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THE VALUE-ADDED TAX: ADVANTAGES AND DISADVANTAGES

ПОДАТОК НА ДОДАНУ ВАРТІСТЬ: ПЕРЕВАГИ ТА НЕДОЛІКИ

ANNOTATION

On the path of the transition of our country to market relations is particularly relevant problem of the timely ensuring of financial resources the revenues of the state budget. The solution of this important problem largely depends on the development of science-based system of taxation that would meet the realities of today, ensure growth in tax revenues to the budget and increase the level of collection of tax payments. The value added tax recently attracted considerable attention because he is the subject of a broad discussion about the appropriateness of its use and the effects of taxes for economic development and the country's budget. The main condition for levying value-added tax is that the mechanism for its application should be consistent with the market conditions in Ukraine. In the work covered the advantages and disadvantages of VAT, the problem of its collection in Ukraine and proposed ways of their solution.

Keywords: value added tax, tax accounting, accounting, budget.

АНОТАЦІЯ

На шляху переходу нашої країни до ринкових відносин особливо актуальною є проблема своєчасного забезпечення грошовими ресурсами дохідної частини державного бюджету. Вирішення цієї важливої проблеми значною мірою залежить від розробки науково-обґрунтованої системи оподаткування, яка б відповідала реаліям сьогодення, забезпечувала зростання податкових надходжень до бюджету та підвищувала рівень збору податкових платежів. Податок на додану вартість останнім часом привертає до себе значну увагу, тому що він став предметом широких дискусій щодо доцільності його застосування та наслідків справляння для економічного розвитку і бюджету країни. Головною умовою справляння податку на додану вартість є те, що механізм його застосування повинен відповідати ринковим умовам господарювання в Україні. У роботі висвітлено переваги та недоліки ПДВ, проблеми щодо його справляння в Україні та запропоновано шляхи їх вирішення.

Ключові слова: податок на додану вартість, податковий облік, бухгалтерський облік, бюджет.

АННОТАЦИЯ

На пути перехода нашей страны к рыночным отношениям особенно актуальной является проблема своевременного обеспечения денежными ресурсами доходной части государственного бюджета. Решение этой важной проблемы в значительной мере зависит от разработки научно-обоснованной системы налогообложения, которая бы отвечала реалиям сегодняшнего дня, обеспечивала рост налоговых поступлений в

бюджет и повышала уровень сбора налоговых платежей. Налог на добавленную стоимость в последнее время привлекает к себе значительное внимание, потому что он стал предметом широких дискуссий о целесообразности его применения и последствий взимания для экономического развития и бюджета страны. Главным условием взимания налога на добавленную стоимость является то, что механизм его применения должен соответствовать рыночным условиям хозяйствования в Украине. В работе освещены преимущества и недостатки НДС, проблемы его взимания в Украине и предложены пути их решения.

Ключевые слова: налог на добавленную стоимость, налоговый учет, бухгалтерский учет, бюджет.

The relevance of the work. During the years of independence in Ukraine formed the tax system, that by its composition and structure is generally similar tax systems of developed European countries. Unlike the EU countries, the tax system of Ukraine has become a tool for improving the competitiveness of the state, contributed to the growth of economic activity of economic entities. Market economic reforms were accompanied by repeated attempts to improve the tax system. Disclosure by the Ministry of economy and development of the Ordinance of the Cabinet of Ministers of Ukraine «On approval of the Concept of reforming the tax system of Ukraine» encourages to review the features of the tax system of the country.

For today there are known many different methods of taxation and types of taxes. Each of them has its own specific features, functionality and a separate place in the tax system. A special place in this list belongs to the value added tax. The variety of discussions around VAT encourage scientists to study the order of its administration and payment. Thus, the research question was engaged in T.M. Payanok [1], O.O. Amosha [2], V.D. Volkanov [3], D.A. Dyakowsky [4], I.L. Ryabets [7], T.M. Reva and K.F. Kovalchuk [10]

and others. T.M. Payanok reviewed the issue with improving the efficiency of VAT in modern conditions, prerequisites for the introduction of VAT in Ukraine and analyzed the causes that led to the lack of effectiveness of this tax in the first years of its introduction. O.O. Amosha investigated the factors that determine the feasibility of using of the value added tax (VAT) in the taxation system, justified the principles of construction of economic-mathematical models of the effect of VAT on the activity of enterprises and revenues to the budget. V.D. Volkanov generalized the theory in relation to the origin and development of value added tax as the main form of indirect taxation, proved the feasibility of further application of VAT in Ukraine. D.A. Dyakowsky defined the features of the establishment of the system of value added tax (VAT) in Ukraine and highlighted the main problems in the functioning of the VAT. However, changing economic and political situation in the country requires constant monitoring of the compliance mechanism for the payment of tax to the conditions that exist.

