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Key aspects of the mechanism for the convergence of Ukraine's tax legislation to the standards of the European Union

Abstract: Due to Ukrainian aspirations of accession to the European Union, a number of international treaties and agreements have been signed with the aim of converging Ukraine's tax legislation with the norms and standards of the West European countries. In this context, the *Agreement on Partnership and Cooperation between Ukraine and the European Communities and their Member States*, is of particular importance. Under this treaty Ukraine committed itself to the convergence of its own existing and future legislation with that of the EU. This particular issue is under consideration of the text.

Key words: tax regulation mechanisms, convergence, the EU, integration, tax laws

The development of a market economy has influenced the improvement of the tax system of Ukraine. But at the moment it remains imperfect and differs from the tax systems of foreign countries, although various repeated attempts are being undertaken by the state in order to normalize and re-develop the mechanisms of its functioning. Therefore, in the process of subsequent restructuring of the tax system of Ukraine, the positive experiences of member countries of the European Union (EU) can be used, which will further contribute to the integration in this area, as a priority of the foreign policy of Ukraine is to integrate into the EU. Particularly relevant here is the question of bringing the legislation of Ukraine in the field of regulating tax relations in line with the EU legal system. This legal system is highly complex and requires very skillful coordination, as it concerns every citizen, as well as all the business entities. In the research and development of the convergence of the legislation of Ukraine on taxation to EU standards, many scholars have devoted significant space in their works, including: A. M. Poruchnyk, M. A. Dudchenko, Y. V. Lytvinenko, Y. V. Boiko, O. V. Muzychenko, O. J. Melnyk, M. J. Panyuk, O. O. Kolizhyuk, M. M. Kasyanenko, M. V. Grynyuk, P. V. Tsymbal, O. O. Bandurka and others. The need for thorough research and identifying gaps in the mechanism of convergence of Ukrainian tax legislation to the standards of the EU is important. It makes it possible to settle the interests of Ukraine in the international arena at present, and indicates the timeliness of the academic study of the mechanisms for adapting Ukrainian legislation on taxation to the standards of the EU while seeking ways of optimizing their use to determine why some existing mechanisms are not being regulated by the state and to identify specific aspects of

the mechanisms of adaptation of Ukrainian tax legislation to the EU laws. The aim of this study is to identify the key aspects of the mechanisms of convergence of tax legislation of Ukraine to the standards of the EU and to consider problems in their practical implementation at this particular stage.

Ukraine's European choice is influenced by the understanding of integration as a factor for the promotion of economic development and restoring the European character of the country. By setting integration into European structures as its goal, Ukraine realizes that European countries play a leading role in the current international system, including the global economic sector and international institutional mechanisms for managing global and regional processes of intergovernmental fiscal regulations. Ukraine's accession to the EU will strengthen the authority of the state in the international arena, its ability to be included in European economic security, the opportunity to be involved in the process of active participation in the regulation of interstate ties regarding the relations between subjects of economic activities, and to be an integral part of progressive tax policy, and thus occupy a single economic space.

The national program for convergence of Ukrainian legislation to EU laws defines the mechanism of achieving the compliance of Ukraine with the third Copenhagen and Madrid criteria for membership of the EU. The mechanism involves the adaptation of tax legislation, the establishment of the relevant institutions and other measures necessary for effective law-making and enforcement. The convergence of the tax legislation of Ukraine to EU laws is the main priority in the question of Ukraine's integration in the EU, which is also the priority of Ukrainian foreign economic policy (*Закон України Про Загальнодержавну*).

The most urgent task is to harmonize the tax systems of Ukraine and the EU. The harmonization of tax legislation should primarily regulate the coordination of national tax policies, the convergence of taxation procedures, and unification of tax legislation and the establishment of balanced accountability of businesses for non-compliance with their tax obligations. Convergence is the process of rapprochement and gradual settlement of the tax legislation of Ukraine in accordance with EU laws, which is the preferred mechanism for the state regulation of tax policy on both the domestic and international arenas (Панасюк).

