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IMPROVING THE TAX ENVIRONMENT FOR BUSINESS STIMULATION IN THE CONTEXT OF MARTIAL LAW CHALLENGES AND ALIGNMENT WITH EU TAX LAW

ВДОСКОНАЛЕННЯ ПОДАТКОВОГО СЕРЕДОВИЩА СТИМУЛЮВАННЯ ПІДПРИЄМНИЦТВА У КОНТЕКСТІ ВИКЛИКІВ ВОЄННОГО СТАНУ ТА УЗГОДЖЕННЯ З ПОДАТКОВИМ ПРАВОМ ЄС

Abstract. The article explores the theoretical and practical aspects of transforming Ukraine's tax system under the conditions of full-scale aggression and the imperative of European integration. It analyzes the key contradiction between the necessity of budget replenishment for the defense sector and the risks of suppressing business activity due to increased fiscal pressure. The study examines European experience in forming tax strategies (the technological-industrial, investment, and "welfare state" models), which allowed for the substantiation of the possibility of preserving national tax preferences while harmonizing indirect taxation with EU law. Particular attention is paid to a critical analysis of the "National Revenue Strategy through 2030" and Law No. 4015-IX. It is proven that the radical reform of the simplified taxation system and the increase of the military fee for transparent businesses create a threat of economic shadowization and a decrease in competitiveness, particularly in the IT sector (the Diia.City regime). The author substantiates that de-shadowing and effective administration are of higher priority than raising tax rates. A comprehensive set of proposals has been formulated to improve the tax environment in the context of martial law challenges and alignment with EU tax law: replacing the military fee increase with a 2% rise in the VAT rate as a less discriminatory instrument; implementing differentiated rates for individual entrepreneurs (FOPs); ensuring the stability of taxation conditions within the Diia.City legal regime as a key factor for the preservation and development of the IT industry in Ukraine; and guaranteeing the immutability of conditions for innovative sectors. Specific mechanisms are proposed for improving the administration of local property taxes through the synchronization of registers, the expansion of the powers of local self-government bodies, and the simplification of procedures for informing the population and businesses about established payment amounts. The necessity of transitioning from a purely fiscal model to a regulatory one, which accounts for the specific risks of martial law and Ukraine's strategic interests on the path to the EU single market, is substantiated.

Keywords: tax environment, martial law, entrepreneurship, European integration, tax stimulation, simplified taxation system, Diia.City, real estate tax, tax administration, National Revenue Strategy.

Анотація. У статті досліджено теоретичні та практичні аспекти трансформації податкової системи України в умовах повномасштабної агресії та необхідності євроінтеграції. Проаналізовано ключову суперечність між потребою наповнення бюджету для сектору оборони та ризиками пригнічення ділової активності через посилення фіскального тиску. Вивчено європейський досвід формування податкових стратегій (технологічно-індустріальної, інвестиційної та моделі «держави добробуту»), що дозволило обґрунтувати можливість збереження національних податкових преференцій при гармонізації непрямого оподаткування з правом ЄС. Особливу увагу приділено критичному аналізу «Національної стратегії доходів до 2030 року» та Закону №4015-IX стосовно змін до Податкового кодексу України щодо забезпечення збалансованості бюджетних надходжень у період дії воєнного стану. Доведено, що радикальне реформування спрощеної системи оподаткування та підвищення військового збору для прозорого бізнесу створює загрозу мінізації економіки та зниження конкурентоспроможності, зокрема в IT-секторі (режим Дія.City). Автором обґрунтовано, що детінізація та ефективне адміністрування є пріоритетнішими за зростання податкових ставок. Сформульовано комплекс пропозицій щодо вдосконалення податкового середовища у контексті викликів воєнного стану та узгодження з податковим правом ЄС: заміна підвищення військового збору зростанням ставки ПДВ на 2% як менш дискримінаційного інструменту; впровадження диференційованих ставок для ФОП; забезпечення стабільності умов оподаткування у межах правового режиму Дія.City, що є ключовим фактором для збереження та розвитку IT-галузі в Україні; забезпечення незмінності умов для інноваційних галузей. Запропоновано конкретні механізми покращення адміністрування місцевих майнових податків через синхронізацію реєстрів та розширення повноважень органів місцевого самоврядування, спрощення процедури інформування населення і бізнесу про встановлені розміри платежів тощо. Доведено необхідність переходу від суто фіскальної моделі до



регуляторної, яка б враховувала специфічні ризики воєнного стану та стратегічні інтереси України на шляху до спільного ринку ЄС.

