

**უკრაინა საერთაშორისო რეიტინგებში:  
სამენარეო საქმიანობის წარმართვის პირობები და  
საგადასახადო სფეროს ზემოქმედება**

**UKRAINE IN THE INTERNATIONAL RANKINGS: CONDITIONS  
FOR ENTREPRENEURSHIP AND INFLUENCE OF TAX ENVIRONMENT**

**ნატალია შალიმოვა**

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**ანოტაცია**

გაანალიზებულია სამეწარმეო საქმიანობის მდგომარეობა უკრაინაში ისეთი მიმართულებებით, როგორებიცაა მეურნეობრიობის სუბიექტების რაოდენობა და სტრუქტურა სახეებისა და ზომების მიხედვით/ გამოკვლეულია ინდიკატორები, რომლებიც აყალიბებენ საერთაშორისო რეიტინგებს „DoingBusiness“ და „PayingTaxes“. განსაზღვრულია იმ მაჩვენებლების ზემოქმედება, რომლებიც ახასიათებენ ქვეყანაში დაბეგვრის სისტემას. გაანალიზებულია ცვლილებები უკრაინის რეიტინგებში 2010-2017 წლებისათვის. საერთაშორისო რეიტინგების „DoingBusiness“ და „PayingTaxes“ შესაბამისად გაკეთებულია შედარებითი ანალიზი უკრაინასა და მსოფლიოს სხვა ქვეყნებს შორის. წარმოდგენილია უკრაინისა და საქართველოს მაჩვენებლების დეტალური შედარებითი ანალიზი. გამოყოფილია ძირითადი ნეგატიური ფაქტორები, რომლებიც განსაზღვრავენ უკრაინის საგადასახადო სისტემის დაბალ კონკურენტულ პოზიციებს. დაკონკრეტებულია უკრაინის საგადასახადო სისტემის ოპტიმიზაციის ძირითადი მიმართულებები.

**საკვანძო სიტყვები:** მეწარმეობა, სამეწარმეო საქმიანობის სუბიექტები, დაბეგვრის სისტემა, საერთაშორისო რეიტინგები, „DoingBusiness“ რეიტინგი და „PayingTaxes“ რეიტინგი.

**Abstract**

The state of development of entrepreneurship in Ukraine according to the number and structure of business entities and their types and sizes were analysed. The indicators that form international rankings ~Doing Business~ и ~Paying Taxes~ were studied. The influence of the indicators that characterize the state taxation system on the values of the international rankings was determined. The changes in the rankings of Ukraine during 2010-2017 were analyzed. A comparative analysis of the place of Ukraine among other countries of the world in accordance with the international rankings of ~Doing Business~ and ~Paying Taxes~ was made. The results of a detailed comparative analysis of Ukraine and Georgia are presented. The main negative factors that determine the low competitive positions of the tax system of Ukraine were singled out. The trends of optimization of the tax environment of Ukraine have been specified.

**Keywords:** entrepreneurship, business entities, taxation system, international rankings, „Doing Business~ ranking, „Paying Taxes” ranking.

**Relevance of the problem.** The development of entrepreneurship and creating a favourable environment for its functioning is a priority of the state, as "an invisible hand of the market~ does not always provide essential and equal conditions. The importance of assessing the conditions and their comparability worldwide are crucial for investors, creditors and other interested parties („stakeholders”) because they are interested in the state of development, specific conditions and protection of their interests.

One of the indicators of the ease of doing business in the world is the international rankings which include the assessment of the taxation system of the country. The most popular international ranking assessing the ease of doing business in the world recently is „Doing Business” index which is prepared by The World Bank Group and is promulgated at <http://www.doingbusiness.org.ua> [1]. „Doing Business” index determines the quality of business regulations which enhance or constrain business activity, the use of the regulations in different countries, regions and selected cities. In order to improve business climate in Ukraine and Ukraine's position in the ranking of Doing Business, the Ministry of Economic Development together with the Better Regulation Delivery Office developed a roadmap which consists of 43 issues. The implementation of the issues should bring Ukraine in the top 20 countries with the best business climate according to the World Bank in 2017 (Doing Business 2018). The roadmap was approved by the Cabinet of Ministers of Ukraine №1406 on December 16, 2015 [2].

Among the areas of evaluation much emphasis is put on tax system. The „Paying Taxes” indicator which is an important component of the ranking is additionally published in separate reports „Paying Taxes” which are compiled by the World Bank in collaboration with the auditing firm PricewaterhouseCoopers (PwC) to assess the quality of the tax system for business and are officially published on the website <http://www.pwc.com> [3].

A continuous assessment and comparative analyses, identification of the factors that influence the changes of indicators and their critical assessment is an insistent task of scientific and practical direction.