The organization of work involving research into the processes of unification and the harmonization of tax legislation in the member countries of the EU and Ukraine, as an associate member of the community, is a natural, balanced and necessary factor for the effective mechanism of convergence of the Ukrainian tax legislation to the EU standards (Панасюк). According to Article 51 of the *Agreement on Partnership and Cooperation between Ukraine and the EU and its member states* of June 16, 1994, Ukraine pledged to take measures for the gradual harmonization of national legislation with the standards of EU laws in predetermined areas. Tax legislation was included there. The development of national tax systems of European countries, such as Ukraine, is being accomplished under the decisive influence of external factors, such as international tax competition and European tax harmonization (*Угода про партнерство*).

National tax legislation requires closer alignment with EU laws in the relevant area. Obviously, it is essential to be more active in reducing tax intervention into the economic activities of honest taxpayers and simplifying taxation procedures. At the same time,

strict and effective control over those 'unfair' tax entities in the process of conducting their business must be introduced, consistent with the principles and norms of the tax control in the EU. As a rule, the problem of the European integration of Ukraine is being considered in line with the global process of fiscal policies, which are, on the one hand, directed toward economic stability, and to ensuring the basic requirements of economic activity on the other.

The National Indicative Program for 2011–2013 foresees the field of taxation as a priority area of cooperation between interested parties. The improvement of economic relations, trade, investment and the conditions for competition is possible through the development of good governance in the taxation area, including the gradual convergence of the tax system and tax administration with international and European structures and standards. The improvement of legislation and strengthening the capacity of tax authorities in the field of re-cultivating the rule of law and the effective regulation of economic activity must become the priority areas for the public administration and public finance management.

The system of national legislation in the field of taxation in Ukraine is complicated and unstable, with specific legislative provisions being inconsistent, and in some cases also controversial. In the Tax Code of Ukraine the issue of taxation is still regulated by Decree of the Cabinet of Ministers of Ukraine; Decrees of the President of Ukraine also apply to cases where with the help of tax consultation new laws are set, instead of only carrying out their explanatory character. Due to the presence of legislative norms of indirect action in the national law system, a significant amount of tax issues are governed by regulations. This framework of 'duality' can be justified in the early stages of formation of a tax system, but it is not acceptable at the current stage of fiscal relations between the state and economic actors.

Many legislative norms can be interpreted ambiguously in application, negatively affecting the activity of economic structures, and reducing the attractiveness of the national economy for foreign companies. A significant shortcoming of the national tax law is the existence of economically unjustified differences in approaches towards the prosecution of tax entities.

Beside these deficiencies, other systemic shortcomings exist, which are generated by factors such as the lack of effective mechanisms for ensuring the responsibility of economic entities before the state for the performance of their financial obligations. The main objectives for the improvement of tax management of the economic activity in Ukraine should be the further perfection of the institutional framework of taxation, promoting the principle of equality of all taxpayers before the law, a responsible attitude of economic entities in meeting their tax obligations, establishing clear rules regulating the mutual obligations of the state and businesses and effective control over their observance.

The conceptual basis for tax reform in Ukraine determines the process of bringing the tax system in line with the priorities of state policy in the field of socio-economic development and sustainable economic growth through liberalization of the tax system on the basis of prudent investment and innovation policy. It should provide a sufficient amount of tax revenues on the basis of a balanced budget and tax policy, the establishment of a liberal attitude to taxpayers who conscientiously meet their tax obligations, and

strengthening the accountability for tax evasion (Наказ Державної податкової адміністрації України *Про затвердження методичних*).

The strategic objectives of tax policy are the following: convergence of the national tax legislation of Ukraine with EU laws; improvement of the competitiveness of domestic economic entities; legalization of the 'grey' sector of economy; simplicity and clarity of tax rules and regulations for economic entities; introduction of an IT system for the state tax service.

In recent years there has been a significant increase in the activity of public authorities aimed at achieving the strategic goal of Ukraine – joining the EU¹. Much of this work concerns also the taxation field, due to the fact that without convergence of the tax system of Ukraine to EU standards the objective cannot be achieved. One has to pay attention not only to the level of compliance of Ukrainian legislation with the legislative norms of EU legislation in form and content, but also on the organic compliance of Ukrainian legislation with European norms and standards, which finds its practical implementation through legal practice, the development of methods for the interpretation of laws and regulations, the application of the principles of EU law into Ukrainian taxation and legal relations in the sphere of economic activity.

