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LEGAL PROBLEMS CAUSED BY DEFICIENCIES IN THE TAX LEGISLATION OF UKRAINE

Abstract. *The systemic disadvantage of taxation is the absence of state policy in the field of legal regulation of prices and the absence of a connection between prices and the value added of goods / services. In the Tax Code, there is no definition of value added, and the usual price is used to determine the tax base (by agreement of the parties to the purchase / sale transaction). These shortcomings of the regulatory framework not only allow, but also encourage payers to look for ways to evade (or avoid) taxation, obtain illegal compensation from the budget and export capital abroad. This is facilitated by a certain way of administering VAT, which provides for the introduction of tax legal relations between payers and the use of additional elements of the legal mechanism of tax: tax invoices, tax deductions and refunds from the budget. The tax authorities are unsuccessfully trying to correct the shortcomings of regulatory legal acts by complicating the administrative procedures for collecting VAT. The tax legislation of Ukraine does not allow determine the base of the main taxes unambiguously, contributes to its dilution, the withdrawal of capital to offshore jurisdictions, and generates corruption at all levels of government regulation. Eliminating the noted shortcomings of tax legislation requires defining the concept of value added and establishing its relationship with the price and tax base of VAT, personal income tax, profit tax and the base of social insurance contributions. The amount of taxes paid: VAT, personal income tax, profit tax and social security contributions allows you to calculate a fair market price and ensure macroeconomic stability, an equivalent exchange in the market and automatic control over the fulfillment of tax obligations. It was also proposed to remove unusual elements of the legal mechanism of VAT – VAT refund and input VAT.*

Key words: added value, factor income, fair market price, taxes base, VAT Gap.

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ПРАВОВІ ПРОБЛЕМИ, СПРИЧИНЕНІ НЕДОЛІКАМИ ПОДАТКОВОГО ЗАКОНОДАВСТВА УКРАЇНИ

Анотація. *Системним недоліком оподаткування є відсутність державної політики у сфері правового регулювання цін та відсутність зв'язку між цінами та доданою вар-*

тістю товарів/послуг. У Податковому кодексі немає визначення доданої вартості, а для визначення бази оподаткування використовується звичайна ціна (за згодою сторін операції купівлі/продажу). Зазначені недоліки нормативно-правової бази не лише дозволяють, а й спонукають платників шукати шляхи ухилення (або уникнення) від оподаткування, отримання незаконної компенсації з бюджету та вивезення капіталу за кордон. Цьому сприяє певний спосіб адміністрування ПДВ, який передбачає запровадження податкових правовідносин між платниками та використання додаткових елементів правового механізму податку: податкових накладних, податкових відрахувань та відшкодування з бюджету. Податківці безуспішно намагаються виправити недоліки нормативно-правових актів шляхом ускладнення адміністративних процедур справляння ПДВ. Податкове законодавство України не дозволяє однозначно визначити базу основних податків, сприяє її розмиванню, виведенню капіталу в офшорні юрисдикції та породжує корупцію на всіх рівнях державного регулювання. Усунення зазначених недоліків податкового законодавства вимагає визначення поняття доданої вартості та встановлення її співвідношення з ціною та базою оподаткування ПДВ, ПДФО, податком на прибуток та базою внесків на соціальне страхування. Сума сплачених податків: ПДВ, податку на доходи фізичних осіб, податку на прибуток та ЄСВ дозволяє розрахувати справедливу ринкову ціну та забезпечити макроекономічну стабільність, рівноцінний обмін на ринку та автоматичний контроль за виконанням податкових зобов'язань. Також пропонувалося прибрати незвичайні елементи правового механізму ПДВ – відшкодування ПДВ та вхідний ПДВ.

Ключові слова: додана вартість, факторний дохід, справедлива ринкова ціна, база оподаткування, розрив ПДВ.

INTRODUCTION

Tax avoidance is one of the most common economic crimes committed when creating a shadow stream. Using the assets of organizations, fraudsters create the appearance of the practical implementation of business transactions. For this, the facts of economic life are distorted and documented in the form that provides maximum cover for the shadow business. The legalization of shadow entrepreneurship is accompanied by an overestimation of the cost part of the corporate income tax base and the amount of input VAT (tax credit) that is subject to deduction when calculating the tax base. The changed economic picture is documented, while the dynamics of the economic process increases the shadow economic turnover.

