

## SECTION 3.

### FINANCE AND BANKING; TAXATION, ACCOUNTING AND AUDITING

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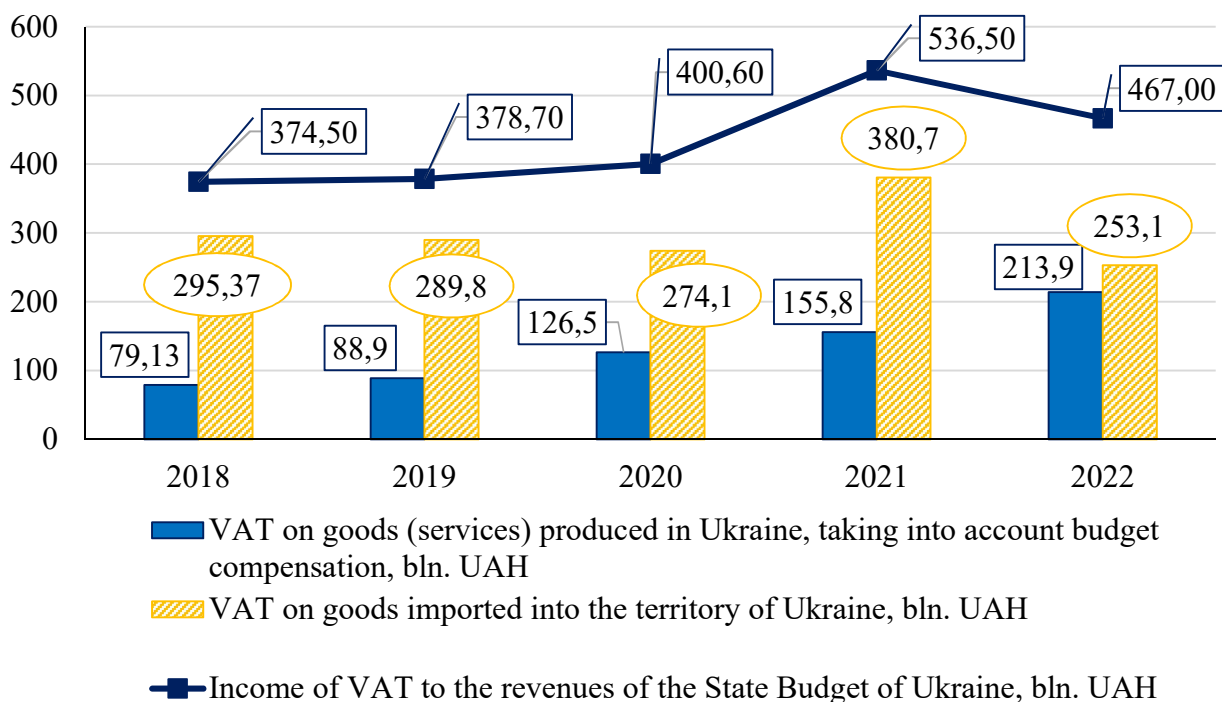
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## FISCAL ASPECTS OF VALUE ADDED TAX: IMPORT DEPENDENCE IN MILITARY CONDITIONS IN UKRAINE

Ukraine is transforming various socio-economic and political spheres, including the tax system, which international and domestic institutions have severely criticized recently. Ukraine has chosen European integration as a vector of its foreign economic policy. As a result, harmonization in taxation has become a priority and urgent task for the government. Value-added tax (VAT) is the central budget-forming tax and is practically indispensable in the modern realities of our country, as it is used to finance social security and other programs. However, due to significant problems with tax administration, its fiscal efficiency is reduced, its regulatory function is lost, and VAT gradually turns from a budget-generating to a budget-spending one.

