |
| The principle of unanimity | Any decision on the formation of a tax policy in the EU should be taken by unanimous consent of the EU member states and fixed in the relevant norm of the integration legislation. The ability of a Member State to veto any decision in the field of harmonization of taxes, which can cause disastrous consequences for the economy of this country. | – |
| The principle of tax non-discrimination | It covers two main provisions: first, the impossibility of direct or indirect taxation of domestic taxes by one EU member state on products of another EU Member State in excess of the taxation of national products; secondly, the Member State of the EU should not levy taxes on the products of other Member States with a view to indirectly protecting their products | Article 90 of the Treaty on European Union |
| The principle of neutrality of taxation | To prohibit the reimbursement of domestic taxation when exporting products to another EU Member State in excess of the level of direct or indirect taxes paid | – |

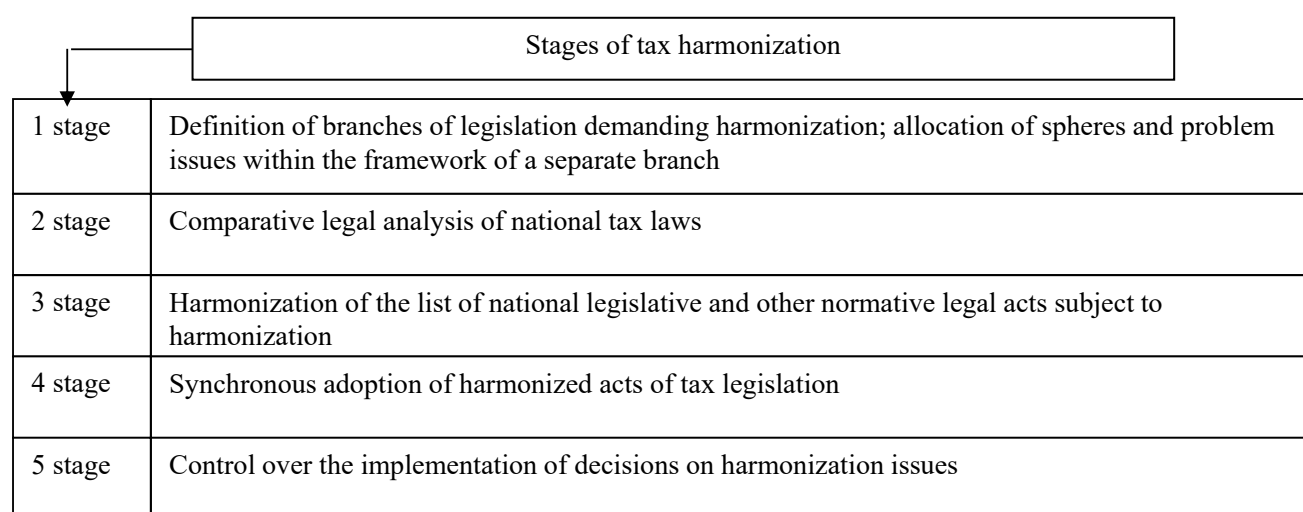
The first two principles – proportionality and subsidiarity act as “built-in stabilizers” – on the one hand, they restrict the role of the European Union institutions, defending the tax sovereignty of the EU member states, and, on the other, ensure the effectiveness of tax harmonization. The process of harmonization is carried out in stages. There are 5 main stages (Figure 3).

During the 60's and 90's of the twentieth century. the strengthening of the social orientation of Western European economies has led to a significant increase in government spending, accompanied by a tangible increase in tax pressure. The main directions of harmonization of tax legislation should include unification: VAT and excise rates; charges on the wage fund (or labor costs); individual and corporate income tax rates; the rules of taxation of investment income; administration of the tax system (State Fiscal Service of Ukraine, n.d.).

EU institutions have no right to set tax rates independently, without their prior agreement with EU member states. A unified supranational quasi-tax system of the EU can be presented in the form of such a classification of payments (Ministerstvo yustytisii, 1992), which became the main source of financing of the community budget (Table 4).

Of course, today, within the framework of the EU, the question of forming a single optimal European taxation (Government portal, n.d.), which would be a prerequisite for the steadily high rates of economic growth of integrated national economies, remains unresolved (Table 5).

