

CHAPTER «ECONOMIC SCIENCES»

TAXATION OF SMALL ENTERPRISES IN UKRAINE

Tetyana Gordeeva¹

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Abstract. The challenging economic situation in Ukraine, amidst force majeure conditions, requires the development of small enterprises to activate self-employment among the population. The implementation of tax support for small enterprises in Ukraine is aimed at simplifying the system of their taxation. **The purpose** of the paper is to deepen the theoretical and methodological foundations and practical recommendations regarding the taxation of small enterprises in Ukraine. According to the purpose of the study, the following tasks were set: to summarize the theoretical and methodological foundations of the organization of taxation of small enterprises in Ukraine and abroad; to carry out an analysis of the current dynamics of the budget revenues from taxation of the small enterprises on different levels in Ukraine; on a micro level, to evaluate the financial condition of a specific small enterprise and analyze the taxation peculiarities of its activity; to outline the main areas of improvement of the taxation of small enterprises. **Methodology** of the study is based on general research methods of generalization, scientific abstraction, analysis, and synthesis; statistical and comparative analysis, grouping and systematization; method of statistical comparisons; graphic and tabular methods – for visual display of financial and economic indicators of business entities and display of the results of the conducted research. **Results** of the analytical review of the financial results of small enterprises and the filling of tax revenues of the budgets of different levels demonstrated the low fiscal role of taxes for small enterprises. However, the role of small enterprises in the self-employment of the population, as opposed to the budget-forming role of large taxpayers, is justified. In

¹ Senior Lecturer of the Finance, Banking, Insurance and Stock Market Department, Khmelnytskyi National University, Ukraine

this study, the advantages, and disadvantages of the available tax systems for the activities of small enterprises have been identified. The influence of external business conditions and force majeure circumstances on the financial condition of a small enterprise is shown in the example of a real enterprise. The advantages of using available methods of optimizing tax payments by a small business within the legal field are assessed. **Practical implications.** A comparative analysis of the available opportunities within the legal field for small enterprises regarding the choice of a taxation system that will most fully correspond to their characteristics is useful in the context of improving the activities of small enterprises. **Value/originality.** The generalized assessment of advantages and disadvantages of paying a single tax by small enterprises according to the III group of the simplified system of taxation, accounting, and reporting could solve practical problems of tax evasion and concealment of their real income by small businesses, and, hopefully, will encourage their exit from the shadow economy, etc.

1. Introduction

The challenging economic situation in Ukraine, amidst force majeure conditions, requires the development of small enterprises to activate self-employment among the population. Since this sector of the economy is highly mobile, reacts quickly to changes, and can adapt to them, it helps in filling budgets at different levels, creates new jobs, promotes competition, attracts investments, and more.

The implementation of tax support for small enterprises in Ukraine is aimed at simplifying the system of their taxation. Given the country's experience in taxation, the study of the essence, features, and prospects of improving the taxation of small enterprises becomes especially relevant, practical, and crucial in times of financial and economic instability and military operations.

The works of many economists are devoted to the study of the essence and development of taxation of small enterprises, for instance, among which we can mention Varnaliy Z. S., Gogol T. A., Krysovaty A. I., Kruhlova O. O., Savelieva M. O., Kuzhel O., Lyapin D. V., Lyashenko V., Reverchuk S. K., Sobol S., Yunin O. S., and others. At the same time, the changing conditions of the economic environment pose new challenges

to small business entities. Therefore, the research on the taxation of small businesses in Ukraine is relevant.

The purpose of the study is to deepen the theoretical and methodological foundations and practical recommendations regarding the taxation of small enterprises in Ukraine. According to the purpose of the study, the following tasks were set:

- to summarize the theoretical and methodological foundations of the organization of taxation of small enterprises in Ukraine and abroad;
- to carry out an analysis of the current dynamics of the budget revenues from taxation of the small enterprises on different levels in Ukraine;
- on a micro level, to evaluate the financial condition of a specific small enterprise and analyse the taxation peculiarities of its activity;
- to outline the main areas of improvement of the taxation of small enterprises.

During the research, general scientific and special methods were used, namely: generalization, scientific abstraction, analysis, and synthesis; statistical and comparative analysis, grouping and systematization; method of statistical comparisons; graphic and tabular methods – for visual display of financial and economic indicators of business entities and display of the results of the conducted research.

2. The economic essence of the taxation of the small enterprises

Small enterprises play an important role in boosting Ukraine's economy. They are privately-owned businesses started by individuals who become self-employed entrepreneurs and contribute to the state budget. After all, "entrepreneurship is organizational and economic creativity, which is fundamentally different from ordinary business activity, which is based on the use of ready-made proven business schemes" [3, p. 108]. Moreover, Article 42 of Ukraine's Constitution grants the right to everyone to engage in entrepreneurial activities, which is not prohibited by law, to make a profit. While researching this topic, we note the use of different terms in the world and in Ukraine. For example, concepts such as "small business", "small enterprise", "micro-enterprise" are widespread in Ukraine, in Japan – "small and medium-sized enterprises", in Europe in general – "small business", in France, in particular – "PME" (petites et moyennes entreprises), and in Germany – "mittelstand" (middle class) [11, p. 237]. Small businesses and

small entrepreneurship are closely related in terms of their economic content, primarily regarding innovativeness. Although the concept of "small business" is not officially defined in legal documents in Ukraine's legislation, the concept of "small entrepreneurship" is recognized by law. Despite variations in their definitions, independence, dynamism, and risk-taking are commonly recognized characteristics. Most scientists agree that profit-making is the main criterion for identifying small businesses and small entrepreneurship. Business entities here can be both natural persons – entrepreneurs, and legal entities. And it is the activity of legal entities – small enterprises that interests us in the context of our research. Therefore, it is necessary to find out what enterprises belong to the category of "small". In this context, it is important to note that the first attempt to generalize the concepts of "small enterprise", "medium enterprise", and "large enterprise" was made back in 1996 in the EU. Today, the definitions of enterprise categories are in force according to the EU recommendations, which replaced the established recommendations of 1996 from 01.01.2005 (Table 1.1).

Table 1.1

Classification of enterprises according to EU recommendations

Types of enterprises	Criteria					
	Number of employees	Annual turnover		or	Book value of assets	
		1996	2005	1996	2005	1996
Large enterprise	> 250		> 50 EUR million		> 43 EUR million	
Medium enterprise	< 250		≤ 40 EUR million	≤ 50 EUR million	≤ 27 EUR million	≤ 43 EUR million
Small enterprise	< 50		≤ 7 EUR million	≤ 10 EUR million	≤ 5 EUR million	≤ 10 EUR million
Microenterprise	was not determined before	< 10	was not determined before	≤ 2 EUR million	was not determined before	≤ 2 EUR million

Source: based on [15]

With the adoption in March 2012 of the Law "On Development and State Support of Small and Medium Enterprises in Ukraine" [18], Article 55 of the Economic Code was supplemented with a new part containing criteria

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for the classification of economic entities. In accordance with Article 55 of the Economic Code of Ukraine, the following types of business entities are defined: large, medium, small, and micro business entities, as well as the relevant criteria for assigning business entities to a certain type depending on the number of employees and annual income (Table 1.2).

Table 1.2

Classification of business entities

Subjects of entrepreneurial activity	Criteria	
	Number of employees	Annual turnover
Subjects of large entrepreneurship	over 250 persons	over 50 EUR million
Subjects of medium entrepreneurship	from 50 to 250 persons	from 10 to 50 EUR million
Subjects of small entrepreneurship	not more 50 persons	not more 10 EUR million
Subjects of micro-entrepreneurship	not more 10 persons	not more 2 EUR million

Source: based on [9]

Therefore, enterprises with no more than 50 employees and whose income does not exceed the amount equivalent to 10 million euros, according to the average annual rate of the NBU, are recognized as small. Another regulatory act that provides classification of enterprises is the Law of Ukraine "On Accounting and Financial Reporting in Ukraine", which adds to the criteria "book value of assets" (Table 1.3).

