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TRANSFORMATION OF TAX REGULATION IN EU COUNTRIES: POSITIVE EXPERIENCE FOR UKRAINE

Abstract
Introduction. *Ukraine's active progress towards integration with the European social and economic space requires an update of domestic fiscal policy to ensure adequate cooperation with European countries. The need for changes in tax regulation in the context of integration processes actualises the issue of generalizing the features of fiscal policy in the EU with the identification of the most positive experience of reforming it.*

Methods. *The following methds are used in conducting the research: systematic, institutional methods (to study the tax system and mechanisms for regulating tax relations in individual EU countries), the trend analysis method (to analyze the dynamics of tax rates and tax revenues in EU countries). Eurostat data on major tax aggregates of national accounts of different countries were used as an information source.*

Results. *The current tax policy of EU countries is characterized by the co-ordination of the interests of each state, the abolition of inefficient elements of tax systems and the renunciation of nominal tax sovereignty. Bid sizes are not uniform and tax rates are quite low. The effectiveness of the EU tax system is manifested primarily in the distribution of taxes, that is, in their share in the overall structure of tax revenues. The highest is the share of indirect taxes, with the average value of the share of VAT fluctuating within 20-30%, the share of personal tax - within 8-30%. Considering the positive experience of the EU member states, the main directions of transformation of tax regulation of Ukraine are the implementation of EU norms in the field of taxation into the legal system and tax practice: improvement of tax policy principles, as well as modification of the national structure of tax types in accordance with European standards; ensuring the systematic and efficient functioning of the internal taxation regime and the tax administration process.*

Discussion. *Further scientific research should cover the development and use of state-of-the-art analytical tools for tax burden forecasting and fiscal regulation effectiveness.*

Keywords: *tax system, fiscal policy, tax burden, tax administration, taxpayers, European integration, economic integration.*

Introduction.

The problems of tax regulation in Ukraine remain the complexity and controversy of tax legislation, the introduction of numerous changes to tax laws, excessive tax burden on taxpayers, reduced business activity of economic entities, numerous conflicts between control bodies in the sphere of taxation, and significant taxpayers, large-scale corruption and shadowing of the economy, etc. For several years in a row, Ukraine has been actively working towards integration into the European political and economic space. In the process of international integration, the reformation of the economic system, social standards, public administration standards takes place, as well as the adaptation, unification and harmonization of the institutional, regulatory legal system and public policy to the conditions of the integration entity. The fiscal policy of Ukraine also needs to be refined in terms of adapting to the economic conditions of European countries. The development of practical recommendations on changes in tax regulation in the context of integration processes actualises the issue of generalizing the features of fiscal policy in the EU with the identification of the most positive experience.

Analysis of recent research and publications.

Ukrainian scientists have always paid considerable attention to the analysis of tax systems in other countries. In particular, O. Pakhnenko, A. Semenoh explored the basic principles and ways of institutional reorganization of tax policy in EU countries [4], V. Melnyk and T. Koshchuk analyzed different aspects of functioning of the modern tax system of EU countries [2], A. Savchenko and L. Blyshchyk studied the experience of foreign countries in the field of taxation [6], A. Romaniuta compared the tax burden in Ukraine and EU countries [5]. The scientific developments of O. Drozdovska and O. Ozerchuk testify to the necessity of implementation of the EU legislation on taxation in the legal field of Ukraine [1], N. Nohinova explored the possibilities of introduction of the European system of accounts [3]. Very valuable information is provided by the works of foreign scientists, in particular S. Auray, A. Eyquem, X. Ma investigated the phenomenon of increasing structural imbalances in the EU tax system [7]. Their scientific experience allows us to assess opportunities and threats for Ukraine in the field of competitive tax reform. The findings of E. Bond and T. Gresik indicate the importance of defining tax transformation targets [9]. Long-term implications of tax reform are provided by studies by P. Benczúr, G. Kátay, Á. Kiss [8]. Thus, the analysis of the latest scientific research in the field of tax reform provides a lot of informative material for the development of directions of improvement of the Ukrainian tax system, but the recommendations of scientists contain a critically small number of strategic proposals for the improvement of the domestic tax system.

Purpose.

The purpose of the article is to systematize the positive experience of EU member states in the field of tax regulation transformation.

Research methodology.