Although during the years of independence a relevant tax system has been established in Ukraine, its structure and composition is generally similar to the tax systems of the member countries of the EU. The Tax Code of Ukraine, which has been established using all the norms of European tax laws, regulates the process of collection of all taxes in Ukraine. However, the tax system of Ukraine is based on the tax aspects of GATT/WTO and other international economic organizations (*Податковий кодекс*).

Unlike the countries of the EU, the tax system of Ukraine has not become an instrument for the improvement of the competitiveness of the state, nor has significantly contributed to the growth of the economic activity of entities. The current system for the formation of government revenues reflects all the imperfections and inconsistencies in the process of its implementation and therefore has a fiscal nature.

At the same time, Ukraine supports relations in the field of taxation with other countries, which are based on the current world standards established by the Organization for Economic Cooperation and Development and the United Nations, thus ensuring the harmonization of Ukrainian legislation in the field of international taxation with the laws of other countries. Ukraine has signed international treaties in the field of avoidance of double taxation with almost all CIS countries, Europe and many countries in Asia, North and South America and several African countries. They constitute the largest trade and investment partners of Ukraine. However, taking into account both its geographical location and the prospect of future integration of Ukraine into the EU the choice had been made to converge Ukrainian taxation law with EU requirements.

Despite numerous changes that are being constantly made to tax legislation, aimed at improving it, there remain serious shortcomings. The regulation of economic activity is characterized, above all, by its fiscal orientation. However, its regulatory function is not

¹ This text was submitted to the Editorial Board in April 2013.

focused on sustainable economic growth. This problem is one of the most acute problems faced by Ukraine, and it differentiates it from most European countries (Панасюк).

Apart from the level of tax rates, the scale of tax evasion is affected by the disruption of the conditions of competition due to the uneven distribution of the tax burden; violating the principle of equality of all taxpayers before the law; the complexity and imperfection of legislation (including taxation); failure to comply with laws; inefficiency of the state fiscal policy making liability for tax violations uncertain.

Adequate feedback to businesses is not always supported by the organs of state administration, which leads to their exclusion from active participation in shaping the state tax policy.

The system of technical regulation of taxation management in the sphere of economic activity is inefficient, the technical aspirations of Ukraine in joining the EU have not been entirely achieved. The level of harmonization of national standards with international and European standards remains extremely low. The slow reform in this area makes it difficult for Ukraine to integrate itself into the world economic space.

Ukraine declared its willingness to make every effort to modernize its tax system by signing and ratifying a number of international conventions, actively participating in international organizations, harmonizing domestic regulations and standards regarding the work of tax departments with the European *acquis communautaire*. The convergence of Ukrainian tax legislation with the *acquis communautaire* of the EU is aimed at not only deepening economic cooperation with the EU, but also at improving the further development of Ukraine as a whole. Already, there is a number of existing commitments of Ukraine, along with political and economic initiatives that contribute to the need of bringing the parameters of the national tax system up to European standards.

For their implementation, legislative acts have been approved by the Ukrainian government. They define the mechanisms regulating the interaction, coordination and application of commitments taken by Ukraine with regard to harmonization of national legislation with the EU standards.

The issues of implementation of measures aimed at harmonizing legislation in the field of turnover taxes, excise duties and other forms of indirect taxation in order to ensure the establishment and functioning of the internal market within the time limits as provided in the "Treaty establishing the European Community" of March 21, 1957 remain of ongoing importance for Ukraine.

Sharpening of economic competition among member countries of the EU has led to a deepening of the process of harmonization of national tax systems in the areas of composition, structure and basic tax collection mechanisms. One of the factors of such unification is the harmonization of the tax legislation of EU member countries, which has reached the highest level of development in respect to value added tax and specific excise taxes, for the application of which common rules are being specified in the relevant Directives of the EU.

According to Article 51 of the *Agreement on Partnership and Cooperation between Ukraine and the European Communities and their Member States*, Ukraine has an obligation to bring the legislation on indirect taxation and income taxation up to the standards of the tax laws of the EU. During the existence of the *Agreement on indirect taxation*, the basic requirements of EU regulations were taken into account, notably: the Directive of the

Council of Europe of November 28, 2006 N 2006/112/EU on the common system of value added tax and the Directive of the Council of Europe of February 25, 1992.N 92/12/EU on the general requirements for excising goods and storage, movement and monitoring of such products (*Угода про партнерство*).