Table 1.3

Classification of enterprises

Types of enterprises	Criteria		
	Number of employees	Net income	Book value of assets
Large enterprise	over 250 persons	over 40 EUR million	over 20 EUR million
Medium enterprise	from 50 to 250 persons	up to 40 EUR million	up to 20 EUR million
Small enterprise	not more 50 persons	up to 8 EUR million	up to 4 EUR million
Microenterprise	not more 10 persons	up to EUR million	up to 350 EUR thousand

Source: based on [17]

Therefore, the criteria for the average number of employees in the above-mentioned regulatory documents are the same, but the income indicators differ both in essence and in terms of volume. According to the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine", compliance with the criteria is checked on the date of drawing up the annual financial statements for the year preceding the reporting year. It should be noted that according to this law, it is sufficient for an enterprise to meet two of the three specified criteria. We conclude that to harmonize Ukrainian legislation with European legislation, it would be worthwhile to form a single system of characteristics of small business entities. After all, "in order to build a transparent system of taxation of small business entities, the issue of criteria for assigning business entities to a specific category is very important" [12, p. 73].

Due to the small size of both the capital and the scope of activity, and sensitivity to the volatility of the economic environment, small enterprises need certain state support, one of the tools of which can be preferential taxation. In general, the taxation system of a certain country is a tool for economic influence on the structure and dynamics of social production, acceleration of scientific and technical development and progress, as well as meeting the social needs of the population. Using tax instruments, it is possible not only to limit or stimulate the business activity of economic entities but also to promote their development by stimulating and harmonizing relations between taxpayers and tax control authorities [10, c. 30].

Thus, taxation is understood as: "the legally established process of paying taxes (fees) based on organizational and economic relationships, relationships, and interaction between its subjects (participants – the state, taxpayers, tax agents, society) and objects (taxes, fees), during which the gross domestic product is redistributed in order to create a financial basis for the state's vital activities" [13, p. 112].

Determining the number and content of tax rules and regulations is the exclusive prerogative of the state government, but the average citizen pays for their inefficiency and burdensomeness, so the burdensomeness of tax rules is an artificial administrative burden on the entire society. Under the conditions of the general taxation system, it is impossible to stimulate the broad involvement of the low-income population in self-employment or the creation of small business enterprises with a small number of jobs. The general system will be

costly due to the need to keep records, including tax records, which will always require costs for monitoring and compliance with the requirements of the Tax Code, etc. In the matter of taxation, the task of the State is to focus the tax system on the development of small enterprises, the activity of which does not require significant initial capital, but instead ensures high turnover of resources and quick response to changes in the market structure. The effectiveness of the small enterprises taxation system can be assessed using the following two criteria: the system should be clear and simplified for enterprises; the system must provide a sufficient level of tax revenues to perform the functions of the State. According to the Tax Code of Ukraine, there can be two systems of taxation for small enterprises: general or simplified (Table 1.4).

Table 1.4

Tax systems for business entities in Ukraine

Criteria	The taxation system				
	General	Simplified			
		I group	II group	III group	IV group
Tax rates	Income tax (18%) – for legal entities. Income tax (18%) – for individual entrepreneurs. Specific direct taxes. Indirect taxes	Single tax: from 1 to 10% of the subsistence minimum	Single tax: from 2 to 20% of the minimum wage	Single income tax: 3% and VAT; 5% without VAT	A single tax: the rate depends on the type of land plot
For employees	PIT (18%), SSC (22%), military levy (1,5%)	Have no employees	Up to 10 persons. PIT (18%), SSC (22%), military levy (1,5%)	PIT (18%), SSC (22%), military levy (1,5%)	PIT (18%), SSC (22%), military levy (1,5%)
Registration as a VAT payer	For the volume of transactions exceeding UAH 1 million – a VAT payer	Not VAT payers		rate 3% – VAT payers; rate 5% – not VAT payers	not VAT payers
Reporting period	Calendar year or quarter	Calendar year		Calendar quarter	

Source: based on [16]

The general taxation system is applied to a business entity from the moment of its establishment and registration of its business activity. It is applied by default if the business entity did not apply to choosing a simplified taxation system with the application for registration. Note that for legal entities, among the possible options for taxation listed in Table 1.4, only the general system is suitable, as well as III and IV groups of single taxpayers. The general taxation system provides for the payment of all taxes – direct and indirect – following the Tax Code of Ukraine, depending on the specifics of the business entity's activity. And the simplified system with its single tax does not mean automatic payment of only one tax. Because, provided there are hired workers, the employer pays a full set of taxes for them (PIT, SSC, and military levy).

The introduction of a single tax should facilitate the simplification of accounting and reporting since the general taxation system is too complicated for small and micro-enterprises, which is largely due to either the absence of qualified specialists at these enterprises or the impossibility of attracting them. Under these conditions, reducing the accounting function or outsourcing its implementation cannot be considered a universal way out of the situation. The advantages and disadvantages of a simplified system with its single tax should be evaluated both from the standpoint of small enterprises and the State. It is in the field of taxation, as in no other, that the difference in the interests of the State and enterprises as taxpayers is manifested. For the State, a single tax is beneficial because it prevents barter agreements that "shadowing" economic relations and create conditions for tax evasion, tax abuses, and the outflow of financial resources. For the development of small entrepreneurship, the simplified system must comply with the principles of simplicity in determining the tax base and the size of the tax liability, minimizing accounting procedures to a level accessible to an average citizen with general secondary education. An important requirement is the stability of the simplified taxation system for a long time. Only under such conditions can this system fulfil its function of attracting a wide range of citizens to independent entrepreneurial activity and job creation.

2. Peculiarities of taxation of small enterprises in Ukraine and abroad

The Tax Code gives us the following definition: "a simplified system of taxation, accounting and reporting is a special mechanism for the payment of taxes and fees, which establishes the replacement of the payment of individual taxes and fees, established by paragraph 297.1 of Article 297 of the Code, with the payment of a single tax in the order and under the conditions determined this chapter, with simultaneous maintenance of simplified accounting and reporting" [16].

Let us consider what the Tax Code of Ukraine offers in the sense of a simplified system of taxation, accounting and reporting for legal entities. Here it is worth noting and separately emphasizing that the possibility of switching to a simplified system is provided not based on belonging to small and micro-enterprises (by the classification of the Economic Code or the Law "On Accounting and Financial Reporting in Ukraine"), but following the volumes prescribed in the Tax Code annual income of the business entity. That is, not all small and micro-enterprises have an opportunity to automatically take advantage of this preferential tax regime, but only those whose annual income does not exceed the limits defined for groups of single taxpayers under the Tax Code. As for simplified accounting and reporting, regulated by National Regulation (Standard) of Accounting 25 [19], its norms are applied, in particular, by micro-enterprises and small enterprises, which are recognized as such following the Law of Ukraine "On Accounting and Financial Reporting in Ukraine". Thus, it is not necessary to be a single taxpayer to apply a simplified accounting and reporting system.

According to Article 291 of the Tax Code, "a legal entity or a natural person – an entrepreneur can independently choose a simplified taxation system if such a person meets the requirements established by this chapter and is registered as a single tax payer in the manner determined by this chapter" [16]. Therefore, it is a right, not an obligation. In addition, not all small enterprises, so to speak, "fit" into the amounts of income defined by Article 291.4 of the Tax Code for the III group of single tax payers. Namely, legal entities that have chosen a simplified taxation system can be in this group.

