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MODERNIZATION OF THE STATE TAX SERVICE OF UKRAINE, AS A FACTOR OF SMALL BUSINESS PROMOTION

Objective. *The purpose of the article is to analyze the process of modernization of the State Tax Service of Ukraine, as a factor to promote small businesses.*

Methods. *In the study, the following methodological generalization: Arrangement of the electronic registration key dynamics analysis statistics taxpayer registration key certification center, the methods of theoretical generalization and comparative law.*

Results. *Based on the research process of modernization of the State Tax Service of Ukraine were identified key areas to promote small businesses, which are based on the basic principles of the use of ICT and e-services. Also analyzed the specificity, rules and methods of use of electronic resources STS of Ukraine, on the further development of small business.*

Academic novelty. *Improved scientific and methodical approach to evaluating the prospects for implementation of electronic resources by small businesses based on current tax legislation changes and amendments, clarified methodical approach to the use of automated databases for selecting taxpayers to be included in the plans documentary checks and implementing automated documentary audits of taxpayers.*

Practical importance. *The results are aimed at creating a competitive tax system and promote optimal taxpayers of small business through the use of electronic services for distance by the State Tax Service of Ukraine.*

Key words: *modernization, electronic resources, tax management, small business, e-services, remote servicing small businesses.*

Problem definition and its connection with the most important scientific and practical tasks. *In the process of state development of Ukraine and adaptation of the domestic economy to the new market relations, the tasks of state tax policy were essentially changing. Since 1997 the tax service has been engaged in search of*

the most efficient levers that must contribute to the process of improving the work of the state tax service authorities with tax-payers. At this particular time there occurs a necessity to hold cardinal modernization of state tax service authorities, that is why the State Tax Administration of Ukraine along with the International Bank for Reconstruction and Development starting from January 2004 has carried out implementation of the Project “Modernization of state tax service – 1” (hereinafter as the Project). The main direction of the Project is organization of efficient work with tax-payers, as well as facilitating development of small business. In particular, professional improvement of STS’s employees, maintaining the automated information systems’ functioning, tax reporting improvement. Improvement of system for tax administration and tax management, cooperation with tax authorities of foreign countries and international tax organizations are the main tasks of the direction at present time.

Analysis of recent researches and publications. Studies of the well-known domestic and foreign scientists are dedicated to the issue of reforming and modernization of the State Tax Service of Ukraine, in particular of: Melnyk D. Yu., Porshniev A. H., Papaika O. O., Orlova V. O., Chernyk D. G., Yarema B. P., Melnyk P. V., Taranhul D. O., Soloviova L. O. et al. In their studies, these scientists determine the problems of tax system reforming, tax management formation peculiarities, State Tax Service modernization trends. So, for example, Melnyk V. P. studies in his article scientific support for modernization of the tax system of Ukraine [1], and Taranhul D. O. studies peculiarities and prospects of modernization of the State Tax Service of Ukraine [2], Soloviova L. O. in her dissertation abstract determined peculiarities of the state tax management with a breakdown into big tax-payers in the context of implementation of the Project “Modernization of state tax service – 1” [3]. However, there is lack of attention given to using the Information and Communication Technologies and electronic services for distant servicing of small business entities that will facilitate efficient cooperation of the state tax service authorities and tax-payers.

Formation of objects of the article (problem definition). The purpose of the article is to analyze the process of modernization of the State Tax Service of Ukraine as a factor of facilitating the development of small business.