Ключові слова: податкове середовище, воєнний стан, підприємництво, євроінтеграція, податкове стимулювання, спрощена система оподаткування, Дія.City, податок на нерухоме майно, адміністрування податків, Національна стратегія доходів.

Problem statement. In the face of full-scale aggression, Ukraine's tax system is confronted with an unprecedented challenge: ensuring stable budget revenues for the defense sector while simultaneously preventing the collapse of the private sector. Under martial law, traditional fiscal instruments often prove ineffective or excessively burdensome for businesses undergoing relocation or suffering from asset loss and the contraction of traditional markets.

The core problem lies in the absence of a holistic and adaptive model for tax incentives that would concurrently: account for specific wartime risks (destruction, logistical disruptions); satisfy the rigorous criteria of the EU legal system regarding tax convergence; and minimize the potential for tax evasion and abuse when expanding preferential regimes.

Given that EU tax policy has an extensive history of development and implementation, the EU's founding documents establish the principle of creating a competitive market where taxation plays a vital role in regulation (specifically, Title VI "Common Rules on Competition, Taxation and Approximation of Laws" of the 1957 Treaty establishing the European Community). With the deepening of European integration, a series of legal principles and provisions on taxation were introduced (the 1992 Maastricht Treaty), serving as the foundation for numerous directives, regulations, recommendations, and decisions. Furthermore, judicial decisions play a significant role, as tax disputes frequently become the subject of review by the European Court of Justice.

Since 2001, the European Commission's Tax Policy Strategy [16] has been in effect, which stipulates the right of Member States to choose their own taxation systems independently. Consequently, full harmonization of tax legislation is not strictly mandatory. However, the national tax legislation of Member States must not conflict with European law – a critical consideration for Ukraine as it advances along its path toward European integration.

Analysis of recent research and publications. The issue of establishing an effective tax environment amidst macroeconomic shocks remains a focal point for both domestic and international scholars. The theoretical and methodological foundation of this research is predicated upon classical works concerning the regulatory role of taxation (A. Wagner, J.M. Keynes) and modern concepts of tax competition.

Among Ukrainian scientists, a rigorous polemic persists regarding the radicalism of tax incentives. The researcher V. Dubrovskiy [3] emphasizes the necessity of maximum system simplification and the reduction of the tax burden as the sole means of preserving business entities under security risks. The author posits that "tax stability" during wartime is an illusion, while the dynamism of benefits is a requirement for survival. Conversely, T. Yefymenko [4], in her works, focuses on the sustainability of public finances. The researcher argues that an excessive preoccupation with tax preferences undermines the state's capacity to finance the defense

sector, thereby posing a threat to the very existence of economic entities. The issues of tax administration and digitalization as instruments of stimulation are explored by K. Shvabii [14], Yu. Ivanov, and O. Yu. Ivanova [7], who aptly note that for businesses during the war, the absence of corruptive pressure and the transparency of procedures are of greater significance than a low tax rate.

Foreign researchers examine Ukraine's tax system through the prism of post-war reconstruction and legal system compatibility. Professors S. James and C. Evans [18], in the context of EU tax law, emphasize the complexity of balancing national incentives with the prohibition of "state aid," which may distort competition within the EU single market. Studies by Polish and Czech scholars Gumuńska-Kurek M. [17] and Kulczycki J. [19] regarding the transformation of tax systems during EU accession demonstrate that rapid harmonization can be painful for small businesses, serving as a pertinent warning for Ukraine. The works of R. Arenas [15] on fiscal policy in developing countries and those in conflict highlight the risk of "tax fragmentation," where temporary wartime measures become chronic barriers to investment.

Most researchers concentrate on either "wartime survival" or "European standards" as separate tracks. However, a comprehensive approach is required to integrate these vectors into a single roadmap. It is this gap that necessitates the present study.