**Analysis of recent research and publications.**

The issue of Ukraine's place in the international rankings in various aspects (entrepreneurship, impact on economic security, elimination of information asymmetry at the macroeconomic level, investment attractiveness of the country, human development, the effectiveness of the institution of bankruptcy, development of the taxation system and implementing tax policy etc.) was studied by the scholars L. Antoniuk, O. Bilorus, O. Butska, B. Danylyshyn, Ya. Zhalilo, Yu. Ivanov, I. Kryvovov~yazyuk, D. Lukyanenko, O. Moldovan, V. Moroz, V. Muntiyanyan, G. Pasternak-Taranushenko, N. Pedchenko, O. Plastun, D. Pokryshka, I. Repina, T. Chechetova-Terashvili, O. Shkurpiy, M. Shuba, Yu. Hvatov, G. Yastrebova et al. The scholars critically analyze the methodology of calculation of the international rankings; constantly develop complex scientific and practical recommendations to improve the investment, business and tax environment in Ukraine [4-17]. Nevertheless, we consider the appropriate deep study of the place of Ukraine in the international rankings with a focus on the assessment of the taxation system as an important and integral part of the business environment.

**The objective of the article** is the evaluation of quantitative characteristics of entrepreneurship development in Ukraine and comparative characteristics of Ukraine's position among other countries by the international „Doing Business” and „Paying Taxes” rankings.

**Main material.** According to the State Statistics Service of Ukraine in 2010 the number of business entities in Ukraine was about 2.2 million. Their number declined significantly during 2011-2012 – to 1.6 million. But in subsequent years their number grew and in 2015 it reached 1,974,318.

The data of the State Statistics Service of Ukraine show that the largest share in the structure of business entities is individual-entrepreneurs – 82.7% (2010), 77.2% (2012), 82.6% (2015) and the share of companies do not exceed ranges during 2010-2015 from 17.3% (2010) to 22.8% (2012 and 2013). The number of individual-entrepreneurs in 2010 was 1.8 million and the number of enterprises was 379 thousand. During 2010-2015 the number of individual-entrepreneurs decreased to 1.6 million (by 9.7%) and the number of enterprises decreased to 343 thousand (9.3%). (Table. 1).

**Table 1**

**Number and structure of business entities of Ukraine in 2010-2015**

|   | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    |
|---|---------|---------|---------|---------|---------|---------|
| Number of enterprises   | 378810  | 375695  | 364935  | 393327  | 341001  | 343440  |
| Number of individual-entrepreneurs  | 1805118 | 1325925 | 1235192 | 1328743 | 1591160 | 1630878 |
| Ratio of indicator of enterprises in the total number of business entities              | 17,3    | 22,1    | 22,8    | 22,8    | 17,6    | 17,4    |
| Ratio of indicator of individual-entrepreneurs in the total number of business entities | 82,7    | 77,9    | 77,2    | 77,2    | 82,4    | 82,6    |

Source: summarized and calculated on the basis of the official data of the State Statistics Service of Ukraine [19-21].

The data of the State Statistics Service of Ukraine show a significant dominance of individual-entrepreneurs in the structure of business entities with the share of almost 97% in 2015 (Table 2). The share of other small

businesses was 2.4%, the percentage of medium business entities was 0.8% and the share of large businesses was only 0.02%.

**Table 2**

**Structure of business entities of Ukraine in 2010-2015**

| Indicator  | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    |
|--|---------|---------|---------|---------|---------|---------|
| <i>Large business entities</i>                                   |         |         |         |         |         |         |
| number   | 586     | 659     | 698     | 659     | 497     | 423     |
| Ratio of indicator in general indicator of business entities     | 0,03%   | 0,04%   | 0,04%   | 0,04%   | 0,03%   | 0,02%   |
| <i>Medium business entities</i>                                  |         |         |         |         |         |         |
| number   | 21338   | 21059   | 20550   | 19210   | 16618   | 15510   |
| Ratio of indicator in general indicator of business entities     | 0,98%   | 1,24%   | 1,28%   | 1,12%   | 0,86%   | 0,79%   |
| <i>Small business entities including micro business entities</i> |         |         |         |         |         |         |
| number   | 2162004 | 1679902 | 1578879 | 1702201 | 1915046 | 1958385 |
| Ratio of indicator in general indicator of business entities     | 99,0%   | 98,7%   | 98,7%   | 98,8%   | 99,1%   | 99,2%   |
| <i>Small business entities excluding micro business entities</i> |         |         |         |         |         |         |
| number   | 68316   | 71083   | 68103   | 65021   | 55159   | 47555   |
| Ratio of indicator in general indicator of business entities     | 3,1%    | 4,2%    | 4,3%    | 3,8%    | 2,9%    | 2,4%    |
| <i>Micro business entities</i>                                   |         |         |         |         |         |         |
| number   | 2093688 | 1608819 | 1510776 | 1637180 | 1859887 | 1910830 |
| Ratio of indicator in general indicator of business entities     | 95,9%   | 94,5%   | 94,4%   | 95,1%   | 96,3%   | 96,8%   |

Source: summarized and calculated on the basis of the official data of the State Statistics Service of Ukraine [19-21].