The III group of the single tax differs from the general taxation system in that income is taxed, not profit. This means that the expenses incurred do not affect the amount of the single tax paid at all. However, the tax rate is

significantly lower, and the payer is exempt from paying land tax and has the option not to be a VAT payer even if his income exceeds the limit of UAH 1 million.

Also, for legal entities that are producers of agricultural products, namely "legal entities regardless of organizational and legal form, in which the share of agricultural product production for the previous tax (reporting) year is equal to or exceeds 75 %" [16], the IV group is also distinguished. If the legal entity complies with the specified criterion and chooses such a group to pay a single tax, the amount of the tax will depend only on the size of the land plots. In addition, for the IV group there is an opportunity to extract underground water and not to be a payer of rent for special water use.

Now, in addition to the above-mentioned groups of the single tax for legal entities, a temporary special group introduced by paragraph 9 of subsection 8 of the Transitional Provisions of the Tax Code for the duration of martial law continues to operate. The tax rate for which is 2%. So, in the middle of the simplified system of taxation for legal entities, we have three possible options for preferential taxation.

Let us consider them in more detail. Both individual entrepreneurs and legal entities can be in the III group for the payment of a single tax, but in the context of the study we are interested in purely legal entities (Table 2.1).

As we can see, there are several restrictions and conditions for legal entities wishing to be on the simplified taxation system. Not all small businesses whose income is greater than 1,167 minimum wages, which as of the beginning of 2022 amounted to UAH 7,585,500, could benefit from the transition to a simplified system of taxation, accounting and reporting according to the III group. However, as of November 1, 2021, the number of business entities registered in the Register of Single Taxpayers was legal entities – III group – 175,700 entities, IV group – 31,600 entities [24].

For the period of martial law from April 1, 2022, for the purpose of business support, another special group of the single tax was introduced, which also belongs to III group (Table 2.2).

The number of economic entities that took advantage of this benefit and switched to paying a single tax at the rate of 2% amounted to 96 small and 9,401 micro-enterprises, while there were 10,292 units of private enterprises [1]. Also, it should be noted here that from July 1, 2023, it is planned to cancel the 2% rate for single taxpayers. The Verkhovna Rada has already

Table 2.1

Terms of the single tax payment for the III group of taxpayers

Criteria	Rules for the III group of the single tax
Tax rates	3% of income, if the legal entity is a VAT payer 5% of income, if the legal entity is not a VAT payer
Maximum annual income	Since 2021 until now, there is a binding to the minimum wage established on 1.01 of the tax (reporting) year, namely 1167 of its amounts. Until then, the amount was fixed, in 2020 – 7 UAH million
Registration as a VAT payer	Depending on the selected rate. If it is 5%, then it is possible not to be a VAT payer even if the income limit of 1 million UAH is exceeded
The number of employees	Not limited
Payment method	Only in monetary form (cash or non-cash).
Field of activity	All types, except those prohibited in Article 291.5.1 of the Tax Code.
Frequency of the single tax payment	Once based on the results of the quarterly declaration within 50 days after the end of the quarter
Submission of reporting	Once per quarter, within 40 days after the end of the quarter
Exemption from payment of other taxes	According to Article 297 of the Tax Code of legal entities, single tax payers are exempt from the following taxes and fees: – corporate income tax, except for the case of payment of income (profits) to a non-resident (Article 133.1.1. of the Tax Code); – value added tax, except for those who chose a single tax rate of 3%; – property tax in the part of the land tax for land plots used by payers "for carrying out economic activities (except for the activity of providing land plots and/or real estate located on such land plots for rent, loan, on other rights of use)" [16]
Accounting	Simplified accounting and reporting according to National Regulation (Standard) of Accounting 25 "Simplified financial reporting" [19]

Source: based on [16]

registered a draft law dated January 31, 2023 No. 8401 [20]. Because this special regime was supposed to help enterprises adapting to the conditions of martial law, but, of course, led to a reduction in revenues to the State budget from income tax, VAT, etc.

Table 2.2

**Terms of payment of a single tax
for a special group since April 1, 2022**

Criteria	Rules for the special group of the single since April 1, 2022
Tax rates	2% of income for everyone who has the right to switch to a special regime
Maximum annual income	There is no limit after the transition. Those whose income during the previous calendar year did not exceed 10 UAH billion had the right to switch to a special regime
Registration as a VAT payer	Non-payers of VAT
The number of employees	Not limited
Field of activity	All types, except those prohibited in subsection 9.3 of clause 9 of subsection 8 of the Transitional Provisions of the Tax Code [25]
Submission of reporting	Once a month, within 20 days after the end of the month
Frequency of the single tax payment	Once a month, based on the results of the declaration within 30 days after the end of the month

Source: based on [16]

The fourth group of single taxpayers was included in the Tax Code to replace the fixed agricultural tax, which was abolished in 2014. Elements of so-called "fixation" remained because the amount of tax does not directly depend on the results of the enterprise's activity. The object of taxation is the area of agricultural lands (land) and water fund lands, and the normative monetary valuation of these lands and lands is the basis of taxation.

Tax rates vary depending on the category of land, from 0.19% for "multi-topical areas, sheltered and fertile zones and in the territories of Polissia" to 6.33% for "agricultural land in closed soil conditions" [22]. It should be noted separately the existence of a rate of 50% for "agricultural land on which buildings, structures of agricultural producers (legal entities and individuals) are located, classified under the subclass "Buildings for poultry

farming" (code 1271.2), or for agricultural land, which are used for the maintenance of such buildings and structures, considering the data of the State Land Cadastre" [22].

Single taxpayers of the IV group calculate the amount of tax themselves every year as of January 1 and no later than February 20 submit a tax declaration for the current year to the appropriate authority based on the location of the payer and the location of the land plot. Tax is paid quarterly within 30 days, after the end of the tax quarter, in the following PKU amounts: for the I quarter – 10%; for the II quarter – 10%; for the III quarter – 50% and 30% for the IV quarter. Thus, the simplified taxation system is suitable for the taxation of small, including micro, enterprises in Ukraine.

Further, we will consider the peculiarities of foreign experience in the taxation of small enterprises. The very terminology of "small business" or "small enterprise" for tax purposes varies in foreign countries. The definition is based on the approach applied by the state – quantitative in terms of the number of employees, turnover, asset value, net profit, authorized capital, etc., or qualitative, which involves high organizational and functional flexibility, the level of competition, the combination of several production and management functions in one person etc. For example, in the USA, the term "small business" means an enterprise with up to 100 employees, in the EU – up to 50, in Australia – up to 19 employees [12, p. 73].

In Western countries, there are different approaches to regulating and stimulating the development of small businesses, which is due to the different degrees of application of direct and indirect methods of influence. Direct methods of influence include the provision of soft loans, fully or partially state-guaranteed loans and targeted subsidies. These methods directly regulate the activity of small businesses through the interaction of the regulator, whether it is the state or the market, and the small business itself, here we mean government orders, government investments and government loans. Indirect methods of small business regulation include the provision of state guarantees to financial and credit institutions, the use of various methods and directions of fiscal stimulation in order to expand production volumes, increase the demand for goods and services, which can increase budget revenues from small businesses and maintain economic stability in the country.

The peculiarities of financing small and medium-sized businesses in Germany, Great Britain, Italy, the USA and Japan indicate that the success of entrepreneurial activity in these countries is due to several reasons, namely: "provision of state support only on a competitive basis; provision of state guarantees for loans provided by commercial banks in the amount of 60-90% of the amount of loans; creation of a network of special banks serving small businesses at various levels; stimulation of innovative activities of small enterprises; application of such a taxation system that encourages paying rather than hiding taxes; application of a special procedure for calculating depreciation; creation of conditions for equal access of all enterprises to information and consulting services, especially in the field of taxation, lending and insurance" [8, p. 42].

