

Customs and tax aspects of the economic integration of Ukraine into the EU

Yuriy Ivanov*

Doctor of Economics, Professor
Simon Kuznets Kharkiv National University of Economics
61166, 9A Nauka Ave., Kharkiv, Ukraine
<https://orcid.org/0000-0002-5309-400X>

Victoria Tyshchenko

Doctor of Economics, Professor
Simon Kuznets Kharkiv National University of Economics
61166, 9A Nauka Ave., Kharkiv, Ukraine
<https://orcid.org/0000-0001-5924-2061>

Oleksii Naidenko

PhD in Economics, Associate Professor
Simon Kuznets Kharkiv National University of Economics
61166, 9A Nauka Ave., Kharkiv, Ukraine
<https://orcid.org/0000-0003-0638-3965>

Abstract. The economic integration of Ukraine primarily involves the implementation of the measures of the Association Agreement with the EU, which covers various sectors. The key sectors of the Association Agreement include Customs Matters and Trade Facilitation as well as Taxation. The aim of the article was to study the impact of customs and taxation aspects on the integration processes of Ukraine and the EU in the context of globalization processes in the economy. The tasks set in the study are solved using scientific methods of analysis and synthesis, historical and chronological, statistical, economic and graphical methods as well as the abstract-logical method. The genesis of the implementation of the activities of the Association Agreement with the EU in the sectors of Customs Matters and Taxation are examined. The problematic aspects of the implementation of the integration of Ukraine with the EU are summarized. The state of foreign economic activities is analysed and it is noted that the Association Agreement has had a positive impact on the volume of foreign economic activities, but has not resulted in a positive foreign trade balance. It is noted that customs payments account for the largest part of the revenues of the consolidated budget of Ukraine and that the main share of budget revenues is value added tax. The structure of exports and imports (by commodity and country) is analysed and it is noted that Ukraine is gradually moving away from the production of engineering products and focusing its efforts on the agro-industrial sector. The sectors of the Association Agreement that negatively affect the processes of customs and tax regulation are identified and ways to resolve problematic issues are proposed. The practical significance of the results obtained lies in the generalization of measures for the implementation of the Association Agreement by Ukraine, the identification of existing problems, and the development of proposals for their solution

Keywords: foreign economic activity; export; import; budget revenues; Globalization Index

Article's History: Received: 06/02/2023; Revised: 27/03/2023; Accepted: 19/04/2023

Suggested Citation:

Ivanov, Yu., Tyshchenko, V., & Naidenko, O. (2023). Customs and tax aspects of the economic integration of Ukraine into the EU. *Development Management*, 21(2), 20-29. doi: 10.57111/devt/2.2023.20.

*Corresponding author



Copyright © The Author(s). This is an open access article distributed under the terms of the Creative Commons Attribution License 4.0 (<https://creativecommons.org/licenses/by/4.0/>)

● INTRODUCTION

Customs and tax policies are among the most important components of the state's foreign economic policy. Within the framework of customs policy, both tariff and non-tariff regulatory measures may be envisaged, which may, on the one hand, accelerate the processes of customs clearance and, on the other hand, include additional customs control measures. Tax policy affects the processes of foreign economic activity (FEA) through the collection of payments laid down in tax legislation for exports and imports. Both policies are directly related to the processes of economic integration of Ukraine. The integration processes in Ukraine started after independence, as since 1991 the state has had to independently ensure the development of economic, political and other types of relations with other states. The first framework agreement between Ukraine and the EU was the Agreement on Partnership and Cooperation between Ukraine and the European Communities and their Member States (1994), which was signed in 1994, provisionally applied since 1996, and fully entered into force in 1998. In 2014, the Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Ukraine, of the other part (2014), was signed, some provisions of which have been provisionally applied since November 1, 2014, and the provisions on the free trade area have been applied since January 1, 2016. The Association Agreement fully entered into force on September 1, 2017, whereas the Agreement on Partnership and Cooperation between Ukraine and the European Communities and their Member States expired.

General approaches and economic integration have been considered in papers by various modern-day scholars, some of whom have focused on the customs and taxation aspects of such economic integration. Particularly, O.O. Borzenko (2021) in her monograph states that "the decisive direction of Ukraine's foreign economic policy remains cooperation with the EU countries, which is due to the indispensable need to adapt to the modern system of a globalized society". The paper focuses on various aspects of the economic integration of Ukraine, highlights sectoral problems and draws conclusions on the need to accelerate Ukraine's implementation of the Association Agreement objectives. However, the block of customs and tariff regulation is not considered in detail. O. Kvasha & A. Sinyakova (2019) identified the main goals of Ukraine's economic integration with the EU, analysed the strengths and weaknesses of Ukraine's integration with the EU, and identified the expected opportunities and threats. The researchers consider financial instruments as the most important in the integration processes, while they do not consider such a crucial component as tax benefits. Researcher O. Moroz (2019) highlighted the principles of building international economic integration, which should ensure its efficiency and effectiveness. The author focuses on the competitive advantages of Ukraine, which allow to implement the integration processes at a rapid pace. However, the author hardly examined the impact of customs and tax regulations on the economic integration.

