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ESSENCE AND CONCEPTUAL BASES OF THE FORMATION OF A TAX POLICY UNDER CONDITIONS OF THE EUROINTEGRATION PROCESSES

The conceptual-theoretic principles of state's tax policy and the integrational structure, EU, are studied. The influence of the institutional factor on the state's tax policy and its peculiarities under the post-socialist transformation is determined. Authors' look at the tax coordination and the tax harmonization as forms of a realization of the tax policy of EU and their relation to the tax competition and the tax convergence is proposed. Some recommendations on the formation of Ukraine's tax policy under conditions of the implementation of the EU – Ukraine Association Agreement are developed.

Keywords: state's tax policy, tax policy of the integrational structure EU, tax policy conception, tax reform, tax coordination, tax harmonization, tax competition, tax convergence.

The European economic integration, which takes place simultaneously with the globalization of the world economy, actualizes the tax policy research not only on the state level, which, in particular, tends to benefit from the involvement in the world economy and (or) participation in integration processes, but also on the level of integration entity (supranational level). Moreover, these two entities develop their tax policies to achieve improvements in social and economic development; also they set different goals depending on the priorities of their functioning and development.

The state, which builds its tax policy seeks to primarily respect its national interests under particular internal and external socio - economic and institutional conditions (including these depending on whether it aims to improve the functioning of its economy and becoming one of the world leaders in terms of economic development or either intends to "leap" in economic development by reducing the "backlog" of world leaders, and is on the path of market reforms). However, the formation of tax policy in integration entity involves balancing the often conflicting national interests for creation of favourable conditions of the integration entity development, in general, and its members, in particular. Sometimes it requires the consent of the latter for the deterioration in certain national economic conditions with the aim to get other benefits both, as soon as possible, and in the future.

The essence and conceptual basis for the formation of tax policy has been developed in the works of V. Andrushchenko, T. Yefimenko, O. Danilov, Yu. Ivanov,

V. Kudriashov, I. Lunin, I. Maiburov, V. Oparin, L. Pavlova, V. Panskov, A. Sokolovska, V. Fedosov, D. Chernyk and other scientists. But poorly studied are scientific paradigm of the state tax policy in the context of globalization and the European integration (in particular, under the post-socialist transformation), theoretical and methodological principles of forming and implementing the tax policy in the integration entity - the EU, as well as the problems of scientific substantiation of recommendations for modification of tax policy in Ukraine in the conditions of implementation of the Association Agreement between Ukraine and the EU. **The objective of the paper** is to clarify the theoretical and methodological principles of tax policy in terms of the European integration, to develop proposals for the formation of the tax policy in Ukraine on the basis of the European integration tasks and priorities.

In the scientific literature, the tax policy is often considered at the level of the state that is well seen in the description of this particular definition. At that, there are two approaches (narrow and wide) to the interpretation of the term of «tax policy of the state." A narrow approach characterizes the tax policy as a system of measures implemented by the government in taxes and tax payments (fees). In particular, V. Paryhina and others understand the tax policy as the system of organizational and legal measures regarding the formation, development and improvement of the tax system, improvement of the efficiency of tax control and tax administration in general [1, p. 123].

A broad approach is based on the consideration not only fiscal, but also no less important regulatory role of taxes. However, different definitions of tax policy within this approach are characterized by varying degrees of "liberality" in its essence. According to V. Panskov and V. Kniazev, the tax policy is a set of economic, financial and legal measures to provide the financial needs of the state, of some social groups, and the development of the economy through the redistribution of financial resources [2, p. 117].

In other definitions no special emphasis is made on the fiscal role of taxes. In particular, D. Chernik and L. Pavlova consider the tax policy as a part of economic policy aimed at developing the tax system that will ensure economic growth, will harmonize the economic interests of the state and taxpayers, taking into account the socio-economic situation in the country [3, p. 55].

I. Maiburov believes that the regulating effect of taxation is not limited to the dominant of ensuring the GDP growth; therefore he offers his own definition. According to his view, the tax policy is a part of socio-economic policy of the state, focused on the formation of such a tax system, that will encourage savings and sustainable use of national wealth, will harmonize the interests of the economy and society, and thus will ensure its socio-economic progress [4, with. 434-435].

A. Sokolovska develops D. Chernik, L. Pavlova and I. Maiburov's approaches to the interpretation of the state tax policy nature, viewing the formation of the tax policy as the art for compromising the interests of different social groups in establishing and changing the parameters of the tax system that meets the requirements of social and economic progress of the society in general, and the challenges the country is facing at a particular stage of its development; in the conditions of macroeconomic instability the country's ability to use taxes for balancing between the performance of tasks of fiscal consolidation and the creation of conditions for economic growth [5, p. 44].