Tax dumping, which is characterized, above all, by the low level of income tax rates as well as certain privileges in the taxation of incomes, stimulates not only fair but also harmful tax competition in a single European economic space.

**Figure 3.** Stages of tax harmonization

The result of the “tax dumping” is that the low tax rates used by the “new” members of the EU are actually covered by direct financial subsidies received from the donor countries of the Commonwealth, the core of which are high taxation countries. The intentions for European integration of our country are obvious: since February 2008, Ukraine is a member of the World Trade Organization (WTO), the Tax Code (Verkhovna Rada of Ukraine, 2010), adopted in 2010, whose main objective is to bring the national tax system closer to the generally accepted rules of international and European practice. In 2012 there was the initialed EU, such as Ukraine Association Agreement (Verkhovna Rada of Ukraine, 2014).

Table 4. Classification of payments, which became the main source of financing of the community budget [determined by (European Commission, n.d.)]

| Tax | Types / characteristics |
|---------------------|--|
| Agricultural taxes | The tax on imported and export agricultural products in transactions with trading partners from non-EU countries; the sugar tax paid by companies producing sugar in the EU Member States |
| Custom | Anti-dumping and countervailing duties; anti-dumping duties are applied more often, more regularly. Customs duties are set at the external borders of the EU on import and export goods and are determined taking into account the following commodity characteristics: tariff, origin, quantity, customs value of goods, tariff rate. Tariffication of goods is carried out on the basis of a combined nomenclature of goods, where each type of product has the appropriate code. The origin and customs value of goods are determined by the EU Customs Code. Tariff rates are set according to the EU Common Customs Tariff (EMS). The legal basis for the application of customs duties is the EU legislation, the free trade agreements of the EU and the General Agreement on Tariffs and Trade (GATT) to which the European Union is a party |
| VAT | It is the most promising in terms of financing EU activities. The presence of VAT in the tax system of the state is a prerequisite for its accession to the European Union, since the proceeds from this tax are one of the main sources of the formation of the EU common budget. EU Member States determine the amount of their tax rate within the limits proposed by the common law. Income derived from the EU budget from the value added tax is a kind of Council decision, the only percentage increase in the VAT rate in the Member States |
| Personal income tax | The tax is calculated on a progressive scale of 5 to 45% and comes to the income of the European Union. According to Art. 13 of the Protocol on the Privileges and Immunities of the EU officials and employees of the Union are exempt from payment of national taxes on rewards and other payments made within the framework of the EU |

Table 5. Taxation priorities in EU countries [determined by (European Commission, n.d.)]

| Countries | Priorities |
|---|--|
| Denmark, Great Britain, Netherlands, Luxembourg, Czech Republic | Giving benefits to taxing corporations |
| Germany, France, Austria, Slovenia, Poland | Equalization of the fiscal function of income tax and social payments from employees |
| Denmark, Sweden, Finland, Netherlands | Maximum attention to the possibilities of the personal income tax with insignificant load on social payments |
| Countries of the Baltics, Bulgaria, Slovakia, Romania | A significant limitation of the progressive income tax with the aim of shadowing the incomes of certain segments of the population |
| The Netherlands, Ireland and Cyprus | Property taxes form an essential part of budget revenues |
| UK and Norway (not a member of the EU) | Actively develop resource taxation |

Since the election of Ukraine as a foreign policy priority to integration into the EU, the issue of bringing the normative legal acts of our country into compliance with the EU legislation has become particularly relevant. Tax law is one of the areas of national legislation that Ukraine has undertaken to comply with European integration law.

As a result of the EU enlargement, Ukraine has direct access to the single, expanded, harmonized EU market with 450 mln consumers. It becomes apparent that Ukraine, more than other countries, will be able to benefit from the access to a single EU market with a high level of openness, the only list of trading rules and administrative procedures, a single customs tariff and the free movement of goods, services, citizens and capital without internal barriers (border control, certificates). The main way of harmonizing the legal norms of Ukraine and the European Union is adaptation – the process of drafting and adoption of regulatory acts and the creation of conditions for their proper implementation and application with the aim of gradually achieving the full compliance of Ukraine's right to European law. Forms of legal adaptation are presented in Figure 4.