The purpose of the work: reforming the tax system caused by the urgent need to stabilise the financial situation, increasing the financial independence of local governments and the stimulation of economic processes in Ukraine that encourages review and compare the advantages and disadvantages of the operation of VAT in Ukraine.

Material and research results. As the representative of the indirect taxes the VAT has certain differences from the direct:

- the sign of payment (tax burden pays one person, and bears – other);
- the participation in education rates (indirect taxes included in the price at the implementation stage as a Supplement to the price of the goods);
- the method of collection (tariffs);
- the source of payment (with consumption values: spending and usage of things).

These features make it possible to formulate a definition of indirect taxes: this is taxes, which are determined by the amount of consumption and do not depend on the income or assets of the payer are in the form of surcharges to the price of the goods or services and shall be paid by the payer, which is the ultimate consumer of the goods or services.

First VAT was introduced on April 10, 1954 in France. The value added tax is of French origin. The concept of «value added tax» (VAT) was first formulated in 1954 by French economist Maurice Lore. Since 1958 this compulsory payment entered in the tax system of France, and then began to conquer Europe. Now the VAT is levied 137 countries around the world. From the list developed countries VAT is not in Japan and in the USA, where instead of it has a sales tax for rate from 3 % to 15 %.

VAT in Ukraine entered into force in 1992. It is a form of withdrawal from the budget part of

the gain value, which is generated at all stages of the production process of goods, works, services. Without VAT in Ukraine is impossible to replenish the budget, as it is budget-forming tax. Every year the share of VAT revenues of the state budget grows (Fig. 1).

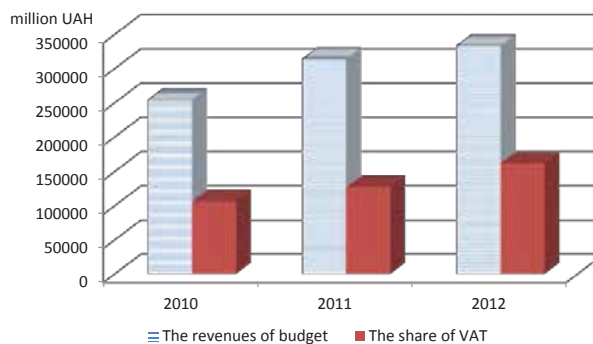


Fig. 1. The share of VAT revenues of the state budget

VAT is highly effective from the fiscal point of view. It is the most reliable and permanent source of revenue of the State budget of Ukraine. Due to receipts of the VAT carrying out a significant amount of expenditures of the state budget of Ukraine. In table 1 presents the share of VAT in the tax receipts of the State budget.

Table 1
Share of taxes in tax incomes
to the State budget of Ukraine

№	Indicator	2010 y.	2011 y.	2013 y.	2014 y.
1	Tax on profit	19,8	35,6	15,4	16,0
2	Excise tax	13,4	8,7	11,3	11,8
3	VAT	37,6	33,2	45,0	43,1

VAT is one of the reasons for the growth of prices of consumer goods and paid by the consumers indirectly in the form of higher fees for goods, ie its sign is the veiled from these payers (end consumers) form of withdrawal of a part of their income. When collecting VAT occur legal relations involving three entities: the subject of the tax, the bearer of the tax and the tax authority. The subject of the tax is the manufacturer or seller of the goods, which is in accordance with the law serves as the legal tax payer, i.e. contributes to the budget the amount of tax from the sold goods or services. Media tax is a physical or legal person, the end consumer of the product, the price of which contains an indirect tax. Buying the goods, the customer actually becomes a taxpayer. Thus, the tax is shifted on to the media tax. The shifting of the taxes is a consequence of the introduction of indirect taxation, resulting in the severity of tax bear consumers of goods and not the subjects of the tax. Each actual tax payer pays when buying goods the same amount of tax regardless of income received.

Contribute to the spread in the world of value-added tax certain its properties:

- the possibility of determining the tax component of the price of the goods at any stage of production and distribution, which excludes its re-taxation;

- the possibility of exemption from export tax and import tax, that need to cancel internal fiscal boundaries and ensure competition, so, and to achieve the main goal of the EU – build the internal market;

- the possibility of reimbursement of the overpaid VAT from the State budget.

The advantages of VAT include the following:

- the organizational – easy payment and regularity of revenue to the budget;

- the budget – increases state revenues due to the growth of population or its welfare, they are more beneficial for countries progressing economically.

However, the value added tax has certain disadvantages that should be considered when reforming the tax system. VAT is a tax, at the time of payment of which recorded the highest number of abuse.