The data of the State Statistics Service of Ukraine show the decrease of all types of businesses among companies and among individual-entrepreneurs.

The subjects of large business are presented only by enterprises as individual-entrepreneurs may not be large business entities, and their number decreased from 586 units in 2010 to 423 units in 2015. The subjects of medium business are represented by enterprises (with the share of 98% in 2015) as well as by a small number of private entrepreneurs. During 2010-2015 their total number decreased from 21.3 thousand to 15.5 thousand. The subjects of small business entities are small businesses (their share in 2015 was 16.7%) and private entrepreneurs (with the share of 83.3% in 2015). The total number of small businesses decreased from 2.2 million to 2.0 million during 2010-2015. As a part of small business entities individual-entrepreneurs have the share of 97.6%.

Large enterprises are mainly registered in the following activities: industry (233 companies), trade and repair (106 companies), transport (32 companies) agriculture, forestry and fishery (29 companies), information

and telecommunications (6 companies), civil engineering (5 companies), food, financial and insurance activities, real estate, professional, scientific and technical activities, arts, sports and entertainment (3 companies), administrative and support services (1-3 companies). The main share of enterprises in Ukraine in 2015 in all businesses is represented by micro enterprises.

„Doing Business” is the ranking which has existed since 2003 and is usually published in autumn. The number of countries covered by the ranking is constantly increasing: 2004 – 133, 2005 – 145, 2006 – 155, 2007 – 175, 2008 – 178, 2009 – 181, 2010-2012 – 183, 2013 – 185, 2014-2016 – 189, 2017 – 190. The studies indicate not only the problems that hold back business development but determine the cause and include recommendations on the necessary reforms. Currently the ranking consist of 11 indicators including ten major and one extra (Table 3). The additional indicator (11) describes the state of the labour market regulation, and its specificity is that it is not included in comprising the overall ranking (in 2011 a similar indicator was part of the main indicators).

Table 3

## ~Doing Business~ indicators

| Indicator                                | Description   |
|--|---|
|  | <b>Basic</b>  |
| <i>Starting a business</i>               | reveals the bureaucratic and legal obstacles that an entrepreneur must overcome in the process of creation and registration of a new company. The total number of procedures as well as their costs and duration which entrepreneurs must undergo to register a limited liability company from applying to the beginning of operation are determined  |
| <i>Dealing with construction permits</i> | records all procedures required for a business in the construction industry to build a warehouse along with the time and cost to complete each procedure; deals with building regulations, including approvals, permit issuance and inspections   |
| <i>Getting electricity</i>               | records all procedures required for a business to obtain a permanent electricity connection and supply for a standardized warehouse   |
| <i>Registering property</i>              | records the full sequence of procedures necessary for a business (the buyer) to purchase a property from another business (the seller) and to transfer the property title to the buyer's name so that the buyer can use the property for expanding its business   |
| <i>Getting credit</i>                    | measures the legal rights of borrowers and lenders with respect to secured transactions through one set of indicators and the reporting of credit information through another   |
| <i>Protecting minority investors</i>     | measures the protection of minority investors from conflicts of interest through one set of indicators and shareholders' rights in corporate governance through another   |
| <i>Paying taxes</i>                      | records the taxes and mandatory contributions that a medium-size company must pay in a given year as well as the administrative burden of paying taxes and contributions and complying with post-filing procedures  |
| <i>Trading across borders</i>            | records the time and cost associated with the logistical process of exporting and importing goods (including the time for preparation of the required documents)  |
| <i>Enforcing contracts</i>               | measures the time and cost for resolving a commercial dispute through a local first-instance court and the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system  |
| <i>Resolving insolvency</i>              | studies the time, cost and outcome of insolvency proceedings involving domestic entities as well as the strength of the legal framework applicable to judicial liquidation and reorganization proceedings. The data for the resolving insolvency indicators are derived from questionnaire responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on insolvency systems |
|  | <b>Additional</b>   |
| <i>Labour market regulation</i>          | studies the flexibility of regulation of employment, specifically as it relates to the areas of hiring, working hours and redundancy  |

Source: summarised on the basis of the report ~Doing Business – 2017" [22] and official data of the website <http://doingbusiness.org/data/exploreeconomies> [1].