Unlike fiscal policy of the integration formation, whose aim is not to ensure the finance for the operation of all its members, the state tax policy should be focused on accumulating sufficient funds in centralized cash funds to discharge its functions. This

should be reflected in the tax policy of the state. However, we should not limit the interpretation of this definition to the system of measures implemented by the government in taxation, in order to establish all elements of the tax revenue for the state budget and protect tax sovereignty, as proposed by A Zakharov [6, p. 8]. The protection of national interests and tax sovereignty (if it is in the national interest) is an important objective of the tax policy in the conditions of globalization and the European integration, but it has not been paid attention to in other mentioned definitions.

T. Yefimenko accentuates the latter, who believes that one of the main objectives of the tax policy in modern conditions is that by providing the necessary revenues to budgets of all levels for the performance of state functions at the same time to induce economic agents to direct business activities in the areas that are a priority for a strong competitive state [7, p. 9].

We also note that the state tax policy "goes beyond" the formation of the tax system, as it includes measures of implementation (cancellation), adjustment of mechanisms and collection of contributions to the state social funds that are taken into account in determining the tax burden on the economy and business market, though in many countries they are not included in the tax system.

There is one more important emphasis in understanding the nature of this definition. The state tax policy is an indirect method of regulation of social and economic development in the distribution and redistribution of GDP [2, p. 116-117; 8, pp. 13-14]. In view of the above, the tax policy of the state is understood the activities of the latter in the areas of implementation (cancellation), adjustment of mechanisms and organization of taxes and tax payments, which is a tool of distribution and redistribution of GDP in order to ensure a sound financial basis for functioning of the state, to achieve improvements in socio-economic development and protection of national interests in the context of globalization and integration processes.

The conceptual bases of the tax policy formation are also developed by economic science. It is proved that the formation of tax policy should be based on the following criteria: fiscal adequacy (the state interests - provision of sufficient financial resources to carry out its functions); economic efficiency (the interests of taxpayers – minimization of taxation negative effects on economic processes); social justice (the interests of citizens – linkage between paid taxes and tax payments with the «reverse flow" of quality public goods); stability; and flexibility [8, p. 136]. However, depending on what "correlation" is selected for meeting the first two criteria, one can conclude what shape the tax policy should take: a policy of maximum taxes, the policy of economic development, or the policy of reasonable taxes [2, p. 118-120; 8, pp. 22-23].

A. Sokolovska rightly considers that one of the key principles that the formulation and implementation of the tax policy should be based on is unity of strategy and tactics of tax policy. Tactical goals, objectives and ways of their implementation must not conflict with the strategic ones, and they all have to be consistent with the concept (doctrine) of the tax policies [5, p. 50].

I. Maiburov and A. Sokolovska under the concept (doctrine) of the tax policy understand a fundamental system of views respective the creation of tax system, the direction of its improvement and (or) reform [4, p. 436; 5, p. 50]. We can agree with this approach "adjusted" to the fact that the tax policy "goes beyond" the formation of the tax system. Therefore, we consider the tax policy concept (doctrine) a system of views on the tax system and contributions to the state social funds, areas of their improvement and (or) reformation.

It is also important that in scientific literature there is no unity in the interpretation of the definition of "tax reform". If I. Maiburov believes a tax reform a limited in time complex process of radical transformation of the tax system to adjust it to a new meaning of tax policy [4, p. 437], Ya. Myhailyshena understands its essence much wider. In her opinion, the tax reform is a purposeful adjustment of the tax system by the state, which serves as a tool for implementing the tax policy. The objective incentive for the tax reform is the need to adapt elements of the tax system to the economic conditions of their operation that change [9, p. 218-220]. We hold the position of "golden mean", understanding a comprehensive tax reform as a process of making significant changes to the tax system and (or) of contributions to the state social funds in connection with the adjustment of the tax policy.

Among other principles, which the formation and implementation of the state tax policy should be based on, A. Sokolovska sees the following: the tax policy continuity and phased changes; integrated (the reform of the tax system can not replace the reforming of other areas of economic and social life); evaluation and taking into account expected effects while making decisions on the tax policy trends; ensure the contents compliance of tax innovations with the conditions for its implementation; compliance of tax innovations with public expectations as a pledge of their social perception; publicity [5, p. 50-52].