Every country needs an optimal taxation system, under which business entities would be interested in paying taxes because they know that their compliance with tax legislation is a guarantee of their existence and development in the future. The experience of foreign countries shows that to optimize the taxation system, it is not necessary to use special tax regimes. In most developed countries, small business is taxed on a general basis, with the particularity that it is granted certain targeted tax benefits for specific types of activity or specific business entities. Governments in leading countries recognize that small businesses bear too much of a burden to comply with tax legislation. However, the assessment of the effectiveness of standard means of solving this problem, i.e. the introduction of simplified taxation regimes for small enterprises, remains debatable. For example, the experience of the countries of Eastern Europe and Central Asia shows that the regimes of simplified taxation do not contribute to the rapid development of business and its subsequent transition to the general tax regime and may also increase the risk of tax revenues not being received by the budget [14].

Following the tax legislation of various countries of the world, small businesses may be granted the following tax benefits: reduction of taxable profit; reduction of tax liabilities; and exemption from taxation.

Tax benefits, which consist of reducing the amount of the tax liability, can be provided in the form of investment tax credits, tax deductions for expenses related to R&D, and employment tax credits. For example, in South Korea, small businesses that invest in innovative tangible assets or equipment related to increased labour productivity, energy saving, or

social security services for employees are eligible to apply an investment tax credit of 3-10% of their capital expenditures for the specified objects. France provides research tax credits to innovative small businesses if their R&D expenditure is 15% of total expenditure. In Argentina, employers belonging to small business entities have a reduced rate of social insurance contributions – 17% [2, p. 94].

The small business support system in the USA is the most advanced and comprehensive, which is due to many years of experience in the formation of small business support systems at the state level since a significant number of federal small business support programs have been operating since the 1940s because they were created to overcome the consequences of the Great Depression.

The main directions of this support are: "access to capital (loans at low-interest rates for small businesses – 9% per annum, and during a crisis this rate drops to 4.6%); simplified registration procedure (it is possible to register at the home address, which is especially typical for such a business as software development); appropriate education (an extensive network of consulting and training centres); assistance in obtaining government orders (23-26% of all orders and 20% of defence orders from large enterprises); protection in court and at the legislative level" [7, p. 90].

The economic development of each country and the policy of its government regarding ways to support and develop the economy usually influence the choice of methods of stimulating the economy, which is further summarized and highlights the most acceptable and effective directions of tax incentives that are used in different countries [21]:

- implementation of accelerated depreciation programs, which contribute to the optimization of cash flows of companies due to accelerated write-off (depreciation) of investments (Australia, France, Ireland, Singapore, Canada, Germany, Netherlands, USA, Czech Republic, India);

- the introduction of amendments that help more effectively take into account net operating losses (NOL) for tax purposes both in the previous and in the following tax periods (Great Britain, USA, Argentina, Hungary, South Korea, Australia, Japan, Taiwan, France, Singapore);

- reduction of the income tax rate for enterprises to stimulate demand and investment attractiveness (Canada, Italy, Taiwan, Japan, Singapore, Czech Republic, Hungary, Ukraine, Netherlands, South Korea);

– increase in tax credits for scientific and research work, which creates an additional incentive to provide additional funds for investment development in conditions of unstable economy (Australia, France, Belgium, Ireland, Singapore, Canada, Italy, South Korea);

– introducing changes to the income tax to increase demand by increasing real income, especially for low and middle-income taxpayers (Great Britain, Argentina, Czech Republic, Taiwan, Australia, Hungary, South Korea, Brazil, Ireland, Switzerland).

Tax benefits, consisting of exemption from taxation, can be embodied in the replacement of individual taxes with a simplified taxation system, as introduced in Ukraine.

3. Dynamics of tax revenues of small enterprises to budgets in Ukraine

The analysed period of 2020–2022 is characterized by the influence of force majeure circumstances, first the coronavirus pandemic, and then a full-scale military invasion, so, obviously, the state of Ukraine's economy is not satisfactory. Business entities were forced to look for ways to preserve their business, ways to diversify sources of financing and preserve the client base, and consumers of their products in conditions of growing inflation and rising prices. In 2022, a significant part of Ukraine's economy faced the threat of physical destruction, some of these enterprises managed to relocate to relatively safe regions, i.e., 2022 became a grand test of Ukrainian business's endurance and ability to survive.

Before the start of the full-scale military invasion, medium, small, and micro enterprises were the largest employers in Ukraine. They employed 75% of all employed workers or 4.8 million. The other 25% or 1.6 million were employed at large enterprises. The most popular sphere of activity of micro, small and medium-sized businesses in Ukraine is the sphere of wholesale and retail trade, as well as motor vehicle repair. This is followed by industry, logistics, agriculture, and construction.

In 2020, there were more than 1.9 million small business entities in Ukraine, of which almost a fifth, or rather 18.2%, were legal entities. There are about 18,000 medium-sized enterprises, and 98% of them are legal entities. Together, small, and medium-sized enterprises provide 60% of GDP, 7 million jobs and 40% of tax revenues [5, p. 60].

Business activity of micro, small and medium-sized enterprises (MSMEs) is traditionally concentrated in several historically established regional business centres. Thus, in 2020, the largest share of MSMEs was registered in Kyiv, both in terms of number and contribution to the economy, that is, more than a quarter of Ukrainian MSMEs were based in Kyiv, where almost 22% of the population was employed, and they accounted for 42% of the total gross volume implementation of MSMEs [4]. In the conditions of crisis phenomena in the economy, as experience shows, small enterprises are the most vulnerable due to limited financial resources in contrast to large companies.

Let us consider the revenues to the consolidated budget of Ukraine from the taxation of small enterprises during the years under study. Those small enterprises that are on the general taxation system, because they do not fit the criteria of the volume of revenue or the type of activity under the Classification of Types of Economic Activity or other criteria, or they chose not to switch to the payment of a single tax, determine the financial result before taxation and pay income tax on the general principles of the general taxation system (Table 3.1).

As shown in Table 3.1, the pandemic had a negative impact in 2020, small enterprises showed an excess of the amount of loss of those who received a negative financial result. In 2021, the situation improved and the overall result before taxation turned out to be positive, the share of profitable companies also increased by 1.7% enterprises. However, military aggression once again drove small businesses into the zone of losses. In the context of taxation, we are interested in the difference between the financial result of small enterprises before taxation and the net profit, which constitutes the income tax directed to the consolidated budget of Ukraine. In general, since the period, the dynamics of income tax for small enterprises has been positive: + 20 606.9 UAH million.

Small enterprises also have the right to be on the simplified taxation system, if they meet all the restrictive norms regarding the volume of revenue and pay a single tax. So, let us consider the revenues of the consolidated budget of Ukraine from the taxation of small enterprises, namely the single tax as part of tax revenues (Table 3.2 and Figure 3.1).