Systematic and institutional methods have been used to examine the tax system and mechanisms for regulating tax relations in individual EU countries. The trend analysis method was used to study the dynamics of tax rates and tax revenues in EU countries. Eurostat data on major tax aggregates of national accounts of different countries were used as an information source [10].

Results.

The current tax policy of Ukraine has a significant number of weak areas that hinder integration processes, convergence of domestic and European businesses. First, taxes in Ukraine are not a tool for improving the competitiveness of the state, which is why the system of formation of state revenues is fiscal, and the regulatory function of taxes is not focused on stable economic growth. The second weakness is the imperfection and instability of the tax legislation, regulation of taxation issues is still carried out by subordinate legislation, decrees of the Cabinet of Ministers, Presidential decrees. The third problem area of domestic taxation is the excessively large and unreasonable costs of administration, the Ministry of Finance, the State Tax Service, the State Customs Service, the Audit Office, the Accounting Chamber are not coherent enough, there is no complete information space between the organizations. An inefficient mechanism for the distribution of tax revenues between central and local budgets hinders economic development in the oblasts, and their centralization causes discrimination against regions and does not facilitate the proper use of budgetary resources.

To achieve the effectiveness of tax regulation, its institutional foundations need reforming in the direction of gaining public trust and enhancing the tax culture of taxpayers (convincing citizens that paying taxes is a constitutional and civic obligation, a sign of a civilized society) and accepting transparent and legal norms. tax administration procedures in accordance with EU requirements, introduction of mechanisms to reduce the tax burden of burden, digitization and bus automation of tax administration processes.

The current tax policy of EU countries is characterized by the co-ordination of the interests of each state, the abolition of inefficient elements of tax systems and the renunciation of nominal tax sovereignty. Its main advantages are the preservation of national tax systems that are formed under the influence of each country's internal economic and political conditions, as well as the need for standardization of tax collection. Each country has the right to determine independently the structure, mechanisms of administration and control over tax collection in its territory. The inconsistency of the actions of the states in the implementation of the fiscal policy causes differences in the levels of tax burden. Each EU Member State changes the tax rates (Table 1) according to the internal economic conditions; the rates are not uniform, they are specific to each EU Member State EU.

Table 1. Dynamics of tax rates in EU countries*

Country	Tax rate								
	tax on labor, %			consumption tax, %			capital tax, %		
	2000	2010	2018	2000	2010	2018	2000	2010	2018
Austria	38,5	40,8	41,5	20,6	21,7	21,3	26,8	24,2	25
Belgium	43,6	43,6	42,8	20,4	22,3	21,1	25,5	32,6	35,5
Bulgaria	29,9	33,2	24,5	17,3	21,8	21,5	–	–	–
Great	25,8	25,9	25,2	19,3	17,9	19	32,3	37,2	35,7
Britain	–	33,3	38	–	15,5	16,2	–	–	–
Greece	40,2	37,1	34,4	30,5	33,9	30,9	29,9	49,9	–
Denmark	38,6	33,8	35	21,2	22	26	14,7	8	8,1
Estonia	–	25,4	28,7	24,4	26	21,9	–	19,2	13
Iceland	–	32,4	33,5	14,2	16,7	14	–	35,5	25,3
Spain	37,8	41,2	42,8	18,1	17,4	17,7	26,3	27,3	37
Italy	22,1	24,4	28,8	13	19,7	17,6	18	27,1	26
Cyprus	39,2	33,2	33	19,5	19,9	17,4	19,8	10,6	9,9
Latvia	34,5	34,9	31,9	17,7	16,5	17,4	12,7	11,1	9,8
Lithuania	29,3	29,9	32,9	21	26,3	28,9	–	–	–
Luxembourg	18,8	22,5	23,3	15,2	19,1	18,7	–	–	–
Malta	34,5	32,3	38,5	22,6	24,4	24,5	22,7	17,9	13,7
Netherlands	38,8	37,5	37,8	18,5	18,4	19,8	21,7	20,4	22,2
Germany	36,8	33,8	33,9	20,7	19,8	19,3	20,9	20,4	19
Poland	22,3	22,4	25,4	18,2	19,7	18,1	21,2	29,3	29,5
Portugal	31,6	28,1	30,4	–	17,9	20,9	–	–	–
Romania	38,5	32,9	32,3	25,9	21,5	16,7	35,8	18,8	16,7
Slovakia	38,5	37,6	35,6	24,4	23,5	23,4	13,4	23,2	19,6
Slovenia	42,3	38,4	39,8	29,5	26,1	28,1	15,3	17,6	21,4
Hungary	44,2	41,6	40,1	27,6	27,6	26,4	31,1	28,8	29,9
Finland	40,5	39,3	39,5	21,7	20,3	19,8	32,8	40,5	46,9
France	–	29,6	29,2	–	30	29,1	–	–	–
Croatia	41,4	41,3	38,8	20,9	21,1	22,5	22,4	20,4	18
Czech Republic	46,8	43,6	38,6	27,9	27,3	26,5	19,8	33,3	30,6