Reducing tax revenues from non-compliance with VAT tax rules is one of the key priority issues for countries around the world. Studies conducted for the European Commission show significant losses of VAT in the EU. EU Member States lost an estimated €140 billion in 2018, €93 billion in Value-Added Tax (VAT) revenues in 2020 [1]. The problem of combating VAT fraud and tax avoidance has become global. An effective solution to this problem is impossible without coordinated actions of tax jurisdictions of different countries. The typology of fraudulent activities with VAT is expanding, while the development of strategies is always «getting ahead». The fraud prevention mechanisms currently in use are ineffective, which necessitates researching existing experience, developing innovative schemes and evaluating the effectiveness of the corresponding mechanisms.

One of the strategic objectives of ensuring the national economic security of the state is to establish control over VAT refunds. Illegal value-added tax refunds on export operations have become widespread. The amount of tax refunds from the budget is growing rapidly, with a slight increase in the physical volume of exports. The documents justifying the application of the zero rates are forged [2; 3; 4]. At the present time, the main function of the tax authorities is to control the fulfillment of obligations related to the payment of VAT by the counterparties of the taxpayer. Suppliers often fail to meet their obligations. As a result, huge amounts from the budget are paid that were not anyone paid. The relevance of the study of the problem of compensation is due to the following:

- There is no clear tax refund mechanism;
- The current tax legislation and law enforcement practice allow unscrupulous taxpayers to reimburse significant funds from the state budget and evade the obligation to pay VAT;
- There are no methods for detecting tax crimes related to tax refunds on export operations.

1. RESULTS AND DISCUSSION

1.2. Value added as an object of taxation of VAT, profit tax, personal income tax and social security contributions

In order to promptly and effectively identify violations of the current legislation, it is currently relevant and expedient to improve the mechanism of administrative and legal regulation in the tax area. Improvement of the mechanism of administrative and legal regulation of public legal relations is facilitated by the introduction of a risk-oriented approach into the control and supervisory activities of government bodies, which makes it possible to distinguish between individual fictitious transactions (transactions) and their groups from real ones [5]. In order to identify violations of the current legislation, those business transactions (transactions) are monitored, as a result of which a balance is achieved between groups of fiscal and business interests. The violating beneficiaries of such transactions are brought to legal responsibility. In the implementation of the considered operations (transactions), in addition to fiscal and entrepreneurial interests, nominal entities arise that do not carry out any economic activity. Automated control systems for VAT refunds have been developed (for example, AIS VAT-2, AIS VAT-3), an automated information system of the Federal Tax Service of the Russian Federation (AIS «Tax-3»), which provide automatic tracking of risks in real time. Similar systems have appeared in the tax service of Ukraine.

The proposed methods of combating illegal VAT refunds are characterized by low efficiency. In addition, they significantly complicate tax administration. The reason is that they are trying to correct the shortcomings of tax legislation by improving the mechanism for administering and controlling the completeness of the calculation and payment of taxes.

Let's name the four main shortcomings of the regulations that directly encourage the use of tax evasion and illegal VAT refunds schemes:

- 1) established tax legal relationship between VAT payers;
- 2) accounting of the tax burden is carried out using tax invoices, which are not primary documents, and their presence does not provide for the actual implementation of the costs of paying VAT;
- 3) there is a gap in time and in the amounts to be paid to the budget – the right to refund is not subject to the obligation of the counterparties to pay VAT, that is, the buyer receives the right to reduce the VAT tax liability (the right to deduct input VAT), and the seller does not have an obligation to pay the same amount to the budget;
- 4) there is no state policy in the field of legal regulation of prices.

These legislative shortcomings give rise to various schemes for tax avoidance and obtaining illegal VAT refunds [6], now there is almost no obstacle that would protect the country's budget from damage caused by illegal VAT refunds. Most of the methods and schemes for illegal VAT refunds in export can be classified into five groups [7]:

1. Fictitious export using blatant forgery of documents;
2. Falsification of documents on the basis of which tax deductions are made (fictitious tax credit);
3. Real export of goods purchased at an overprice in the country;
4. Falsification of an export operation and submission to the tax authority a formally flawless package of documents;
5. Imitation by the VAT payer of settlements with sellers of exported goods and the receipt of export proceeds.