Agreeing with the position of the scientist, we note that these principles are connected with the related institutional factor (institutional environment influence, i.e. formal institutions, informal institutions, cultural traditions and values) in the formulation and implementation of fiscal policy. Change of taxation parameters often involves the transfer of financial resources of some economic agents to others, at that, the first economic agents not always perceive this transfer positively and therefore block. In particular, the business sector tries to prevent the adoption of laws to increase tax rates (increase in tax exemptions does not compensate an equivalent increase in the consumption of public goods), and if that fails, it looks for the ways to reduce the tax burden on business, not wanting to fulfil in full amount the new fiscal obligations. As a result, the state loses tax revenues and tax payments, which makes it impossible without public borrowing (not always available due to the budget deficit) to finance additional spending. The state expenditures have to be adjusted on the basis of actual amounts of revenues, tax payments and borrowed loans. Theoretically optimal parameter changes of redistributive processes do not occur. Actual GDP growth rates are lower than the potential. The economic effect of the tax (institutional) transformation preferably fully or partially is mitigated by the influence of the inertial mass of all institutional environments [10, p. 44-62].

So, we believe the institutional criteria for the formation and implementation of the state tax policy are the following:

1. *Compromise*. There should be balanced the interests of the state, the business sector and citizens, and so, that all subjects of redistributive relations be almost equally satisfied with the redistribution. It should be collected maximum tax revenues and tax payments, not suppressing entrepreneurship initiative; the state expenditures should provide the best combination of social measures, measures to promote the GDP growth and market transformations (in post-socialist countries).

2. *Complementarily of tax changes*. The tax innovations should be well coordinated with other legal norms, provide for the actions affecting the informal level of institutional environment and positively valued by society. However, while promoting unpopular tax transformations it should be remembered that inefficient tax mechanisms

are harmful both from the standpoint of social justice, and purely from pragmatic reasons. Slowing down the GDP growth, they turn over time even against those who at first received profit.

3. *Denial of radical tax initiatives.* Significant changes in taxation are often associated not only with positive economic impact and expansion of the tax base as with fiscal losses, which have to be compensated via the attraction of state loans. Therefore, the tax reform should not occur by "big bang", but gradually, simultaneously with changes in the institutional environment.

4. *Stability and flexibility.* Tax policy should, on the one hand, meet defined in its concept (doctrine) modification areas of the tax system and contributions to the state social funds, on the other - to respond quickly to changes in the fiscal and reproductive processes.

In general, the prevailing institutional environment must be considered when developing the tax policy only in the short term, while in the long term the functioning tax mechanisms should be taken into consideration. And that will contribute to positive changes in the socio-economic development and protection of national interests in the context of globalization and integration processes, providing a change of institutional realities.

The formation of tax policy in the post-socialist countries are characterised by the effects connected with the restructuring of socio-economic system and redistributive mechanisms in the context of the establishment and strengthening of market relations. Given this, it is proposed the following conceptual approaches to the development of the tax system [11, pp. 56-57]:

- combined use of a large number of taxes and a single tax for various market entities (depending on the size of the subject), with further transition to the promotion of small business based on the practices of the developed countries, that is, by paying all taxes and tax payments at reduced rates;

- active use of indirect and direct taxes. Widespread application of VAT is appropriate because of the need to develop the mechanism for funds accumulation that would simultaneously have an expanded tax base (for the growing fiscal needs), and insured the budget revenues from inflation by linking earnings to price changes. However, stratification of the population raises the question of the social justice of redistributive mechanisms. The gradual increase in incomes over time enables the use of more fair forms of taxation (direct taxes);

- in the early stages of market transformation – use of the proceeds of legal entities as the main objects of income taxation and the widespread use of implicit methods for redistribution of personal sector through taxes on consumption, and after succeeding in socio-economic development - the use of reduced VAT rates on fast moving consumer goods. This can help to approach the optimization of the tax burden distribution adequate household incomes;

- a gradual shift from the use of intensive and rigid tax control to the ideology of partnerships with taxpayers with positive changes in the development of economic and institutional environment.

We also consider that the tax policy in post-socialist countries should be formed with the following determinants:

1. *Transitive realities.* An important objective of the tax policy in the formation and establishment of market economy should be facilitation of system-based developments. This requires a clear conceptual vision of necessary reforms and tax instruments that will ensure their implementation. Moreover, the use of such instruments should be

adapted to national economic realities. It is in fact, the need to find national tax know-how, i.e. the complex of mechanisms that contribute to qualitatively new changes in social and economic development.

However, it is important for the post-socialist countries to apply taxes and tax payments, which provide a large share of public revenues in the countries with the developed market economies, particularly in the EU-15 (especially if the European integration has been chosen). The introduction of unique national or archaic taxes (e.g. turnover tax) could solve some economic and fiscal problems, but would weaken the country's positions in a globalized world and (or) make it impossible to deepen its cooperation with the EU.

