

# Implementing Digital Tax Administration in Ukraine

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*Abstract – The article analyzes global experience and trends of digital tax procedures. Digitalization creates an innovative and progressive design of fiscal space around the world, enhances the administrative efficiency of public services. The first digital steps in taxation of Ukraine are determined.*

Keywords – taxation, digital technologies, revenue authorities, fiscal policy, electronic taxpayer office, electronic administration of VAT.

## I. Introduction

Fiscal policy has a significant impact on the whole world. The digital revolution holds vast potential to improve fiscal policy. Governments and revenue authorities now have access to better data. Digital technologies can also provide tax compliance, reduce tax collection costs, and increase administrative efficiency of public services. Realizing such tendencies, many countries are already finding that it costs less to collect taxes, administer social programs, and manage public finances. Fiscal space changes promptly in the direction of transparency and simplification. This has opened new policy options, including a more innovative and progressive design of tax compliance and revenue authorities for Ukraine too.

## II. Main part of research

Computerization and digitalization – the use of computers to perform human tasks—has become as familiar and routine in revenue authorities as anywhere else. Digitalization has also increased the possibilities for data collection and storage. In 2000 only 25 percent of data were stored digitally; by 2007 this metric had risen to 94 percent [1]. Through digitalization, governments and tax offices can potentially conduct current fiscal policy more effectively.

Tax authorities are gaining access to the huge amount of information from the private sector (for example, data on bank transactions) through the digital systems, standardized reporting formats, and electronic interfaces. Systems for sharing information have also improved. New norms in global tax transparency have led to the development of a global reporting standard on automatic exchange of information on the financial records of nonresidents with the tax authorities in their country of residence.

Governments and revenue authorities collect more timely information. Electronic filing of tax returns has reduced the cost of compliance for taxpayers and of administration for the government. Many countries began experimenting with electronic filing of tax returns. In the United Kingdom, HM Revenue and Customs' connect computer draws on information from a wide range of sources to create a profile of each taxpayer's total income. Such analytical capability could even be used to assess the behavioral impact of new tax and spending policies.

Digital systems present new roles for consumers and third parties in facilitating enhanced compliance. Estonia, for instance, uses the platform technology to connect Uber drivers directly with the tax office, adding income from rides directly to their tax return [1]. Offering a role for consumers as auditors, Brazil using a special digital payments system, which designed to

encourage better enforcement of the VAT at the final consumer stage by providing monthly lottery prizes to consumers who ask for receipts [1].

Implementing digital tax administration in Ukraine, a process that has only just begun. The most important digital project in domestic taxation is Electronic taxpayer office (ETO), which was started in February of 2014 [2]. It offers such instruments for taxpayers as online submission of tax returns, tax payment service, collection information about taxpayers, automatic tax calculation, interaction between tax authorities and taxpayer. The benefits of this service are that it operates round the clock and free of charge with using of personal computers, smart devices, and electronic digital signature. Online submission of returns is gradually becoming the norm for Ukrainian taxpayers.

Ukrainian cities of the TOP-10 consumers of the Electronic taxpayer office are Kharkiv, Dnipro, Lviv, Odesa, Kiyv, Poltava, Vinnytsia, Mikolayiv, Cherkasy. In general, the geography of users covers more than 70 countries and includes the United States, Italy and Germany.

With data being collected in more standardized formats, increased processing capabilities have allowed tax authorities to assess taxpayer risks by analyzing large data sets and by combining different sources of data (for example, firm-level input and output data for VAT purposes). Massive cross-checking of value-added tax (VAT) invoices (to verify that sellers have been charged the tax for which they seek a credit) was presumed to be technically impossible. Now Ukraine is showing that it can be done. The System of electronic administration of value-added tax provides for the automatic registration of taxpayers, tax invoices, cargo customs invoices and automatic calculation of VAT amounts.

Digitalization may provide the revenue authorities with more information on total individual consumption expenditures, for example, due to greater use of digital payment methods. Indeed, in the future all consumption transactions may eventually become electronic and cash may be abolished. It could essentially expand a tax base. For this purposes the State Fiscal Service of Ukraine started up new electronic service E-Receipt in 2017. The SFS has seen the rollout of online cash registers that record information on each transaction, which is then transferred daily to a server where tax authorities can access and analyze it.

### **Conclusion**

Digitalizing government payments and tax procedures is not a simple task for fiscal bodies worldwide. Digitalization is concerned with the challenges, but also the opportunities. It can create new kind of risks. Digitalization of products and services shortens distance between tax authorities and taxpayers in a fiscal space.

Electronic taxpayer office, E-Receipt, electronic administration of VAT are only the first digital steps in taxation of Ukraine. Purchasing and implementing new payment systems is a significant undertaking in cost and time. For expanding the tax base and growing paid taxes, revenue authorities should gather and analyze information about transactions suspected of involving money laundering, cash consumer transactions.

### **References**

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