The organizers of such schemes for illegal compensation from the budget are, as a rule, heads of commercial banks and their branches, heads of large companies engaged in foreign economic activity, representatives of legal and audit firms. These persons have deep knowledge in the field of economics and law, rich professional experience, extensive contacts in the legislative and executive authorities, as well as in law enforcement and control bodies. This circumstance extremely complicates the possibility of exposing these persons' involvement in the organization of illegal VAT refunds from the budget.

Ample opportunities for the use of various optimization schemes and illegal compensation from the budget are due to the fact that the Tax Code of Ukraine does not define the concept of value added as an object of taxation. Neither the economic nor the legal content of the concept of «added value» is disclosed. The legislator only indicates the method of calculating the tax, which is part of the contractual value of the goods or part of the regular price, which is arbitrarily set by the seller. The applied VAT is not actually related to the process of creation and growth of added value, but is a turnover tax at a very high rate, to which tax deductions are applied, designed to give it the meaning of VAT. In the conditions of free monopoly prices, the difference between VAT and turnover tax is purely formal.

The worst of all possible calculating methods is applied to calculate the tax liabilities – the indirect deduction method. The applied method introduces additional elements of the legal mechanism of VAT that are not typical of other taxes – input VAT (tax credit in terms of the Tax Code of Ukraine), tax invoices and reimbursements from the budget of previously paid tax. The introduced additional elements of the legal tax mechanism provide the prerequisites for large-scale tax evasion and the receipt of huge amounts of illegal tax refunds from the budget.

In the absence of objective methods for justifying prices, the indirect deduction method does not have the right to be applied in practice. It is also unacceptable to carry out VAT accounting using tax invoices that are not primary documents. The presence of a tax invoice with the buyer gives him the right to reduce tax liabilities and receive a refund from the budget when carrying out transactions taxed at a zero rate but does not oblige the seller to pay the specified amount to the budget.

The indicated shortcomings of tax legislation are effectively used by payers. So, in Russia during the tax periods 2010–2014 the amount of VAT deductions declared by taxpayers increased annually. If in 2010 the amount of tax deductions was 92.79% of the calculated value in the amount of 19,678,458 million rubles, then by 2014 it increased to 93.65% [8]. Under such conditions, there is a direct threat of equalization of the amounts of tax calculated to be paid to the budget and that accepted for deduction. Formally, VAT will exist, but the budget will not receive funds from it. The tax will not perform its main function – fiscal.

Export VAT refunds are of particular concern. During 2006–2012 in the Russian Federation, the volume of refundable tax was on average 80% of the volume of VAT received by the budget [9]. In Ukraine during 2016–2019 the amount of tax refundable was about 80%. The scale of refunds makes it possible to talk about the emergence of a kind of business based on receiving income from budget VAT refunds.

Due to the numerous features and difficulties in determining the tax base, value added tax is «expensive» for tax regulation. According to experts, about 40% of the collected VAT is spent on the maintenance of tax inspections, and 60% of the work of the accounting departments of enterprises and organizations is associated with servicing this tax [10]. However, it should be recognized that at present neither Russian, nor Ukrainian, nor foreign legislation have found universal ways to solve the problem of illegal VAT refunds from the budget.

To eliminate almost all schemes for avoiding (optimizing) taxation and illegal reimbursement from the budget, the Tax Code should define value added and indicate its relationship with price:

Value added (VA) is the sum of a company's factor income (wage bill and profit).

Price is a monetary expression of value added and depreciation of fixed assets at all stages of production and / or circulation.

The proposed definition of value added unambiguously determines the base of VAT, and the components of added value – the base of personal income tax (PIT), profit tax

(PT) and social security contributions [11]. The monetary expression of the added value created at all stages of production and / or circulation uniquely determines the price. Depreciation deductions are made in accordance with the Tax Code and are clearly defined.