O. Popko (2019) identified integration processes at different levels and drew a conclusion regarding the risks of the economic integration for Ukraine. However, the author's study targets the issue of globalization without focusing on

specific areas of integration processes. Ye. Redziuk (2021) analysed Ukraine's implementation of the objectives of the Association Agreement. He concluded that it is useful to stimulate investment programs for the development of priority areas of the economy. Yet, the author mentions the customs and tax aspects of the implementation of the Association Agreement only in some theses. The paper by V.V. Chaikovska (2020) proves the necessity of coordinated implementation of the Association Agreement objectives in various sectors in order to effectively fulfil and implement them in Ukraine. The author also considers it useful to protect intellectual property right and emphasizes the significant role of customs authorities in this process. While studying the issue of customs regulation, the author did not pay enough attention to the peculiarities of Ukraine's fulfilment of objectives in the sector of Taxation (value-added tax and excise tax).

A. Semenets *et al.* (2020) studied the effectiveness of Ukraine's cooperation with the EU and also proved the feasibility of implementing European integration processes in general. They concluded that the objectives of the Association Agreement have a negative impact on the development of industry and innovation activity of enterprises. At the same time, the authors did not generalize the problems in the implementation of the Association Agreement in the sectors of Customs Matters and Taxation. The impact of tax policy on the integration processes between Ukraine and the EU is analysed by I. Halushchak *et al.* (2021). They also identified the main problems of the tax policy of Ukraine and proposed ways to solve them. However, the issue of customs and tariff regulation remained beyond the authors' attention. O. Melnyk *et al.* (2018) consider the customs system as an important component of the European integration of Ukraine. But the authors did not fully examine the issue of Ukraine's implementation of the objectives in the sector of Customs Matters (in terms of amendments to the legislation related to the common transit procedure and authorized economic operators) and left aside the issue of taxation.

As can be seen, the subject of most recent studies has been mainly reduced to general issues of European integration. Occasionally, researchers' papers mentioned the sectoral features of the Association Agreement, which prompted the authors of this article to pay attention to the customs and taxation aspect of the European integration of Ukraine. The aim of the article was to study the impact of the customs and tax sectors of the Association Agreement on the integration processes of Ukraine and the EU. In order to achieve this aim the following objectives of the study were set: to examine the dynamics of Ukraine's implementation of the objectives of the Association Agreement in the sectors of Customs Matters and Taxation; to develop recommendations for further economic integration of Ukraine and the EU.

● MATERIALS AND METHODS

The theoretical foundation of the study was formed by the fundamental provisions of financial and economic sciences, the results of scientific developments, papers by Ukrainian and other scholars. The paper is largely based on the regulatory framework defining the objectives to be performed

by Ukraine under the Association Agreement as well as on the reporting documentation of the executive authorities of Ukraine (Reports of the Cabinet of Ministers..., 2022), which reflects the state of implementation of the Association Agreement between Ukraine and the EU in various sectors.

The methods of analysis and synthesis were used to analyse the opinions of scholars on the implementation of the Association Agreement by Ukraine, its advantages and disadvantages for Ukraine as well as the sectoral characteristics of the implementation of the Association Agreement by Ukraine. Historical and chronological methods were used to analyse the implementation of the Association Agreement objectives by Ukraine in the sectors of Customs Matters and Taxation, highlighting solved and unsolved problems. Statistical and economic methods were used to collect, process and analyse in dynamics the indicators characterizing the state of implementation of the consolidated budget of Ukraine for customs payments; indicators reflecting the general trends of Ukraine's foreign trade within the implementation of the Association Agreement; assessment of Ukraine's place in international indices related to customs and taxation aspects (Logistics Performance Index..., 2018; Paying taxes, 2020); determination of the consequences of the Association Agreement for Ukraine's foreign trade. Based on the results of the pre-war expert survey Simplification of Trade Procedures in Ukraine: Assessments and Expectations of Business (2021) expert survey, the impact of the Association Agreement on the activities of companies and barriers for exporters and importers are assessed. This survey is conducted annually by the Institute for Economic Research and Policy Consulting and involves obtaining opinions of subjects of foreign

economic activity on the main problems of their development, the quality of work of customs authorities, simplification of customs procedures, the impact of smuggling on the economy, the impact of the Association Agreement on the activities of exporters and importers. The graphical method was used to visualize the results of the study and increase its perceptibility; the information on tax revenues, the state of foreign trade, the impact of the Association Agreement on FEA entities, and existing barriers for exporters and importers is presented in the form of tables and figures. The abstract-logical method was used to summarize the recommendations for Ukraine's further economic integration with the EU and to formulate conclusions.