The practical significance of the proposed strategy for the development of the Ukrainian tax system will enable the domestic tax system to adapt to the European tax standards as much as possible. Implementation of new mechanisms for reporting taxpayers by submitting tax reporting by electronic means remains one of the important areas for improvement of the taxpayer service process for the state tax service authorities (Figure 5).

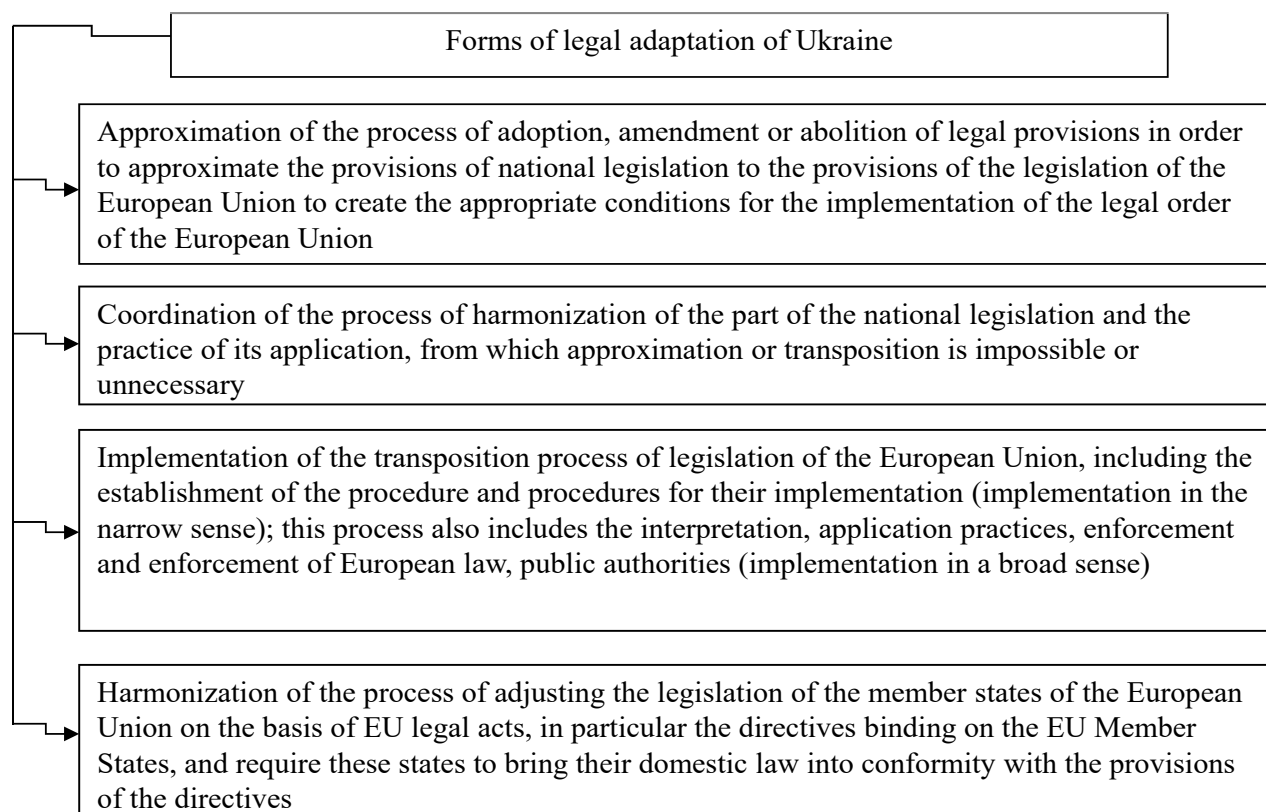


Figure 4. Forms of legal adaptation of Ukraine [determined by (Verkhovna Rada of Ukraine, 2014; Government portal, n.d.; Ministerstvo yustytzii, 1992)]