The proposed price definition does not in any way limit its value or the method of setting it on the basis of supply and demand for goods / services. However, the price should always equal the value added realized in the product. At each stage of production and / or circulation, the price of a product / service is determined by the amount of: VA (wages fund and profit), VAT (accrued on the VA), production and / or circulation costs (which is determined by the amount of VAT actually paid directly to the budget for all previous stages of production and circulation) and depreciation of fixed assets:

$$\text{Price} = \text{VA} (1 + \text{VAT}_R / 100) + \text{Costs} + \text{Depreciation},$$

where VA is the added value equal to the sum of the wages fund and the seller's profit;

VAT_R – VAT rate;

Costs is the added value created in all previous stages of the production cycle (any costs proven by the payment of the proper amount of VAT);

Depreciation – depreciation of fixed assets from the seller, which are used in the production of the goods sold.

The price of goods sold for each VAT payer must be confirmed by VAT (costs) paid to the budget, depreciation charges on a separate account in accordance with the provisions in the Tax Code of Ukraine, paid social contributions, personal income tax and profit tax. In this case, the price is the market price (confirmed by the sale of the product), reflects the subjective utility of the product, its consumer value, labor and material costs, and is established on the basis of the balance of supply and demand. The proposed method of justifying prices reflects an integrated approach to its determination and excludes the possibility of administrative and legal interference of the state in the pricing process. At the same time, price, like any of the elements of social relations, performs a number of functions: accounting (measuring), distribution, stimulating; balancing supply and demand; and location of production.

The proposed method of price formation ensures the gradual inclusion of added value as it is created in the price at each stage of production and / or circulation, does not require the introduction of input VAT (tax credit) and does not provide for tax deductions of input VAT to determine the tax liability. However, when goods / services are sold at a zero rate, the need for reimbursement from the budget remains. If at each stage of the production cycle VAT is paid directly to the budget, then the refund requires only proper accounting of the amounts paid. In this case, the automated VAT administration system may well fulfill the task.

It is worth noting that without clearly defined pricing criteria, it is fundamentally impossible to determine the base for calculating VAT, personal income tax, profit tax

and social security contributions, and, therefore, it is impossible to unequivocally establish the tax liability and the amount of taxes and social security contributions to be paid to the state budget and extra-budgetary funds. Our proposed pricing method automatically solves these problems. In addition, it provides an increase in the competitiveness of goods both in the domestic and foreign markets; the solvency of consumers in the domestic market both as a result of a decrease in prices for goods / services and as a result of optimization of the wage fund (an increase in the fund's share in value added); and makes it impossible to use methods to optimize tax liabilities of personal income tax, VAT, profit tax and social contributions, thus simplifying tax reporting. The proposed method would be an essential element of state policy in the field of pricing and taxation.

In order to prevent tax evasion, optimize tax liabilities and illegal VAT refunds from the budget, an optimal administration method must be introduced. Accounting for the tax burden on the basis of tax invoices and the existing automated administration system are not able, in principle, to solve the problem posed. Although the system allows you to identify tax «holes» and even calculate the amount of lost taxes, it is impossible to return the lost amounts to the budget. At the same time, the Tax Code and court practice provide for the reimbursement of even these irretrievably lost amounts for the budget. This disadvantage is successfully exploited by unscrupulous taxpayers.

It is worth noting that the VAT administration system, in which tax liabilities are recorded using tax invoices, cannot be improved in principle, regardless of any of its complications, including full automation of cross-checks. Therefore, it is very important to use only paid invoices to record tax liabilities.

An obstacle to the introduction of such a system is lobbying the interests of taxpayers, who cease to be intermediaries between the actual VAT payers (end users) and the state budget. The presence of intermediaries always leads to significant losses of the amounts paid and encourages them to create various schemes for avoiding taxation and obtaining illegal reimbursement from the budget [12]. Therefore, the payment of VAT between taxpayers must be canceled irrevocably. Tax legal relationship can be established between taxpayers and the state but should not exist between taxpayers. No arguments in favor of maintaining the tax legal relationship between taxpayers should even be considered. The only legal approach is to abolish tax payments between VAT payers.