The aim of the article is to provide a theoretical substantiation and develop practical recommendations for the transformation of Ukraine's tax environment to stimulate entrepreneurial activity under the conditions of martial law, oriented toward the vector of European integration and the harmonization of national legislation with EU tax standards.

Presentation of the main material. In the context of integration into the EU, Ukraine has undertaken a series of obligations regarding the improvement and transformation of its tax legislation and the tax system as a whole. Within this framework, it is particularly crucial to transition from the basic fiscal functionality of taxes toward their utilization as an instrument for stimulating business development. An approach oriented exclusively toward budget replenishment must be transformed into the establishment of systemic interactions between tax authorities and taxpayers. At the same time, the notion of an exclusive reduction of tax pressure on business and the total deregulation of its activities is fundamentally erroneous.

The tax strategies of EU member states vary significantly depending on their developmental priorities (Table 1).

Despite such differentiation, experts emphasize that competition among EU countries based on lowering tax rates is short-sighted and largely ineffective. A paradox exists: states with high taxation levels, oriented toward technological development and social welfare, prove to be more attractive to investors. While preserving the right of states to implement their own tax policies, a

Table 1 – Classification of EU tax strategies by development priorities

Tax strategy type	Development priorities	Characteristic tax features	Example countries
Technological-industrial model	Stimulating high-tech production and innovation	High tax rates compensated by legal stability and long-term planning conditions.	Germany
Welfare state model	High level of social guarantees and quality of life	Balancing high fiscal load on income with adaptive corporate taxation for competitiveness.	Sweden, France, Austria, Norway, Denmark
Investment-financial model	Maximum attraction of international capital and resources	Minimizing tax rates, creating preferential regimes (especially in the financial sector).	Cyprus, Liechtenstein, Luxembourg, Croatia

Source: formed by the author

relevant requirement for all EU member states remains the alignment of their national tax systems with business development (stimulation) policies.

One of the defining documents intended to serve as a roadmap for the implementation of reforms in the tax and customs spheres in the short- and medium-term perspective is the “National Revenue Strategy through 2030” [11] (hereinafter – the National Revenue Strategy), approved in 2023 by the Cabinet of Ministers of Ukraine. Importantly, the document was developed as part of the implementation of the IMF's Extended Fund Facility program; it accounts for the steps Ukraine must take on its path toward European integration and provides for the adaptation of tax and customs legislation to European Union standards. Such integration necessitates changes to the current configuration of system functioning.

The primary directions, formulated at the request of Ukraine's international partners and long-awaited by domestic businesses, include:

- transparency: The goal of implementing the Strategy's measures is data protection and increasing citizen trust in the tax and customs systems. The announced development of the Authorized Economic Operator (AEO) program represents a significant step forward in simplifying imports and enabling businesses to avoid pressure from customs authorities. Currently, only one enterprise in Ukraine holds the AEO status – this status is granted indefinitely, and simplifying its acquisition will indeed bring Ukraine closer to the practice of economically developed states;

- minimization of corruption: The tax and customs services must take measures to prevent corruption, in particular, by implementing anti-corruption programs, increasing the transparency of their activities, and strengthening oversight of operations;

- digitalization of the public finance system: All information resources related to public finance management will be consolidated at the level of the Ministry of Finance and administered by an independent IT entity, which will promote increased transparency and efficiency in public finance management. The experience of implementing Diia.Business [13] and earlier electronic government services has demonstrated their significant positive impact on the economy (and, naturally, on state budget revenues);

- EU integration: Ukraine will be integrated with European taxation systems. In the long term, this should simplify and improve the administration of taxes and duties in Ukraine;

- VAT administration: Value-Added Tax (VAT) taxation in Ukraine will be aligned with European Union legislation. This is intended to simplify and refine VAT administration in Ukraine;

- customs administration: Ukraine will exchange preliminary customs information with other countries,

which will enhance customs administration and contribute to the fight against grey imports.

In this context, the National Revenue Strategy may be considered a document that will generate positive impacts on entrepreneurial development. However, the development of this document also aimed at another objective – increasing budget tax revenues. Analysis allows for the assertion that, in the context of forming a favorable entrepreneurial environment at the local and regional levels, perhaps the greatest threat lies in the issue of transformation and the substantial narrowing of the Simplified Taxation System (STS), as local self-government bodies most frequently compete specifically for small and medium-sized entrepreneurs.