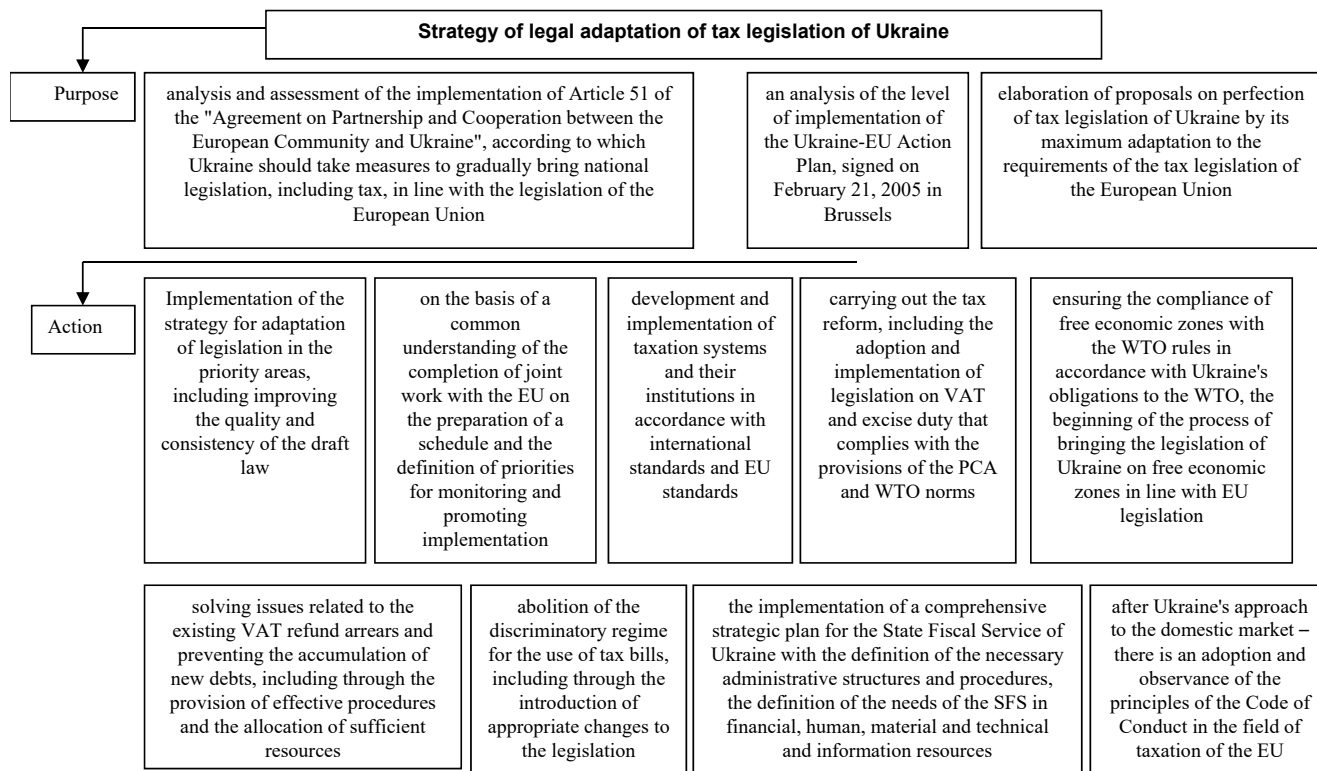


Figure 5. Strategy of legal adaptation of tax legislation of Ukraine [determined by (Verkhovna Rada of Ukraine, 2014; Government portal, n.d.; Ministerstvo yustytzii, 1992)]

On June 14, 1994, Ukraine was the first country that is defined its relationship with the EU Partnership and Cooperation Agreement (Verkhovna Rada of Ukraine, 2014). In addition, on June 11, 1998, the President of Ukraine is issued a decree “On Approval of the Strategy of Ukraine’s Integration into the European Union” No. 615/98 (Government portal, n.d.). According to Article 51 of the above-mentioned Agreement, our country has a duty to bring approximation of legislation on indirect taxation and taxation of corporate profits to the norms and standards of the EU tax law. In 2006, the STS of Ukraine became a member of the Intra-European Organization of Tax Administrations (IOTA). The organization was established by the European tax administrations in 1996 with the support of the European Commission. At present, IOTA has 43 member countries (State Fiscal Service of Ukraine, n.d.).

The need for adaptation of domestic taxes to EU legislation is formulated in the Strategy of Economic and Social Development of Ukraine (2004–2015) “Through European Integration”. A corresponding attempt to define the directions of integration of the tax system into the European Community was the approval of the Concept of Reforming the Tax System of Ukraine on February 19, 2007. Unfortunately, today the Ukrainian tax system, unlike the EU countries, does not yet contribute to building a socially oriented competitive market economy of the state. According to the report “Tax Payments” by the World Bank and the PricewaterhouseCoopers Audit Company on the status of tax systems in 178 countries, in 2007, the domestic tax system took 177th place.