** Source: compiled by the author on the basis [Eurostat].*

In order to evaluate the effectiveness of tax regulation in EU countries, it is advisable to compare the shares of different types of tax in the overall structure of tax revenues (Table 2). The largest is the share of indirect taxes - it ranges from 30-50%. In most EU countries, a personal tax is levied, ie a personal income tax, ranging in size from 20% to 40%.

Table 2. Dynamics of tax revenues in the EU,%*

Types of taxes	Year					
	2014	2015	2016	2017	2018	2019
Indirect taxes	13,4	13,1	12,9	13,2	13,4	13,6
VAT	7	6,9	6,7	7	7,1	7,1
Excise and consumption taxes	2,6	2,6	2,7	2,7	2,7	2,7
Other product taxes	1,8	1,6	1,5	1,5	1,5	1,4
(including import duty)	13,8	13,7	12,7	12,6	12,8	13,2
Direct taxes	9,2	9,4	9,3	9,1	9,1	9,4
On the income of individuals	3,3	3	2,2	2,4	2,5	2,5
On the income of business entities	1,2	1,3	1,2	1,2	1,2	1,2
Others	39,3	39,2	38,3	38,3	38,8	39,4

**Source: compiled by the author on the basis [Eurostat].*

Comparing the rates of individual taxes in Ukraine and the EU countries (Table 3), we can conclude that the tax rates are quite low, in particular, the rates of tax on income and income of individuals.

Table 3. Individual and EU tax rates*

Tax,%	Ukraine	United Kingdom	France	Belgium	Germany	Denmark	Hungary	Poland	Czech Republic
For the profit of enterprises	З 2012 – 21; З 2013 – 19; З 2014 – 16	25	33,33	24,9 8,31 34,5	30-33,3	25	10	19	19
On the income of individuals	Depending on the volume and revenue sources – 0, 1, 5, 15, 17, 30	0-50	до 40	25-50	15-45	38-51,5	16	18, 32	15
Value Added	20	17,5	19,6	21	19	25	25	22	20

**Source: compiled by the author on the basis [Eurostat].*

The effectiveness of the EU tax system is manifested primarily in the distribution of taxes, that is, in their share in the overall structure of tax revenues. Analyzing the distribution of taxes on direct and indirect (Table 4), it can be argued that in the EU countries the highest is the share of indirect taxes, with the average value of VAT varying between 20-30% and the share of personal tax within 8-30%.

As can be seen from the above data, the tax burden in the EU and Ukraine differs significantly. There are disagreements between EU countries on the legal regulation of tax relations, which are related to the specifics of defining some of its elements. However, the main criteria for taxation in these countries remain unchanged, and they should be the basis for reforming Ukraine's tax system.

The experience of most European countries with an advanced tax administration system confirms that building a tax relationship based on such principles has a positive effect on increasing the taxpayers' compliance with the law, voluntarily paying them, and, ultimately, on tax revenues. The mechanism of taxation should first and foremost be transparent and the order of calculation should be simple and clear for all taxpayers, which should reflect the transformational mechanism of tax regulation in Ukraine.

Table 4. Shares of direct and indirect taxes in the total individual EU tax revenue in 2019,%*

Country	Indirect taxes			Direct taxes			
	VAT	other	total	personal	corporate	property	total
Bulgaria	34,4	18,3	52,8	8,4	8,2	1,3	17,9
United Kingdom	18,5	17,4	35,8	28,5	9,0	7,9	45,4
Greece	21,5	15,9	37,4	14,7	10,3	2,5	27,5
Denmark	19,9	15,7	35,6	48,8	7,6	6,1	63,5
Spain	17,8	17,3	35,1	18,7	11,1	2,2	32,0
Latvia	26,8	17,1	43,9	19,6	6,9	0,7	27,2
Lithuania	25,0	15,0	40,0	24,1	7,3	0,1	31,5
Germany	16,1	15,2	31,3	22,2	2,6	1,6	26,6
Poland	22,6	18,0	40,6	11,5	7,4	1,6	20,5
Slovakia	27,3	17,0	44,3	9,4	9,5	1,8	20,8
Slovenia	22,1	18,4	40,5	14,7	7,1	1,1	23,0
France	16,7	19,3	36,0	18,2	5,6	3,0	27,1
Sweden	18,1	15,6	33,7	30,5	7,4	1,4	39,3