According to the report of 2017 [22] Ukraine ranks 80 among 190 countries rated by ~Doing Business – 2017" (tab. 4) which is one position higher in comparison with the rating of ~Doing Business – 2016". The le-

ader is New Zealand. According to the average estimates of experts of the World Bank one point in the ranking of ~Doing Business~ brings the country about 500-600 million US Dollars of investments.

Table 4

## Ranks of Ukraine in ~Doing Business~

| საშუალო                           | Doing Business 2010 | Doing Business 2011 | Doing Business 2012 | Doing Business 2013 | Doing Business 2014 | Doing Business 2015 | Doing Business 2016 | Doing Business 2017 |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Ease of doing business rank       | 142                 | 145                 | 152                 | 137                 | 112                 | 96                  | 81                  | 80                  |
| Starting a business               | 134                 | 118                 | 112                 | 50                  | 47                  | 76                  | 24                  | 20                  |
| Dealing with construction permits | 181                 | 179                 | 180                 | 183                 | 41                  | 70                  | 137                 | 140                 |
| Employing workers                 | 83                  | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Getting electricity               | -                   | -                   | 169                 | 166                 | 172                 | 185                 | 140                 | 130                 |
| Registering property              | 141                 | 164                 | 166                 | 149                 | 97                  | 59                  | 62                  | 63                  |
| Getting credit                    | 30                  | 32                  | 24                  | 23                  | 13                  | 17                  | 19                  | 20                  |
| Protecting minority investors     | 109                 | 109                 | 111                 | 117                 | 128                 | 109                 | 101                 | 70                  |



| საშუალო                | Doing Business 2010 | Doing Business 2011 | Doing Business 2012 | Doing Business 2013 | Doing Business 2014 | Doing Business 2015 | Doing Business 2016 | Doing Business 2017 |
|------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Paying taxes</b>    | <b>181</b>          | <b>181</b>          | <b>181</b>          | <b>165</b>          | <b>164</b>          | <b>108</b>          | <b>83</b>           | <b>84</b>           |
| Trading across borders | 139                 | 139                 | 140                 | 145                 | 148                 | 154                 | 110                 | 115                 |
| Enforcing contracts    | 43                  | 43                  | 44                  | 42                  | 45                  | 43                  | 93                  | 81                  |
| Resolving insolvency   | 145                 | 150                 | 156                 | 157                 | 162                 | 142                 | 148                 | 150                 |

Source: summarised on the basis of the official data of the website <http://doingbusiness.org> [1].

In comparison with 2016 Ukraine improved its positions by the following indicators:

- starting a business – from 24 to 20;
- getting electricity – from 140 to 130;
- protecting minority investors – from 101 to 70;
- enforcing contracts – from 93 to 81.

The report of "Doing Business – 2017" highlights the reforms made in Ukraine in the spheres of protecting minority investors and enforcing contracts.

But there are spheres in which indicators lowered or stayed at the same positions. They are: resolving insolvency – from 148 to 150;

- trading across borders – from 110 to 115;
- paying taxes – from 83 to 84;
- registering property – from 62 to 63;
- getting credit – from 19 to 20;
- dealing with construction permits – from 137 to 140.

The new report shows that it is necessary to implement reforms of deregulation because Ukraine is considerably behind the neighbouring countries: Georgia holds the 16<sup>th</sup> place, Poland – 24, Romania – 36, Belarus – 37, Hungary – 41, Moldova – 44 and Turkey – 69. The comparison of indicators of Georgia and Ukraine in the ranking of "Doing Business – 2017" is presented in Table 5.

Table 5

Indicators of Georgia and Ukraine in the ranking of "Doing Business – 2017"