2. *Operation of a significant shadow economic sector.* The formation of market economy in the early stages of which there is often observed occurrence (exacerbation) of disparities of socio-economic system development and the GDP redistribution, that induces a large number of market players to use shadow schemes of economy management. And the elimination of such disparities does not always provide a return movement towards the abandonment of shadow economic activity (at least in the expected scale)¹. The "developed" shadow economy on the one hand, affects the conditions of competition for law-abiding subjects of the market, on the other - leads to significant fiscal losses. Thus, the fiscal policy of the post-socialist countries should be aimed at ensuring the legalization of economic relations with the correct placement of accents («carrots and sticks») in fight against the shadow economy.

3. *Problems of improving the efficiency of redistributive processes.* In case of the GDP growth in the post-socialist countries, there the illusion arises that only liberal tax reforms will improve the dynamics of economic development, and ever increasing expanding of the tax base will serve the financial basis for solving all social and structural problems (in the long view). In fact, the potential for significant growth under the shadow economy, lack of financing for infrastructure improvement, research funding is quite limited, and the tension due to the aggravated disparities of socio-economic system increases the threat to the growth of radical sentiments in the society. Therefore, the countries that do not find optimal balance in the choice of economic and social priorities for the formation of the tax policy, are very vulnerable to deteriorating of global conditions and they risk to "fall victim" of social protests.

An urgent question is: what the tax policy of the state should be in the economic crisis? The scientific literature highlights two approaches to its formation. The first view is that the economic crisis is the best time for systemic changes and strengthening of the tax regulatory function. It is just in the times of crisis when most of the shortcomings of the tax system are manifested, and those flaws in the legislation that are acceptable under normal conditions are very dangerous in a recession period. According to the second point of view, during the crisis the use of any tax regulation tools should be minimal, and the systemic tax reform is unnecessary. The main argument of supporters of the second approach is that possible easing of rigid fiscal discipline will certainly lead to a significant reduction of the budget revenues, which has been already reduced before. This will make it impossible to fulfil social obligations and implementation of investment programs needed to overcome the crisis [13, p. 282-283].

We hold the first position, particularly in the conditions of establishment and strengthening of market relations. The crisis is an impetus for rethinking the state's role

¹ Note, that in the post-socialist EU countries the shadow economic sector made in 2007 year 26% of GDP against 17,4% in the EU-15 countries. In Ukraine that figure was 46,8% of GDP.

in regulating the processes of socio-economic and tax instruments that it uses. During the crisis it is easier to convince the society in the feasibility of a system-based tax reform than to adjust the tax policy under favourable conditions.

Now we will consider a poorly studied domestic tax policy at the level of integration entity - the EU.

The EU tax policy is formed in accordance with Chapter 2, "Tax Provisions" of section VII "Common rules on competition, taxation and approximation of the laws" of Part III "Internal Policies and Activities of the Union" Treaty on the Functioning of the EU and the Communication of the European Commission². They noted that the EU has no need for harmonization of tax systems of the member countries. They choose suitable for them tax arrangements in compliance with the EU law (including directives and legislative acts on taxation) Forming a common legal framework for the EU tax should be based on the principles of subsidiary and proportionality. Art. 113 of the Treaty on the Functioning of the EU says that the Council, taking a unanimous decision after consulting the European Parliament and the Economic and Social Committee, issues legislative acts on harmonization of turnover taxes, excise duties and other indirect taxes, if necessary for the establishment or operation of a single internal market, and to prevent distortion of competition³. Thus, the European Commission was entrusted to insist on changes in the tax legislation in the EU countries respective the rules which do not comply with the EU legislation (basic EU laws and directives, and other legislative EU taxation acts)⁴.

Throughout the history the formation of a common legislative framework for the taxation proceeded with complications, and the coordination of the relevant directives and other EU legislative acts often lasted for years. The most harmonized with the EU legislation acts are VAT and specific excise duties. This is due not only to the importance of free movement of goods and services within the single market, but also to smaller differences in the consumption than the level of company income and profits in the context of the "old-timers" and new EU countries. Today only a few directives have been adopted on corporate tax harmonization, related primarily to the avoidance of double taxation (solving the taxation problems of cross-border activity). The main obstacles to the development of tax harmonization is the reluctance of many EU countries to limit their sovereignty in making economic decisions, and not always effective actions of the countries admitted to the EU for political reasons in respect of their participation abilities in integration to overcome the lag in economic development of the countries which launched the European integration⁵. This poses significant limitations for tax policy.