In 2011, according to the level of tax burden, Ukraine has 181 positions from 183 countries of the world. That is, the current realities of the functioning of the tax system cannot be compared with any European state either in terms of economic development, nor in tax culture, nor in terms of corruption, nor in the level of the shadow economy.

Changes in taxation must be consistent with each other and fit into the functioning fiscal system organically. True, the systematic vision of reforms is often imposed on the conceptual approach according to which Ukraine is invited to become more involved in the process of tax convergence, and those areas which are still least harmonized in the EU to develop in their own “fiscal scenario”. In this approach, there are two dangers (Figure 6).

The process of adaptation of the domestic tax system to European standards has its own dynamics and features. In today’s conditions, the defining directions of work are:

- a gradual increase in the level of taxation (today the share of tax revenues in GDP is 29.3%, growth up to the previous year – 0.8%) to the average of the EU countries (37.4%), elimination of imbalances in mobile taxation (capital, labor) and non-mobile bases (consumption, natural resources, property), the indicators of fiscal efficiency of indirect and direct taxation make up 13.6% and 8.9% of GDP, that is, at the level of the corresponding indicators of the majority of countries – the “new” members of the EU;
- solving the issue of reducing the tax pressure on the economy by reducing the rates on the main budget-forming taxes (from 2014, VAT to 17%, income tax - up to 16%) provided by the Tax Code (Verkhovna Rada of Ukraine, 2010) and further reduction of taxes and payments (reduced from 39 to 23 and it is planned to leave 9 taxes);

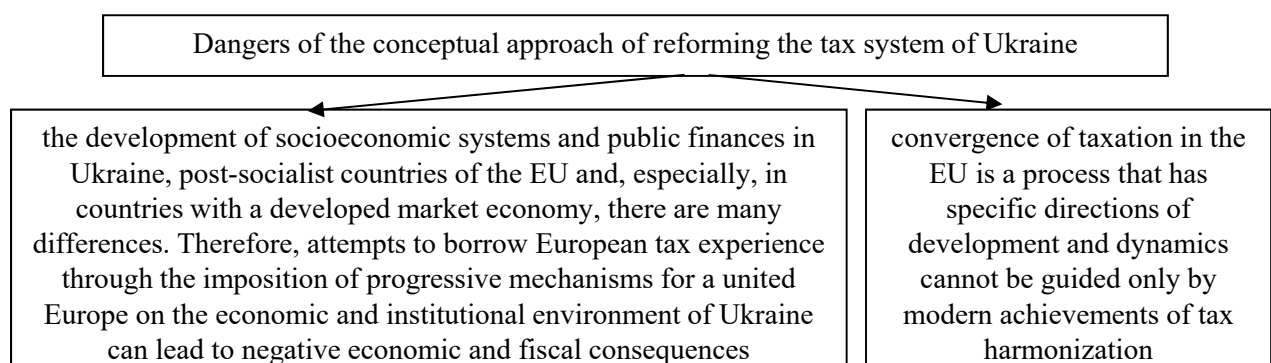


Figure 6. Dangers of the conceptual approach of reforming the tax system of Ukraine [determined by (State Fiscal Service of Ukraine, n.d.)]

- comprehensive measures at the level of each level of the SFS of Ukraine regarding the automation of tax processes (electronic reporting, the Unified Register of Tax Bills, VAT refunds, etc.) in order to eliminate the minimization schemes, attraction to payment economic entities of all categories of attention as the main element of increasing revenues, reducing the share of the shadow economy, which, according to experts' estimates, is 1.5–2 times higher than the EU average, as well as countering corruption confidence (Tyschenko, Ostapenko, & Babenko, 2018);
- arrangement of tax preferences, including investment privileges, in terms of limitation of the term of their provision (not more than five years) and control of the use of funds released for the intended purpose;
- improvement of approaches to the taxation of natural resources and excise tax: the share of these payments in general tax revenues remains insignificant (4.4% and 10.1% respectively) and tend to decrease. Energy (gasoline, petroleum products, liquefied gas) accounted for only 27% of excise tax revenue.