In general, revenues of the consolidated budget of Ukraine increased throughout the period, while tax revenues and local tax revenues

Table 3.1
Dynamics of financial results of small enterprises of Ukraine in 2020–2022

Indicators	Years			Deviation, (+,-)	
	2020	2021	2022	2021/2020	2022/2020
Financial result before taxation, UAH million, of which:	-12286.8	178527.8	-79861.4	+190814.6	-258389.2
made a profit, %	71.1	72.8	65.8	+1.7	-7.0
financial result, UAH million	155467.2	244954.0	176857.0	+89486.8	-68097.0
Net profit, UAH million	142204.9	228823.7	162811.8	+86618.8	-66011.9
Income tax, UAH million	13262.3	16130.3	14045.2	+2868.0	-2085.1
Revenues of the consolidated budget, UAH million	1376662	1662243	2196273	+285581	+534030
The share of income tax in the consolidated budget, %	0.96	0.97	0.64	+0.01	-0.33

Source: calculated based on [6]

Table 3.2
Dynamics of planned and actual revenues of the single tax to the consolidated budget of Ukraine in 2020–2022

Code	Name	2020			2021			2022		
		Plan	Fact	% of completion	Plan	Fact	% of completion	Plan	Fact	% of completion
Total revenues of the consolidated budget		1371748	1376662	100.4	1632261	1662243	101.8	2160345	2196273	101.7
10000000	Tax revenues	1115481	1136687	101.9	1401890	1453804	103.7	1594058	1343225	84.3
18000000	Local taxes and fees	74838	75686	101.1	86875	89897	103.5	91724	84305	91.9
18050000	Single tax	37241	38031	102.1	44431	46282	104.2	48977	47226	96.4
18050300	Single tax on legal entities	5236	5066	96.8	5980	6175	103.3	8322	9844	118.3
18050500	A single tax on agricultural producers (IV group)	5189	5338	102.9	5149	5294	102.8	5136	4494	87.5

Source: based on [23]

increased in 2021 and decreased in 2022 against the background of full-scale aggression. The percentage of implementation of tax revenues in 2022 was only 84.26%, and for local taxes, it was slightly higher at 91.91%, while in previous years, under quarantine restrictions, the percentage of implementation for taxes was even higher than 100%.

The actual income of the single tax in general and the single tax specifically from legal entities increased during the entire period of 2020–2022: the volume of the unified tax increased by 70% in 2022 compared to 2020, the volume of the unified tax on legal entities increased by 94% in 2022 compared to 2020. The next step is to estimate the share of the single tax in the revenues of the consolidated budget (Table 3.3).

The share of tax revenues is significant in the structure of the consolidated budget, although it significantly decreased in 2022 – by 26.3% compared to 2021. Local taxes make up only 5% of the revenues of the consolidated budget, and in 2022 they fell to 3%. 84% and the share of EP from legal entities is even less, less than 1% (Figure 3.2).

As we can see from Figure 3.2, during the analysed period, the share of the single tax in the revenues of the consolidated budget was less than 3%, and it decreased by the end of the analysed period, and the single tax on legal entities does not reach even one per cent, that is, we can talk about the

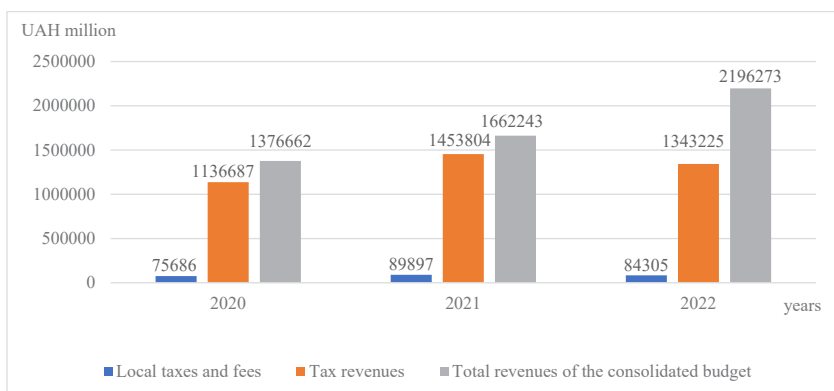


Figure 3.1. Dynamics of Ukraine's consolidated budget revenues of during 2020–2022

Table 3.3
**Dynamics of the share of the actual single tax incomes
 in Ukraine's consolidated budget revenues of in 2020–2022**

Name	Years						Deviation, (+/-)			
	2020		2021		2022		2021/2020		2022/2021	
	Fact, UAH million	Share, %	Fact, UAH million	Share, %	Fact, UAH million	Share, %	Abs., UAH million	Share, %	Abs., UAH million	Share, %
Single tax on legal entities	5066	0.37	6175	0.37	9844	0.45	+1109	0	+3669	+0.08
Single tax	38031	2.76	46282	2.78	47226	2.15	+8251	+0.02	+944	-0.63
Local taxes and fees	75686	5.50	89897	5.41	84305	3.84	+14210	-0.09	-5592	-1.57
Tax revenues	1136687	82.57	1453804	87.46	1343225	61.16	+317117	+4.89	-110579	-26.30
Total revenues	1376662	100	1662243	100	2196273	100	+285581	0	+534031	0

Source: based on [23]

Table 3.4
**Dynamics of the share of the single tax actual income in the revenues of local budgets
 of Ukraine in 2020–2022**

Name	Years						Deviation, (+/-)			
	2020		2021		2022		2021/2020		2022/2021	
	Fact, UAH million	Share, %	Fact, UAH million	Share, %	Fact, UAH million	Share, %	Abs., UAH million	Share, %	Abs., UAH million	Share, %
Single tax on legal entities	5066	1,07	6175	1,06	9844	1,77	+1109	-0,01	+3669	+0,71
Single tax	38031	8,07	46282	7,97	47226	8,51	+8251	-0,10	+944	+0,54
Local taxes and fees	75686	16,05	89897	15,48	84305	15,19	+14210	-0,57	-5592	-0,29
Tax revenues	285572	60,57	346713	59,71	393461	70,88	+61142	-0,86	+46748	+11,18
Total revenues of local budgets	471480	100	580699	100	555097	100	+109219	0	-25602	0

Source: based on [23]

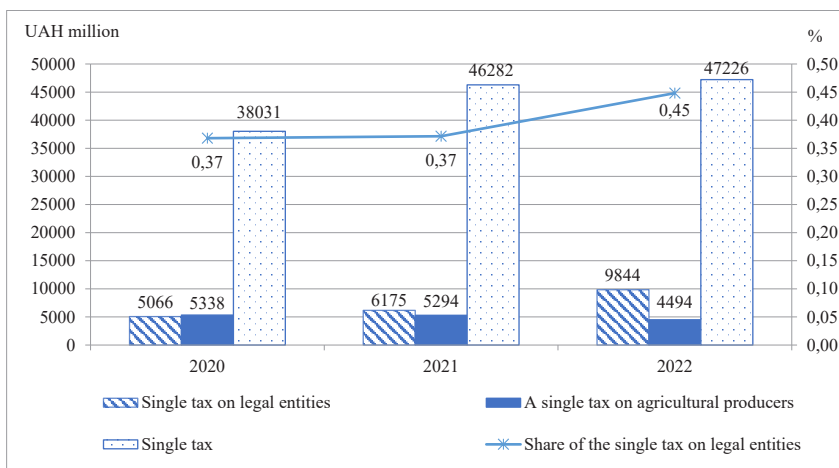


Figure 3.2. The dynamics of the single tax actual income to the consolidated budget of Ukraine during 2020–2022

insignificant impact of the taxation of small enterprises with a single tax on filling the consolidated budget of Ukraine during 2020–2022.

Since the single tax is one of the two taxes, along with the property tax, which belongs to local governments, we consider it appropriate to analyse the income of the single tax from legal entities to local budgets. Let us consider the income from taxation of small enterprises, namely the single tax, as part of the tax revenue to the local budgets of Ukraine, namely, we will estimate the share of the single tax in the revenue of the local budgets (Table 3.4).

As we can see in the filling of local budgets, compared to the consolidated one, the single tax plays a more significant role, its share varies from 8.07% in 2020 to 8.51% in 2022. Although the share of the single tax on legal entities is no more than 1% during 2020–21, therefore the fiscal role of this tax has no determining influence.

