Vol. 4, No. 1, 2017

https://doi.org/10.23939/eem2017.01.015

UDC 336.22

A. Zagorodniy
PhD in Economics, Professor

V. Olikhovskyi
PhD Student, Assistant
Lviv Polytechnic National University

CONCEPT OF TAX PLANNING AT THE ENTERPRISE

Abstract. One of the main tasks of financial and economic activities of the enterprise is the receipt of a profit, which remains at its disposal after the payment of taxes and other mandatory payments. Therefore, the focus of enterprise management should be on increasing revenues, reducing costs and minimizing tax payments.

For the effective enterprise management work on minimizing tax payments, the authors offer to use a systematic approach to the organization of tax planning at the enterprise, which is a new concept of tax planning.

In the article the essence of the term "concept of tax planning" and its components is disclosed, the principles of tax planning are studied and the content of each of them is shown up, as well as the methods of tax planning and the sequence of their use. The authors offer to distinguish three groups of special methods of tax planning, consider tax planning tools and ground the sequence of steps for the development of tax planning tools.

Keywords: taxes, tax planning, minimization of tax payments, concept of tax planning, principles of tax planning, methods of tax planning, tools of tax planning, schemes of tax planning.

Formulation of the problem. Taxes are components of the cost of products (services), prices, revenues and profits. They play a significant role in the financial and business activities of an enterprise and affect the final financial result of its activities.

Frequent changes in the country's state policy in the area of tax legislation, its contradictory nature, ambiguity, and subjectivity in the interpretation of tax rules by regulatory authorities, force owners and managers of the enterprise to look for the ways to reduce a tax burden on the company in order to strengthen its competitiveness in the market.

The urgency of the chosen topic lies in the implementation of the concept of tax planning at the enterprise through its components – principles, methods, tools and schemes.

Analysis of recent research and publications. The issues of the nature, methods and organization of tax planning are considered in the works of many Ukrainian and foreign scholars. In particular, it is worth mentioning the works of I. B. Atamenko, S. V. Barulyn, P. K. Bečko, O. S. Vylkova, Ya. I. Hlushchenko, T. A. Gusieva, A. V. Yeliseiev, E. A. Yermakova, Yu. B. Ivanov, T. V. Kalinescu, L. N. Karpov, V. V. Karpova, A. Ya. Kizyma, A. I. Krysovatyi, N. V. Lysa, A. S. Lukiyanenko, V. V. Maslii, M. I. Migunova, V. V. Muraviov, N. M. Prytuliak, N. S. Prokopenko, M. R. Romanovskyi, V. I. Salo, N. N. Selezniova, S. A. Suprunenko, O. V. Khodiakova, T. M. Cherniakova, Yu. I. Shvabu and many others. However, the current issues of the formation of the concept of tax planning, in particular of such its components as principles, methods, tools and schemes remain relevant.

The purpose of the research is to form the essence of the concept of tax planning and to offer ways of its implementation through the use of principles, methods, tools and schemes inherent in it.

Material and results. The Great Explanatory Dictionary of the modern

Lviv Polytechnic National University Institutional Repository http://ena.lp.edu.ua

Ukrainian language reveals the term “concept” as “a system of evidence of a certain position, a system of views on a particular phenomenon; a way of understanding, interpreting some phenomena” [5, p. 571].

Tax planning at the enterprise level is a choice between different variants of financial and economic activity and an enterprise assets allocation in order to achieve the lowest level of tax liabilities that arise at the same time. Tax planning is implemented only within the framework of the current tax legislation and is based on the maximum use of all statutory tax privileges and possible ways to minimize tax payments [7, p. 41; 8, p. 528; 21].

The concept of tax planning is the system of taxpayers’ opinions on maximizing the use of the current legislation in order to reduce tax payments or delay their payment and, accordingly, increase income and profits of business entities. The concept of tax planning at the enterprise is based on relevant principles and is implemented through using methods, tools and schemes for minimizing tax payments, which permits to control the implementation of tax liabilities, improve tax planning efficiency, delay or minimize tax payments. The relationship between the components of the implementation of the tax planning concept at the enterprise is shown in Fig. 1.