The EU supranational bodies solve the particular problems in the taxation of its members, which the latter can not cope themselves. Addressing many of them requires better coordination of national tax policies that are governed by the Communication of

² EC Communication "Tax policy in the European Union - priorities for the years ahead" of 23.05.2001 (COM (2001) 260) [El. resource]. – : <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2001:0260:FIN:EN:PDF>.

³ Consolidated version of the Treaty on the Functioning of the European Union [El. resource].: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:12012E/TXT>.

⁴ EU Tax Policy Strategy [El. resource].: http://ec.europa.eu/taxation_customs/taxation/gen_info/tax_policy/index_en.htm.

⁵ The peculiarities of tax harmonization development and effects produced by the European integration on the taxation of the EU countries have been studied earlier. [10, pp.. 7–26].

the European Commission⁶. The Commission has to ensure compatibility of the EU tax policy with the priorities of its operation and development: to ensure GDP growth, to increase employment, to achieve its goals in the areas of environment and energy.

Another area of the Eurocommission on taxation is promotion of research and innovation. Thus, the Commission⁷ in its Communication proposed tax incentives for the market actors, involved in the R&D, and innovation, and provided recommendations on their use. This is done primarily to eliminate tax obstacles to innovation and investment activities of multinationals that operate in some EU countries; implementation of those provisions contributes to convergence of approaches to preferential taxation.

The European Commission has taken steps to ensure transparency and exchange of tax information, prevention of unfair tax competition, highlighted in the Communication⁸. In particular, there are meant the features of the agreements with third countries to prevent erosion of the tax base.

An important focus of tax policies coordination in the EU is made on the fight against tax offenses, control strengthening over the relationships between parent and subsidiary companies, and imposing a tax on financial transactions. However, not always is possible to make progress on these issues. In particular, a tax on financial transactions, despite its importance for accumulating financial resources to mitigate the negative effects of probable worsening of global conditions, has not been introduced.

The European Commission is actively using "optional" tools of coordination of national tax policies (recommendations) and regularly publishes statistical and analytical materials about the taxation in the EU countries⁹. It promotes "convergence" of tax arrangements in the territory of the integration entity.

The European Commission provides recommendations on tax policy in the EU countries. These are general recommendations for progressive changes in taxation, and tax proposals respective adjustment of tax mechanisms of certain EU countries. In particular, in 2014 the EU countries were recommended: to expand the tax base by eliminating ineffective tax incentives; simplify VAT administration and improve its efficiency; reduce the tax burden on labour and increase it on consumption, property and environmental pollution; take measures to prevent tax evasion and to take the coordinated actions to combat the aggressive tax planning and tax havens¹⁰.

Consequently, the tax policy of the EU provides both, a framing of a common legal base for tax mechanisms "rapprochement" of integration participants, introduction of other coordinated measures especially to combat tax evasion and prevent erosion of the tax base, and encourage similar changes in national taxation to solve similar problems,

⁶ EC Communication of 19.12.2006. (COM (2006) 823) [El. resource].: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52006DC0823&from=EN>.

⁷ EC Communication of 22.11.2006 p. (COM (2006) 728) [El. resource].: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0728:FIN:EN:PDF>.

⁸ EC Communication of 28.04.2009 p. (COM (2009) 201) [El. resource].: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0201:FIN:EN:PDF>.

⁹ EU Tax Policy Strategy [El. resource].: http://ec.europa.eu/taxation_customs/taxation/gen_info/tax_policy/index_en.htm.

¹⁰ European Semester. Towards more growth friendly tax systems. What are the tax priorities for the 2014 European Semester [El. resource].: http://ec.europa.eu/taxation_customs/taxation/gen_info/good_governance_matters/european_semester/index_en.htm.

achieving long-term goals and objectives to meet current functioning of the integration entity.

The definition of "the EU tax policy" is associated with the other two terms, namely: "tax harmonization" and "tax coordination" («coordination of Member States' tax policies»). A. Pohorletskyi believes that an important factor of the European integration succeeding is a modification of the tax mechanisms of the EU countries, which is under the influence of international tax competition and harmonization (coordination). Accordingly, there is a convergence of national tax legislations, the structure of tax systems, tax rates, and calculating methods of the tax base [14, p. 30].

