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N. Yu. Marynenko, Dr., Assoc. Prof., I. Yu. Kramar, Ph.D., Assoc. Prof.
Ternopil Ivan Puluj National Technical University, Ukraine

**PAYING TAXES 2018 INDICATOR: EVALUATING THE COST AND
ADMINISTRATIVE BURDEN OF THE TAXES**

Н.Ю. Мариненко, д. е. н., доц., І.Ю. Крамар, к. е. н., доц..
**ПОКАЗНИК “ОПОДАТКУВАННЯ 2018”: ОЦІНЮВАННЯ ВИТРАТ І
НАВАНТАЖЕННЯ, ПОВ’ЯЗАНИХ ІЗ СПЛАТОЮ ПОДАТКІВ**

The image of a country and its investment attractiveness in terms of ease of doing business is formed, to a certain extent, on the basis of the tax burden and tax compliance costs. The results of the Paying Taxes 2018 [1], in which Ukraine ranked 43rd, have been published. This rating is a part of the PwC network and World Bank Group’s Doing Business project which itself measures the “ease of doing business” by looking at 11 indicators, including the Paying Taxes indicator (conducted since 2006 to assess the ease of payment in 190 countries of the world. The first place – the tallest. A high position in the rating means that tax laws are conducive to doing business). The research is based on the assessment of normative acts regulating the activities of small and medium enterprises throughout their life cycle, and their application in practice.

For Paying Taxes 2018, the contributors provided information which allows the study to evaluate both the cost of the taxes that are borne by the case study company and the administrative burden of taxes borne and collected using four sub-indicators: 1) Total Tax & Contribution Rate (TTCR) which includes taxes and mandatory social contributions borne by medium sized domestic case study company; 2) the time to comply with the three main taxes (corporate income taxes (CIT), labour taxes and mandatory contributions, and consumption taxes), this captures the time required to prepare, file and pay each tax type; 3) the number of payments, which measures the frequency with which the company has to file and pay different types of taxes and contributions, adjusted for the manner in which those filings and payments are made; 4) post-filing index, based on four equally weighted components: a) time to comply with a value added tax (VAT) refund (hours); b) time to obtain a VAT refund (weeks); c) time to comply with a CIT audit (hours); d) time to complete a CIT audit (weeks) [2, p. 13].

According to the results of the survey (the most recent data in Paying Taxes 2018 relates to the calendar year ended 31 December 2016), on average it takes the case study company 240 hours to comply with its taxes, it makes 24 payments and has an average TTCR of 40.5%. The global average TTCR has increased by 0.1 percentage point (in 2016 – 40.5%, 2015 – 40.4%). Time to comply has fallen by 5 hours since last year. The payments indicator has fallen by around 1 payment for the second year running. The post-filing index (used as a sub-indicator from 2017) distance to frontier score (DTF, where a score of 100 represents the most efficient processes and 0 the least efficient, the world average is 59.51) measures the time to comply with a VAT refund – world average 18.4 hours, the time to obtain a VAT refund – world average 27.8 weeks, the time to correct a corporate income tax return – world average 16.0 hours, and the time to complete a corporate income tax audit – world average 27.3 weeks. Of the 190 economies in the study, there are 162 with a VAT system, in 51 of these no VAT refund is available to our case study company. There are 180 economies with a CIT system. In 81 of them, the likelihood that the case study company will be audited after amending a tax return is greater than 25%. The European Union & European Free Trade Association is the best performing region overall across all the elements of the post-

filing index [1, pp. 4–7]. Ukraine’s performance in comparison with the Europe & Central Asia region, high income countries and world’s best performers is given in Table 1.

Table 1
Comparison of Ukraine’s performance with the region’s, high income countries and world’s best performers [3]

Indicator	Ukraine	Europe & Central Asia	OECD ¹ high income	Overall Best Performer
Payments (number per year)	5	16.5	10.9	3 (Hong Kong SAR, China)
Time (hours per year)	327.5	218.4	160.7	50 (Estonia)
Total tax and contribution rate (% of profit)	37.8	33.1	40.1	18.42 (32 Economies)
Post-filing index (0-100)	85.95	65.20	83.45	99.38

¹ The Organization for Economic Co-operation and Development.

² The latest round of data collection for the project was completed in June 2017.

Ukraine’s ranking and DTF and the same for comparator economies according to Doing Business 2018 data are shown in Fig. 1.

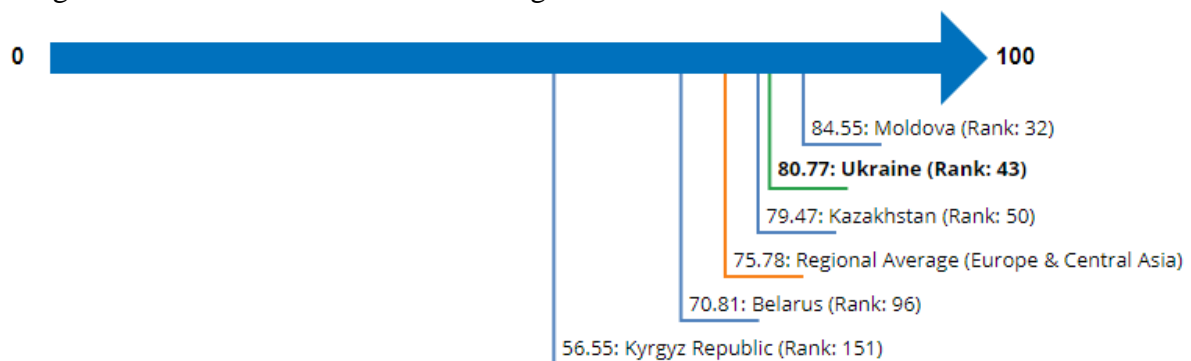


Figure 1. Paying Taxes in Ukraine and comparator economies – Ranking and DTF [3]

According to the experts’ point of view [4], the Paying Taxes rating from year to year testifies that compliance with tax rules takes a significant amount of time for businesses. Improvement of the Ukraine’s position in this rating may be achieved through undertaking some measures aimed at reducing the amount of time required to comply with tax laws.

References:

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