Statement of basic data of the research. According to the Order of the Cabinet of Ministers of Ukraine dated August 15, 2007 “On establishment of Information and Reference Department of the state tax service” [4] in 2007 in the framework of the Project of tax service modernization there was set up an Information and Reference Center oriented at high-skilled and operative processing of applications from tax-payers. The trial operation of the center started in October 2007, and from March 2008 the Information and Reference center has been working in industrial operation mode. Since 2008 the State Tax Service of Ukraine has switched to a new stage of relationship with tax-payers, with the main purpose to create partner relations between tax-payers and tax officials. So, in February 2008 a

Memorandum on creation of favorable tax climate was signed between the Ukrainian Union of Manufacturers and Entrepreneurs (UUME) and STA of Ukraine. Besides, introduction of the VAT-payers' submitting the tax credit breakdown and tax liabilities with a breakdown into counteragents, along with VAT declaration, has become a base for subsequent transfer to the no-contact automated VAT compensation mode [5].

The main trend in implementation of the Project "Modernization of state tax service – 1" in virtue of the Tax Code within the limits of section of Tax Administration [6] is using the up-to-date information systems and technologies in automation of operative and administrative processes of the STS of Ukraine. For integrated solution of this problem we may distinguish the main measures as follows:

1. Software development

Software developed for STS needs must be adjusted for centralized storage and processing of tax information.

2. Implementation of decision support system

The decision support system (hereinafter as DSS) is AIC, which is a hardware and software environment designed for providing the STS officials with complete and objective information required for decision of operative problems and making the managerial decisions.

For analysis and submission of proposals in DSS we suggest applying the methods of controlling, system analysis, information search, data analysis, simulation modeling, situation analysis.

3. Implementation of new electronic services for tax-payers

Implementation of new electronic services (package of services) rendering free electronic services to the tax-payers using the global net of Internet. The tax Code stipulates that a tax declaration as a tax reporting is submitted at the tax-payer's option (except for those referred to big and mid-sized enterprises, and which according to p. 49.4 art. 49 of the Code submit their tax declarations to the state tax service authority in electronic form subject to registration of electronic signature of accountable persons according to the procedure determined by legislation) in one of the following ways:

- personally or by a specially authorized person;
- sent by post with delivery confirmation and list of enclosures;
- by electronic communication facilities in electronic form subject to registration of electronic signature of accountable persons according to the procedure determined by legislation.

Electronic services are implemented as individual automated systems, and also by means of expansion of functioning of a Tax-payer's electronic cabinet.

4. Implementation of the Tax-payer's electronic cabinet

The Tax-payer's electronic cabinet (TPEC) is a new electronic service (a package of services) of the WEB portal of the STS of Ukraine which by means of a special access tool using the electronic digital signature (EDG) will allow a tax-payer to work with state tax authorities of Ukraine in real-time mode. In particular, the tax-payers may submit in the electronic form a tax declaration to the STS authorities by e-mail through Information portal of authorities of STS of Ukraine, and since January 01, 2013 – in the real-time mode (on-line).