The Ukrainian tax system, like any other, has its own characteristics. The integrity of the tax system of Ukraine has been disrupted due to the coexistence of the general and simplified taxation subsystems. In EU member countries, aside from the application of taxation, there are other measures of state support of small businesses, such as releasing certain businesses from the necessity of reporting their results and the introduction of a simplified system of accounting and reporting, special regimes of taxation on VAT for certain types of business entities, especially farmers and agricultural cooperatives.

During its years of independence, Ukraine, as the realities of today evidence, has not yet managed to build up a fully functional system of governmental bodies and tax agencies, appointed to exercise public-managerial functions and provide qualitative managerial services to the taxpayers of Ukraine. In order to overcome the many shortcomings in the executive branch, it is essential to implement reform of the tax service, creating academic principles for the effective and democratic governance of the activities of the tax authorities. They should be transparent and comprehensible to the public, responsive to citizens' needs, and the cost of their operation should match the financial and economic situation of the state. It is obvious that without full administrative reform in Ukraine it will be impossible to achieve systematic and effective reform of the state tax service. In turn, this requires legislative consolidation of a large number of laws and regulations relating to the legal status of the organization and procedure of the reorganization of the State Tax Service of Ukraine and convergence of its principles to the norms and standards of the EU.

The beginnings of the formation of the structure of the state tax service of Ukraine was initiated by Decree of the Council of Ministers of Ukrainian SSR of April 12, 1990 № 74 "On the establishment of the state tax service in the Ukrainian SSR." This document also established the state tax service as part of the Ministry of Finance of the USSR on July 1, 1990, which was responsible for the administration of revenues to the state budget.

The Ministry of Finance of the USSR and the executive committees of the regions, and of Kyiv and Sevastopol city councils, were to supervise its work. The tax service consisted of the tax administration of the USSR Ministry of Finance and tax offices in regions, cities and districts. Tax offices were subordinated to inspectorates at higher levels.

Formed in the early 1990s, right after the proclamation of independence in 1991, the tax system of Ukraine is constantly changing towards finding the optimal structure to correspond with the transitional state of the economy and to play positive role in the establishing the state's fiscal independence. In 1996, the tax administration of Ukraine was established and started functioning by Decree of the President of Ukraine of August 22, 1996 № 760/96 "On the establishment of the state tax administration of Ukraine and the local tax administrations," and the Regulation of the Cabinet of Ministers of Ukraine of October 15, 1996 № 1385 "On the support of the state tax administration of Ukraine" (*Emanu*). During its existence, the tax service of Ukraine has confirmed not only the feasibility of its establishment, but also the need for its further development. In December 2010, the Verkhovna Rada of Ukraine adopted the Tax Code of Ukraine of December 2,

2010 № 2755-VI, then signed by the President of Ukraine, which launched the tax system to a new model, which, in turn, led to a drastic shift in the structure and activities of the national tax authorities.

In order to optimize the system of central executive bodies and avoid the duplication of powers, as well as to improve the level of governance, the President of Ukraine passed a decree "On optimization of the system of central executive authorities" on December 9, 2010 N. 1085/2010, which established the tax service of Ukraine through the reorganization of the state's tax administration (*Про оптимізацію*). With the help of the above stated decree, the outline organization and interaction was established, related to the activities of the state tax service of Ukraine which are directed and coordinated by the Cabinet of Ministers of Ukraine through the Minister of Finance.

By the Order of the Chairman of the state tax service of Ukraine of April 4, 2011 № 192 the temporary structure and staffing of the aforementioned governmental body was established. According to this order the number of structural units and departments of the central apparatus of the tax service was reduced, creating 33 departments and 22 regional offices (*Про Положення*). By Decree of the President of Ukraine of May 12, 2011, № 584/2011 the Regulation on the activity of the tax service of Ukraine was approved, which stipulated that the tax service consists of: the central apparatus and regional departments of tax authorities in the Autonomous Republic of Crimea, Kyiv and Sevastopol, regions, districts (two or more regions), tax offices in cities (excluding Kyiv and Sevastopol), districts in cities, interregional, combined and special tax authorities (*Закон України Про державну*).

