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## **PROBLEMS OF TAX INFLUENCE ON SMALL BUSINESS OF UKRAINE**

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*У статті розглядаються питання малого бізнесу та проблеми податкового навантаження на нього в Україні.*

*This article discusses the issue of small business and the problem of tax burden on it in Ukraine.*

**Keywords:** *small business, monitoring service, Ukraine, tax.*

Small business is the pillar of the economy of any country in the world. It provides jobs for the population, creates goods and services, stimulates competition and weakens the influence of monopolies, replenishes the state treasury by paying taxes and, most importantly, provides profits to its owner.

Today, however, there are obstacles to the creation and operation of small businesses in Ukraine. The source of these obstacles is, in particular, the tax burden on this type of business, which provokes the closure of many business units, which negatively affects the economic state of the country.

In order to analyze the data and find ways to solve this problem, it is necessary to analyze the situation of small enterprises in Ukraine on the example of statistics of activity of natural persons-entrepreneurs (FOP), to study changes in tax legislation and to explore the experience of foreign countries in stimulating small business.

According to the monitoring service of registration data of Ukrainian companies and the court registry for protection against raids and control of

contractors OpenDataBot, from the end of December 2016 to January 2017, the total number of entrepreneurs decreased by 128 402 units.

Mass closure of FOPs is carried out in every region of Ukraine. Most of them are in the Kyiv (17176), Kharkiv (12390) and Dnipropetrovsk (11196) regions. The most closed are entrepreneurs of retail (43275) and wholesale (8931), warehouse (10798) and transport services (7040) [1].

However, the amount of the single contribution may not be less than the minimum insurance premium. This applies to the payers of the general tax system and the second and third groups of the simplified tax system. This means that these higher taxpayers are obliged to pay a single social contribution of UAH 704 even if they did not have income.

These actions of the government can be explained by the fact that it was planned to close the so-called "sleeping enterprises" and those abusing the simplified taxation system. However, it should be noted that most businesses have opted for a simplified tax system to minimize tax payments, and thus have more net income than they would receive under the general tax system. There are enterprises in Ukraine with real net income (after taxes and salaries paid) that do not exceed UAH 5-15 thousand per month (UAH 5-6 thousand per month from one min-shop) [2]. Therefore, any, even minor, negative action against their company forces them to cease their business and even more tax burden reflects in them incentives for entrepreneurial activity.

However, there are also positive developments for small businesses. In particular, an EU program has been launched in Ukraine that will allow the European Investment Bank to support small and medium-sized enterprises in Ukraine.

The purpose of the initiative is to strengthen economic development in the target countries by providing financial and technical support to small and medium-sized enterprises (SMEs). "The private sector is driving growth and new job opportunities in Ukraine. A new EU initiative should strengthen this segment of the national economy", Vice-President of the European Investment Bank Vasil

Gudak said at a conference aimed at informing various stakeholders in Ukraine about access to EU Bank financing [3].

However, it would be better to make changes within the country, namely in the legislation, than to require outside help.

To solve the problem of small business development in Ukraine, one should turn to the experience of other countries.

For example, in the UK, small businesses are entitled to a tax discount of 150% of R&D costs (with a minimum investment of £ 10,000). In Norway, a tax credit of 18-20% of expenditure is provided for small and medium-sized enterprises, provided that the corresponding expenditure does not exceed NOK 4 million (for universities and other research organizations - not more than 8 million). The exact amount of the benefit depends on the turnover of the company, the currency of the balance sheet and the number of employees. Spain's small businesses, along with standard tax credit options (used by any payer), are eligible for a special 10% tax credit on the cost of e-commerce, Internet technology, computer hardware and software development. In addition, the benefit in the form of a tax credit established for any enterprise investing in non-financial small and medium-sized enterprises engaged in technological innovation [4].

From this it follows that for the development of small businesses in Ukraine, and therefore for the creation and operation of those small profit-making enterprises, it is necessary to set lower tax rates and provide a larger tax credit for those entities that create an innovative product and engaged in environmentally friendly activities, contribute to the development of business and the country as a whole. It is appropriate to set a differentiated tax policy for these enterprises, based on their economic activity and level of profitability, the number of unemployed in the region where the business is conducted.

The proposed measures should positively influence the development of small business in Ukraine and, in particular, improve the economic situation and well-being of the population of our country.

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