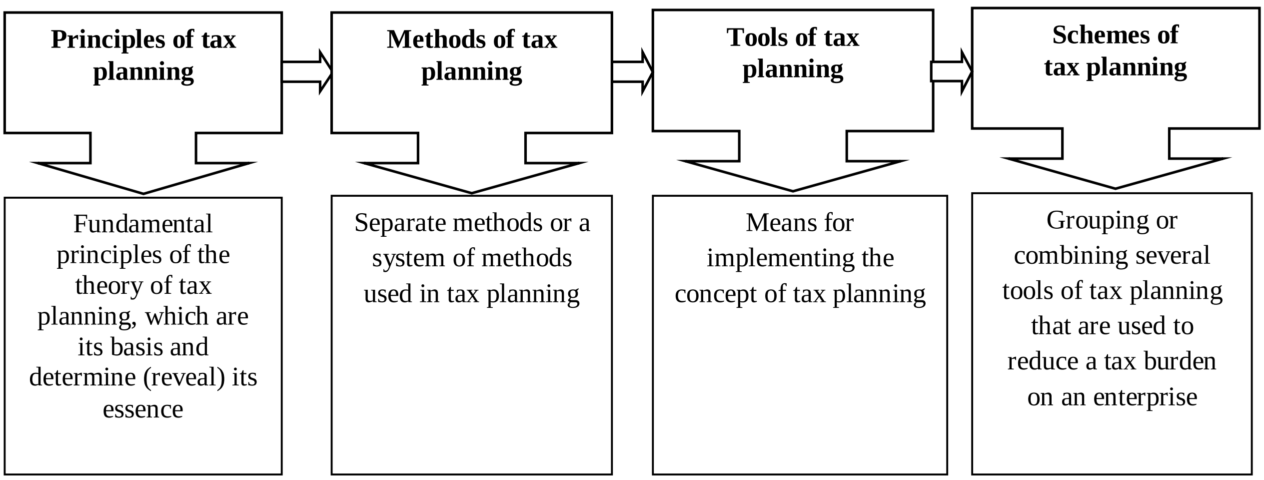

Fig. 1. Relationship of the components of the implementation of the tax planning concept at the enterprise

Source: authors’ own development

The most important part of the concept of tax planning is its principles – basic theoretical statements that determine the nature and basis of tax planning and their theoretical justification. Currently, there is no unanimity among the scientists regarding the principles of tax planning. Given the size and variety of interpretations of the principles of tax planning, they can be classified into general and special ones. General principles of tax planning characterize the relationship of intra-firm planning and management with tax planning. These principles are inherent in any kind of business planning, including tax planning as a subsystem of intra-firm planning and management (enterprise management). They include the following principles: systematicity, participation (collegial), continuity, flexibility and accuracy. At the same time, special principles are inherent only in tax planning. They determine the specifics of the tax planning process, its distinctive features in the management system of the enterprise. They include the principles of legality, optimality, alternativeness, complexity, perspectivity and naturality.

According to the results of the analysis of literary sources by the authors, the essence of the main principles of tax planning is disclosed in Table 1.

Lviv Polytechnic National University Institutional Repository http://ena.lp.edu.ua

Table 1

Principles of tax planning

Principles of tax planning	Essence of tax planning principles
1	2
General principles of tax planning	
The principle of unity (systematicity)	System planning is inherent in tax planning, which lies in the relationship between the planning of tax payments and general plans of the enterprise. Non-coordinated actions lead to negative deviations in the performance of tax plans.
The principle of participation	All employees of the enterprise involved in the implementation of tax planning measures should participate in the development of schemes for minimizing tax payments.
The principle of continuity	The process of tax planning is carried out continuously, while previously developed schemes for minimizing tax payments need to be constantly analyzed and adjusted in accordance with changes in the legislation.
The principle of flexibility	Tax deductibility schemes are designed to allow the authors to subsequently adjust them to unforeseen changes in the environment (for example to changes of the tax or other legislation).
The principle of accuracy	Schemes for minimizing tax payments must be accurate, concretized and detailed to the extent that allows internal and external factors (conditions) to be taken into account.
Special principles of tax planning	
The principle of perspectivity	In the process of tax planning, possible changes in the tax legislation in the future and other external factors should be taken into account.
The principle of legality	Tax planning should be implemented in accordance with the current law. At the same time, both a direct scheme for minimizing tax payments and their documentary (actual) support should conform to the legislation. Using this principle allows differentiating between tax planning and tax evasion.
The principle of complexity	Tax planning of all tax payments must be carried out in a complex, taking into account their mutual influence. This is due to the fact that different taxes and fees have common (or interrelated) elements of the tax bases, and they themselves can be attributed to the tax base under other taxes or fees.
The principle of alternativeness	The choice and development of schemes for minimizing tax payments must be carried out on an alternative basis, taking into account all possible options for conducting business transactions. The availability of alternatives makes it possible to expand the choice of a tax option with optimal indicators, thereby improve the efficiency of the results from the implementation of tax planning.
The principle of optimality (optimal relationship of risks and benefits)	It implies the search and use of the most effective economic decision that allows minimizing tax payments (reducing the tax base). It determines that the economic effect of optimization measures used in tax planning should outweigh possible costs of their implementation taking into account risks. According to this principle, tax planning should be based on the fact that the profitability of a business transaction should be maximum and risks – minimum.
The principle of naturalness	The scheme for minimizing tax payments used in tax planning should not significantly differ from the usual procedure for conducting business transactions so as not to attract unnecessary attention from control authorities. Considering a certain variant of minimizing tax payments, it is necessary to analyze whether the taxpayer has sufficient material, resource and the other base for conducting such transactions.

Source: own development on the basis of [1, p.335–341; 2, p.129–131; 3,p. 230–233; 5, p. 124–125; 7, p. 55–57; 9, p. 32–46; 10, p. 144–150; 11, p. 50–52; 12, p. 19–23; 14, p. 429–440; 18, p. 97–100; 19, p. 42–49; 20, p. 400–401; 21, p. 214–215; 22, p.56–59].