Having analyzed the structure of revenues of the State Budget of Ukraine, taking a leading position, the value-added tax has various objects of taxation, for instance, VAT on works and services imported into the territory of Ukraine, VAT on agricultural enterprises on operations with agricultural goods/services, VAT on imported into the territory of Ukraine's goods (medicines, vehicles), etc. The most significant part of VAT is the value-added tax on goods (works, services) produced in Ukraine and on goods imported into the territory of Ukraine. The most significant component of VAT revenues is precisely the value-added tax on goods imported into the territory of Ukraine (pic.1), and this is due to some factors. First, when a product is imported into Ukraine, it may be subject to a customs duty added to its cost. VAT on duty is also calculated from the amount of duty, which increases the amount of VAT on imported goods. Secondly, imported goods can be more expensive due to high competition in the world market, particularly in countries where production can be more efficient and cheaper. This means that imported goods may have a higher price than similar goods produced in Ukraine. In addition, VAT on imported goods may be higher due to currency fluctuations. If the currency of the country from which the goods are imported changes relative to the hryvnia, this may affect the value of the goods in hryvnias and, accordingly, the amount of VAT imposed on them.

The maximum value of the value-added tax on goods imported into Ukraine was observed in 2021, and the COVID-19 pandemic caused this; there was an increase in demand for various goods not produced in Ukraine or insufficient quantities. Hostilities and the general geopolitical crisis of the economy cause the decline in indicators in 2022. This led to the rise in the volume of imports of goods subject to VAT. When studying the fiscal efficiency of VAT, it is advisable to stress that the tax can ensure the filling of budgets of various levels, and the specific characteristics of its measurement are the absolute volumes and particular weight of tax revenues in budget revenues and GDP, the level of the effective tax rate, its productivity, etc. Dependence on imported goods and services is observed during the entire period of the indicators study. At the same time,



**Pic. 1. Dynamics of value-added tax receipts by various tax objects, UAH billion**

*Source: estimated by the author [1].*

if before the military actions, it was possible to assert numerous factors of tax evasion and the decline of the economy caused by the quarantine processes, now the situation has worsened due to the uncertainty of the number of real objects of VAT taxation.

Prospects for using value-added tax during martial law may depend on specific conditions, political decisions and the economic situation. Here are some perspectives: 1) Increased fiscal revenue: the government can use VAT to raise additional financial resources during martial law. By increasing the tax rate account or expanding its volume, it is possible to ensure the growth of fiscal expenditures, which are sufficient to finance defence expenditures and other essential needs in this period; 2) Regulation of consumer demand: VAT can effectively regulate consumer demand during martial law. With the help of changes in VAT rates on other goods and services, it is possible to include them in their cost and contribute to the redistribution of consumer demand to more essential goods and services to meet military needs; 3) Transparency and fight against corruption. This allows for establishing a system of accounting and control over the collection of taxes, which helps to avoid the illegal use of fiscal resources and the effective use of these funds for military needs.

#### References:

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## METHODOLOGICAL PRINCIPLES FOR RECOGNIZING EMPLOYEE BENEFITS IN ACCOUNTING

Accounting for employee benefits is one of the most central parts of the accounting system, as it is an integral part of any organization's operations. Labor is one of the most important elements of production and circulation costs. Payments are the main source of employees' income and are used to control the extent of labor and consumption, and are used as the most effective lever of economic management.

The methodological basis for accounting information on payments (in cash and non-cash forms) for work performed by employees and its disclosure in the financial statements is determined by Accounting Regulation (Standard) 26 “Employee Benefits”. Employee benefits include benefits that are provided either to employees or to their dependents and may be provided in the form of cash payments (or goods or services) directly to employees, their wives, husbands, children or other dependents, or to other persons (e.g., insurance companies).

Accounting Regulation (Standard) 26 distinguishes between two programs of such payments:

- payments under defined contribution programs;
- payments under defined benefit plans.

Defined contribution plans are post-employment benefit plans under which an entity makes defined contributions to a plan and will not be required to make further contributions unless the plan has sufficient assets to pay all the benefits related to employee service in the current and prior periods.