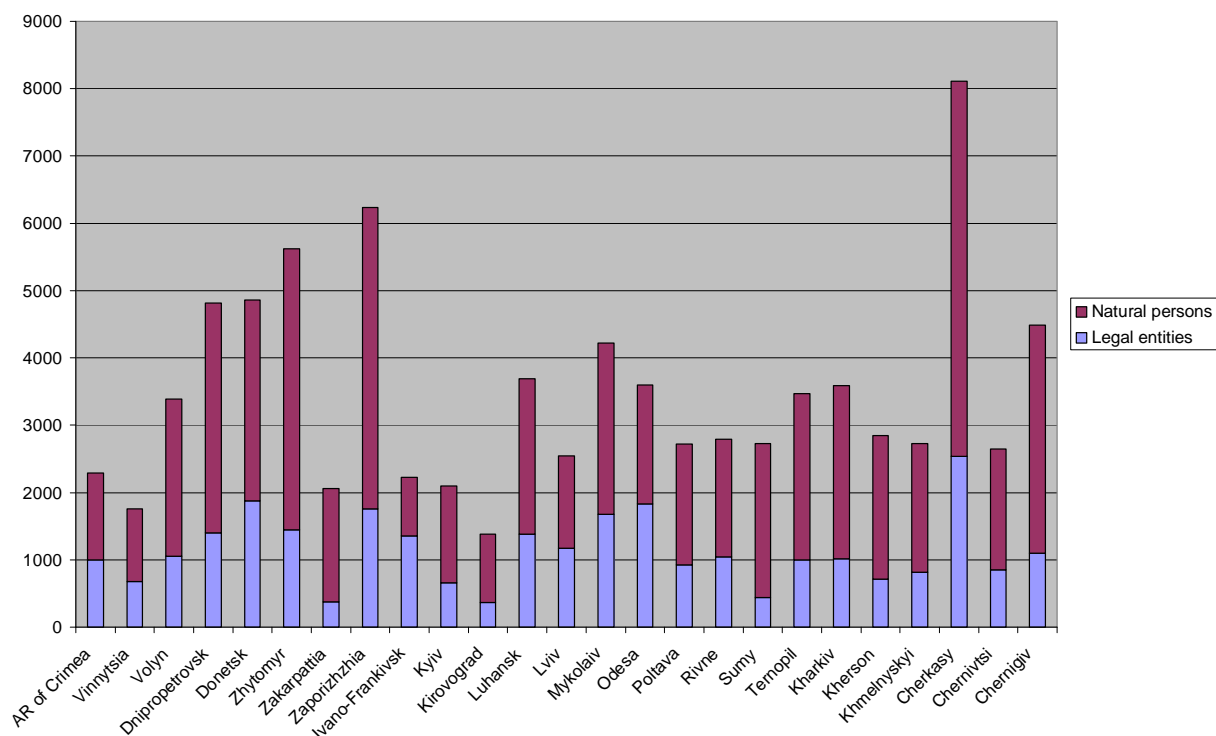
In our opinion, in order to give an opportunity for the tax-payers - natural persons – citizens to submit the annual tax declaration of property state and revenues on-line to the Department for taxation of natural persons of the STS of Ukraine it is reasonable to carry out an expanded advertising campaign at the beginning of 2013 regarding popularization of a tax-payer's electronic cabinet.

5. Support of functioning of the Key Certification Center (KCC) of the STS

The KCC of the STS provides the tax-payers and officials of the STS with services of free EDS issue for legitimate communication of a tax-payer with the STS authorities within the framework of the TPEC, including for submission of the tax reporting, and also gives an opportunity to carry out legitimate work of STS officials within the framework of the automated system "Records management". It should be noted that the Center has been working since spring 2012.

74.6 thousand of such tax-payers applied to the tax service for a digital signature. They were given 101.7 ths. of enhanced certificates. Legal entities, as a rule, obtain several such keys per a company: 42 ths. payers ordered 111.9 ths. electronic signatures during half a year.

The analysis carried out by us of the registration state of electronic keys obtained by the tax-payers with a breakdown into regions of Ukraine allows make a conclusion that the most active users of the Center are still entrepreneurs – natural persons (Picture 1).



Picture 1 – Electronic key registration in dynamics

According to the STS of Ukraine the Center has gained customers in the amount of 117 ths. of tax-payers (Table 1), which obtained almost 214 ths. of free keys [7].

Table 1- Data on key registration in the Key Certification Center for 11 months of 2012, legal entities and natural persons – tax-payers

Name of the region	Starting from the service implementation (30.05.2012)		
	Legal entities	Natural persons	Total
AR of Crimea	997	1 289	2 286
Vinnytsia	673	1 085	1 758
Volyn	1 049	2 340	3 389
Dnipropetrovsk	1 404	3 414	4 818
Donetsk	1 880	2 981	4 861
Zhytomyr	1 445	4 180	5 625
Zakarpattia	372	1 687	2 059
Zaporizhzhia	1 760	4 477	6 237
Ivano-Frankivsk	1 353	873	2 226
Kyiv	657	1 442	2 099
Kirovograd	366	1 019	1 385
Luhansk	1 383	2 308	3 691
Lviv	1 171	1 374	2 545