Lviv Polytechnic National University Institutional Repository http://ena.lp.edu.ua

Methods of tax planning are individual techniques or a system of techniques used in tax planning. As to the methods of tax planning, in the economic literature in the field of tax planning, scientists distinguish two groups of methods: a general one and a special one (see Fig. 2).

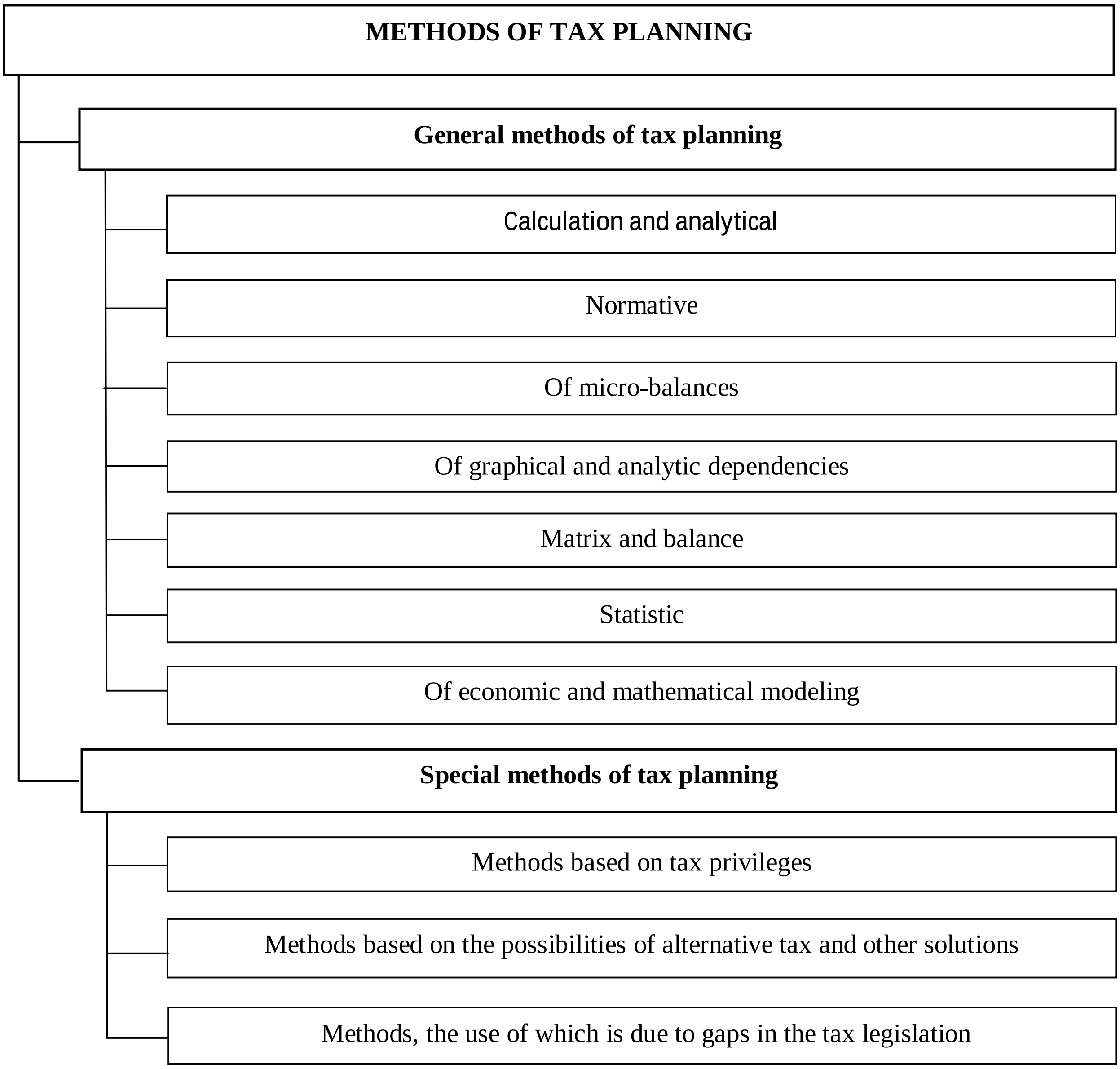

Fig. 2. Methods of tax planning

Source: own development on the basis of [2, p. 114–119, 134–136; 3, p. 217–225; 5, p. 118–124; 6, p. 139–248; 7, p. 52–54; 9, p. 46–65; 10, p. 151–157; 11, p. 52–57; 14, p. 441–452; 17, p. 106–110; 18, p. 115–117, 296–336; 20, p. 401–402; 21, p. 216–218; 22, p. 59–67].

Common methods of tax planning include methods that have a wide scope of application, and can be used on the whole for budgeting and planning of financial and economic activity of the enterprise, as well as for tax planning. They include the following methods: calculation and analytical, normative, of micro-balances, of graphical and analytic dependencies, matrix and balance, statistic, of economic and mathematical modeling. These tax planning methods are used to assess the expediency of tax planning and settling issues related to the implementation of the concept of tax planning. The general methods of tax planning are shown in Fig. 3.