**Source: compiled by the author on the basis [Eurostat].*

The degree of approximation of Ukrainian legislation to international law depends to a large extent on the effective cooperation of Ukraine with foreign countries and international organizations. This important task needs to be addressed more systematically and purposefully, on a scientifically sound basis. A necessary prerequisite for harmonization must be unconditional compliance with and fulfillment of Ukraine's obligations under international agreements signed by Ukraine. The system and structure of state bodies that provide for the formation, implementation and control of the implementation of the state tax policy in Ukraine also need improvement, since the modern distribution of relevant competences between state bodies is characterized by both gaps and duplication of individual functions.

The tax authorities of the developed countries of the world are aware of the need to increase the level of attention to taxpayers, as well as to improve their service (Table 5).

Table 5. Approaches to encourage citizens to voluntarily pay taxes in selected countries*

Country	Approach
Australia	The Taxpayers 'Charter of Taxpayers' Rights proclaims the impartiality of communication, verification of service actions, explanation of decisions made, honesty and professionalism in the conduct of business
Belgium	At the request of the taxpayer, the tax authorities help him to determine the list of taxes and payments that he must pay
United Kingdom	In addition to the principles of fairness, promotion and clarity, special attention is paid to the quality of taxpayer service
Ireland	The Internal Revenue Service taxpayer service standard guarantees: consistency, fairness and confidentiality; the accuracy of the information and the right of the taxpayer for complaints, inspections and appeals
Sweden	Voluntary payment of taxes is achieved through a well-established control apparatus characterized by prevention, accuracy and predictability; the confidence of taxpayers who are confident in the proper functioning of the tax system and the fulfillment of their tasks by the tax authorities; introducing tax rules that are understandable

**Source: compiled by the author on the basis [8]*

Unlike the EU countries, the tax system of Ukraine is not a tool for improving the competitiveness of the state, and it does not contribute to the recovery of economic activity of economic entities. The current system of revenue generation reflects the imperfection of the transition economy and is predominantly fiscal. Market reform of the economy was accompanied by repeated attempts to improve the tax system by adopting separate legislative acts that were not adequate to the state of the economy, characterized by structural imbalances, significant volumes of shadow turnover, and the payment crisis. The tax policies practiced in EU countries can be called in line with the interests of each country and not a unified one, the main advantage of which is that it does not conflict with the interests of the Member States. The tax systems of advanced market economies are shaped by the different economic, political, and social conditions of each state.

At present, it is advisable to distinguish the following main areas of tax regulation of Ukraine on the path to European integration:

1. Approximation of tax legislation of Ukraine to the norms of EU countries to strengthen economic ties between the parties. Some steps have been taken in this area, in particular the Tax Code of Ukraine has been adopted, ratification of international agreements on elimination of double taxation and prevention of tax crimes is being carried out, national standards in the field of transfer pricing are being developed. It will help strengthen the Ukrainian economy and gradually increase the well-being of citizens, stimulate entrepreneurial activity. Adaptation of tax legislation is the right basis for Ukraine's integration into the EU.

2. Improving tax legislation and reducing the number of taxes. The tax system of Ukraine needs further reform in the light of European experience. This applies in particular to taxes such as income tax, value added tax, excise tax, personal income tax and social taxes.

3. Active cooperation of fiscal authorities of Ukraine with business representatives (including foreign investors, multinational corporations). National transfer pricing standards should be based on the principle of paying taxes in the countries of profit.

4. Increasing the investment attractiveness of Ukraine and improving the conditions for attracting foreign investment. Creating a national rating of business activity and determining the index of investment activity of domestic enterprises with the purpose of real assessment of business activity in Ukraine and displaying the level of business activity is one of the directions of tax regulation implementation.

5. Improving the efficiency of the functioning of different levels of government and the transformation of fiscal bodies from a control body to a service department, in particular the creation of tax-oriented taxpayer service centers and services (accounting, reporting, help desk).