Among the many controversial positions around the value-added tax, that aggravated in the conditions of current falling economy, of chronic deficit of the state budget and provoked a lot of new issues of government project of fiscal reform, a special place is the practice of reimbursement of this tax. In particular, the advisability of existence of a zero rate of VAT to exporters.

According to article 193.1. of tax code of Ukraine [7] the tax rates are determined from the tax base in the following sizes:

- a) 17 percent;
- b) 0 percent.

Current tax legislation stimulates entrepreneurial activity on export of goods (products, services) outside the customs territory of Ukraine. According to article 195.1. at a zero rate are taxable operations of the export of goods (related services), if their export is confirmed by the customs Declaration that is issued according to the requirements of the customs legislation. Because export transactions are subject to VAT, the exporter has the right to budget refund of VAT paid to suppliers. Payers of value added tax when the documentary evidence of the actual implementation of the goods at the customs territory of Ukraine and provided export calculations of export refunds for results the tax period are entitled to receive such compensation within 30 calendar days from the date of presentation of documents. The application of the zero rate on export operations provides the right to compensation from the budget of amounts of value-added tax which actually paid by the tax payer exporter supplier consisting of the purchased goods (works, services). The problem of criminal-legal qualification of the facts of illegal reimbursement

of value added tax was not find a proper reflected in scientific research and publications. The work of the tax police suggests that criminal activity directly observed in the sphere of illegal VAT reimbursement when the following actions:

- 1) the company formalizes the execution of the export operation only on paper. In fact, the goods are sold on the territory of Ukraine and to the tax office provided false documents;

- 2) the company formalizes execution «unsecured with commodities» operations with fictitious firm (only transfers funds, including VAT, to supplier and converts money in cash).

Some economists advocated the need for the development of the internal market. And contribute to this may and the abolition of export promotion, in particular through the zero rate. Note that the stimulation of export together with de-stimulation of import (import duties) creates such a negative phenomenon as the export of capital. In addition, increasing exports, we automatically increase the import, and this the most often leads to the displacement of domestic producers, the emergence of unemployment and a sharp weakening of the protection of the domestic producer.

Information about the state of execution of the Consolidated and State budgets of Ukraine in January-October 2014 (according to the monthly report of the State Treasury service of Ukraine) indicates that the largest revenues to the General Fund of the state budget in January-October 2014 were:

- the value added tax (collection) from the made in Ukraine of goods (works, services) – 66519,5 million UAH, that 3043,8 million UAH, or 4.4% less than in the same period last year;

- the tax on value added from imported into the territory of Ukraine of goods – 85461,9 million UAH, that 4550,5 million UAH, or 5.6 percent more than in the same period last year (7).

A significant amount of VAT on imported on the territory of Ukraine of goods and the lack of statistical data on VAT on exported goods shows the reduction of export operations and inefficient use of the zero rate.

In its development the rates of VAT went the way from the high unified rate to differentiated. Thus, in Ukraine, the VAT rate at the time of introduction of this tax was 28 %. Many countries of the world, in addition to the main, apply a reduced tax rate. Therefore, we consider it appropriate, using the experience of the world, the abolition of the zero rate and the introduction of differentiated VAT rates. Table 2 presents the rate of VAT in different countries of the world.

I.L. Ryabets [8, S. 261-262], studying the questions about the main issues associated with the emergence of budgetary compensation of VAT in Ukraine, which promotes the growth of debt of the budget, notes the main methods of evasion and violations in this sphere:

- the use fictitious firms engaged cashing money;

Table 2

Rate of VAT in different countries of the world (12)

Country	The VAT rates				Country	The VAT rates			
Austria	20	19	12	10	Luxembourg	15	12	6	3
Belarus	20	10	0,5		Malta	18	7	5	
Belgium	21	12	6		Moldova	20	8	6	
Bulgaria	20	9			Norway	25	15	11	8
Great Britain	20	5	0		Poland	23	8	5	
Hungary	27	18	5		Portugal	23	13	6	
Germany	19	7			Russia	18	10	0	
Holland	20	6			Romania	24	9	5	
Greece	23	13	6,5		Slovakia	20	10		
Denmark	25				Slovenia	20	8,5		
Ireland	23	13,5	9	4,8	Turkey	18	8	1	
Iceland	23,5	7			Ukraine	20	0		
Spain	21	10	4		Finland	24	14	10	
Italy	21	10	4		France	19,6	7	5,5	2,1
Cyprus	17	8	5		Czech Republic	21	15		
Latvia	21	12			Switzerland	8	3,5	2,8	

- the use of “unsecured with commodities” operations;
- the fictitious export;
- the artificial increase in the value of the goods in the primary documents;
- the participation of Bank staff in the Commission of criminal operations;
- the evasion of VAT using the bills;
- the abuse of officials of state bodies of official position;
- the imperfection of the current legislation in the administration and VAT refund;
- the lack of proper control by the leadership of the state tax administration of Ukraine and the State Treasury, which leads to shadowing in the VAT refund, creating a favorable climate for corruption and abuse.
- improper execution by the state, in the face of regulatory authorities, its obligations.