Lviv Polytechnic National University Institutional Repository http://ena.lp.edu.ua

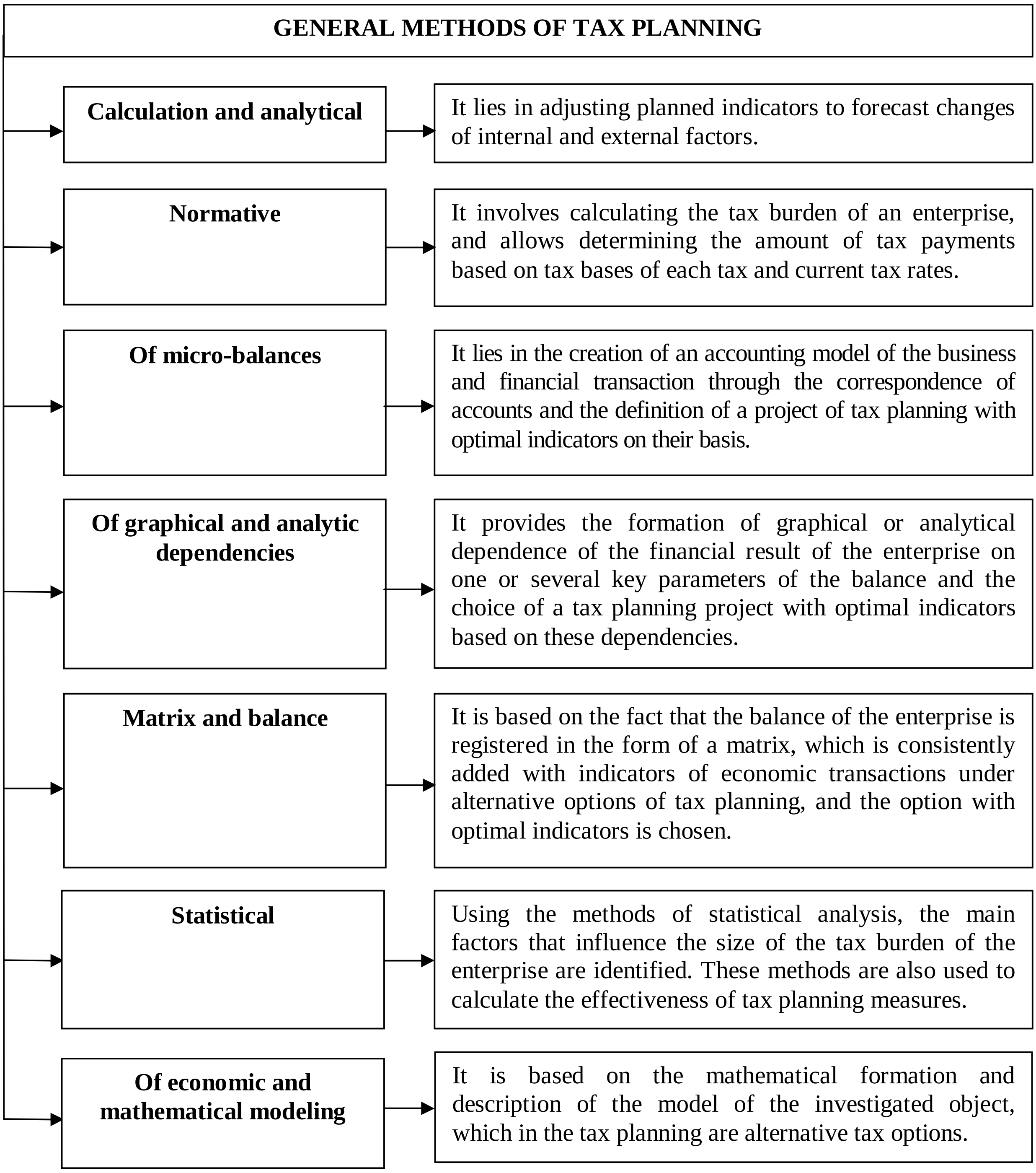

Fig. 3. General methods of tax planning

Source: own development on the basis of [2, p. 114–119, 134–136; 3, p. 217–225; 5, p. 118–124; 6, p. 139–248; 7, p. 52–54; 9, p. 46–65; 10, p. 151–157; 11, p. 52–57; 14, p. 441–452; 17, p. 106–110; 18, p. 115–117, 296–336; 20, p. 401–402; 21, p. 216–218; 22, p. 59–67].

Special methods of tax planning include methods that are used exclusively in enterprise tax planning to model alternative taxation options. The analysis of literary sources on tax planning allows the authors to distinguish three groups of special methods of tax planning:

– methods based on tax privileges – use of tax privileges, choice of a taxpayer registration place etc.;

– methods based on the use of alternative tax and other decisions – replacement (distribution) of relations, change in the timing of tax payments, use

Lviv Polytechnic National University Institutional Repository http://ena.lp.edu.ua

of elements of the accounting policy and various taxation systems, delegation of taxes, choice of a type of labor relations with employees, definition and change in the capital structure, rational profit allocation, choice of activity and product structure etc.;

– methods, the use of which is caused by gaps in the tax legislation, which lie in using different interpretations of legislation norms in various normative documents.