The main argument in favor of preserving the tax legal relationship between payers is the possibility of replenishing working capital at the expense of VAT paid by buyers. For enterprises with a short unit production cycle, there should be no problems with working capital. In any case, such problems cannot be solved in this way. When the enterprise works rhythmically, the need for working capital is minimal. Real problems are possible for manufacturers with long production unit cycles. For such payers, the Tax Code should provide for other ways to minimize the need for working capital. (For example, an installment plan or deferred payment of VAT for purchases of factors of production for the entire period of the production cycle of a unit of goods). With this

approach, the payment of the due amount of VAT to the budget at each stage of production and / or sale is guaranteed, and illegal compensation loses its economic meaning.

1.2. Improvement of the mechanism of administrative and legal regulation of taxation

But there is a more effective way, which does not provide for reimbursement at all as an element of the legal mechanism of VAT, that is, VAT reimbursement is canceled. An option is possible, providing for the introduction of different VAT rates depending on the presence of registration of payers carrying out taxable transactions. For example, when carrying out transactions between registered VAT payers, tax is charged at a rate of 0.5% on the amount of the seller's factor income and is paid by the buyer directly to the budget at the time of payment for goods / services. The market value (price) of goods for VAT payers is determined by the amount:

Price (for VAT payers) = VA (1 + 0.005) + Costs + Depreciation,

where 0.005 is VAT charged at a rate of 0.5% on the value added created by the seller, that is, on the amount of the seller's wages and profit.

The proposed method for calculating and paying VAT directly to the budget eliminates the concept of «tax credit» (input VAT) and excludes the use of input VAT deductions. And the buyer's tax liabilities are equal to 0.5% of the seller's factor income. It is assumed that this legislation will abolish the rule concerning the refund of paid VAT when selling goods at a zero rate. In this case, the budget costs associated with reimbursement to exporters would automatically disappear.

Only those purchases that are used in production are subject to taxation at a rate of 0.5%, and their value is included in production costs. All other costs, according to the authors, should be financed from the profit remaining after the payment of income tax. In particular, this applies to payment for advertising, marketing and other services that do not have financial results that can be estimated. At the same time, the customer of such services pays VAT at the basic rate of 20% directly to the budget when paying for services. The source of funding for these services is after-tax profits.

The method should also clarify the source of funds for the return of loans and interest for using them. Capital and entrepreneurial ability provide profit. The owner of capital (fixed and circulating) receives the profit. When attracting credit capital, the profit is distributed between the owner (borrower) and the lender, that is, the loan and interest for using it should be returned from the profit remaining after taxes. The credit resource and interest for using it should not be charged to production costs.

Cancellation of reimbursement from the budget leads to loss of income of the payer in the amount of 0.5% of the added value when selling goods at a zero VAT rate. As compensation, one can consider a decrease in prices when purchasing fixed assets subject to depreciation. Purchased fixed assets are taxed at the VAT rate of 0.5%, and not at the basic rate of 20%. At the same time, budget revenues are temporarily reduced, but incentives are created for investment in the real sector of the economy. As the depreciation proceeds, VAT amounts not paid on the purchase of fixed assets will be returned to the budget. Reducing the VAT rate on the purchase of fixed assets can

be viewed as an automatic investment tax credit, or as an automatic deferral or installment plan for the payment of the tax due for the entire depreciation period. The introduction of a new mechanism for determining and taxing value added will significantly increase the investment attractiveness of doing business in the country. On the other hand, for exports and operations equivalent to it, a VAT rate of 0.5% can be set, that is, the same as for the sale of goods / services between registered VAT payers.

From the point of view of the fiscal interests of the state, the advantage of the proposed method of calculating and paying VAT is that the taxpayer is deprived of the opportunity to evade VAT by interacting with «fly-by-night» firms both directly and through «gasket» firms, since the proposed method of administration does not provide for the payment of tax between payers, that is, the tax legal relationship between taxpayers is canceled. VAT is paid directly to the state budget. And the premium to the price at each stage of production and / or circulation must be justified by the payment of the due amounts of social contributions, personal income tax, VAT and profit tax.