| Indicator   | Georgia   | Ukraine    | Distance    |
|---|-----------|------------|-------------|
| <b>Ease of doing business rank</b>                            | <b>16</b> | <b>80</b>  | <b>+64</b>  |
| Population  | 3,679,000 | 45,198,200 | +41,519,200 |
| GNI per capita (US\$)   | 4,160     | 2,620      | -1,540      |
| <b>Starting a business</b>                                    | <b>8</b>  | <b>20</b>  | <b>+12</b>  |
| Procedures (number)   | 3         | 4          | +1          |
| Time (days)   | 3         | 5          | +2          |
| Cost (% of income per capita)                                 | 2.4       | 0.5        | -1.9        |
| Minimum capital (% of income per capita)                      | 0.0       | 0.0        | 0           |
| <b>Dealing with construction permits</b>                      | <b>8</b>  | <b>140</b> | <b>+132</b> |
| Procedures (number)   | 7         | 10         | +3          |
| Time (days)   | 48        | 67         | +19         |
| Cost (% of warehouse value)                                   | 0.2       | 15.2       | +15         |
| Building quality control index (0-15)                         | 7.0       | 8.0        | +1          |
| <b>Getting electricity</b>                                    | <b>39</b> | <b>130</b> | <b>+91</b>  |
| Procedures (number)   | 4         | 5          | +1          |
| Time (days)   | 71        | 281        | +210        |
| Cost (% of income per capita)                                 | 354.0     | 637.6      | +283.6      |
| Reliability of supply and transparency of tariffs index (0-8) | 6         | 6          | 0           |
| <b>Registering property</b>                                   | <b>3</b>  | <b>63</b>  | <b>+60</b>  |
| Procedures (number)   | 1         | 7          | +6          |
| Time (days)   | 1         | 23         | +22         |
| Cost (% of property value)                                    | 0.0       | 1.9        | +1.9        |
| Quality of land administration index (0-30)                   | 21.5      | 15.5       | -6          |
| <b>Getting credit</b>   | <b>7</b>  | <b>20</b>  | <b>+13</b>  |
| Strength of legal rights index (0-12)                         | 9         | 8          | -1          |
| Depth of credit information index (0-8)                       | 8         | 7          | -1          |
| Credit bureau coverage (% of adults)                          | 88.6      | 40.0       | -48.6       |
| Credit registry coverage (% of adults)                        | 0.0       | 0.0        | 0           |
| <b>Protecting minority investors</b>                          | <b>7</b>  | <b>70</b>  | <b>+63</b>  |
| Extent of disclosure index (0-10)                             | 9         | 6          | -3          |
| Extent of director liability index (0-10)                     | 6         | 2          | -4          |
| Ease of shareholder suits index (0-10)                        | 8         | 6          | -2          |
| Extent of shareholder rights index (0-10)                     | 7         | 6          | -1          |
| Extent of ownership and control index (0-10)                  | 8         | 5          | -3          |
| Extent of corporate transparency index (0-10)                 | 8         | 9          | +1          |
| <b>Paying taxes</b>   | <b>22</b> | <b>84</b>  | <b>+62</b>  |
| Payments (number per year)                                    | 5         | 5          | 0           |
| Time (hours per year)   | 270       | 355.5      | +85.5       |
| Total tax rate (% of profit)                                  | 16.4      | 51.9       | +35.5       |
| Post-filing index (0-100)                                     | 87.22     | 79.26      | -7.96       |
| <b>Trading across borders</b>                                 | <b>54</b> | <b>115</b> | <b>+61</b>  |
| Time to export  |           |            |             |
| Documentary compliance (hours)                                | 2         | 96         | +94         |
| Border compliance (hours)                                     | 14        | 26         | +12         |
| Cost to export  |           |            |             |
| Documentary compliance (US\$)                                 | 35        | 292        | +257        |
| Border compliance (US\$)                                      | 383       | 75         | -308        |
| Time to import  |           |            |             |
| Documentary compliance (hours)                                | 2         | 168        | +166        |

| Indicator                                     | Georgia    | Ukraine    | Distance   |
|---|------------|------------|------------|
| Border compliance (hours)                     | 15         | 72         | +57        |
| Cost to import                                |            |            |            |
| Documentary compliance (US\$)                 | 189        | 212        | +23        |
| Border compliance (US\$)                      | 396        | 100        | -296       |
| <b>Enforcing contracts</b>                    | <b>16</b>  | <b>81</b>  | <b>+65</b> |
| Time (days)                                   | 285        | 378        | +93        |
| Cost (% of claim)                             | 29.9       | 46.3       | +16.4      |
| Quality of judicial processes index (0-18)    | 12.0       | 9.0        | -3         |
| <b>Resolving insolvency</b>                   | <b>106</b> | <b>150</b> | <b>+44</b> |
| Time (years)                                  | 2.0        | 2.9        | +0.9       |
| Cost (% of estate)                            | 10.0       | 42.0       | +32        |
| Recovery rate (cents on the dollar)           | 39.5       | 7.5        | -32        |
| Strength of insolvency framework index (0-16) | 6.0        | 7.5        | +1.5       |

Source: summarised on the basis of the official data of the website <http://doingbusiness.org/> [1].

Georgia is ahead of Ukraine by almost all indicators. Only six indicators in Ukraine have slightly better position:

- cost of starting business (% of income per capital);
- building quality control index;
- extent of corporate transparency index;
- border compliance (cost of export)
- border compliance (cost of import);

strength of insolvency framework index.  
On four indicators Georgia and Ukraine have equal positions:

- minimum capital of starting business (% of income per capital);
- reliability of supply and transparency of tariffs index;
- credit registry coverage (% of adults);
- payments of taxes (number per year).