Special methods of tax planning are shown in Fig. 4

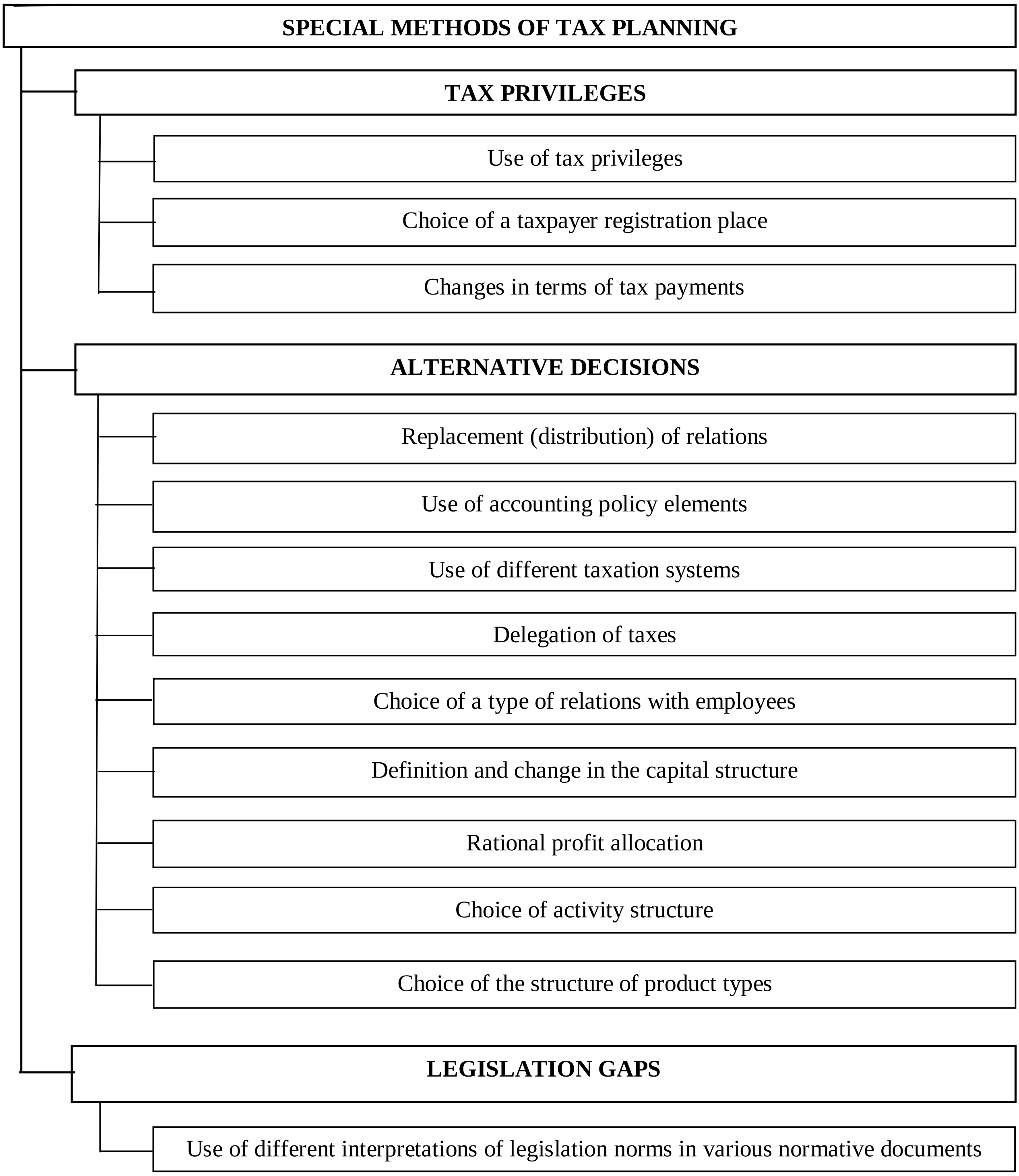

Fig. 4. Special tax planning methods

Source: the authors' own development

Lviv Polytechnic National University Institutional Repository http://ena.lp.edu.ua