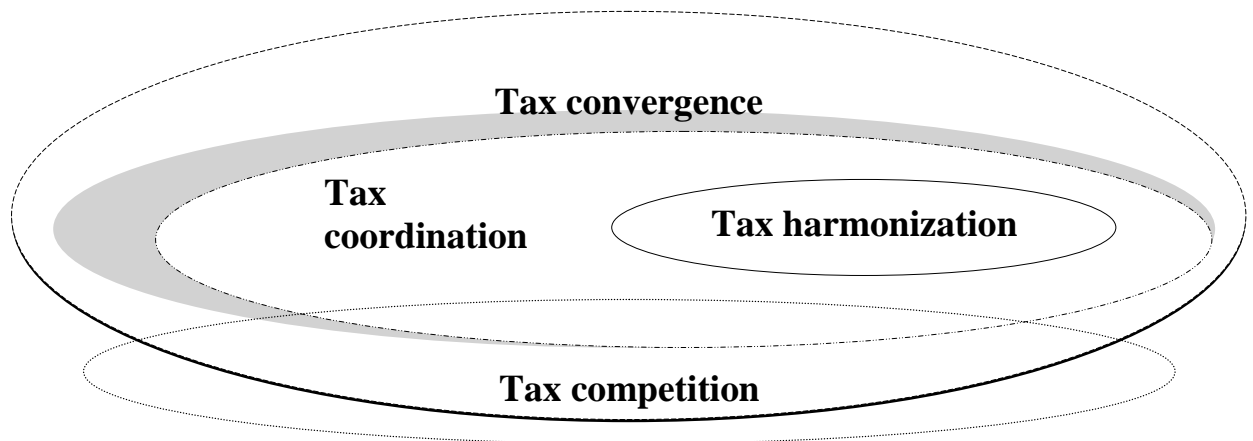
The scientific literature also highlights a different approach to the interpretation of the terms of "tax harmonization" and "tax coordination" [15]. According to it, the EU tax policies are implemented by tax coordination, one form of which is a tax harmonization (that is, "equalization" of tax rates and (or) tax bases). The authors of this approach also give a definition for the term of the "taxation convergence", which refers to the reduction of differences in national tax arrangements due to tax coordination and tax competition (the latter often occurs through "traffic down", that is, the strategy of tax liberalization).

Since tax harmonization is a form of tax coordination, it can be considered the formation of a common legal framework for "rapprochement" of tax mechanisms for integration participants. Accordingly, we consider the tax coordination in the EU as the tax harmonization, and implementation of other agreed measures, especially to combat tax evasion and prevent erosion of the tax base, as well as providing recommendations to encourage integration participants to change national taxation mechanisms in order to achieve long-term goals and perform current tasks of integration entity functioning.

We emphasize that the "alignment" of tax rates or tax bases in the integration territory may be the result not only of tax harmonization, but also of tax coordination, tax competition, as well as making amendments to the national tax legislation not associated with these processes (due to the use of similar tax mechanisms in different countries to deal with such problems not on the initiative of the Commission; creating favourable conditions for economic growth, that the tax competition is aimed at, is just one of the objectives of the state tax policy).

At the same time, the convergence of the EU tax is mainly due to the targeted impact of its supranational bodies (tax coordination in the interests of the integration entity) and tax competition (tax measures of the EU countries meeting national interests). Since aggressive "tax dumping" hinders the achievement of long-term goals and current objectives of the EU functioning, the tax coordination should prevent unfair tax competition.

Schematically, the relationship between the tax coordination, harmonization, competition and tax convergence in the EU is shown in the figure. The consequence of tax competition may be the convergence of taxation and increase in differences of national tax arrangements; not all tax changes that are a manifestation of tax competition and ensure the "convergence" of national tax mechanisms contribute to the achievement of long-term goals and current objectives of functioning of the integration arrangement; tax harmonization is the most effective imperative tool to eliminate tax obstacles for cooperation in the EU, but due to it there occurs only a part of changes in the direction of taxation convergence.



Relationship between tax coordination, harmonization, competition and convergence in the EU

That distinction of the concepts allows better understanding the nature of the EU tax policy. A. Zakharov interprets it as a system of measures implemented not only by the institutions and the EU bodies, but also by its member countries to harmonize the tax legislation of the member states in order to eliminate tax obstacles in the internal market of the EU, to implement the free movement of goods, individuals, services and capital, to prevent unfair tax competition among the member states, and tax discrimination in the domestic market, to develop new principles and mechanisms for avoiding double taxation, as well as to ensure combat against tax offenses [6, p. 8].

The EU tax policy involves the coordinated actions of its members in order to avoid double taxation, fight against tax evasion and prevent erosion of the tax base. However, we emphasize that the main role in the formulation and implementation of fiscal policy is played by the EU Commission, which develops tax initiatives in the EU and exercises control and supervision over their implementation.

Removing the tax obstacles in the single EU market, ensuring free movement of goods, individuals, services and capital, prevention of unfair tax competition and discrimination are the EU long-term goals and objectives, but they do not form an exhaustive list. Therefore, we understand the nature of the EU tax policy more widely.