In the report "Doing Business-2017" Ukraine and Georgia are in the group of countries "Europe & Central Asia" which covers 25 countries. The indicators of the countries with this mini-ranking are presented in Fig. 1.

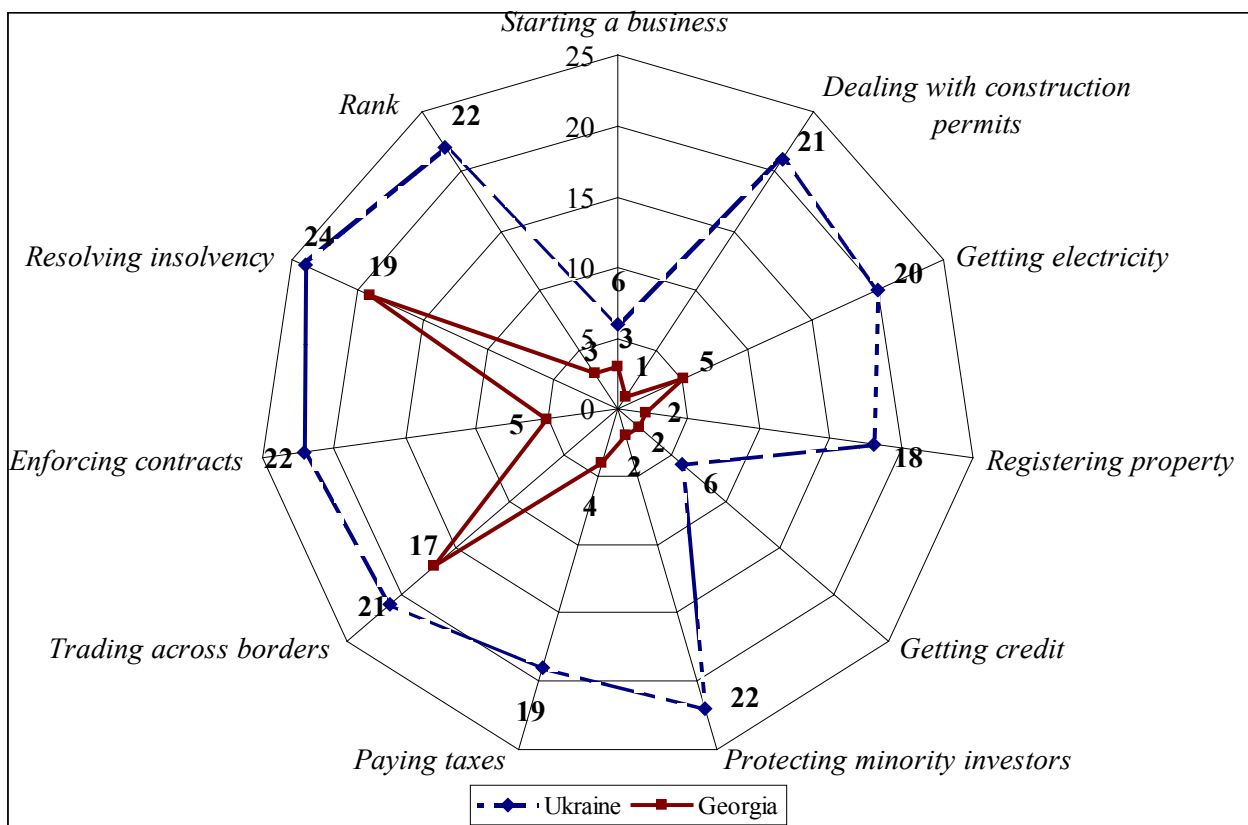


Figure 1. Ranking of Ukraine and Georgia among Europe & Central Asia countries (25 countries)

Source: summarised on the basis of the official data of the website [http://doingbusiness.org](http://doingbusiness.org/) [1].

Georgia ranks the 3<sup>rd</sup> among the countries of Europe & Central Asia giving upper places only to Macedonia & Latvia. Ukraine holds the 22<sup>nd</sup> place being ahead only of Bosnia and Herzegovina, Uzbekistan and Tajikistan. Over 10 indicators position Georgia in the top five. Only by two indicators (resolving insolvency and trading across borders) Georgia holds the lowest position. Ukraine, by contrast, only by two indicators (starting a business and getting credit) holds high positions.