6. Activation of information and public awareness activities. The activities of the employees of the fiscal authorities should be aimed at improving the reputation of the tax inspector and enhancing the integrity of taxpayers.

7. Introduction of information technologies for deepening cooperation between fiscal authorities and taxpayers, expanding the range of services, increasing the level of compliance with tax legislation and so on.

Tax harmonization should be carried out in accordance with certain principles of tax regulation (Table 6).

Table 6. Principles of tax harmonization*

Principles Features of implementation	Principles Features of implementation
Proportionality	foresees limitation of the activities of the EU institutions by the powers conferred on them by the founding documents of the EU and the established goals of European integration
Subsidiarity	EU institutions have no right to interfere independently with the functioning of any of the segments of the economy of the EU Member States, unless such intervention is necessary to fulfill the EU's strategic objectives.
Unanimity	EU tax policy decisions should be taken with the unanimous consent of the EU Member States and be enshrined in the relevant rule of integration law. There is a possibility for an EU Member State to veto it
Tax non-discrimination	two main provisions: first, the inability of direct or indirect internal taxation of one EU Member State to produce products of another EU Member State in excess of the taxation of national products; second, the EU Member State should not tax the products of other EU Member States with internal taxes in order to indirectly protect its products
Tax neutrality	is to prohibit the reimbursement of internal taxation for the export of products to the territory of another EU Member State in excess of the level of direct or indirect taxes paid.

**Source: author development.*

The principles of proportionality and subsidiarity in tax regulation, on the one hand, limit the role of the EU institutions, while upholding the fiscal sovereignty of EU Member States, and on the other, ensuring the efficiency of fiscal harmonization. The intensity and scale of economic integration depends on many factors, as well as on the sequence of measures taken.

The implementation of the Strategy for reforming the tax system of Ukraine, taking into account individual EU directives, should provide for appropriate changes in the national tax legislation. At the same time, the approximation of legislation is only the first stage, which involves harmonization of taxes with the requirements of standards, taking into account national peculiarities of tax legislation (Fig. 1).

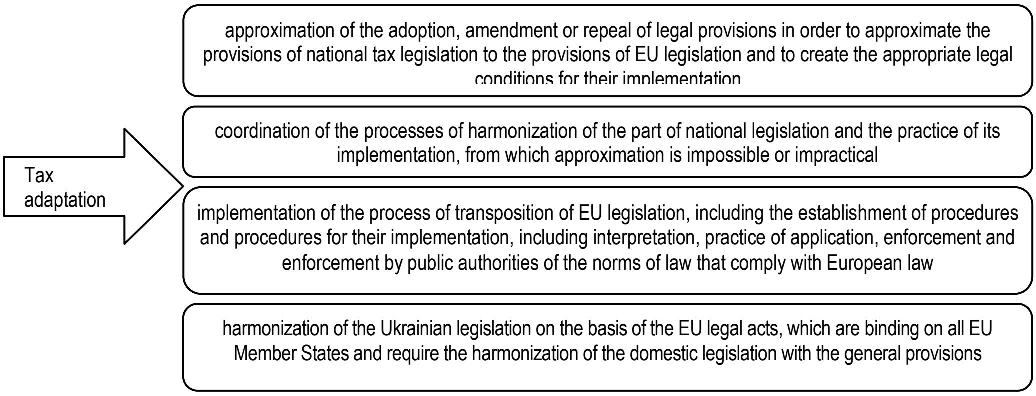

Fig. 1. Forms of Ukraine's tax system adaptation to EU requirements*
**Source: author development.*

The next step should be the harmonization of tax policy, which requires harmonization of the general principles of tax policy. In the third stage, it is necessary to provide for the unification of tax policy in the field of taxation and the introduction of mandatory legal rules.

Conclusions and discussions.

The integration of Ukraine into the European economic and political space necessitates the adaptation of national legislation to the requirements of the EU, its harmonization and unification. Considering the positive experience of the EU member states, the main directions of transformation of tax regulation of Ukraine are the implementation of EU norms in the field of taxation into the legal system and tax practice: improvement of tax policy principles, as well as modification of the national structure of tax types in accordance with European standards; ensuring the systematic and efficient functioning of the internal taxation regime and the tax administration process.

Further scientific research should cover the development and use of state-of-the-art analytical tools for tax burden forecasting and fiscal regulation effectiveness.

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