At the same time, the status of the tax service, its functions and legal framework, at that time governed by decree of the President, was regulated by the act "On the state tax service of Ukraine", Article 1 of which defines the tax service including: the tax administration of Ukraine, specialized public tax offices, tax authorities in the Autonomous Republic of Crimea, Kyiv and Sevastopol, tax offices in districts, cities (excluding Kyiv and Sevastopol), and in urban districts (*Закон України Про центральні*). So there is a conflict in the rules and regulations of the normative acts. On one hand there is paragraph 15 of Article 106 of the Constitution of Ukraine, according to which the President, at the request of the Prime Minister, reorganizes the central executive authorities, and on the other, normative legal acts which define the system of state tax authorities with the exception of the state tax service of Ukraine (both the central apparatus) and territorial organs of the state tax service in the Autonomous Republic of Crimea, Kyiv and Sevastopol, regions and districts (two or more regions).

The continued lack of a systematic approach to the establishment of the ministries and other central bodies of executive power led to the need for the submission of the draft law of Ukraine "On central organs of executive power" to the Parliament by the President of Ukraine, which was adopted on March 17, 2011 № 3166-VI (*Закон України Про центральні*). In our view, the administrative reform which was proclaimed by the President of Ukraine, was designed to optimize the system of central executive bodies, avoid duplication of their powers, improve the effectiveness of public administration and was also aimed at a radical change of the system of state governance in accordance with modern requirements. Therefore, in view of the aforementioned facts, we can conclude that, for the effective reform of the tax authorities, the European experience in this area must

be taken into consideration along with the attraction of scientists and professionals in order for them to provide the theoretical, constitutional and legal basis for the reformation of the tax service. It is important to mention that only after certain academic papers and legal documents have been prepared and finalized, it is appropriate to put them into practice.

Management of the tax service covers a wide range of issues within the competence of government – starting from legislation to individual tax offices. As a result, the effectiveness of the tax service is determined by the unified tax policy implemented and the quality of establishment of the tax service. The results of the activities of individual tax bodies can have significant drawbacks. It is, to a large extent, the result of poor management regarding the establishment of the local tax authorities – the lack of proper systems of management of the territorial divisions, taking into account the administrative-territorial structure of the country. This fact makes it necessary to conduct research aimed at establishing an effective tax system that would allow it to satisfy the requirements of the state in providing revenues and also providing the requisite tax services to business community. The activities of the state tax service as the central executive body implementing a unified tax policy and state policies in the area of control over the production and distribution of alcohol, alcoholic beverages and tobacco products, requires interdepartmental coordination in this area and is the focus of attention of various scholars and practitioners who study the problems of tax administration. However, the research conducted has not provided enough academic information to create a modern tax service.

By Decree of the Cabinet of Ministers of Ukraine “On the formation of the territorial bodies of the state tax service” of September 21, 2011 N 981, the regional departments of the state tax service were established as legal entities of public law by reorganizing them with the help of merger, conversion and accession of the state tax administrations in the Autonomous Republic of Crimea, Kyiv and Sevastopol, state tax authorities in the districts, cities (except for Kyiv and Sevastopol), special and joint inter-state tax authorities (*Постанова*).

The problem of improving the tax service has always played a crucial role and at the present time occupies an important place in the question of the establishment of effective state governance over the tax authorities and requires significant changes to the objectives, functions and organization of the individual tax authorities.

From this point of view, it is very important that we consider the most urgent principles, underlying patterns of the structural organization and functioning of the system of interdependent state tax offices, independent branches being established in their composition, as well as specialized state tax offices. Particularly acute is the problem of the operation of inter-regional, joint state tax offices, and specialized state tax offices. Inter-state tax offices include two adjacent areas in their activities and connect inspectorates with city state tax offices and the surrounding areas. The operation of the state tax service is among the most complex branches of government activity. Its operation affects the security of citizens and the state, the economic performance of the country, in the process of transferring funds from the tax authorities to the state treasury. Its overall contribution to the state budget indicates the efficiency of the tax authorities. In order to effectively manage the tax service, there should be a clear, systematic knowledge about its general system, its separate units and their relationship to each other.