Here, two risks emerge for them simultaneously: first, the potential deterioration of the fiscal environment for conducting business and the loss of the STS advantage for economic entities (both natural and legal persons), which may lead to a decrease in entrepreneurial activity within the community; second, in the medium-term perspective, this will negatively affect tax revenues to local budgets. This, in turn, will make it practically impossible to allocate local budget funds to support the entrepreneurial initiatives of residents, particularly the youth, stimulate social entrepreneurship, popularize the investment potential of the community, and attract new investors.

The implementation of the step-by-step phase-out of the simplified taxation system is justified by the government by the necessity to harmonize Ukrainian and European legislation. Moreover, Poland – where a turnover tax with a differentiated rate operates – served as a primary model for the reform of the simplified taxation system (as presented in the National Revenue Strategy). It is pertinent to note that no critical necessity exists for abandoning the simplified taxation system within the context of European integration. The requirement for the harmonization of tax legislation with EU norms applies exclusively to indirect taxes, such as VAT and excise duties. These taxes are regulated at the pan-European level, whereas direct taxes, which include the simplified taxation system, remain within the competence of individual EU member states. The only general restriction for direct taxes planned for implementation concerns the minimum corporate tax rate of 15% for large multinational corporations, which can also be adapted to specific national conditions – for example, through a tax on distributed profit, as seen in Latvia, Estonia, and Poland.

The necessity of revising approaches to the reform of the simplified taxation system in Ukraine is further evidenced by the ongoing, permanent discussion in European countries regarding the effectiveness of tax regimes for micro-businesses, as well as the opposition between small and medium-sized businesses and the powerful lobby of large retail chains that resist simplified taxation for SMEs.

Regarding the situation in Ukraine, the country is currently experiencing its deepest economic crisis since independence (in 2022, the country lost 29% of its GDP), difficult processes of business and labor force relocation within the country, the loss of large industrial enterprises, infrastructure terror by the Russian Federation, and total uncertainty and unpredictability regarding the development of economic and social processes in general. Under such conditions, increasing tax pressure on small and medium-sized businesses may lead to not only economic but also negative social consequences. It should also be noted that the total turnover of Groups 1-3 of the simplified taxation system in 2021 accounted for 8.3% of the enterprise sector's turnover, and including hidden income, it was within 9% [10]. Consequently, the results of abuses by economic entities under the simplified taxation system are significantly lower than those of large companies under the general system.

While the National Revenue Strategy is merely a framework document defining the directions for potential changes in the tax and customs system, on October 10, 2024, the Verkhovna Rada of Ukraine approved Law of Ukraine No. 4015-IX "On Amendments to the Tax Code of Ukraine and Other Laws of Ukraine Regarding Ensuring Budget Revenue Balance during the Period of Martial Law" [6] (hereinafter – Law No. 4015-IX). It was this law that initiated a substantial increase in the tax burden on business under wartime conditions. Specifically, it provides for:

- the establishment of a military fee for Individual Entrepreneurs (FOPs) of Groups 1, 2, and 4 (at a rate of 10% of the minimum wage established as of January 1 of the tax/reporting year, calculated per calendar month) and Group 3 (1% of the income amount on a quarterly basis);
- an increase in the military fee rate for payers of personal income tax from 1.5% to 5% of the taxation object;
- taxation of profits, adjusted profits of a controlled foreign company, and for the payment of dividends by a financial institution (excluding insurers) at a rate of 25%;
- taxation of bank profits based on the results of the 2024 tax (reporting) year at a rate of 50%;
- the establishment of a minimum tax liability of 700 UAH per 1 hectare, and for land plots where the share of arable land is at least 50% – 1400 UAH per 1 hectare.

Such changes regarding tax increases will affect almost all economic entities without exception: even the IT business (residents of Diia.City [2]), despite promises of state support in this industry until 2046, will be obliged to pay the military fee; legal entities and individual

entrepreneurs who are payers of the single tax of Groups 1–4 must also pay the military fee at the updated rate; the fuel market and activities related to the organization and conduct of gambling continue to undergo changes in terms of the tax burden, as according to certain representatives of state authorities in Ukraine, these sectors are the most shadow-oriented and will allow for the replenishment of the state treasury through the gradual extraction of such business entities from the shadow (so-called de-shadowing); financial institutions (except insurers) will pay 25% of their profits instead of the current 18%, effective from January 1, 2025.