According to our vision, the EU tax policy involves the activities of the supranational bodies and states to promote the formation of legal framework on taxation, introducing other coordinated tax actions, that are obligatory for being carried out, as well as to provide recommendations to encourage certain changes in the national taxation instruments promising to achieve goals and objectives of current functioning of the integration formation by adjusting the redistributive mechanisms of its members.

The EU tax policy is implemented through tax harmonization (with the consent of all its member countries), and the implementation of other forms of tax coordination to ensure and promote "constructive" and avoid "destructive" changes in national taxation mechanisms in order to achieve progress in economic and social development of its members. The formation of the EU tax policy is the art of balancing of the often conflicting national interests. It produces a disciplining effect on the tax policies of the EU countries that are "paying little attention" to improving their redistributive mechanisms.

The tax policy of the EU member country should take into account the tax policy of the EU (primarily provide for the actions implementation of the latter, which are binding on all its territory). The formation of the tax policy of the country - candidate for EU membership is associated with a larger "field for manoeuvre" in compliance with national interests, but it should take into account the need for ever greater correspondence of national tax measures and measures of the EU tax policies (particularly, in case of Ukraine's EU membership prospects the latter should make more changes in the tax laws than is provided by the Association Agreement between Ukraine and the EU).

According to Chapter 4, "Taxation" in section V «Economic and Sectoral Cooperation" of Ukraine-EU Association Agreement and its Annex XXVIII, Ukraine has to take measures to improve the tax system and tax administration (with particular emphasis on the VAT refund procedure, preventing taxation evasion and aggressive tax planning), and also to adapt within a timely terms domestic tax laws to certain norms of EU seven directives on VAT and specific excise taxes (e.g. EU Council Directive 2006/112/EU of 28.11.2006. on the common system of VAT and directives governing the payment of excise duty on "harmonized" excise goods - alcohol and alcoholic beverages, tobacco products, energy products and electricity)¹¹. Thus, what is meant is a necessity of compulsory elimination of a number of differences between the rules of the Tax Code of Ukraine and the EU directives, and our state's implementation of some (without setting particular forms) of tax transformations to solve the pressing problems in taxation.

Given this, we believe that the tax policy in Ukraine under the implementation of the Association Agreement between Ukraine and the EU should be based on the following principles:

1) the tax policy in our country is advisable to consider the provisions of this Agreement, especially tax coordination in the EU, current tax policy and the tax development in the EU member countries (tax convergence trends and characteristics of national tax mechanisms improvement in compliance with fiscal traditions);

2) significant differences in socio-economic development and the development of institutional environment (in particular, on the functioning of shadow economic sector) in Ukraine and the EU countries demand the search for domestic know-how in the tax reformation based on the practice of the European countries (positive and negative) on similar terms;

3) domestic tax policy should be adequate to the economy and the situation with the replenishment of state budget and social funds, and simultaneously ensure the improvement of economic and fiscal performance, as well as ensure the improvement of economic competitiveness.

In other words, the formation of tax policy in Ukraine should be based on the Tax Code amendments, according to the Association Agreement between Ukraine and the EU (on the VAT and specific excise taxes), on gradual implementation of other obligatory measures of the EU tax policies, the European Commission recommendations and tax arrangements of the EU countries with changes in the economic development and legalization of economic relations, ensuring reliable

¹¹ Association Agreement between Ukraine on the one part and the European Union, the European Community on atomic energy and their member countries, on the other of 21 March, 27 June 2014 p. [El. resource].: http://www.kmu.gov.ua/control/publish/article?art_id=246581344.

financial framework of the state simultaneously with the creation of conditions for the GDP growth.

Some studies dealt with the fact that the adoption and implementation of the Tax Code in Ukraine facilitated approximation of tax rates in this country to the corresponding average rates in the EU [10, p. 135-161; 16, p. 37-56]. At that, the tax transformations in Ukraine in 2014-2015 in general met the requirements of the European Commission and the trends of tax reform in the EU countries. Repudiation of VAR lower rates and income tax, the abolition of a number of benefits from these taxes, changes in VAT collection and other measures to strengthen the fiscal role of consumption taxes, increasing the tax burden on high and passive incomes, expanding the tax base of property taxation, increasing the rates of resource payments and other taxes and fees were aimed at increasing revenues and improving social justice of the tax system. However, to 2016 in Ukraine the rate of contributions to the state social funds for employers (36,76-49,7%) was significantly higher than the average rate in the EU-28 (22.17%) and in the post-socialist EU countries (25.45%) that hampered entrepreneurship and restrained the de-shadowing of the economy. Thus, there was a lack of funds to finance the budget expenditures for economic needs (in 2013-2014 the consolidated budget revenues failed to fully cover its current expenditures). It did not contribute to the GDP growth either by improving the tax competitiveness of the national economy, or through proactive state position in socio-economic adjustment processes.