Mykolaiv	1 679	2 539	4 218
Odesa	1 833	1 769	3 602
Poltava	923	1 793	2 716
Rivne	1 045	1 748	2 793
Sumy	443	2 288	2 731
Ternopil	1 002	2 466	3 468
Kharkiv	1 018	2 575	3 593
Kherson	715	2 131	2 846
Khmelnyskyi	816	1 908	2 724
Cherkasy	2 533	5 581	8 114
Chernivtsi	847	1 802	2 649
Chernigiv	1 099	3 391	4 490
Sevastopol city	273	326	599
Kyiv city	13 125	15 848	28 973
Total:	41 861	74 634	116 495

Popularity of the service among the tax-payers is connected with the service convenience, which gives an opportunity to the entrepreneur not to come to the inspectorate even once in a quarter for reporting submission, but to send documentation by Internet. Specialists of the STS of Ukraine remind that payers obtain free digital signature keys.

Thus, we may make a conclusion that in the context of actions of the Tax Code of Ukraine submission of reporting in the electronic form is a priority in development of partner relations between the STS authorities and tax-payers. This issue in Ukraine was given a great attention in the process of tax service modernization. Thus, the central apparatus of the STS of Ukraine in 2008 approved an Instruction for preparation and submission of tax reporting and other documents in electronic form by telecommunications and an Exemplary contract on recognition of electronic documents [8]. There was also developed their own software “System of formation and submission to the STS authorities of tax reporting, tax invoice registers in electronic form by telecommunications”, and distributed among tax-payers. During 2009 within the framework of modernization of the state tax service of Ukraine there had been worked out and approved a Concept “Basic grounds for implementation of risk-oriented system of tax administration in Ukraine”. With account for its provisions the patterns were worked out for definition of risk activity of economic entities and measures relating to prevention of budget losses as a result of tax evasion by such economic entities. For the purpose of raising the quality of tax-payers servicing there was worked out and approved a Concept of creation and activity of tax-payers’ servicing centers, typical structure, methodology of rendering services by the STS of Ukraine and instruction on procedure of its development, as well as standards of administrative services were prepared that are provided by the authorities of STS of Ukraine. The Department for servicing of big tax-payers for raising the efficiency of support for big tax-payers was set up as part of the STS of Ukraine in 2010. In order to achieve balance of interests of the state and tax-payers in

December 2010 the Tax Code of Ukraine [9] was adopted and enacted from 01.01.2011, in development whereof the officials of the STS of Ukraine took part.

Experts of the World Bank think that transformation occurring in the tax environment of Ukraine are up to present-day world trends. The official report of Paying Taxes 2013 rating is about it.

The World Bank placed Ukraine to the list of three countries of the region that during previous eight years have significantly reduced quantity of time required for execution of tax liabilities.

According to experts of the World Bank the tax reform carried out in 2011 in Ukraine, including implementation of electronic declaring system and single social contribution introduction, has significantly reduced the quantity of time required for compliance with the tax legislation compared to 2011, and made it possible to reduce the quantity of tax payments as stipulated for business earlier.

Thus, for example, for the indicator of “time consumption for tax reporting” the World Bank experts stated reduction from 657 hours of the previous year to 491 hours in this annual rating, it was also facilitated by the large-scale measures in popularization and improvement of electronic reporting systems, simplification of new VAT-payers registration procedure, improvement of declarations and tax returns. According to estimates of specialists of the STS of Ukraine, up to the end of 2012, this indicator dropped to 320 – 350 hours, as it was planned, also according to data fixed by the experts of the World Bank and data of Paying Taxes 2013 rating – the indicator “general tax rate” reduced from 57,1% (2011) to 55,4% (2012), and the indicator “quantity of payments” reduced from 135 in 2011 till 28 – in the current year [10].