This may have negative consequences for the economy of Ukraine as a whole, which are summarized and reflected in Table 2.

It should be added that according to research by the Advanter Group, an increase in the military fee could cause the volume of shadow schemes in the market to grow by an average of 30% [8]. At the same time, the necessity of replenishing the state budget in Ukraine is a key priority for every conscientious citizen under martial law, as the financing of Ukraine's defense against the aggressor is carried out exclusively from the state budget. In our view, the realization of this task should be achieved not by increasing the burden on "white" businesses, but through the de-shadowing of business and the identification of tax revenue losses in the state and local budgets during the tax administration process. In this vein, the following proposals should be considered:

1. To avoid additional financial and administrative burdens on economic entities and the reduction of personal income tax (PIT) payers' income, the military fee rate and its categories of payers should remain unchanged. Instead, state budget revenues should be increased by raising the Value-Added Tax (VAT) rate. Comparative calculations of revenue volumes from the military fee and VAT to the state budget in 2023 show that similar levels of revenue growth can be achieved by increasing VAT by 2%. Raising the VAT rate would provide the state budget with analogous revenue amounts as the increased military fee but would result in significantly fewer negative economic consequences and would not lead to an increase in shadow or undeclared labor. It is important to note that VAT is a consumption tax paid by everyone, regardless of the method of income generation ("white" or "grey" income).

2. Introduce a differentiated military fee rate for individual entrepreneurs (FOPs) depending on their income volumes.

3. Ensure the stability of taxation conditions within the Diia.City legal regime, which is a key factor for

Table 2 – Forecasted negative consequences of increased fiscal pressure

Object of Impact	Content of negative consequence	Mechanism of manifestation
Entrepreneurial environment	Contraction of business activity	Direct reduction of investment resources and motivation for production expansion.
Fiscal discipline	Unevenness of the tax burden	Concentration of the primary tax burden on "white" (transparent) businesses.
Market conjuncture	Inflationary processes	Price increases due to the inclusion of new tax expenditures in the cost of goods and services.
Social sphere	Decline in welfare	Reduction of purchasing power and consumer demand due to the decrease in real income.
Economic structure	Shadowization of relations	Business transition into the "shadow" sector; growth of "black" and "grey" employment as a means of survival.

Source: formed by the author

the preservation and development of the IT industry in Ukraine. Pursuant to the Law of Ukraine No. 1667-IX dated July 15, 2021, "On Stimulating the Development of the Digital Economy in Ukraine" [5], the state guaranteed the immutability of the Diia.City regime's operating conditions for 25 years. However, the norms of Law No. 4015-IX [6], which effectively alter these conditions, create risks for the industry's investment climate. Expected consequences include: a decline in the competitiveness of Ukrainian IT companies in the international market due to increased service costs; the exit of some companies from the Diia.City regime [2] due to the loss of attractive cooperation terms; and a reduction in the use of gig-contracts as an interaction tool due to the loss of their tax efficiency. Thus, the stability of taxation conditions for Diia.City residents is critical for maintaining business trust, attracting investment, and restoring the industry during post-crisis development.

4. Ensure the growing role of local taxes and fees and increase their share in the own revenues of local budgets – one of the primary tasks for the further development of financial independence and the capacity of local self-government. Even today, certain communities perform some functions of tax authorities related to the administration of property taxes (delivering tax assessments, inspecting territories to identify new taxation objects, communicating with payers regarding tax debt settlement), yet under current legislation, they lack such formal powers. In view of this, there is a necessity for changes in the administration of local taxes by communities.