Among other taxation problems in Ukraine in 2015 should be mentioned the following: the domestic tax legislation remained complicated and had many shortcomings; with the implementation of the Tax Code it was impossible to use only certain schemes of tax evasion; the task of introducing preferential tax effective mechanisms was not solved to encourage investment; local taxes and fees did not provide reliable financial basis for local government functioning; calculation and payment of taxes required considerable time and taxpayers' money; there was needed the improvement of risk-based control and tax partnerships between tax authorities and taxpayers; there was shortage of fiscal resources in terms of military operations [10, p. 135-161; 17, p. 117-143].

In 2016 there came into force amendments to the Tax Code of Ukraine, according to which the use of preferential VAT regime for agricultural producers was limited and the scope of the simplified system of taxation of small businesses narrowed (by four times reducing the income threshold that entitles the taxpayer to be a payer of a single tax), which was a step towards the creation of equal conditions in the taxation for all economic activities (the importance of the latter was emphasized by the European Commission) and complicated tax minimization due to single taxpayers; the rate of property tax was increased and the extra charge established in the amount of 25 thousand UAH per year for houses measuring 500 m² and apartments - 300 m², which increased the tax burden on the rich; the excise tax on alcohol and tobacco products was increased by 40% or more (this corresponds to the European trends of fiscal strengthening of the role of excise taxes, but raises the threat of shadow production and import of specified excisable goods due to a sharp increase in rates); improved the VAT refund mechanism (to ensure its timely compensation provided for by the Association Agreement with the EU).

In addition, Ukraine in 2016 instead of 15% and 20% rates set the single tax rate on personal income of 18% (it was aligned with the rate on income tax), there was abolished the single social contribution for employees and reduced its rate for employers

by 22%. We note, that the alignment of tax rates on personal income and corporate income tax is unlikely to lead to a significant intensification of economic activity (despite the fact, that the overall tax burden on citizens with low incomes hardly changed), a return to a flat rate of income tax is in conflict with the demand of fairness in taxation, and in the EU there were no precedents of contributions cancellation to the state social funds for employees (in 2014 in post-socialist EU countries these contribution rates ranged from 4% in Estonia to 20% in Croatia). Reducing domestic rates of single social contribution for employers by about 2 times is associated with the threat of significant fiscal losses without progress in legalization of economic affairs (legalization is a complex process for which, especially in a recession, reducing of tax rates, even radical, is insufficient; there were not implemented fiscal and administrative measures to counteract the concealment of income from taxation). Probably the rate will increase again to cover the "fiscal gap". We believe that the best alternative implemented in our country in the 2016 reform of the social tax would be a gradual reduce of single social contribution rate for employers, the second and subsequent stages of which would depend on what the fiscal effect would be of the initial rate reduction.

Those changes in domestic taxation adopted hastily in late 2015 by reaching a severe compromise in the Parliament that did not contribute to a positive perception of the public.

So, Ukraine needs a further tax reform, during which the following events should be emphasized: 1) simplifying tax legislation, elimination of discrepancies and deficiencies in it (including those that allow the use of common schemes for tax evasion); 2) adaptation of the Tax Code to the EU Directives on VAT and specific excise taxes (according to the Association Agreement between Ukraine and the EU); 3) strengthening control over the tax incentives, the introduction of investment tax incentives with the recommendations of the European Commission; 4) expanding the base and deepening the property tax progressivity (it is harder to evade it than to evade income tax) as a practical embodiment of increase in tax justice based on "inclusion" the "wealth tax" to the tax system, and to increase local budget revenues; 5) simplifying and autoimmunization of tax administration, improvement of risk-oriented tax control (including the introduction of indirect methods of tax control), improving relations between tax authorities and taxpayers due to practices of the EU countries.

We also emphasize that to ensure the synergetic impact of tax reform and reforms in related areas on the improvement of the efficiency of redistributive processes in Ukraine it is important to harmonize the tax, fiscal and debt policies, as well as to carry out other important reforms (the fight against corruption, deregulation, decentralization, optimization and improvement of the efficiency of public economic sector , etc.), most of which is provided by the Association Agreement between Ukraine and the EU.

With the changes in socio-economic development, de-shadowing of economic relations and the subsequent resolution of fiscal problems in Ukraine during the formation of tax policy it should increasingly be taken into account the tax policy of the EU (primarily to comply the domestic tax legislation with the provisions of the EU directives concerning taxation that are not mentioned in the Agreement) and its member countries'.

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