Rating of "Paying Taxes" evaluates tax burden of an average enterprise in terms of administration and payment of corporate income tax, social contributions, taxes withheld from the income of employees, property taxes, taxes on transfer of property, taxes on dividends and other obligatory payments which have to be paid by business. In addition, the analysis is made on the information on the frequency of submission of tax returns and payment of taxes, as well as the time required to perform tax obligations by business. The ranking also includes the assessment of the processes that follow tax payments, in particular tax audits, receiving budgetary claims, administrative appeals, which allows making a detailed analysis of tax systems.

The indicator "Paying Taxes" is evaluated by the following parameters:

- the number of payments, which measures the frequency with which the company has to file and pay different types of taxes and contributions, adjusted for the manner in which those filings and payments are made;
- total tax rate (the measure of tax cost, the total of all taxes borne as a percentage of commercial profit);
- the time to comply with the three main taxes (corporate income taxes, labour taxes and mandatory contributions, and consumption taxes) which captures the time required to prepare, file and pay each tax type;
- post-filing index, based on four equally weighted components:
  - 1) time to comply with a VAT refund (hours);
  - 2) time to obtain a VAT refund (weeks);
  - 3) time to comply with a CIT audit (hours);
  - 4) time to complete a CIT audit (weeks).

The comparison of Ukraine with other countries and groups of countries (tab. 5) shows that Ukraine has favourable conditions by the indicators such as "Number of tax payments" and "Post-filing index" but too much time for calculation and payment of taxes and a relatively high overall tax rate.

**Table 5**

**Comparison of the indicators of Ukraine by the indicator "Paying Taxes" with other countries and group of countries**

| Indicator                                      | Ukraine   | Europe and Central Asia (25 countries) | OECD high income (32 countries) | New Zealand | Georgia   | საქართველო |
|--|-----------|--|---------------------------------|-------------|-----------|------------|
| <b>Rank among all countries</b>                | <b>84</b> | -                                      | -                               | <b>11</b>   | <b>22</b> | <b>47</b>  |
| Number of tax payments                         | 5,0       | 17,6                                   | 10,9                            | 7,0         | 5,0       | 7,0        |
| Time for calculation and tax payments          | 355,5     | 221,5                                  | 163,4                           | 152,0       | 270,0     | 271,0      |
| Overall tax rate (% of income before taxation) | 51,9      | 33,8                                   | 40,9                            | 34,3        | 16,4      | 40,4       |
| Post-filing index (0-100)                      | 79,3      | 71,9                                   | 85,1                            | 96,9        | 87,2      | 92,2       |

Source: summarised on the basis of reports of *Doing Business – 2017* [22] and *Paying Taxes – 2017* [23], official data of the websites <http://doingbusiness.org/> [1]; <http://www.pwc.com/gx/en/services/tax/paying-taxes-2017> [3].

As noted in the report "Paying Taxes 2017" average companies in the world spend 251 hours on tax calculation, preparation of reports and payments, perform 25 payments at an average total tax rate of 40.6% of income before taxation.

In the report of "Paying Taxes 2017" Ukraine and Georgia are analysed in comparison with 19 countries of Central Asia & Eastern Europe.

Among these countries Ukraine has the lowest number of tax payments (including Georgia) which is 5. Other countries have more payments: from 6 (Azerbaijan)

to 51 (Kyrgyzstan). The total tax rate in Ukraine is one of the highest which is 51.9% (ahead of Ukraine only Belarus – 54.8% and Tajikistan – 65.2%). In Georgia, the total tax rate is 16.4%. Index of calculation of taxes is one of the highest in Ukraine and equals 355.5 (the indices are higher only in Bosnia and Herzegovina – 411 hours). But this index (270 hours) is also high in Georgia. According to the index of procedures after reporting Ukraine is on 79,3 position of this mini-ranking, and Georgia has a better index (87.2) due to the following factors (tab. 6).

Table 6

## Components of Post-filling index of the countries of Central Asia&amp; Eastern Europe

| Indicator                            | Ukraine | Georgia | Serbia (easiest) | Turkey (most difficult) |
|--------------------------------------|---------|---------|------------------|-------------------------|
| Post-filling index                   | 79.3    | 87.2    | 94.0             | 3.9                     |
| Components:                          |         |         |                  |                         |
| 1. VAT compliance time (hours)       | 16.0    | 20.5    | 4.0              | No refund               |
| 2. VAT waiting time (weeks)          | 28.2    | 8.5     | 8.2              | No refund               |
| 3. CIT audit compliance time (hours) | 3.0     | 1.5     | 5.0              | 47.5                    |
| 4. CIT audit completion time (weeks) | 0.0     | 0.0     | 0.0              | 32.1                    |

Resource: summarised on the basis of the report of *Paying Taxes – 2017* [23], official data of the website: <http://www.pwc.com/gx/en/services/tax/paying-taxes-2017> [3].