In the context of forming a stimulating business environment at the local level, the real estate tax on property other than land (hereinafter – real estate tax) is significant, as local self-government bodies are empowered to set its rate within legally defined limits. Here, a series of problematic issues arise: wealthy territorial communities are not interested in setting maximum rates for this tax for businesses and the population, as these funds do not constitute a substantial portion of local budget revenues, and low rates help maintain political loyalty to the authorities. Conversely, in such communities, setting real estate tax rates at the higher end would practically not alter the competitive environment. On the other hand, less affluent communities, attempting to secure additional resources for the local budget, raise real estate tax rates, thereby risking losing the competitive struggle for business placement.

A crucial issue is not only the setting of real estate tax rates but also its administration. It is in this second aspect that local budgets suffer substantial losses. Specifically, the tax base of the State Tax Service is formed based on the State Register of Real Property Rights (hereinafter – the Register), which is effectively only 50% populated. Furthermore, information prior to January 1, 2013, is absent from the Register, as the data was held in the Bureau of Technical Information (BTI) and cannot be synchronized. This triggers significant volumes of real estate tax under-collection. Another problem is that the Register does not reflect objects that have not been commissioned but are nonetheless in use.

A significant bottleneck in the administration of this tax is the process of informing the population and businesses about the established payment amounts, which is carried out by sending tax assessment notices: 40% of such

tax notices are returned to the State Tax Service due to outdated taxpayer addresses resulting from the invalidity of the taxpayer's registered tax address.

The resolution of this problem is possible through the legislative consolidation of a norm regarding the mandatory updating of tax addresses by citizens (the place of residence where an individual is registered as a taxpayer with the regulatory authority).

Regarding the inclusion of real estate in the Register that was registered with the BTI prior to January 1, 2013, it is crucial to regulate this issue by permitting its transfer from the archive to the State Register of Real Property Rights without the property owner's application. Currently, data from archival registers cannot be migrated to the Register without a corresponding request from the owner.

In a number of territorial communities, mechanisms for cooperation with real estate tax payers have already been developed regarding the settlement of tax arrears and the actualization of the tax base. The experience of these communities allows for the formulation of a list of key proposals for improving real estate tax administration:

- simplification of the taxpayer notification mechanism (assigning this function to local self-government bodies (LSBs) without mandatory recording of the delivery date, while applying delivery confirmation only to taxpayers who have failed to pay taxes on time for the subsequent accrual of penalties);
- expansion of tax classification: when LSBs set the real estate tax rate, the corresponding decision should be supplemented with the item "Real estate object not assigned to any classifier," which would prevent future disputes regarding the correctness of tax accrual; the application of the maximum 1.5% tax rate by LSBs to such objects would incentivize owners to bring documentation into compliance with current legislative requirements;
- resumption of inspections by the State Inspectorate for Architecture and Urban Development of Ukraine regarding the use of real estate objects that have not been officially commissioned;
- implementation of information campaigns and media engagement to foster tax awareness among the population and businesses;
- utilization of utility operator registers, which contain current lists of real estate objects that can be subsequently used for synchronization with the State Tax Service database and the dispatch of tax assessment notices.

Another local tax that constitutes the fiscal environment for business development in territorial communities is the land payment – a mandatory payment within the property tax structure, collected in the form of land tax or rent for state and communal land plots. Land payment payers include landowners, land users of state and communal lands, and lessees of these lands.

The Tax Code of Ukraine defines that the tax base for land payment may be:

- the normative monetary valuation (NMV) of the land plot, accounting for an indexation coefficient of no more than 3% of the NMV;
- the area of the land plot for which a normative monetary valuation (NMV) has not been performed, in an amount not exceeding 5% of the NMV of a unit of arable land area for the region (Art. 271 of the Budget Code of Ukraine [1]).

As of January 1, 2024, a new normative monetary valuation (NMV) of land has entered into force. Changes in the normative monetary valuation of land will unequivocally have a positive impact on the volumes of accrued tax. Since this valuation serves as the basis for determining tax liabilities, communities must renegotiate lease agreements or conclude supplementary agreements with land plot owners to adjust taxation terms in accordance with the new indicators. This will ensure a fair and accurate calculation of taxes to be paid by both lessees and landowners.