● RESULTS AND DISCUSSION

Despite the long existence of the Association Agreement, Ukraine remains in low positions in some rankings. The latest Logistics Performance Index and its indicators (2018) showed an improvement in Ukraine's rating from the 80th to the 66th position in the overall rating, whereas Ukraine moved up from the 116th to the 89th position in the rating of customs control effectiveness. The latest Paying taxes (2020) rating showed that Ukraine is gradually losing its position, ranking 65th according to the 2020 results (in 2019 it ranked 54th), which is a consequence of the lack of strategic guidelines for the development of the state tax policy. According to the results of the survey by the Institute for Economic Research and Policy Consulting, the share of those who experienced the positive impact of the Association Agreement between Ukraine and the EU on their enterprise activities decreased among businesses by the end of 2021 (Fig. 1).

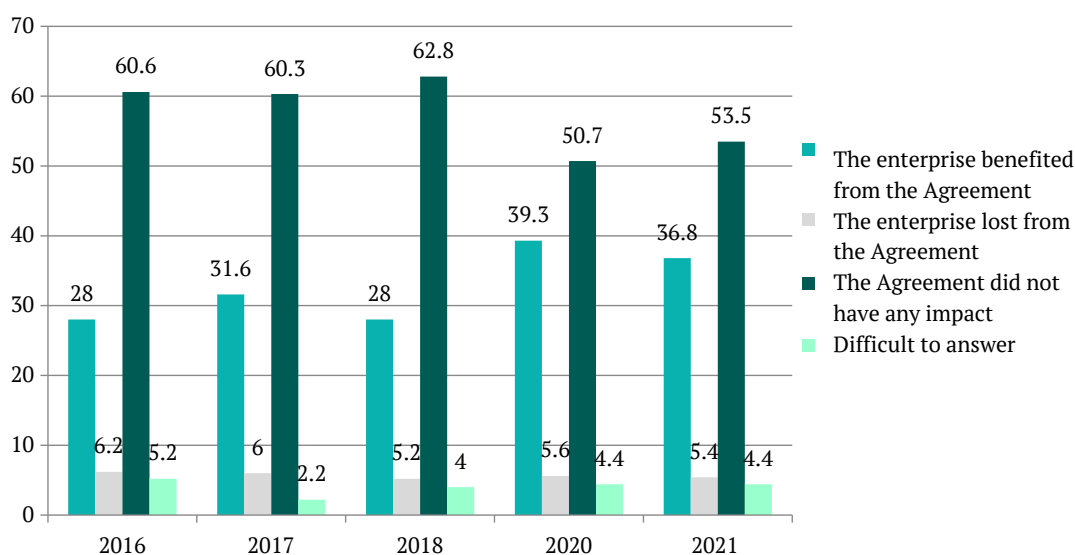


Figure 1. Assessment of the impact of the Association Agreement between Ukraine and the EU

Source: compiled by the authors according to the Simplification of trade procedures in Ukraine: Assessments and expectations of business (2021)

The data in Figure 1 show a gradual increase in the share of business entities on which the Association Agreement had a positive effect (an increase from 28% to 36.8%) and a decrease in the number of individuals who evaluated the Agreement negatively (from 6.2% to 5.4%). For the

most part, the Association Agreement did not affect business entities, as the percentage of such entities exceeded 50% in 2021. According to the 2020 results, the share of enterprises that reported the presence of export and import barriers also increased (Fig. 2).

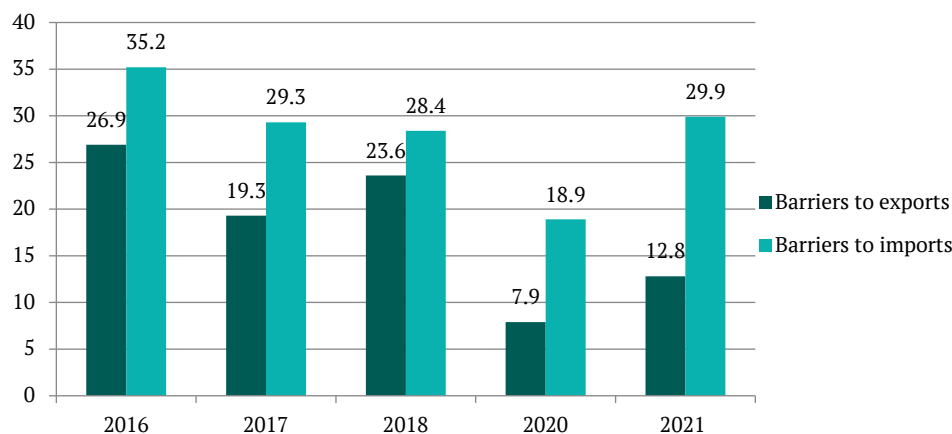


Figure 2. Barriers to exports and imports

Source: compiled by the authors according to the Simplification of trade procedures in Ukraine: Assessments and expectations of business (2021)

The share of importers who noted the presence of such barriers ranges from 18.9% to 35.2%. In 2020, there was a significant decrease in these individuals, but in 2021, the share of dissatisfied importers increased. The share of exporters who reported the presence of the barriers decreased to 7.9% in 2020, but it again slightly

increased to 12.8% in 2021. Overall, the survey results show fewer barriers to exports than to imports. The Association Agreement has been implemented for more than a year, and the degree of its implementation varies across sectors, with 40% of unmet objectives in the sector of Customs Matters (Table 1).

