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INFLUENCE OF TRANSFER PRICING ON PROFIT TAXATION OF ENTERPRISES

The rules of the Tax Code of Ukraine have made significant adjustments in the process payments of tax and fees. Institute of transfer pricing is newish for our country, but the dynamics of its development is very fast moving. The question about transfer pricing was changed and has a tendency to coordination with international standards, expanding of the circle of persons who are subject to its regulation and changes in the requirements for reporting the results of controlled transactions, since the end of 2013, when the first rules were introduced, and up to this day.

There are articles of national scientists such as M. Bilyk, P. Dziuba, O. Ivanov, A. Krysovatyy, M. Koldovskyy, L. Tovkun, T. Tyschuk, V. Oparin, O. Tymchenko is concerned with the question about transfer pricing and determination of the object of taxation. Debating of many questions about these operations call for further scientific investigations, at the same time.

Implementation of the of the tax reform and changes of the Tax Code introduced a lot of changes in the question of transfer pricing, that make significant influence on the determination of the amount of taxable profit by the economic entities.

There were the last changes to the article 39 of the Tax Code, which actually governs the transfer pricing were introduced by the Law №72 [1] and the Law number 609 [2]. The rules of these documents have significantly changed the determination of key terms which are intended to describe the controlled transactions and criteria which recognize operations as those which are controlled. Let's look at the researching of key terms and criteria which recognize operations as those which are controlled in more detail.

Operations are recognized as those which are controlled, according to article 39 of the Tax Code of Ukraine if the following requirements are satisfied:

- amount of income of all activities of the enterprise (including discontinued operations), for the tax year which is counted accordingly with accounting rules, has reached or risen beyond 50 millions of hryvnias, but not including indirect taxes (VAT and excise tax);

- amount of transactions with a separate counteragent for the tax year according to accounting records, has risen beyond 5 millions of hryvnias, but not including indirect taxes (VAT and excise tax) [3].

Arm's length principle is implemented into the national law in the prism of changes which are mentioned above. Prices for transactions between related parties should reflect conditions that would be made between independent enterprises, according to this principle. In general, an attempt to put together operations (uncontrolled and controlled) in terms of tax benefits, advantages (or disadvantages) that they create is the basic idea of this principle.

The concept of state regulation and the control of transfer pricing with the purpose of taxation and profit distribution by means of using the arm's length principle is accepted and used in the international, European and national law in some states at that time.

The officially assigned arm's length principle is given in the paragraph 1 of the article 9 of Modular (typical) Tax Convention of the Organization for Economic Cooperation and Development concerning the taxes on income and capital (as in force on July 22nd, 2010), for today.

It is indicated in this paragraph that if conditions, which are different from those that would occur between independent enterprises, are made or imposed between two associated (interdependent) enterprises in their commercial or financial relations, any profits which would have been counted to one of them without such conditions, but have not been counted because of this conditions, can be included in the profits of that enterprise and taxable suitably.

Transfer pricing is essentially a question of international plan and requires relevant information. But these national characteristics cannot be ignored, because each country set its own rules, in spite of efforts to harmonize the legislation. The specifics of legislation of the counteragent country should be taken into account during the researching of foreign economic operations.

So, dynamics of tax legislation requires the development of new approaches to the determination of VAT-taxable activity and determination of tax on income. Ukraine adopts experience of neighbouring countries actively and implements recommendations of the Organisation for Economic Co-operation and Development on transfer pricing in life. State realizes the possibility to defend its economic interests, to fill the budget and raise its image as a whole through this.

1. Law of Ukraine from December 28th, 2014 N 72-VIII "On Amendments to the Tax Code of Ukraine concerning improvement of tax control over transfer pricing" - Law N 72; [Electronic resource]. - Access: http://zakon.rada.gov.ua

2. Law of Ukraine from July 17th, 2015 N 609-VIII "On Amendments to the Tax Code of Ukraine regarding Transfer Pricing " - Law N 609; [Electronic resource]. – Access: http://zakon.rada.gov.ua

3. Tax Code of Ukraine from December 2nd, 2010 № 2755-VI (with amendments and additions) [Electronic resource]. – Access: http://zakon.rada.gov.ua

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RISKS IN ACCOUNTING: ESSENCE AND CLASSIFICATION

Business entities activity in the market economy conditions is affected by different risks. It causes the need to be identified and estimated in proper time and to take measures to reduce their disadvantageous outcomes.

Risk is a multiple notion, which is often associated with losses, disadvantageous outcomes. But this is only one interpretation of the risk treatment, as risk and profit are directly dependable: higher profit of the enterprise activity is always accompanied with the high level of risk. Thus, V. V. Kovaliov treats risk and profit as two interrelated categories: «Assets, which are associated with relatively greater amount of possible losses, are treated as more risky. Accordingly, such assets must meet higher demands as to their profit» [1, p. 404].

Y. A. Shumpeter writes, that, if risks are not taken into account from the point of view of management activity, they are, on the one hand, the source of losses, on the other – the source of profits. One may make decision, which undergoes less risk, but the obtained profit will be smaller as well. Greater risk results in the possibility to obtain higher profit [2].

Uncertainty should be treated as scanty or scarce information on any activity or its outcomes, not full enough knowledge of something. Pablo A. Guerron-Quintana writes, that «the concept of uncertainty goes beyond those situations in which we cannot establish the likelihood of events. It also includes cases when we do not even know the outcomes» [3, p. 11]. Risk is sufficient possibility of the event to occur in the conditions of the environment uncertainty of the enterprise functioning, which is the subject of quantitative and qualitative estimation. Risk is characterized by the availability of uncertainty and is the variety of uncertainty, when the probability of the event appears and it can be found. The notion of risk is always connected with the possibility to choose this or that option for the events development. Risk is inseparably connected with the notion of alternative.