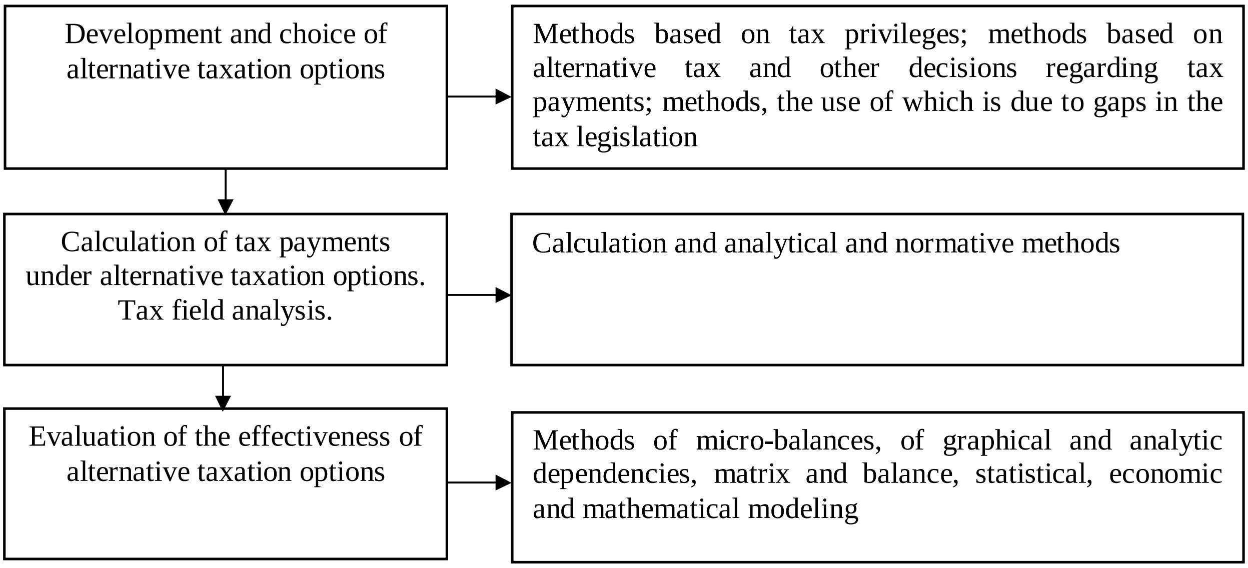

Fig. 5. Sequence of the use of tax planning methods

Source: own development based on [9, p. 64; 10, p. 157]

The sequence of the use of tax planning methods is shown in Fig. 5

The choice of special methods of tax planning is made depending on the characteristics of the organization and activities of the enterprise (organizational and legal form, type of activity, tax field of the enterprise etc.) and they are implemented through the use of tax planning tools and schemes.

Tax planning tools are tools for realizing the concept of tax planning, they include: replacement and distribution of relationships, change in the timing of tax payment, choice of activity and product types, choice of special taxation regimes, write-offs of inventories, depreciation deductions, allocation of transportation and harvesting costs, formation of reserves (reserve capital), choice of a taxation system, transfer of a taxation object, type of relations, change in the structure of capital or its components etc.

In the process of implementing tax planning, a wide range of tools is used from the rules of the current legislation to the search of possible gaps in it.

The possibility of influencing the main elements of the tax: taxpayers, taxation object, taxation base, tax rates, procedure for calculating the tax, tax period, term and procedure of tax payment, term and procedure for reporting on the calculation and tax payment is important in choosing such tools.

There are three groups of tools:

– tax privileges – tax and customs legislation provides for the taxpayer to be exempted from the obligation to charge and pay the tax and duty, pay less tax and duty upon the availability of the grounds specified in the Tax Code of Ukraine. Tax elements, grounds for tax privileges and the procedure for their application are determined solely by the Tax Code of Ukraine. Tax privileges are provided through tax deductions (discounts), which reduce the taxation base before the tax and duty charge; reduction of a tax liability after the tax and duty charge; establishment of a reduced rate of the tax and duty; exemption from the tax and duty;

– alternative decisions imply choosing the most appropriate decision on using certain tax schemes in terms of optimizing tax payments;

– gaps in the legislation are combination of contradictory provisions (norms) of the tax legislation with other normative acts to optimize tax payments, taking into account the presumption of the lawfulness of the actions of taxpayer's decisions.

Lviv Polytechnic National University Institutional Repository http://ena.lp.edu.ua

In the process of developing tax planning tools, an enterprise must follow the steps outlined in Fig. 6.

Grouping (combining) tax planning tools to optimize tax payments is a tax planning scheme. The classification of tax planning schemes is considered in the works [9, p. 441; 10, p. 150-152] and shown in Fig. 7.

Schemes of tax planning are divided into global and local ones. Global schemes of tax planning include schemes that allow minimizing most tax payments for a long term without satellite structures. Local schemes are the ones that allow minimizing one or two tax payments for a limited term. Local schemes are divided into dynamic and static ones. Dynamic schemes of tax planning include schemes that complement company's profitable transactions, where the amount of savings in tax payments is directly related to the amount of the profitable transaction, which makes it possible to minimize tax payments on an ongoing basis. Static schemes of tax planning include schemes that have one-time or restrictive nature and in which the amount of tax savings is not directly related to transactions of income generation. Static schemes are not flexible and are not always used, but only if necessary [9, p. 441; 10, p. 150–152].