In this context, a vital issue is the participation of LSBs (Local Self-Government Bodies) in the administration of land tax and the establishment of interaction between all subjects of this process. The study of land tax administration issues has allowed for the formulation of a series of recommendations for its improvement. Specifically, the efficiency of this tax's administration can be enhanced by:

- updating and synchronizing data from the State Tax Service of Ukraine database with the Public Cadastral Map to accurately reflect all land plots, which will eliminate information gaps and facilitate tax administration;

- resolving the issue of delivering tax assessment notices regarding the volume of accrued tax by updating address registers – taking into account changes in place of residence – and utilizing modern means of communication, such as electronic notifications or platforms for the independent retrieval of notices;

- addressing abuses and the unfair use of benefits by introducing legislative amendments regarding single tax payers, particularly for land plot owners, establishing clearer requirements for their registration, and ensuring transparency in the application of land tax benefits;

- strengthening the role of LSBs in working with land plot owners regarding the entry of current data into the State Register of Real Property Rights and subsequent follow-up. This will also enable more accurate and efficient formation of detailed plans for the community's territory;

- establishing information transfer from LSBs to the STS regarding changes in the designated purpose of land. To resolve this, it is necessary to develop a mechanism for data exchange between local self-government bodies and the State Tax Service concerning information on changes in land plot area and its designated purpose. Furthermore, legislative changes should be introduced to regulate the notification/delivery of notices to taxpayers regarding debt accrual;

- revising Tax Code norms, particularly regarding the definition of the tax address based on the place of registration, which may complicate taxpayer identification. To address these issues, digital means of information exchange between local self-government bodies and taxpayers must be implemented to ensure data relevance and process transparency;

- entering data regarding the boundaries of territorial communities into the State Land Cadastre. Currently, in the Lviv region, information on boundaries has been entered into the State Land Cadastre for only four territorial communities (Starosambirska, Obroshynska, Rozvadivska, and Stryiska).

In the direction of expanding the list of objects subject to real estate taxation, as well as ensuring transparency and the correctness of land tax administration in Ukraine,

a critical step should be the introduction of amendments to regulatory documents that would legally consolidate the process of exchange and automatic updating of information across registers (databases).

Conclusions. In summary, in the course of improving Ukraine's tax policy while considering mandatory EU requirements, the expected outcome should be a departure from the basic fiscal functionality of taxes toward a model that acts as a regulator of business development. The orientation toward budget replenishment through tax utilization must be replaced by the establishment of systemic interactions between tax services and taxpayers. The alignment of standards and approaches for implementing Ukraine's tax policy with European norms must include the harmonization of legislation and the adaptation of tax administration processes – particularly for indirect taxes (VAT, excise, customs duties) – to ensure simplicity, cost-effectiveness, transparency in collection, and robust oversight of taxes and fees.

At the same time, when harmonizing Ukrainian and domestic legislation, it is of paramount importance to consider Ukraine's strategic interests, its status as a nation at war, and the necessity of maintaining a favorable fiscal environment for business development. In this context, and in view of the recent innovations in domestic tax legislation, the following proposals are substantiated:

- revise the principles of reforming the Simplified Taxation System (STS) in Ukraine (as presented in the National Revenue Strategy), as these changes will lead to a potential deterioration of the fiscal environment for conducting business and the loss of the STS advantage for economic entities (both natural and legal persons). This would result in decreased economic activity within regions and communities. Furthermore, in the medium term, it would negatively impact tax revenues to local budgets, which, in turn, would make it practically impossible to allocate local funds toward supporting the entrepreneurial initiatives of residents (particularly the youth), stimulating social entrepreneurship, promoting the community's investment potential, and attracting new investors;

- maintain the current military fee rate for personal income tax (PIT) payers; instead, to increase state budget revenues, raise the VAT rate by 2% for the period until the end of martial law. Since VAT is a consumption tax paid by all individuals regardless of their income generation method (“white” or “grey” income), this approach would prevent the tax burden from increasing exclusively for transparent (“white”) businesses;

- introduce a differentiated military fee rate for individual entrepreneurs depending on the volume of the entrepreneur's income;

- ensure the stability of taxation conditions within the Diia.City legal regime, which remains a key factor for the preservation and development of the IT industry in Ukraine;

- enhance the efficiency of administering the real estate tax (on property other than land) by populating the State Register of Real Property Rights, simplifying the procedure for informing the population and businesses about established payment amounts, and implementing other administrative improvements.

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