Table 1. Implementation of the Association Agreement between Ukraine and the EU, % of the envisaged measures

Sector	2017	2018	2019	2020	2021	2022
General indicator	41	42	43	54	63	72
Customs matters	33	36	39	44	52	60
Taxation	44	49	54	60	84	88

Source: compiled by the authors on the basis of Reports of the Cabinet of Ministers of Ukraine on implementation of the Association Agreement between Ukraine and the European Union (2022)

The Association Agreement involves the annual fulfilment of objectives related to amendments to the legislation for the implementation of EU legislation in Ukraine. Chapter 4 of the document (Association Agreement..., 2014) deals with taxation matters (mainly value added tax and excise tax). Chapter 5 is devoted to customs matters and envisages simplification of customs procedures: introduction of the institution of an authorized economic

operator, accession of Ukraine to the EU common transit system, gradual harmonization of Ukrainian customs legislation with EU customs legislation. Table 2 analyses how the measures of the Association Agreement were implemented in the sectors of Customs Matters and Taxation sectors. According to the Table 2, Ukraine is gradually fulfilling the customs procedures of the international integration, but not meeting the deadlines altogether.

Table 2. Chronology of the implementation of the Association Agreement measures in the sectors of Customs Matters and Taxation

Year	Customs Matters	Taxation
2017	The obligation to accede to the Convention on Common Transit was not fulfilled.	The classification of alcoholic beverages was updated in accordance with the EU legislation, the excise tax rates on these products were increased by 20%.
2018	The obligation to accede to the Convention on Common Transit was not fulfilled. The obligation to establish the institute of authorized economic operators was not fulfilled.	An annual increase in excise tax rates on tobacco products (by 20%) was introduced.
2019	The obligation to accede to the Convention on Common Transit was not fulfilled. A common transit regime was established. The issue of customs regulations for the protection of intellectual property rights was settled. The institute of authorized economic operators was established.	The condition for Ukraine's accession to the Multilateral Convention on the Implementation of Measures Relating to Tax Treaties was fulfilled in order to counteract the tax base erosion and the withdrawal of profits from taxation.

Table 2, Continued

Year	Customs Matters	Taxation
2020	The obligation to accede to the Convention on Common Transit was not fulfilled.	The liquid for electronic cigarettes was included in the list of excisable goods. The procedure for budgetary VAT (value added tax) refund was not improved.
2021	The obligation to accede to the Convention on Common Transit was not fulfilled. A national electronic transit system was introduced.	An excise tax rate was imposed on beer, based on its strength. The procedure for budgetary VAT refund was not improved.
2022	Ukraine acceded to the Convention on Common Transit. A new version of the Customs Tariff of Ukraine was adopted with amendments to the UCG FEA (Ukrainian Classification of Goods for Foreign Economic Activity) codes in accordance with the EU customs legislation.	A reporting form for controlled foreign transfer pricing companies was developed. The condition for accession to the Agreement for the automatic exchange of Country-by-Country Reporting was fulfilled. The procedure for budgetary VAT refund was not improved.

Source: created by the authors

Despite the introduction of a system of authorized economic operators, as of 2022, only one such authorized economic operator was officially registered in Ukraine, which indicates complex criteria for selecting business entities, making it difficult for them to obtain this status. The integration within the sector of Taxation takes place in Ukraine mainly in the field of indirect taxation. Ukraine is gradually approximating the rules of indirect taxation to those of the EU.

As of 2022, Ukraine has unified the list of excisable goods in accordance with the EU legislation, introduced an annual increase in excise tax rates on tobacco products (until 2024), revised the rules for taxation of beer (which slightly affected the tax burden of beer producers and, accordingly, the price of beer), and included the liquid for electronic cigarettes in excisable goods. However, the issue of implementation of the rules for energy taxation in Ukrainian legislation has not yet been fully resolved, which may significantly affect the price of electricity in Ukraine.

One of the most problematic aspects of indirect taxation is the issue of timely VAT refund. As of December 31, 2022, the state owed UAH 28.7 billion to business entities (Information on the amount of VAT..., 2022). The existing VAT refund mechanism is imperfect. Generally, VAT refunds can be made for transactions within the country as well as for export transactions.

Fulfilling the objectives of the Association Agreement, Ukraine should not restrict the rights of its producers. Assistance (by means of tax and customs regulation inclusive) should be provided to strategically important production enterprises, which bring most of the tax revenues to the budget, including those generated through export operations. Customs payments (VAT, excise tax, customs duty), which perform the function of regulating foreign economic activity, have a significant impact on the integration process. At the same time, the leading role of VAT in budget revenues should be noted (the first position in the share of tax revenues) (Table 3).