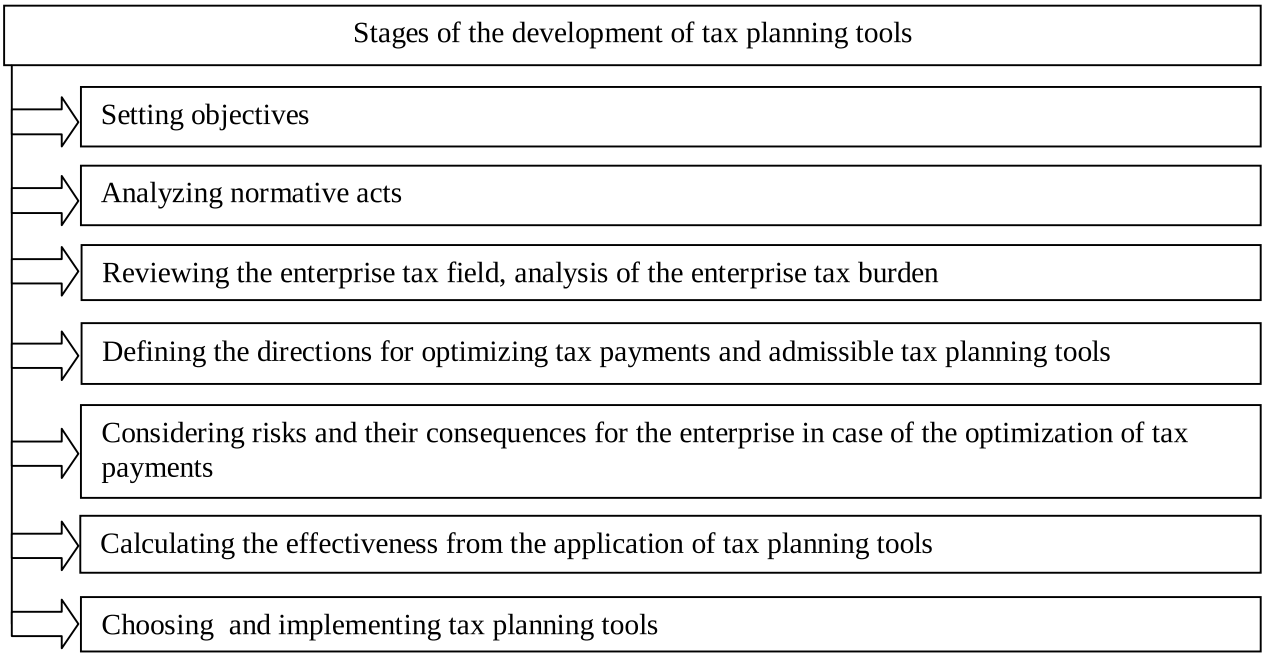

Fig. 6. Stages of the development of tax planning tools

Source: authors' own development

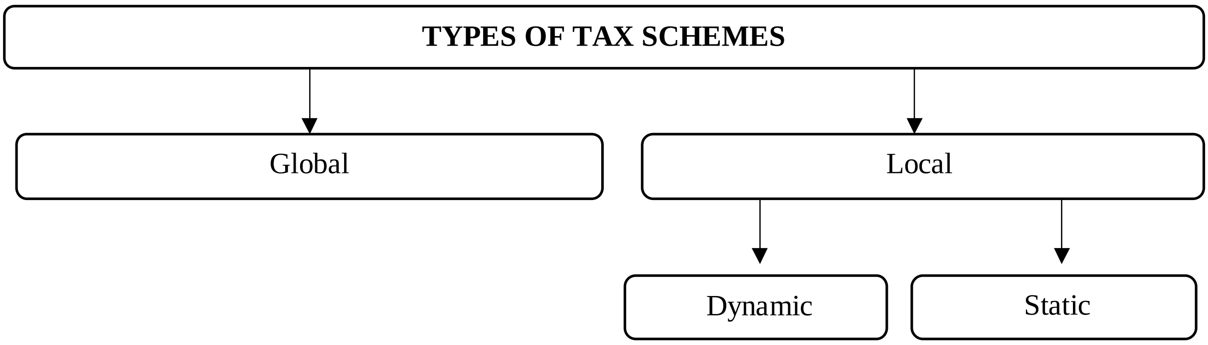

Fig. 7. Types of tax planning schemes

Sources: [9, p. 441; 10, p. 150–152]

Lviv Polytechnic National University Institutional Repository http://ena.lp.edu.ua

Conclusions. The essence of the concept of tax planning and its components is disclosed in the article. The disadvantage of implementing tax planning at the enterprise is the lack of an integrated (single) approach. The implementation of tax planning through the concept of tax planning, which is based on the principles of both enterprise activity planning and tax planning itself is offered as a solution to this problem.

The methods, tools, schemes of tax planning, which are the constituents (elements) of the tax planning concept play an important role in the implementation of tax planning at the enterprise. The implementation of the concept of tax planning through its components permits to comply with the norms of the current legislation, control the implementation of tax obligations of economic entities, reduce a tax burden on the enterprise and direct the released funds for the enterprise development. All the components of the tax planning concept need further research.