Contributions to a defined contribution plan that are not due in full until twelve months after the end of the period in which the employees render the related service are measured at their present value using a discount rate.

Payments to employees in accordance with Accounting Regulation (Standard) 26 are divided into five groups, as shown in Fig. 1.

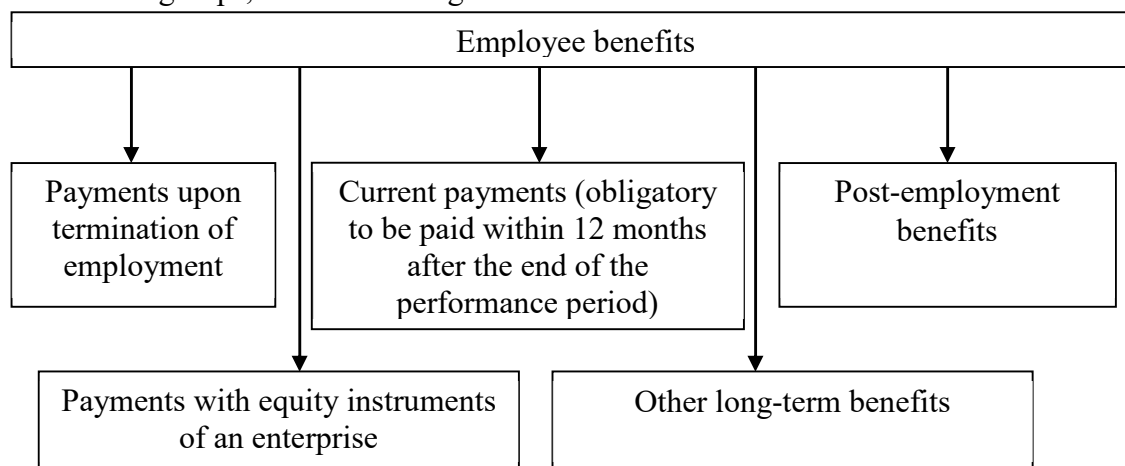


Fig. 1.1. Structure of payments to employees of enterprises in accordance with Accounting Regulation (Standard) 26 “Employee Benefits”

According to Ukrainian Accounting Regulation (Standard) 26, the main item of current employee benefits at Ukrainian enterprises includes:

- wages and salaries, other payroll accruals;
- payments for unworked time (annual leave and other paid time off);
- bonuses and other incentive payments payable within twelve months after the end of the period in which the employees perform the relevant work, etc.

Thus, in Ukrainian Accounting Regulation (Standard) 26 “Employee Benefits”, the information is presented in a more concise form, which reduces the time required to study the standard, but this does not always facilitate the work of an accountant, because everything that is not described in this standard can be interpreted in different ways, which may further lead to ambiguity in accounting and errors.

The main recommendation for improving the accounting of employee benefits is to develop detailed internal guidelines and recommendations that will enable an average accountant to understand the specifics of accounting for employee benefits using developed examples and typical situations.

### References:

1. Maksy`menko, I.Ya. and Pytyliak H.P. (2019), “Features of the organization of work with cash at the enterprise”, *Zbiór artykułów naukowych recenzowanych*, vol. 21, pp.33-36, available at: URL: <http://конференция.com.ua/pages/view/1289> (accessed: 12.11.2022).
2. Maksy`menko, I. Ya. (2013), “Internal audit: improving the efficiency and profitability of the enterprise”, *Staly`j rozvy`tok ekonomiky*, vol. 1, pp.294-296.
3. Maksy`menko, I.Ya. and Fisun, Y. O. (2018), “Features of taxation and structure of the social package how to instrument material motivation payments to workers”, *Molodyi Vchenyi*, vol. 10 (62), pp.350-353, available at: URL: <http://molodyvcheny.in.ua/files/journal/2018/10/83.pdf>