Table 3. Customs payments in the revenues of the consolidated budget of Ukraine, billion UAH

Tax	2017	2018	2019	2020	2021	2022
Import VAT	250.5	295.4	289.8	274.1	380.7	253.1
Excise tax on imports	47.7	54.1	59.4	64.4	87.0	44.1
Import duty	23.9	26.6	29.9	30.2	36.9	23.3
Export duty	0.6	0.5	0.2	0.3	1.3	0.7

Source: calculated according to the statistics of the Information of Ministry of Finance of Ukraine on the execution of the state and consolidated budgets of Ukraine (2022)

The data indicate an increase in all customs duties during 2017-2021 (except for a slight decrease in import VAT in 2018-2019). The martial law and a decrease in the entrepreneurial activity of business entities led to a significant decrease in tax revenues from customs payments.

The next step in the study of the economic integration of Ukraine with the EU is the analysis of the dynamics of foreign economic activity. In recent years, there has been a clear trend toward the predominance of imports over exports (Table 4).

Table 4. Volumes of foreign trade of Ukraine, million USD

Indicator	2016	2017	2018	2019	2020	2021	2022
Exports of goods and services	45112.7	52579.5	57280.9	64082.3	59394.0	79326.1	52 434.2
Imports of goods and services	44571.1	55080.6	63493.7	67824.6	60209.7	80810.3	58 347.3
Balance	541.6	-2501.1	-6212.8	-3742.3	-815.7	-1484.2	-5913.1

Source: compiled by the authors on the basis of Foreign trade of Ukraine (2021), Foreign trade. Analytics (2022)

As can be seen, only at the end of 2016 exports of goods and services exceeded imports. This means that Ukraine spent more foreign currency than it received. However, it should be noted that the volume of export and import operations increased by more than one and a half times, which is a positive moment in the implementation of the Association Agreement. The Association Agreement and martial law have changed the structure of export and import supplies. According to the 2022 results, the main export goods are products of the agro-industrial complex and the food industry (40% of exports of goods), metallurgical products and mineral products. Transport services (35% of services exports), IT services (Information Technology) and processing services dominate services exports. In goods imports, mechanical engineering products and mineral products predominate (slightly more than 20% each), and in services imports, transport services predominate in almost all years with a share of more than 22%. After signing of the Association Agreement, Ukraine has started to gradually realign the markets for goods and services. According to the 2021 results (at the time of the study, the Ministry of Economy had not yet published information on the geographical structure of foreign trade for 2022), Ukraine mainly exported goods to China and Turkey and services – to the EU and the United States. Goods were imported to Ukraine mainly from China, and services – from EU countries (Foreign Trade of Ukraine, 2021).

The authors believe that it is also worth mentioning other aspects of Ukraine's implementation of the Association Agreement, which are indirectly related to the sectors of Customs Matters and Taxation. Corruption in the customs and taxation spheres. According to the 2021 results, Ukraine ranked 116th among 180 countries in terms of the Corruption Perception Index (2022). The presence of the shadow sector, low wages, the imperfection of tax and customs legislation should be indicated as the main causes of corruption. Corruption is the main reason for the increase in the smuggling of excisable goods. In 2022, the volume of the shadow sector of tobacco was more than 20% and

that of alcoholic beverages was 12% (Illicit Trade..., 2022). In this case, the main scheme for the illegal sale of alcoholic beverages involves duty-free stores. Let us note the low level of penalties for such violations. Under Article 204 of the Criminal Code of Ukraine (2001), the illegal sale of alcoholic beverages and tobacco products is punishable by a fine in the amount of 5 000 to 10 000 of tax-exempt minimum incomes of citizens (85 000 to 170 000 UAH).

Intellectual Property. Despite the adoption of relevant legislative and regulatory acts on the protection of intellectual property rights in Ukraine, violations continue to occur in this area. In the overall rating of property rights protection for 2022, Ukraine ranks 105th out of 129 possible rank positions (International Property Rights Index, 2022).

Environmental issues. Despite the adoption of the Strategy for Environmental Security and Adaptation to 2030 Climate Change, the authors believe that Ukraine does not sufficiently regulate the processes of environmental security. In the 2022 environmental performance rating Ukraine ranked 52nd with an index of 49.60, falling behind most countries of the European Union (Environmental Performance Index, 2022). In particular, the problem lies in the low environmental tax rates. One of the key environmental tax rates in the EU is the carbon tax. In Sweden, Switzerland, and Liechtenstein, the tax rate on carbon dioxide emissions is 117 euros per ton, in Norway – 79 euros, and in Finland – 76 euros (Bray, 2022). In Ukraine, the environmental tax rate on carbon dioxide emissions is 30 UAH per ton.

Lack of real tax incentives for innovative development. According to the 2022 results, Ukraine ranked 57th in the Global Innovation Index (Global Innovation Index, 2022). It should be noted that the value of this index is gradually decreasing. While the vast majority of countries worldwide provide a tax discount or tax credit when conducting innovative research, the tax legislation in Ukraine does not contain the corresponding norms. In order to solve the existing problems, the authors of the study suggest the following recommendations (Table 5.)