Figure 3.3 shows the dynamics of individual groups of revenues of local budgets of Ukraine during 2020–2022.

And only in 2022, we can see an increase in the share of the single tax on legal entities in the receipts of local budgets to 1.77%.

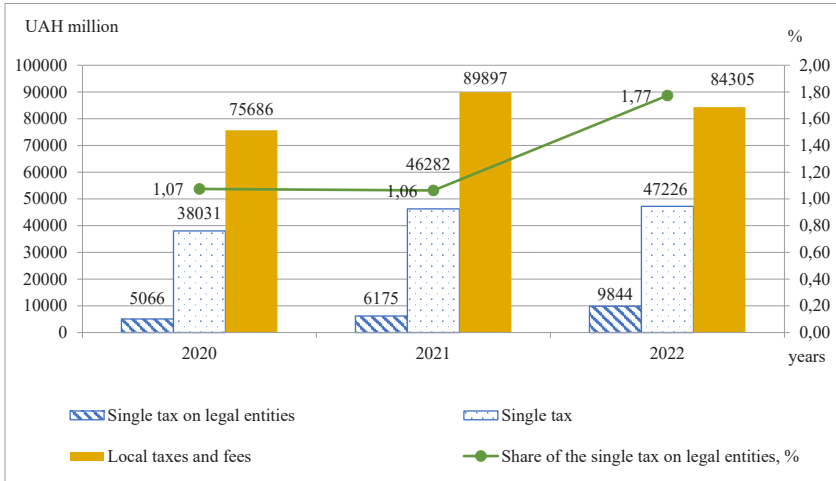


Figure 3.3. Dynamics of the single tax and local taxes as part of the revenues of the local budgets of Ukraine during 2020–2022

4. Assessment of the financial status and taxation of a small enterprise

Let us consider the financial and economic activity of PE "Success", which was founded at the end of 2017 and is a subject of micro-entrepreneurship according to the criteria defined in the regulatory framework. The main activity of the enterprise is 71.11 "Activities in the field of architecture", which consists of consulting in the field of architecture on the following issues: building design, including drawing up working drawings; city design, including landscape architecture. To assess the financial status of PE "Success", we will calculate indicators of liquidity (Table 4.2), solvency (Table 4.3), financial stability (Table 4.4), business activity and profitability (Tables 4.5 and 4.6).

As we can see, the coefficients of absolute and current liquidity during 2020–22 fully correspond to the normative values, although, they decrease by the end of the period. The coefficient of total liquidity, which also decreased by the end of the period, is already less than the normative value in 2022.

Table 4.2

Indicators of liquidity of PE "Success" in 2020–2022

Indicators	Normative value	Years			Deviation (+,-)		
		2020	2021	2022	2021/ 2020	2022/ 2021	2022/ 2020
Absolute liquidity ratio	0.2 – 0.35	2.714	0.991	0.858	-1.723	-0.133	-1.856
Current liquidity ratio	0.7-1	3.190	1.021	0.908	-2.170	-0.112	-2.282
Total liquidity ratio	More than 1	3.262	1.021	0.908	-2.241	-0.112	-2.353

Source: calculated by the author

Table 4.3

Indicators of solvency of PE "Success" in 2020–2022

Indicators	Normative value	Years			Deviation (+,-)		
		2020	2021	2022	2021/ 2020	2022/ 2021	2022/ 2020
Instant solvency ratio	not less than 0.2	2.714	0.991	0.858	-1.723	-0.133	-1.856
Quick solvency ratio	not less than 1	2.714	0.991	0.858	-1.723	-0.133	-1.856
General solvency ratio	not less than 2	3.262	1.021	0.908	-2.241	-0.112	-2.353

Source: calculated by the author

As we can see, the absolute and quick solvency ratios during 2020–22 fully correspond to the normative values, although they decrease until the end of the period, but the total solvency ratio, which also decreased by the end of the period, is already less than the normative value in 2022. We conclude that in 2022, PE "Success" will enter a liquidity and solvency crisis.

Indicators of financial stability of PE "Success" confirm the preliminary conclusion that the enterprise is plunged into a crisis of liquidity and solvency and unstable financial condition.

As we can see, the state of business activity of the enterprise worsened during the analysed period: the turnover ratio of both all assets and directly current assets decreased. A greater percentage of reduction was observed in 2022: -44.7% for all assets and -45.1% for current assets. In connection

Table 4.4

Indicators of financial stability of PE "Success" in 2020–2022

Indicators	Years			Deviation (-,+)		
	2020	2021	2022	2021/ 2020	2022/ 2021	2022/ 2020
Coefficient of financial independence (more than 0.5)	0.8	0.3	0.2	-0.5	-0.1	-0.6
Equity leverage ratio (more than 0.2)	0.6	0.04	-0.3	-0.5	-0.3	-0.8
The coefficient of the ratio of borrowed and own funds	0.3	2.1	3.1	+1.8	+1.0	+2.8
Concentration ratio of the borrowed capital	0.8	0.5	0.1	+0.6	+0.8	+0.5
Coefficient of financial dependence	1.3	3.1	4.1	+1.8	+1.0	+2.8

Source: calculated by the author

Table 4.5

Indicators of business activity of PE "Success" in 2020–2022

Indicators	Years			Deviation, (+,-)			
	2020	2021	2022	absolute		relative, %	
				2021/ 2020	2022/ 2021	2021/ 2020	2022/ 2021
Turnover ratio of all assets	14.5	16.0	8.8	+1.5	-7.2	+10.5	-44.7
Turnover ratio of current assets	20.6	23.4	12.8	+2.8	-10.6	+13.7	-45.1
Inventory turnover ratio	496.0	5230.7	0	+4734.7	-5230.7	+954.6	-100
Duration of inventory turnover, days	1	1	0	0	-1	37.8	-100
Accounts Payable Turnover Ratio	606.2	435.9	99.4	-170.3	-336.5	-28.1	-77.2
Duration of accounts payable turnover, days	1	1	4	0	+3	+39.1	+338.5

Source: calculated by the author

with the rather small volumes of material reserves and accounts payable compared to the volumes of the revenue received, the turnover of these groups of assets and liabilities is very high.

Table 4.6

Indicators of profitability of PE "Success" in 2020–2022

Indicators	Years			Deviation, (+,-)			
	2020	2021	2022	absolute		relative, %	
				2021/ 2020	2022/ 2021	2021/ 2020	2022/ 2021
Net profit, UAH thousand	0.8	15.6	-9.8	+14.8	-25.4	+1850.0	-162.8
Profitability of sales, %	0.2	1.6	-1.2	+1.4	-2.8	+700.0	-175.0
Profitability of products (works, services), %	0.3	2.0	-1.4	+1.7	-3.4	+566.7	-170.0
Profitability of activity, %	0.2	1.6	-1.1	+1.4	-2.8	+700.0	-175.0
Return on assets, %	3.1	25.8	-10.2	22.7	-36.0	736.4	-139.5
Return on equity, %	4.9	63.4	-35.6	58.5	-99.1	1200.0	-156.2
Return on non-current assets, %	10.4	81.5	-32.7	71.1	-114.1	684.1	-140.1
Return on current assets, %	4.4	37.7	-14.8	33.3	-52.5	760.6	-139.2

Source: calculated by the author

The profitability of PE "Success" in 2020–2021 ranged from 1 to 2%. Already in 2022, the company went into the red, so we can only talk about the level of unprofitability – about 1%. The value of assets, that is, the total value of the company's property, increased both due to the capitalization of profits in 2021 and due to the attraction of short-term bank loans to finance activities. In general, the enterprise worked profitably, but in 2022 it received a negative financial result – a loss.