References

1. *Atamenko, I. B. (2010). The effectiveness of tax planning methods. Visnyk Natsionalnoho universytetu "Lvivska politekhnika" [Bulletin of Lviv Polytechnic National University], 669. Retrieved from http://ena.lp.edu.ua:8080/ bitstream/ntb/7900/1/48.pdf [in Ukrainian].*
2. *Barulin, S. V., Ermakova, E. A., & Stepanenko, V. V. (2007). Nalogovyy menedzhment [Tax management]. Moscow: Omega l. [in Russian].*
3. *Bechko, P. K., & Lysa, N. V. (2009). Podatkovyi menedzhment [Tax management]. Kyiv: Tsentr uchbovoi literatury. [in Ukrainian].*
4. *Busel, V. T. (2005). Velykyi tlumachnyi slovnyk suchasnoi ukrainskoi movy [Great explanatory dictionary of modern Ukrainian language]. Kyiv; Irpin: Perun. [in Ukrainian].*
5. *Vylkova, E. S, & Romanovskiy, M. V. (2004). Nalogovoe planirovanie [Tax planning]. Sankt-Peterburg: Piter. [in Russian].*
6. *Guseva, T. A. (2006). Nalogovoe planirovanie v predprinimatel'skoy deyatel'nosti: pravovoe regulirovanie [Tax planning in business activity: legal regulation]. Moscow: Volters Kluver. [in Russian].*
7. *Zahorodnii, A. H., & Yelisieiev, A. V. (2003). Podatky ta podatkove planuvannia pidpryiemnytskoi diialnosti [Taxes and tax planning of business activity]. Lviv: Tsentr Biznes-Servisu. [in Ukrainian].*
8. *Zahorodnii, A. H., & Vozniuk, H. L. (2011). Finansovo-ekonomichnyi slovnyk [Financial and Economic Dictionary]. (3rd ed., rev.). Lviv: Vydavnytstvo Lvivskoi politekhniky. [in Ukrainian]*
9. *Ivanov, Yu. B., Karpova, V. V., & Karpov, L. N. (2006). Nalogove planirovanie: printsipy, metody, instrumentariy [Tax planning: principles, methods, tools]. Khar'kov: INZhEK. [in Russian].*
10. *Ivanov, Iu. B. (2006). Problemy podatkovoho rehuliuvannia i planuvannia podatkovykh platezhiv [Problems of tax regulation and planning of tax payments]. Kharkiv: KhNEU. [in Ukrainian].*
11. *Krysovatyi, A. I., Kizyma, A. Ia., & Maslii, V. V. (2007). Planuvannia ta prohnozuvannia podatkovykh nadkhodzhen [Planning and forecasting tax revenues]. Ternopil: Ekonomichna dumka TNEU. [in Ukrainian].*
12. *Migunova, M. I., & Tsyrkunova, T. A. (2007). Otsenka finansovykh riskov v nalogovom planirovanii [Assessment of financial risks in tax planning]. Krasnoyarsk: Krasnoyarskiy gosudarstvennyy torgovo-ekonomicheskiy institut. [in Russian].*
13. *Murav'ev, V. V. (2001). Organization of tax planning in the enterprise. Audit i finansovyy analiz [Audit and financial analysis], 2. Retrieved from: http://www.cfin.ru/press/afa/2001-2/11_mur. shtml. [in Russian].*
14. *Ivanov, Iu. B., Krysovatyi, A. I. , Kizyma, A. Ia., & Karpova, V. V. (2008). Podatkovyi menedzhment [Tax management]. Kyiv: Znannia. [in Ukrainian].*
15. *Prytuliak, N. M. (2009). To the question of tax planning at the enterprise. Zbirnyk naukovykh prats Natsionalnoho universytetu derzhavnoi podatkovoi sluzhby Ukrainy [Collection of scientific works of the National University of State Tax Service of Ukraine], 1, 243–250. [in Ukrainian].*
16. *Prokopenko, N. S., & Shvabu, Iu. I. (2013). Podatkove planuvannia v Ukraini [Tax planning in Ukraine]. Lviv: Liha – Pres. [in Ukrainian].*
17. *Salo, I. V., & Yevchenko, N. H. (2009). Podatkovyi menedzhment u banku [Tax management at the bank]. Sumy: DVNZ UABS NBU. [in Ukrainian].*
18. *Selezneva, N. N. (2012). Nalogovyy menedzhment: administrirovanie, planirovanie, uchet [Tax management: administration, planning, accounting]. Moscow: YuNITI-DANA. [in Russian].*
19. *Sukhareva, L. O., Sukharev, P. M., & Hlushchenko, Ia. I. (2006). Podatkove planuvannia v systemi*

Lviv Polytechnic National University Institutional Repository http://ena.lp.edu.ua

upravlinnia pidpryiemstvom [Tax planning in the enterprise management system]. Donetsk: DonDUET. [in Ukrainian].

20. *Yefymenko, T. I., & Miarkovskyi, A. I. (Ed.). (2013). Finansy. Biudzhet. Podatky. Natsionalna ta mizhnarodna terminolohiia [Finances. Budget. Taxes National and international terminology] (Vol 3). (2nd ed., rev.). DNNU Akademiia finansovoho upravlinnia. [in Ukrainian].*

21. *Khodiakova, O. V., & Luk'ianenko. A. S. (2012). Concept of realization of effective tax planning at the enterprise. Finansy, hroshovyi obih i kredyt [Finance, money circulation and credit], 3, 213 – 218. [in Ukrainian]*

22. *Cherniakova, T. M. (2003). Formuvannia ekonomiko-orhanizatsiinoho protsesu opodatkuvannia pidpryiemstv Ukrainy [Formation of the economic-organizational process of taxation of enterprises of Ukraine]. Luhansk: SNU im. V.Dalia. [in Ukrainian].*

Lviv Polytechnic National University Institutional Repository http://ena.lp.edu.ua