Table 5. Recommendations for the implementation of the objectives of the Association Agreement

Area	Recommendations
Authorized economic operators	The system of obtaining the Authorized Economic Operator status should be simplified by reducing the number of eligibility criteria. This should increase the number of individuals obtaining this status and improve the image of Ukrainian companies in the international market. Additionally, the information campaign on the benefits of this status needs to be enhanced, especially for exporters.
Common transit system	The common transit system should not only take into account existing EU requirements, but also contribute to the protection of exporters. This may be facilitated by reducing the amounts of financial guarantees imposed on business entities in transit.
Budgetary VAT refund	It is necessary to abolish VAT refunds for operations within Ukraine and leave it exclusively to exporters, as they lose 20% of the profit when exporting products. The abolition of VAT refund for transactions within Ukraine will simplify the activity of regulatory authorities regarding the audit of reporting. Moreover, it will also save budget funds allocated for VAT refund.
Reduced VAT rates on social categories of goods	Introduction of reduced VAT rates on socially important goods with mandatory control over the prices of these goods to assist low-income groups of the population.
Excise tax rates on energy	A transition period should be established for the implementation of the EU legislation on excise tax rates on energy, as the introduction of the European tax rules in this segment under the martial law will lead to an increase in prices for all types of goods.

Table 5, Continued

Area	Recommendations
Development of strategic directions of taxation	Of particular importance today is the development and implementation of the Tax Policy Strategy of Ukraine, which will determine the vectors of tax development in Ukraine taking into account the objectives of the Association Agreement. This should allow business entities to effectively implement strategic and tax planning processes throughout the year.
Environmental issues	The solution of environmental problems should be done by introducing amendments to the norms of environmental taxation. In this direction, the state should provide regions with a greater autonomy regarding rates and corrective coefficients of environmental tax, limits of emissions and discharges.
Innovative development	In order to strengthen the interest of business entities in innovative development, it is advisable to reduce the tax burden on corporate tax and channel the freed-up funds into research and development to develop innovative products that will be competitive in the foreign market.

Source: created by the authors

This topic has been studied by other scholars who have considered certain aspects of taxation, customs and tariff regulation as well as other areas that indirectly affect the issues under consideration. Although the authorized economic operator system has been in existence for three and a half years, its condition should still be assessed as unsatisfactory, which is due to the complex authorization requirements and the lack of a state information campaign for business entities. As noted by S. Kanygin *et al.* (2022), the EU has more flexible requirements for applicants for the Authorized Economic Operator status, which results in a significant number of authorized economic operators with more than 20 000 individuals. According to T. Karavayev *et al.* (2022), a significant disadvantage in Ukraine is the lack of information provided to businesses about the requirements for obtaining the status of an authorized economic operator and the benefits that such status offers.

A. Torello (2021) believes that the application of the Authorized Economic Operator institution has contributed to the development of trade relations between Vietnam and EU countries and has also enabled the simplification of customs procedures for individuals who have obtained the status of an Authorized Economic Operator. The experience of Turkey shows some problems in applying for the status of an authorized economic operator (Sağlam *et al.*, 2019). However, these problems are constantly discussed (through a national survey) and solved by amending the national legislation.

Despite the introduction of the common transit system, it has its advantages and disadvantages. T.V. Ruda (2022) believes that the common transit system will improve control over the movement of goods, contribute to the reduction of customs violations and ensure the formation of a single information space for transit traffic. According to R. Kril (2021), the common transit system not only brings benefits to business entities, but also ensures the coordination of actions of customs authorities, which as a result simplifies the procedure of customs clearance of transit operations. J. Carballo *et al.* (2022) in their study proved that the use of the common transit system leads to a reduction in trade costs of business entities and increases their exports. At the same time, as T. Zaiats *et al.* (2022) note, it is also possible to increase the value of exports by applying the financial guarantee mechanism in transit traffic.

The sector of Taxation may also be subject to changes aimed at implementing the objectives of the Association Agreement. According to A. Sokolovska & L. Rainova

(2020), the VAT refund procedure poses significant risks of abuse and involves substantial budgetary expenditures. R. De La Feria & A. Schoeman (2019) consider VAT fraud schemes as one of the most problematic aspects in taxation. Generally, the scheme of procuring goods that are not used in economic activity is applied. And on this basis the individual declares the amount of VAT refund. According to T. Iefymenko *et al.* (2021), Ukraine almost does not apply the EU approach regarding reduced VAT tax rates on socially important goods, which has allowed to slightly reduce the prices of these goods. A. Nipers *et al.* (2019) proved that reduced VAT rates in the short term leads to a significant decrease in retail prices for social goods, provided that the state controls prices.