In the context of taxation of the enterprise's activities, it is necessary to determine the order of formation of its financial results. Table 4.7 shows the indicators of the formation of financial results of the activity of PE "Success" in 2020–2022.

As we can see from the data in Table 4.7, in parallel with the expansion of the scale of the enterprise's activities and the recruitment of new employees, there was an increase in net income in general during the studied period. However, since the expansion was extensive, the enterprise's expenses

Table 4.7
Indicators of financial results formation of PE "Success" in 2020–2022

Indicators	Years				Deviation					
	2019	2020	2021	2022	absolute, UAH thousand		relative, %			
					2020/ 2019	2021/ 2020	2022/ 2021	2020/ 2019	2022/ 2021	
Net income from product sales	476.9	375.6	967.7	851	-101.3	+592.1	-116.7	-21.2	+157.6	-12.1
Other operating income	0	19.8	12.9	0	+19.8	-6.9	-12.9	+100	-34.8	-100
Total income	476.9	395.4	980.6	851	-81.5	+585.2	-129.6	-17.1	+148.0	-13.2
Cost of goods (works, services) sold	340.9	272.8	784.	710.8	-68.1	+511.8	-73.8	-20.0	+187.6	-9.4
Other operating expenses	132	121.6	177	150	-10.4	+55.4	-27	-7.9	+45.6	-15.3
Total expenses	472.9	394.4	961.6	860.8	-78.5	+567.2	-100.8	-16.6	+143.8	-10.5
Financial result before taxation	4.0	1.0	19.0	-9.8	-3.0	+18.0	-28.8	-75.0	1800.0	-151.6
Corporate income tax	0.7	0.2	3.4	0	-0.5	+3.2	-3.4	-71.4	1600.0	-100.0
Net profit (loss)	3.3	0.8	15.6	-9.8	-2.5	+14.8	-25.4	-75.8	1850.0	-162.8

Source: calculated by the author

increased accordingly, primarily for staff maintenance. And although in 2021, the expansion of activities gave a positive result in the form of a significant increase in net profit, by +14.8 UAH thousand or +1800%. However, in the crisis year 2022, the expenses of PE "Success" exceeded the net income it received, which resulted in a negative financial result.

As we can see, in 2022, for the first time in the analysed years, expenses turned out to be greater than the enterprise's income, which led to a negative financial result for UAH 9.8 thousand. The dynamics of the net profit of PE "Success" in 2020–2022 are shown in Figure 4.2.

As we can see, the dynamics of net profit (loss) confirm the thesis about the high sensitivity of the results of the activities of small enterprises to the action of external circumstances of force majeure. 2020 – introduction of quarantine restrictions – a significant drop in profit; 2022 – full-scale military invasion – financial result in the form of a loss.

Article 4 of the Law "On the Development and State Support of Small and Medium Enterprises in Ukraine" defines the following two directions of state policy in the field of development of small and medium enterprises in Ukraine: "1) improvement and simplification of the procedure for keeping records for taxation purposes; 2) introduction of a simplified system of taxation, accounting and reporting for small business entities that meet the criteria established in the tax legislation" [18]. Small business

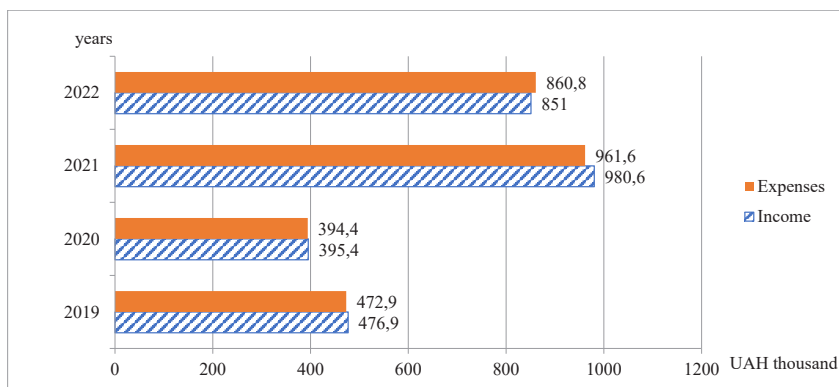


Figure 4.1. Dynamics of revenues and expenses of the PE "Success" in 2020–2022

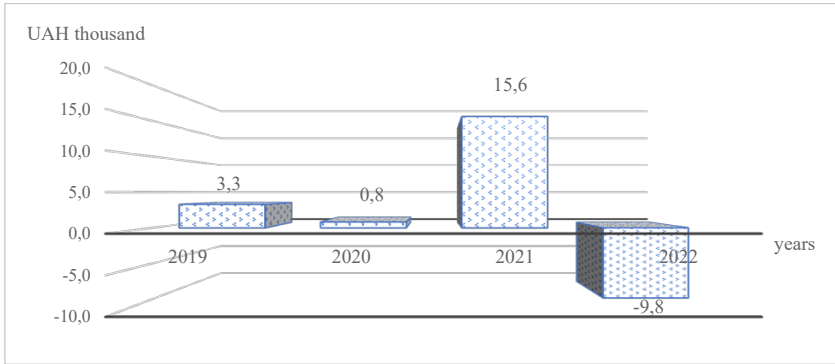


Figure 4.2. Dynamics of net profit (loss) of the PE "Success" in 2020–2022

entities, as well as micro-enterprises, which, following the law, have been granted permission to keep simplified accounting of income and expenses, keep accounting records and submit financial statements in the manner established by the legislation on the simplified system of accounting and reporting, namely by the National Regulation (Standard) of Accounting 25 "Simplified financial reporting" [19].

In this way, small enterprises independently make decisions and choose a taxation system, if they meet the criteria defined in the Tax Code for the application of a simplified taxation system and keep records and prepare financial statements in a simplified form by National Regulation (Standard) of Accounting 25. Since the beginning in 2017 PE "Success" has chosen a simplified system of taxation, accounting, and reporting. Since it is a right, but not an obligation, to be on the simplified system for small enterprises, as it was mentioned above, already in 2019, the management of PE "Success" decided to switch to the general taxation system. The results of the comparison of taxes paid by PE "Success" are shown in Table 4.8.

So, as we can see, by using the right to choose a taxation system – general or simplified – the enterprise managed to reduce its tax obligations to the budget by 130,880 UAH thousand.

In addition, in 2022, the financial result of the activity turned out to be negative, so the company did not pay income tax. But if the company

**Analysis of tax payment on the simplified and general systems
of PE "Success" in 2018–2022**

Years	Simplified tax system			General tax system		Potential overpayment of a single tax
	Net income	Single tax (5%)		Financial result (profit/loss)	Corporate income tax	
		Potential	Transferred to the budget			
2018	456881	-	22844	-	-	-
2019	476934	23847	-	4063	731	23116
2020	395476	19774	-	1009	182	19592
2021	980634	49032	-	19117	3421	45611
2022	851241	42562	-	-9800	0	42562
Total		135214			4334	130880

Source: calculated by the author

were on a simplified taxation system, regardless of the financial result, it would have to pay a single tax in the form of 5% of income, namely 42,562 UAH thousand. This would put an additional burden on the finances of PE "Success". Here it is worth noting that this optimization with the application of the general taxation system did not become too burdensome for PE "Success" due to the low complexity of the enterprise's operational activities: a small amount of information for record keeping and reporting.

5. Directions for improving the taxation of small businesses

Based on the results of the analysis of the peculiarities of the taxation of the activity of PE "Success" in 2018–2022, we identified and grouped the advantages and disadvantages regarding the payment of a single tax by small enterprises according to the III group of the simplified taxation system (Figure 5.1).