In recent years, economic criminals re-oriented to domestic market. So, if in the middle of 2010 was dominated by the operation of fictitious exports, now in Ukraine scammers use most often unsecured with commodities operations and sales credit VAT.

Import tax credit for VAT in recent years has become a financial resource, one of the varieties of non-cash money between VAT payers. Importers, to offset part of all its customs duties and cash costs on import of goods into Ukraine, began to sell the surplus of their import tax credit for VAT. When buying from an importer imported tax credit on VAT, the company that is a VAT payer considerably legally saves money for the payment of VAT and profit tax.

Export tax credit for VAT in recent years has also become a financial resource and one of the varieties of non-cash money between VAT payers. Because exporters do not currently receive a refund of export VAT from the budget, then they sell the surplus of their export

tax credit for VAT to businesses and companies – VAT payers. When buying from an exporter export tax credit on VAT, enterprises and companies-VAT payers considerably legally save money on the payment of VAT and income tax and receive an additional monetary investment in their business (money legally saved on the payment of taxes).

Delayed VAT refund is crediting by the taxpayer of the state. Among the systemic problems faced by businessmen in obtaining VAT refunds, we can note the absence of court decisions in favor of enterprises, non-competitive regulations of the receiving VAT in automatic mode, set out in the Tax code, the lack of coherence between the tax and accounting, the system of dual control over the enterprises, problems with registration of VAT payers and the others [9].

These problems of VAT negatively affect local businessmen, partners, the investment climate in Ukraine in the conditions when the real sector of the economy of our country is isolated from access to credit resources.

Ukraine’s transition to automatic refund of value added tax is one of the key conditions for economic cooperation of our country with the International monetary Fund. However, the current legislation limits the scope of enterprises which have the right to automatic VAT refund. In accordance with the requirements of the average wage in enterprises that pretend to automatic compensation, shall be not less than 2.5 minimum, and the export share to be at least 40% of production. In fact, the government uses this money as interest-free investment [10].

According to T. M. Reva and K. F. Kovalchuk, despite the fact that the tax brings in the budget a lot of money, the mechanism of payment has many contradictions, from which suffer the budget, and the subjects of business entities and citizens [11].

Chairman of the State fiscal service of Ukraine I. Belous believes that the problem is not in the tax and in its administration. Therefore, by the Law of Ukraine «On amendments to the Tax code of Ukraine and some other legislative acts of Ukraine» from 1 January 2015 will introduce the system of electronic administration of VAT, which will contribute to the discipline in the payment relations in the country as a whole.

Special attention deserves accrual of VAT agricultural enterprises. Thus, according of the TCU, by article 209 is governed a special regime of taxation tax on value added activities in the field of agriculture, forestry and fisheries. According to item 10 of subsection 2 of section XX of the Tax Code «Transitional provisions» found that the operations of delivery of agricultural products are taxed at the basic rate of VAT (20 (17) %). The amount of value added tax, accrued agricultural enterprise on the cost assigned to them agricultural goods/services, is not payable to the budget and fully remains in possession of such agricultural enterprises for the reimbursement of the amount of tax paid (or accrued) to the supplier for the cost of production factors, through which generated a tax credit, and in the presence of the remainder of such amount of tax for other production purposes. This exemption was introduced with the aim of stimulating the activity of agricultural enterprises. However, today the state of agriculture is characterized by positive dynamics. So, according to the State statistical service of Ukraine in January-August of the current year the volume index of agricultural production compared with the corresponding period of 2013 year was 106,3%, including in agricultural enterprises – 107,1%, in households – 105,6%. Thus, the industry has no need for the preferential conditions. To support the activities of agricultural enterprises can offer application of differential VAT rates, that is lower than the standard.

The conclusions. Thus, of the conducted research it can be concluded that the reformation of the tax system, which will be held during the 2014-2015, should include:

- the introduction of differentiated VAT rates, that consists in application of basic and mi-onectic tax rates;
- establishment of clear terms is for the compensation of VAT;
- opening of the separate accounts is for calculations for VAT;
- improvement of automatic compensation of VAT.

One of most problems of tax value-added there is a presence in the legislation of possibilities for abuses. Therefore in the Tax code it is necessary to envisage the types of responsibility for wrong acts, that can be applied within the framework of tax law not only to the taxpayers but also to the supervisory organs and them public servants, and also clear mechanism of actions of taxpayers in case if their rights are violated. Creation of separate service of financial investigations will assist to the construction of partner mutual relations between tax organs and payers of tax.

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