Even in the case of retaining the right to receive compensation, the amount of compensation will be significantly less, and most importantly, actually paid to the budget. So, during 2019, UAH 151.9 billion was the amount of VAT reimbursed from the budget in Ukraine. A significant part of this amount was reimbursed illegally. When using the proposed method of administering VAT, the amount to be refunded would be equal to UAH 3.8 billion, and the entire amount would have been guaranteed to be paid to the budget earlier. Therefore, an attempt to obtain an illegal compensation loses its meaning, since only what was actually paid earlier can be returned. The retention of fictitious companies also does not make sense, since any resale involves an increase in the price of goods / services only subject to payment of the due amounts of VAT, personal income tax, profit tax and social contributions. The need to preserve fictitious firms will automatically disappear, since the enterprise can apply any markup to the price without intermediaries, provided that this markup is equal to the sum of the wages fund and profit, which provides for the payment of the due amounts of social contributions, personal income tax, VAT and profit tax. Under such pricing conditions, it is difficult to organize shadow production due to the impossibility of overstating the expenditure side of the income tax and VAT base.

When goods are sold to a buyer who does not have a VAT payer tax number, the entire value of the goods is additionally charged with VAT at a rate of 19.5% (or 6.5% for medicines and medical devices in Ukraine), payable directly to the budget. The VAT rate of 19.5% (or 6.5%) is chosen so that the total basic VAT rate for a non-payer of tax is 20%:

$$\text{Price (for non-payers of VAT)} = [\text{VA} (1 + 0.005) + \text{Costs} + \text{Depreciation}] (1 + 0.195),$$

or 7% for medicines and medical devices:

$$\text{Price (for non-payers of VAT)} = [\text{VA} (1 + 0.005) + \text{Costs} + \text{Depreciation}] (1 + 0.065),$$

where 0.195 (0.065) is VAT charged at the rate of 19.5% (6.5% for medicines and medical devices) on the full value of the seller's goods.

At the stage of selling goods, the tax defaulter receives a refund of the investment tax credit, which was provided to VAT payers when purchasing fixed assets (VAT is charged on the amount of depreciation of fixed assets). This method of taxing depreciation items excludes the accrual of VAT on VAT paid when purchasing these items, which is currently in effect.

In accordance with the provisions of the Tax Code, VAT is charged, paid and reimbursed in a significantly larger amount than the actual added value of goods produced and services rendered, since the VAT base includes depreciation charges on fixed assets at all stages of production and / or sales cycles, that is, a significant part of the declared VAT (and, accordingly, GDP) is a bubble that is financed by real consumer income. An increase in the cost of goods, due to the inclusion of accrued depreciation in the VAT base, is equivalent to an increase in the VAT rate compared to that specified in the Tax Code, which significantly reduces the competitiveness of goods / services and hinders the development of the country's economy.

The advantage of the proposed VAT administration method is as follows:

- when carrying out taxable transactions between registered payers, VAT is paid at a rate of 0.5%, which reduces the need for working capital and automatically grants the payer an investment tax credit when purchasing objects subject to depreciation;
- VAT is paid directly to the budget for each sale of goods, regardless of whether the sale takes place between registered or unregistered payers;
- at each stage of production and / or circulation, VAT is charged on the amount of the seller's factor income, which eliminates the need to apply input VAT deductions to determine tax liabilities;
- VAT refunds are not expected when goods are sold at a zero rate;
- the amount of VAT paid at all stages of production and / or circulation allows you to control production costs in an automatic mode;
- the accrual of VAT on value added (the amount of factor income) of the seller allows you to limit the price of goods / services offered for sale, and the premium to the price unambiguously determines the base of social contributions, personal income tax, VAT and profit tax;
- all methods of avoiding taxation through price manipulation make no sense, since the price is fixed: it is determined by the base of VAT, personal income tax, profit tax and social contributions, respectively, by the amount of taxes and social contributions paid;
- automatic control of VAT payment is provided when goods are sold to non-VAT payers;
- the current turnover of the shadow economy will be transferred to the legal sector, which will significantly increase budget revenues;
- the tax report of the payer is reduced to four lines – one line each for VAT, personal income tax, income tax and social contributions, regardless of the size of the organization and the number of employees. If there is an automated accounting system, the report can be generated automatically.