So, in the general case, the payment of a single tax under the III group by small enterprises is more profitable when the activity is highly profitable, and 5% of the income is less than 18% of the profit.

And if, as we saw in the example of PE "Success" there are problems with the level of profitability or in general with obtaining a profit, then it is more profitable to apply a general taxation system, which, under the condition of a negative financial result, does not "generate" obligations to

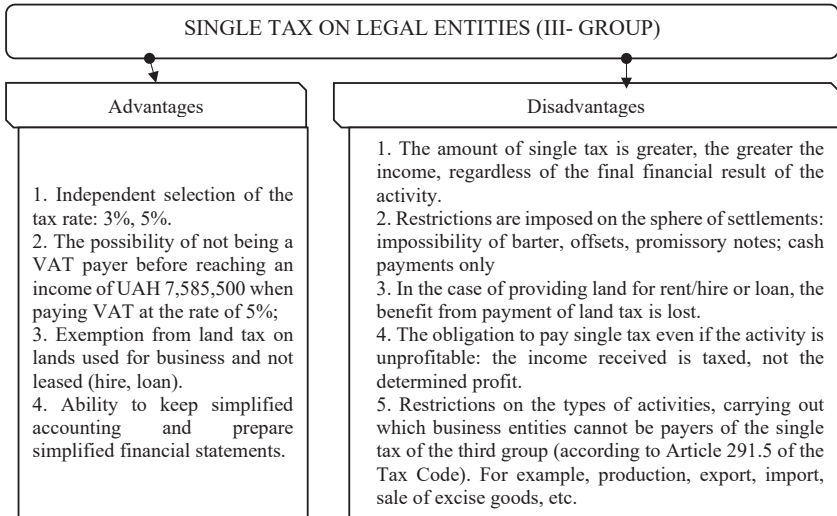


Figure 5.1. Advantages and disadvantages of paying a single tax by small enterprises according to the III group of the simplified system of taxation, accounting, and reporting

Source: compiled by the author

pay a single tax. After all, in addition to receiving a loss, it is necessary to find financial resources for the recalculation of the single tax to the budget. In general, if you analyse the history of the creation of a simplified taxation system in Ukraine, you can determine that it was introduced to simplify accounting and tax accounting, and not as a way to pay smaller amounts of taxes. The government sought to simplify the work of those enterprises that have a small volume of business operations and individual entrepreneurs who do not keep accounting records at all.

The main goal of implementing the methods of simplified taxation, accounting and reporting was deregulation in the field of tax accounting and reporting, which are characterized by excessive volumes and complexity. Therefore, we can note that in its essence it is not so much a preferential taxation regime in the usual form, as it is understood in world practice, since for the majority of taxpayers who switched to a simplified system, the

amount of tax obligations did not decrease, but rather a way of simplifying procedures and reducing the volume of accounting and reporting. However, as was emphasized above, the norms of National Regulation (Standard) of Accounting 25 apply to small enterprises even if they are using the general taxation system.

Therefore, based on the conducted research, we offer the following model of interaction of the components of taxation of small enterprises in Ukraine (Figure 5.2).

Such a model of the interaction of the components of taxation should be based, firstly, on the formation of a special legal framework that will clearly define the classification features of business entities belonging to small enterprises (which, as we analysed in point 2, currently do not exist), special taxation regimes (subject to the feasibility of their introduction for certain categories of enterprises or as protective mechanisms in circumstances of force majeure, such as a special regime with a 2%-rate, which we analysed

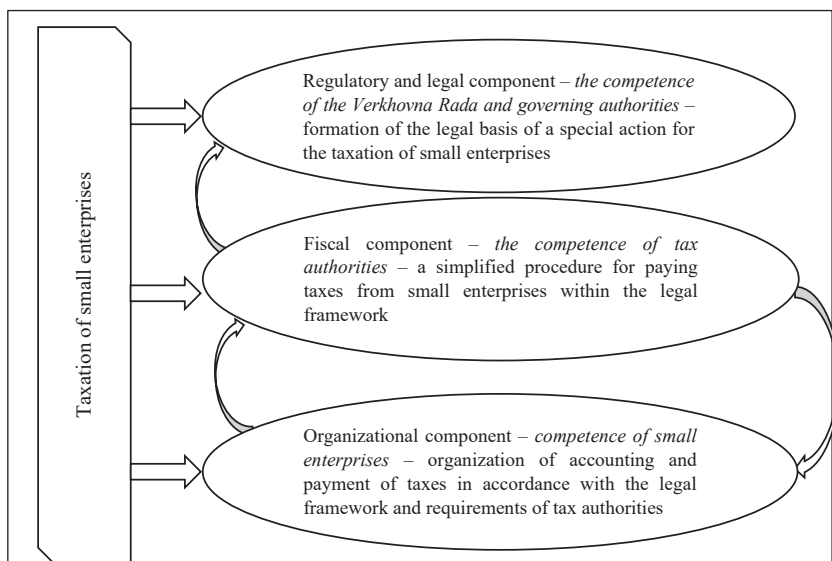


Figure 5.2. Model of interaction of components of taxation of small enterprises in Ukraine

Source: compiled by the author

in point 3) and certain types of state support aimed at certain types of activities and innovations.

Within the competence of tax authorities, the administration of taxation of small enterprises is envisaged, the leitmotif of which is the maximum simplification of procedures and clear control over compliance by the subjects of the legislation. The result of the interaction of regulatory and fiscal components will be the organization of accounting and payment of taxes at the level of each small enterprise following the legal framework and requirements of tax authorities. Therefore, the implementation of the proposed model of interaction during the taxation of the activities of small enterprises will allow the latter to focus financial and human resources directly on the fulfilment of the goals of their activities. Accordingly, such a vector of development of taxation of small enterprises will contribute to the improvement of the economic situation in the country.

6. Conclusions

Therefore, the essence of the concepts of "small enterprise", "entrepreneurship" and "taxation" was researched, and it was found that to harmonize Ukrainian legislation with European legislation, it would be worthwhile to form a single system of criteria for belonging to small enterprises. Given the existing variety of features in the definitions of scientists, the common characteristics are independence, dynamism, and riskiness. It is also determined that due to the small size of both capital and scale of activity, and sensitivity to the volatility of the economic environment, small enterprises need certain state support, one of the tools of which can be preferential taxation. The work highlights that, following the Tax Code of Ukraine, there can be two taxation systems for small enterprises: general or simplified (including a special taxation regime introduced at the beginning of the martial law in Ukraine); and each has its advantages and limitations. During the study of the peculiarities of taxation of small enterprises in the world's developed countries, it was determined that the regimes of simplified taxation do not always contribute to the rapid development of business and its subsequent transition to the general tax regime, therefore it is worth focusing on tax benefits that have a time frame, preferential lending through the provision of state guarantees to financial and credit institutions, etc.

Before the start of the full-scale military invasion, medium, small, and microenterprises were the largest employers in Ukraine. The share of small enterprises that received profit during 2019–2021 was 71–73% of their total number. However, the share of income tax paid by small enterprises in the consolidated budget is only 1%. The same small enterprises that apply a simplified taxation system fill the consolidated budget through the payment of a single tax. As we calculated, the share of this tax in the revenues of the consolidated budget is about 0.5%. Thus, the fiscal component is insignificant, because small enterprises are about the self-employment of active citizens, creating jobs and ensuring household incomes.

The analysis of the financial status of PE "Success" in 2020–2022 demonstrates, on the one hand, the sensitivity of small enterprises to sudden changes in the external business environment, and on the other hand, adaptability, and flexibility in matters of optimizing tax payments within the legal field. And on this basis, the main directions for improving the taxation of small businesses in Ukraine were determined in form of model of the interaction of the components of taxation.

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