In order to fulfil the objectives of the Association Agreement in the sectors of Customs Matters and Taxation, scholars have also emphasized the following measures: tightening criminal liability for smuggling based on the experience of the Netherlands, Switzerland, France and Turkey (Nalutsyshyn, 2022); improving customs regulations to protect intellectual property by equipping customs authorities with modern means of customs control (Voloshchenko, 2020). Moreover, M. Husovec (2019) believes that the EU pays great attention to the problem of intellectual property rights protection, which is enshrined in the relevant provisions of the EU Charter. V. Bulavynets (2020) emphasized the importance of energy taxation in ensuring environmental security. F.J. Delgado *et al.* (2022), in their study on environmental taxation in the EU, also proved the importance of the energy cluster of environmental taxation. It is also important to introduce a differentiated approach to environmental taxation that takes into account the regional aspect and sectoral specifics of the taxpayer (Zakharkina & Novikov, 2020) and the regulation of tax instruments to stimulate innovative development of business entities, taking into account the experience of EU countries (Krysovatyty *et al.*, 2019). J. Mitchell *et al.* (2020) prove the need for tax incentives for innovative development of new business entities in order to ensure employment, increase production and sales, and enhance the competitiveness of products.

According to the authors of the study, the measures for further economic integration of Ukraine under the Association Agreement should allow for all the above-mentioned opinions of the scientific community. Thus, the achievement of the objectives of the Association Agreement by Ukraine has its advantages and disadvantages. The state should strengthen the areas of its development that are

prioritized and related to the achievement of the Association Agreement objectives. At the same time, measures should be developed to support those business entities for which the Association Agreement has not brought positive changes.

● CONCLUSION

The results of the research prove that Ukraine is gradually introducing measures to implement the Association Agreement with the aim of economic integration into the norms and rules of the EU. In general, the economic integration contributes to overcoming technical and economic barriers and ensures the implementation of common interests of business entities of different countries. The martial law has a significant impact on the dynamics of integration processes. One of these consequences is the reduction of the balance of foreign trade and the inability of the state to protect national producers from the regulatory influence of other states.

It is determined that Ukraine has not fully succeeded in introducing customs and tax regulation measures allowing for the EU requirements (common transit, authorized economic operators, budgetary VAT refund, excise tax rates on energy). Customs payments are a significant factor in the impact on economic integration, as together they account for more than 50%. Within these payments, Ukraine should continue to implement the main measures of the Association Agreement. Ukraine should gradually revise both the

commodity and geographic structure of foreign economic activity. The state should provide assistance to business entities, primarily through the conclusion of international agreements to find new markets for export products. The issues of corruption and prevention of smuggling, which are raised every year by taxpayers participating in expert surveys, must be addressed. The state should also promote the protection of intellectual property rights, improve environmental security, and enhance the interest of business entities in introducing innovations.

Prospects for further research should focus on the issues of the protecting Ukrainian producers in both internal and external markets through measures of tariff and non-tariff regulation of foreign economic activity. This should be done by actual measures of the state introducing import restrictions on certain categories of goods to prevent them from entering the Ukrainian market. Furthermore, discussions should be held with the EU executive bodies on the abolition of quotas on Ukrainian goods, which will allow Ukraine to increase the volume of export operations.

● ACKNOWLEDGEMENTS

None.

● CONFLICT OF INTEREST

None.

● REFERENCES

- [1] Agreement on Partnership and Cooperation between Ukraine and the European Communities and their Member States. (1994, June). Retrieved from https://zakon.rada.gov.ua/laws/show/998_012#Text.
- [2] Association Agreement between the European Union and the European Atomic Energy Community and Their Member States, of the one part, and Ukraine, of the other part. (2014, March). Retrieved from https://zakon.rada.gov.ua/laws/show/984_011#Text.
- [3] Borzenko, O.O. (2021). *Assessment of Ukraine's integration into the European economic space*. Kyiv: Institute for Economics and Forecasting of the National Academy of Sciences of Ukraine.
- [4] Bray, S. (2022). *Carbon Taxes in Europe*. Retrieved from <https://taxfoundation.org/carbon-taxes-in-europe-2022/>.
- [5] Bulavynets, V. (2020). Environmental taxation as a tool of "green" finance. *Effective economy*, 12. doi: 10.32702/2307-2105-2020.12.116.
- [6] Carballo, J., Graziano, A.G., Schaur, G., & Martincus, C.V. (2022). The effects of transit systems on international trade. *The Review of Economics and Statistics*, 2022, 1-41. doi: 10.1162/rest_a_01189.
- [7] Chaikivska, V.V. (2020). *Modernization of the legal regime of foreign economic activity in Ukraine: Challenges of international integration*. Odesa: Helvetica Publishing House.
- [8] Corruption Perception Index. (2022). Retrieved from <https://www.transparency.org/en/cpi/2022>.
- [9] Criminal Codex of Ukraine. (2001, April). Retrieved from <https://zakon.rada.gov.ua/laws/show/2341-14#Text>.
- [10] De La Feria, R., & Schoeman, A. (2019). Addressing VAT fraud in developing countries: The tax policy-administration symbiosis. *Intertax*, 47(11), 950-967. doi: 10.54648/taxi2019096.
- [11] Delgado, F.J., Freire-González, J., & Presno, M.J. (2022). Environmental taxation in the European Union: Are there common trends? *Economic Analysis and Policy*, 73, 670-682. doi: 10.1016/j.eap.2021.12.019.
- [12] Environmental Performance Index. (2022). Retrieved from <https://epi.yale.edu/>.
- [13] Foreign trade of Ukraine. (2021). Retrieved from https://www.ukrstat.gov.ua/druk/publicat/kat_u/2022/zb/08/zb_zt_ukr_2021.pdf.
- [14] Foreign trade. Analytics. (2022). Retrieved from <https://www.me.gov.ua/Tags/DocumentsByTag?lang=uk-UA&id=ce61591c-858a-4e77-885e-edabb095097c&tag=ZovnishniaTorgivlia-analitika->
- [15] Global Innovation Index. (2022). Retrieved from https://www.wipo.int/global_innovation_index/en/2022/.
- [16] Halushchak, I., Kokhan, I., & Dmytrovska, V. (2021). Formation of tax policy in Ukraine in the context of European integration. *Effective economy*, 2. doi: 10.32702/2307-2105-2021.2.6.
- [17] Husovec, M. (2019). The essence of intellectual property rights under article 17(2) of the EU Charter. *German Law Journal*, 20(6), 840-863. doi: 10.1017/glj.2019.65.
- [18] Iefymenko, T., Ivanov, Y., & Karpova, V. (2021). Differentiated VAT rates in Ukraine: Problems and directions of solution. *Scientific Works of NDFI*, 1(94), 5-21. doi: 10.33763/npndfi2021.01.005.
- [19] Illicit trade monitoring Ukraine. (2022). Retrieved from https://chamber.ua/wp-content/uploads/2022/11/FULL-REPORT-EN_AIT.pdf.