Indicators of mini-ranking of the EU countries are:

general tax rate: from 20.8% (Luxembourg) to 62.8% (France);

time for calculation and payment of taxes: from 52 hours. (San Marino) to 453 (Bulgaria) (Bulgaria is far ahead of other EU countries; Hungary in ahead of it with the figure of 277 hours.)

number of payments: 4 (Norway) to 31 (Croatia);  
index of procedures after reporting: from 48.4 (Italy) to 98.6 (San Marino).

If the assessment of an economy of "Paying Taxes" indicator increased or decreased by 2% or more to the extreme limit, the changes in tax legislation that led to it can be qualified as a reform. Moreover, these reforms fall into two categories: reforms that simplify business and reforms that complicate business. Since 2004 there have been 443 reforms in the tax area in the world. The reforms were aimed at doing business easier.

The positive indicators should be considered critically. In 2010 Ukraine was on the 181 position in the ranking "Paying Taxes", and it was almost the worst among the countries of the world. The main negative factors that determined the low competitive position of the Ukrainian tax system were:

- instability, internal contradictions and inconsistencies in tax legislation;
- high tax burden on business;

• misallocation of tax burden among factors of production;

• complexity of tax administration;

• indiscriminate and unjustified tax privileges and exemptions which increase the tax burden on efficient companies that honestly pay taxes [7, p. 11-13].

In 2015 Ukraine held the 108<sup>th</sup> position. This increase was due to the reforms in the tax sphere, adoption of the Tax Code and its reforming in 2015. The most significant improvements include the following:

1. Introduction of potentially effective set of tax incentives and stimuli for business support;
2. Establishment of the mechanism for automatic reimbursement of VAT.
3. Building up tax service centres that will provide a more comfortable environment for taxpayers;
4. Formation of electronic channels of communication with taxpayers;
5. Reducing the number of regulatory organisations.
6. Reducing social security payments and reduction of the amount of reporting [8].

During this period there was a decrease in the number of tax payments. But to some extent this improvement was "artificial" taking into account the changes that were made in the property and resource taxes (tab. 7).

Table 7

## Transformation of the number of taxes and collections in Ukraine

| 2011-2014   | since 2015   |
|---|--|
| Fee for the first registration of a vehicle   | <i>Property tax</i> , which consists of:   |
| Fee for the land  | tax on real property other than land;  |
| Tax on real property other than land  | transport tax;   |
|   | <i>land tax</i>  |
| Fee for the rent of transportation of oil and oil products in pipelines and oil pipelines, transit pipeline transportation of natural gas and ammonia on the territory of Ukraine | <i>Rental fee</i> , which consists of:   |
| Fee for the rent of oil, natural gas and gas condensate produced in Ukraine   | rental fee for use of subsoil for mining;  |
| Fee for using subsoil   | rental fee for use of subsoil for the purposes not related to mining;  |
| Fee for using the radio frequency resource of Ukraine   | rental fee for the use of radio frequency resource of Ukraine;   |
| Fee for special usage of water  | rental fee for special use of water;   |
| Fee for the special usage of forests  | rental fees for special use of forest resources;   |
|   | rental fee for the transportation of oil and oil products in pipelines and oil pipelines, transit transportation |

Source: summarised on the basis of the *Tax Code of Ukraine* [24].



As we see the taxes were not cut, they were only united in two taxes, within which there are several subtypes.

Improvement of the tax policy and development of tax environment should be conducted in the following areas:

improvement of consumption taxes; improvement of taxation system for legal entities; use of the experience of personal income tax of foreign countries in Ukraine; improvement of the tax benefits system [10];

reducing the number of social security payments and reduction of the amount of reporting; bringing to order the system of refunding VAT; introduction of the institution of a consolidated group of taxpayers; simplification of tax reporting and accounting for certain taxes; return to the previous mechanism for calculating income tax which was based on the actual rates of profit; improving information technology of communication between

payers and regulatory organizations and expand "on-line" services [8].

**Conclusions.** Recent years the number of business entities decreases despite the fact that Ukraine's position in the international rankings (including "Doing Business" and "Paying Taxes") increases. The further increasing of the ranking of our country in the world economy in general and in different areas in particular (trade, financial, social, etc.) is impossible without forming a solid basis for internal development which is provided by the taxation system. Despite some positive changes Ukraine has the potential to improve institutional, administrative and economic instruments in this sphere. However, it is important to avoid activities that "artificially" increase the ranking of the country without real improvement in the area as this may adversely affect the image and reputation of the country causing distrust of the governance and regulation.

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