The 0.5% rate for registered payers is taken as an example. The VAT rate can be any significant value other than zero (for example, 0.05%; 0.001%, etc.). Accordingly, the rate for non-payers of VAT is also adjusted, which, together with the VAT rate for the payer, must be equal to the VAT rate provided for by the Tax Code of Ukraine. Currently, the main VAT rate in Ukraine is 20% and 7% for medicines and medical devices. However, given the level of tax legal awareness of payers and employees of the tax service in Ukraine, it is inappropriate to reduce this rate to an insignificant value. According to the authors, the rate from 0.5 to 1% will better correspond to today's realities.

Along the way, it is worth noting that the proposed method of administering basic taxes and pricing automatically cancels all established schemes for the export of capital from the country and further legalization of proceeds from crime.

The proposed method of forming prices does not limit their size, but only ensures the payment of the due amounts of VAT, personal income tax, profit tax and social contributions. The price is still limited only by the buyers' ability to pay. To maintain the solvency of the population and the competitiveness of domestically produced goods / services, it is advisable to ensure the establishment of optimal proportions of the distribution of value added between the wages fund and profits. This optimization is carried out by fine-tuning tax rates – VAT, personal income tax, profit tax and social contributions. In this case, it is completely unacceptable to copy the experience of other countries. It is necessary to take into account specific circumstances: to ensure effective demand for goods / services, to balance prices for housing and communal services and income so that consumption within objectively defined norms can be carried out without subsidies for citizens with minimum incomes (pensions) established by law; ensure the proper implementation of international legislation ratified by the country, and the like. Unfortunately, in contrast to economically developed countries, in Ukraine the volumes of state pension obligations to citizens are not statistically fixed, are not legally fixed and are not publicly provided to the population. It should be understood that labor remuneration is not only payment for labor, but also the main source of investment to compensate for the depreciation of the means of production and their modernization. This postulate was defended at one time by the Prime Minister P. A. Stolypin and the legislator M. M. Speransky.

CONCLUSIONS

The systemic disadvantage of taxation is the absence of state policy in the field of legal regulation of prices and the absence of a connection between prices and the value added of goods / services. In the Tax Code, there is no definition of value added, and the usual price is used to determine the tax base (by agreement of the parties to the purchase / sale transaction). These shortcomings of the regulatory framework not only allow, but also encourage payers to look for ways to evade (or avoid) taxation, obtain illegal compensation from the budget and export capital abroad. This is facilitated by a certain way of administering VAT, which provides for the introduction of tax legal relations

between payers and the use of additional elements of the legal mechanism of tax: tax invoices, tax deductions, refunds from the budget. The tax authorities are unsuccessfully trying to correct the shortcomings of regulatory legal acts by complicating the administrative procedures for collecting VAT.

A radical way to prevent tax avoidance, tax optimization, illegal reimbursement from the budget, as well as illegal export of capital from the country is the proposed method for determining fair market prices for goods / services and establishing their connection with the base for calculating VAT, personal income tax, profit tax and social security contributions. The fair market prices determined by the sum of the firm's factor income, production costs and depreciation of fixed assets from the seller. A new method of administration is proposed, which provides for the payment of VAT directly to the budget when performing transactions that are determined by the objects of taxation. The tax base is the sum of the seller's factor income (wage fund and profit), which makes it possible to unambiguously determine the base for calculating VAT, personal income tax, profit tax and social security contributions. The tax return consists of four lines: one line each for VAT, personal income tax, profit tax and social security contributions. The added value created is gradually included in the price at each stage of production and circulation. Tax invoices and tax deductions of input VAT for calculating tax liabilities are canceled. VAT is paid at different rates depending on the presence of registration of a VAT payer. VAT is charged at a rate of 0.5% from the amount of the seller's factor income if the sale of goods / services occurs between registered VAT payers. The accrued tax amount is paid directly to the budget at the time of payment for goods / services. At the same time, VAT refunds from the budget are canceled. If the buyer is not registered of payers, VAT is charged on the full value of the seller's goods at a rate of 19.5% (or 6.5% for medicines and medical devices in Ukraine) and is paid to the budget at the time as payment the goods. The proposed method of collecting VAT provides payers with an automatic investment tax credit, a deferral or installment plan for the payment of VAT for the entire depreciation period of the purchased fixed assets.

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