So, in our opinion, reduction of document circulation and time of tax-payers for administration of taxes will be possible by further harmonization of tax and bookkeeping operations, as well as planned by the tax service transfer to submission of applications for VAT-payers registration in the electronic form, and implementation of the tax-payer’s electronic cabinet, through which distant tax services in the real-time mode will be rendered.

In respect of electronic checks, realization of the Project for modernization of the STS of Ukraine allowed at the legislative level to adopt regulations, which regulate administration of taxes by means of information and analytical activity by the STS authorities. Thus, according to the Tax Code of Ukraine, the information and analytical activity of the STS authorities is aimed, first of all, at formation and using of the automated data bases that allow not only to make an automated selection of tax-payers with account for tax-payer selection criteria for their inclusion to the plans of desk audits depending on the level of risks, but also carry out desk audits in automated mode.

The draft law no. 10687 On introduction of changes to the Tax Code of Ukraine regarding review of rates of some taxes and duties adopted in November 2012 by the Verkhovna Rada of Ukraine in the second reading stipulates that the

documentary originality of the unscheduled electronic check-out is a check-out made based upon application submitted by the tax-payer – economic entity with a small risk degree to the state tax service authority, where it is tax registered. The application is submitted in the electronic form in 10 calendar days before beginning of the electronic check-out holding. Form of the application, procedure of its submission, making a decision on holding of electronic check-out is established by the central executive authority that ensures formation of state financial policy.

According to the results of electronic check-out it is foreseen to draw out a certificate in two copies, which is signed by the officials of the state tax service authority, who carried out the check-out, and registered in the state tax service authority during three working days from the day of expiration of the term determined for execution of the check-out.

It should be noted that electronic check-outs stipulated by the Tax Code will be carried out starting from 2014 for the tax-payers:

- which apply a simplified system of taxation, accounting and reporting – from January 01, 2014;
- economic entities of micro, small and mid-sized business – from January 01, 2015;
- other tax-payers (big business) – from January 01, 2016.

Besides, starting from 2013 the entrepreneurs working with cash registers will report automatically. It will be possible due to implementation of electronic control strip of settlement operations' registers.

Analysis of current legislative and regulatory acts certifies that up to July 01 of the next year the entrepreneurs have a possibility to adapt to work under new conditions: fines for mistakes made while using a new technology will not be charged. Further on, the legislation stipulates financial sanctions in the amount of 10 non-taxable minims of citizens' incomes for violation of respective requirements for economic entities.

Conclusions from the defined problems and prospects of follow-up researches in the given direction. Based upon the analysis carried out by us regarding modernization of the STS of Ukraine as a factor facilitating development of small business, the following conclusions and recommendations were made:

1) Quantity of single tax payers has increased almost four times. About 260 thousand entrepreneurs transferred to the simplified taxation system additionally. It was facilitated by release of business from documentary checks and fine sanctions during adaptation to new regulations;

2) Carrying out of information and analytical activities facilitated re-orientation of the tax service to the customer-oriented approach for work with tax-payers;

3) Development and introduction of updated hardware and software complexes requires from the STS introduction of a balanced personnel policy in the

informatization sphere that is aimed at attraction of qualified specialists, as well as formation of the system for motivation of officials' work;

4) Active development of electronic services and increase of their convenience for tax-payers will allow complete covering by the electronic tax reporting of not only VAT-payers, but also of other kinds of taxes;

5) For the most efficient implementation of electronic services system it is reasonable to create conditions regarding holding for representatives of small and mid-sized business of appropriate educational seminars, distant courses with demonstration of all possibilities of using the electronic keys.

6) For the purpose of prevention of losses by technical reasons of important information regarding tax-payers accumulated in automated information bases, to provide at the legislative level obligatory formation and submission to the tax authorities the tax reporting in hard copies.

The prospect of follow-up studies in this direction is development of methodological recommendations regarding further implementation of new models of automated tax support for small entrepreneurship – tax-payers.

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