

# STATE REGULATION AND LEGAL SUPPORT OF ENTREPRENEURSHIP ACTIVITY

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## OPTIMIZATION OF THE TAX BURDEN ON ENTREPRENEUR SINGLE TAX PAYER IN THE CONTEXT OF STABILIZATION UKRAINIAN ECONOMY

The question of determining a level of tax burden on businesses and individuals is very difficult for government, because, on the one hand, taxation is an instrument of economic regulation and taxes are a source of revenue of the state and local budgets, on the other hand, excessive tax burden hinders development of business.

According to the rating indicators «Doing Business-2015» and «Doing Business-2016» [1], data is generated based on the evaluation of aggregate indicators, one of which is the tax system of the country, Ukraine continues to be in a group of outsiders among 189 countries by many criteria (Table 1).

Table 1

Comparison of the major ranking indexes of Ukraine according Doing Business-2015 and Doing Business-2016

Indicators	Place in the ranking-2015	Place in the ranking-2016	Change in rank
Ease of doing business	87	83	↑ 4
Paying taxes	106	107	↓ 1
Getting Credit	17	19	↓ 2
Resolving Insolvency	141	141	-

*Source: Doing Business. Economy Ranking [1]*

Among the countries of Europe and Central Asia more unfavorable taxation is only in Albania, Serbia, Kyrgyzstan, Uzbekistan, Tajikistan and Bosnia and Herzegovina [1].

The tax system of Ukraine is in a state reform since independence. During the 2015-2016 years special attention was given to questions of tax burden, number of taxes, administration of special tax regimes, namely entrepreneur single tax payer. However, the question of unresolved expediency of the individual entrepreneurs single tax payer of Second group.

According to the Tax Code of Ukraine [2, 3] entrepreneurs single tax payer of Second group must pay a tax of 20% of the minimum wage, approved on January 1st of current year (under the law). In this way, the size of single tax in 2015 year amounted to 243,6 UAH per month, in 2016 year – 275,6 UAH. In this month's revenues from sales of goods, works and services is 125 thousand UAH (based on fact that the marginal annual sales revenue is 1,5 mln. UAH).

Based on the calculations it was found that the tax burden for such entrepreneur is 0,2% of turnover in the amount of revenue from sales of 125 thousand UAH.

Starting in 2016 year entrepreneurs single tax payer of Third group must pay tax at 5% of the revenues from sales of goods, works and services (in 2015 year – 4%), if they aren't VAT payer [2, 3].

Table 2

Comparison of the amount of tax and tax burden on entrepreneur single tax payer of Second and Third groups in 2016 year

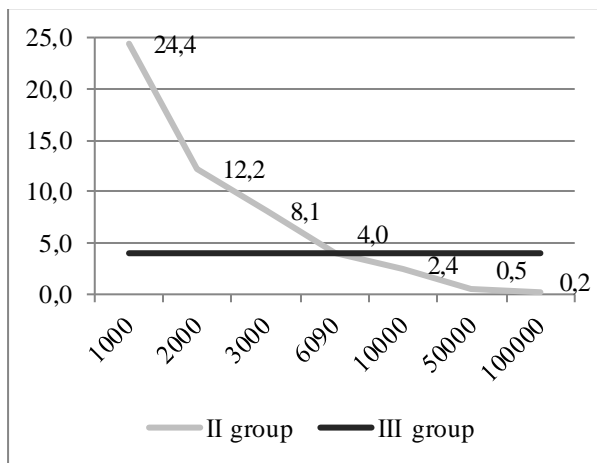
The amount of goods, works and services per month, UAH	Second group		Third group	
	Amount of tax, UAH	Tax burden, %	Amount of tax, UAH	Tax burden, %
1	275,6	27560,0	0,05	5
100	275,6	275,6	5	5
1000	275,6	27,6	50	5
2000	275,6	13,8	100	5
3000	275,6	9,2	150	5
4000	275,6	6,9	200	5
5512	275,6	5,0	243,6	5
5000	275,6	5,5	250	5
10000	275,6	2,8	500	5
50000	275,6	0,6	2500	5
100000	275,6	0,3	5000	5
125000	275,6	0,2	6250	5

*Source: Calculated by the author based on an analysis of [2, 3]*

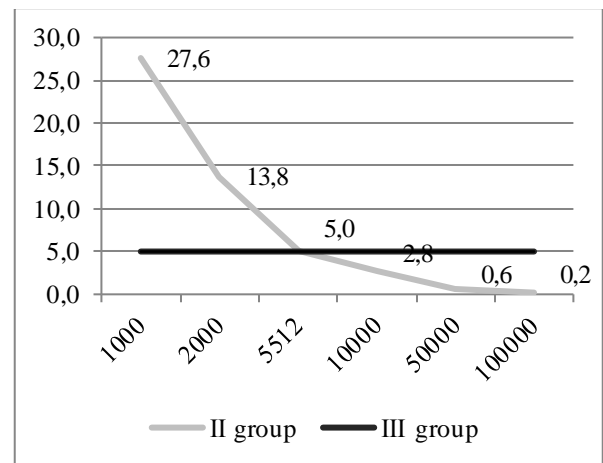
Graphically changing of tax burden depending on amount of goods, works and services are presented in Figure 1.

As it is seen from the graphs, if the amount of realization is less than 6090 UAH in 2015 year and 5512 UAH in 2016 year the tax burden on entrepreneur single tax payer of second group is greater than on the third group.

In the case of maximum turnover the difference in tax burden between entrepreneur single tax payer of Second and Third groups is 3,8% in 2015 year and 4,8% in 2016. This difference can be the cause of reduction in the revenue of local budgets.



2015 year



2016 year

Fig. 1 Interdependence of the amount of goods and tax burden on entrepreneur single tax payer of Second and Third groups in 2015-2016 years

Source: Constructed by the author based on an analysis of [2, 3]

As a result of our research it was found that under the condition of immutability of tax rates of entrepreneur single tax payer of Third group the amount by which the tax burden on entrepreneur single tax payer of Second and Third groups is the same, increases in proportion to the increase of the minimum wage, set at January 1st of the current year (2015-2017 years – 12,5-13%).

Therefore, preservation of entrepreneur single tax payer of Second group will reduce the filling revenues of local budgets, so it is reasonable to transfer individual entrepreneur's single tax payer of Second group for the tax which is calculated as a percentage of turnover, i.e. the cancellation of the Second Group.

Duration of tax reform in Ukraine indicates that the approach to its implementation weren't comprehensive and doesn't take into account the economic situation of the country. Therefore, changes proposed by us are quite reasonable, including by modeling the consequences of their implementation.

### Bibliography:

1. World Bank Group. *Doing Business. Economy Ranking*. Retrieved from <http://www.doingbusiness.org/rankings>.
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3. The Law of Ukraine №909-19 from 24.12.2015. *On Amendments to the Tax Code of Ukraine and some other legislative acts of Ukraine regarding the balance of revenue in 2016*. Retrieved from <http://zakon3.rada.gov.ua/laws>