In order to introduce a number of regulations, the central apparatus of the state tax service of Ukraine passed a decree “On the approval of the number of employees and temporary typical structures of the state tax offices in districts, cities (excluding Kyiv and Sevastopol), urban areas, inter-regional, integrated and specialized state tax offices” of December 5, 2011 N. 200, which established the following: the number of employees of state tax offices in the districts, cities (excluding the cities of Kyiv and Sevastopol), urban areas, inter-regional, integrated and specialized state tax offices; temporary typical structure of specialized state tax offices working with large taxpayers; temporary typical structure of state tax offices in districts, cities (excluding Kyiv and Sevastopol), urban areas, inter-regional and integrated state tax offices, the number of which (without taking into consideration the number of the departments and branches of the tax authorities) is more than 100 units; temporary typical structure of state tax offices in the districts, cities (excluding the cities of Kyiv and Sevastopol), urban areas, inter-regional and integrated state tax offices, the number of which (without taking into consideration the number of departments and branches of the tax authorities) is between 31 and 100 units; temporary typical structure of state tax offices in the districts, cities (excluding Kyiv and Sevastopol), urban areas, inter-regional and integrated state tax offices, the number of which (without taking into consideration the number of the departments and branches of the tax police) is 30 units or less.

The structure of the tax offices and the distribution of their functions between the units of the state tax offices in districts, cities, districts within cities, inter-united and specialized tax offices should be calculated taking into account the methodological guidance on the temporary structure of the tax offices in districts, cities (excluding Kyiv and Sevastopol), districts within cities, inter-regional, integrated and specialized tax offices.

The aim of the methodological guidance is to establish common approaches and principles for the formation of the temporary structure of state tax offices in the districts, cities (excluding Kyiv and Sevastopol), districts within cities, inter-regional, integrated and specialized tax offices and ensuring the due performance of the tasks being entrusted to state tax service of Ukraine. A list of the requirements has been established for an independent branch (which acts as a separate structural unit) as part of inter-regional and integrated state tax offices. The department carries out work in the following areas: providing administrative services; accountancy of taxes and other charges, reporting on the status of payments to the budget; monitoring and control over the compliance of the executive committees of village and township councils to procedures for the acceptance and recording of taxes and other payments from taxpayers, the timeliness and completeness of the transfer of these amounts to the budget; keeping a record of taxpayers; the setting up and maintenance of a state registry of individuals – taxpayers, a unified database of taxpayers – organizations and other registries, the conduct of which is entrusted to the bodies of the state tax service by legislation; registration of taxpayers; accountancy of tax entities and other relevant bodies; IT support for management processes and their automation; monitoring and control over the payment of tax debt by taxpayers; providing advice and clarification on tax issues; providing public access to information; organization of personal hearings of citizens and consideration of their appeals, requests and complaints (Наказ Державної податкової служби України *Про затвердження чисельності працівників*).

The aforementioned requirements comprise the excessively narrow list of tasks that have to be carried out by the independent branches, which are geographically located outside the inter-regional and integrated state tax offices, which would create significant disruptions in the functioning of these departments and create conditions for the irrational operation of the tax authorities along with wasting of budget funds. The territorial isolation of individual branches generates some difficulties in the functioning of the tax authority (office) as they are in an ongoing relationship with each other. In each tax organ, all of its units and departments have relative autonomy. This is evident in their differentiation, spatial and temporal localization, and the presence of the specific characteristics of the subjects of economic activity in the particular area. The independence of the given subjects must be ensured with the detailed statutory regulation of their goals, objectives, functions, competency and responsibility.

The main objective of the tax service is monitoring and conducting inspections of compliance with tax laws and other legislation in cases where the exercise of such inspections is assigned to the tax authorities along with the accuracy of calculations, completeness and timeliness of payments of taxes and duties imposed by law to the budget and state funds. At the same time there are no requirements in respect of the areas where an individual department is supposed to carry out inspections. The exclusion of this objective from the functions of an individual department leads to the inefficient and costly administration of taxes and duties that is not able to provide sufficient revenues to the state budget and effectively execute the audit functions of the tax authorities. The unity and interdependence of the tax authority and its branches is mediated according to the relations between them.

In order to solve the problems of the rational use of the functions of tax authorities in the construction of the structures of the inter-regional and integrated state tax authorities the administrative-territorial structure of the state and the number of taxpayers operating in this territory should be taken into consideration. It is necessary to consider not only the total number of taxpayers, but also so called their past 'dossier', due to the fact that officials of the tax authorities devote different amounts of time to different taxpayers, depending on the specific types of their economic activities and the quantity of their relations with other taxpayers. The current organization of the territorial system has flaws that significantly influence effectiveness in the management of the tax service.