Harmonization of taxation in the EU is a process that has specific directions of development, its dynamics. European countries are trying to optimize taxation (to introduce new tax technologies based on self-taxation, to maintain a high standard of social standards, etc.). The general tax trends in the European Union should serve as a benchmark for the process of adaptation of the tax systems of countries seeking to enter the EU. It is now clear that Ukraine needs to accelerate its accession to this process, and those areas which are so far the least harmonized in the EU to develop in their own "fiscal scenario", that is, in accordance with the model of fiscal policy implemented by the state. The general priorities should be to reduce the burdens of the domestic tax system, further reduce taxes and payments, equalize disproportions in taxation, focus on the use of innovative administrative methods, limit the economically unjustified preferences in taxation, improve tax incentives for entrepreneurship, tax culture and psychological perception of business and the population. state action in the field of tax policy.

The main drawbacks of the tax system of Ukraine are the following:

- unlike EU countries, taxes are not an instrument for increasing the competitiveness of the state. The system of formation of state revenues is mainly fiscal. The regulatory function of taxes is not oriented to sustainable economic growth, which, in turn, does not increase the competitive position of the tax system of Ukraine among the EU countries;
- a serious drawback is the imperfection and instability of legislation. The issue of taxation is still regulated by subordinate normative documents, Decrees of the Cabinet of Ministers, Presidential Decrees. Tax legislation has similar features to European law, but only in the names of taxes. The ambiguity of the interpretation of tax legislation negatively affects the activities of economic entities, reduces the attractiveness of the national economy for foreign investors;
- in the EU, small businesses are seen as a decisive factor in achieving the competitiveness of the European economy in the world market, the high efficiency of the domestic market, as well as the factor of ensuring employment of the population. Unfortunately, in Ukraine the system of simplified tax regime leads to such problems as: reducing the motivation of entrepreneurship, the unwillingness of business entities to change their status as subjects who have the right to use a simplified taxation system, which slows down their development and growth volumes activity, leads to the fragmentation of some medium-sized enterprises. World experience and business practices convinced that the important condition for the functioning of a market economy is the presence and interaction of large, medium and small enterprises and their optimal balance;
- the costs of administering the tax system are too large and inappropriate. Activities of the Ministry of Finance, the bodies of the fiscal and customs services are not sufficiently coordinated, there is no holistic information space between the organizations, which leads to copying functions;
- the system of customs-tariff regulation does not allow to react promptly to changes in the world market conjuncture, as well as the trade regimes in other states and the structure of the economy in Ukraine;
- ineffective mechanism of distribution of tax revenues between central and local budgets hinders the development of the economy in the oblasts.

CONCLUSIONS

The process of adapting the domestic tax system to European standards should have an evolutionary character and on the eve of a new wave of the global financial crisis, based on economic and political stability in the country.

Consequently, the tax system of any country is a product of not only economic but also political development of society. It reflects the interests of various social groups and political parties, and is the result of the consensus that these forces came in during the adoption of tax bills.

According to the study, stages of globalization and development of interstate cooperation in the tax system are systemized. They are differing by process of globalization and intergovernmental tax cooperation. Also it was determined areas of formation of the tax policy of the European Union. In the study there was considered the development of tax system harmonization, reasons for harmonizing tax legislation, basic institutional principles and stages of tax harmonization.

The main way of harmonizing the legal norms of Ukraine and the European Union is adaptation, whose forms are represented in study. The practical significance of the proposed strategy for the development of the Ukrainian tax system will enable the domestic tax system to adapt to the European tax standards as much as possible. Implementation of new mechanisms for reporting taxpayers by submitting tax reporting by electronic means remains one of the important areas for improvement of the taxpayer service process for the state tax service authorities. There are the main drawbacks of the tax system of Ukraine.

Taking into account the experience of developed economies, which, in the majority of cases, also introduced the tax legislation in their territories by way of trial and error, our state, in particular, demands an unconventional approach to codification of the existing tax system.

The result of this approach can be, first of all, stabilization of the basis of taxation, laying the foundations of a comprehensive tax base, on the other – creating favorable conditions for improving the mechanism of charging and collecting taxes. Today it can be argued that in Ukraine a tax system has been created that allows them to mobilize funds for the disposal of the state, to distribute them and to redistribute them for the purposes of economic and social development.

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