Problems in the functioning of individual departments and inter-regional associations of state tax offices also occur due to staffing structures. If special units (sectors, departments) act inside an inter-regional and integrated tax office, a relevant management position is created there, responsible for the management of work in the department. This makes it difficult to effectively manage the process, as, if there is only one employee responsible for a particular activity, it is impossible to effectively lead all the activities of the department. As decreed by law, civil servants are granted 30 days of official leave. Therefore, if an employee is on leave (either basic or additional), sick leave or on a business trip, and there is no replacement available due to the lack of the necessary training of his or her colleagues, it is too difficult to replace the aforementioned person. One way to successfully resolve this issue is to delegate this employee from the inter-regional and integrated state tax inspection to a department geographically located outside actual tax office area. This affects the efficiency of the management of the activities of the tax authorities, as in order to address these issues excessive spending in branches is required.

Given the aforementioned, it is reasonable to foresee the interconnection between individual experts responsible for specific work duties and identify their replacement for the period of absence in the structure of departments. For these reasons the appropriate functioning of state tax offices is significantly complicated.

The decree of the President of Ukraine of December 24, 2012 № 726/2012 “On some measures of optimizing the system of central apparatus of the organs of executive power” of the Ministry of Income and Charges of Ukraine was established by reorganization of the State Tax Service and the State Customs Service of Ukraine. The newly created Ministry is also obliged to manage the administration of the uniform fee for obligatory state social insurance (*Про деякі*). The aforementioned agency is the equivalent of the establishment of fiscal authorities in the countries of the EU, namely the Ministry of Taxation in Denmark, which consists of the central customs authority and tax administration. In Latvia there is the State Revenue Service, which is controlled by the Ministry of Finance, in the UK – Her Majesty’s Customs and Exercise.

Under such circumstances the newly created agency requires a detailed study of the structure, construction and the definition of its terms of reference, because the major impact of tax regulation will be implemented through the Ministry of income and taxes in Ukraine.

Conclusions

The reformation of the tax system should be conducted in a phased, systematic, transparent and academically substantiated process through the adoption of the appropriate legislation with the Tax Code of Ukraine serving as its basis.

The results of the modernizing of the tax system as a necessary factor in the effective mechanism for the convergence of Ukrainian legislation on taxation to EU standards should be: creation of a rational tax system with a higher degree of integrity, neutrality, fairness, predictability, compliance with the requirements of the tax legislation of the EU; provision of a more effective mechanism for influencing economic activity through fiscal and regulatory functions; improvement and further development of the tax system and tax administration and the gradual convergence towards the principles of good governance in the tax area; creation of equal competitive conditions for doing business for various economic entities regardless of their location and form; intensification of economic activity; strengthening of the position of Ukraine in the international arena; increase of the amount of domestic and foreign investment.

Further development of the legislative base should be founded on a thorough systematic study of Ukraine’s laws and consideration of the judicial standards of the tax rules of the EU, and mechanisms of tax regulation of the economic activity based on the example of foreign experience, careful analyses of the weaknesses and benefits of already existing mechanisms.

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Streszczenie

Kluczowe aspekty dostosowywania ustawodawstwa Ukrainy w zakresie opodatkowania do standardów Unii Europejskiej

W związku z ukraińskimi aspiracjami przystąpienia do Unii Europejskiej wiele traktatów i umów międzynarodowych zostało podpisana w celu zbliżenia prawodawstwa podatkowego Ukrainy do norm i standardów zachodnioeuropejskich. Szczególne znaczenie w tym kontekście ma Umowa o partnerstwie i współpracy między Ukrainą a Wspólnotami Europejskimi i ich państwami członkowskimi, zgodnie z którą Ukraina zobowiązała się do dostosowania swojego obecnego i przyszłego prawodawstwa do standardów Unii Europejskiej, która to kwestia jest przedmiotem rozważań niniejszego tekstu.

Słowa kluczowe: mechanizmy regulacji systemu podatkowego, dostosowanie, Unia Europejska, integracja, prawo podatkowe