- [20] Information on the amount of value added tax reimbursement from the state budget. (2022). Retrieved from <https://tax.gov.ua/diyalnist-/vidshkoduvannya-pdchv/informatsiya-pro-obsyagi-vidshkoduvannya/>.
- [21] International Property Rights Index. (2022). Retrieved from <https://www.internationalpropertyrightsindex.org/>.
- [22] Kanygin, S., Tyshchenko, V., & Azizova, K. (2022). International experience in organizing checks of candidates for receiving authorized economic operator status. *Economy and society*, 39. doi: 10.32782/2524-0072/2022-39-68.
- [23] Karavayev, T., Duginets, G., & Nikanorova, O. (2022). Authorized economic operator: World experience. *Foreign trade: economics, finance, law*, 121(2), 26-37. doi: 10.31617/zt.knute.2022(121)03.
- [24] Kril, R. (2021). Common transit procedure and NCTS implementation: The case of Ukraine. *Lex Portus*, 7(3), 32-59. doi: 10.26886/2524-101X.7.3.2021.2.
- [25] Krysovaty, A., Koshchuk, T., & Vatahovy, M. (2019). Tax and budget support for producers in the context of EU state aid legislation. *Finance of Ukraine*, 7, 35-51. doi: 10.33763/finukr2019.07.035.
- [26] Kvasha, O., & Sinyakova, A. (2019). *Ukraine and EU: Problems and prospects of integration in modern terms*. *Scientific Bulletin of the Uzhhorod National University. Series: International economic relations and world economy*, 23(1), 112-117.
- [27] Melnyk, O., Adamiv, M., & Todoshchuk, A. (2018). Conceptual principles of reforming the customs system of Ukraine in terms of European integration. *Ekonomika ta derzhava*, 11, 39-44. doi: 10.32702/2306-6806.2018.11.39.
- [28] Information of Ministry of Finance of Ukraine on the execution of the state and consolidated budgets of Ukraine. (2022). Retrieved from https://www.mof.gov.ua/uk/budget_2022-538.
- [29] Mitchell, J., Testa, G., Martinez, M.S., Cunningham, P.N., & Szkuta, K. (2020). Tax incentives for R&D: Supporting innovative scale-ups? *Research Evaluation*, 29(2), 121-134. doi: 10.1093/reseval/rvz026.
- [30] Moroz, O. (2019). *International economic integration of Ukraine: Problematic aspects of development*. *Eastern Europe: economy, business and management*, 19, 27-34.
- [31] Nalutsyshyn, V.V. (2022). Smuggling: Criminal-legal aspect. *Juridical scientific and electronic journal*, 6, 343-347. doi: 10.32782/2524-0374/2022-6/76.
- [32] Nipers, A., Upite, I., Pilvere, I., Stalgiene, A., & Viira, A.H. (2019). Effect of VAT rate reduction for fruits and vegetables on prices in Latvia: Ex-post analysis. *Agraarteadus: Journal of Agricultural Science*, 30(1), 25-31. doi: 10.15159/jas.19.06.
- [33] Paying taxes. (2020). Retrieved from <https://www.pwc.com/gx/en/paying-taxes/pdf/pwc-paying-taxes-2020.pdf>.
- [34] Popko, O. (2019). International economic integration and the place of Ukraine in international integration processes. *Problems of a systemic approach in economics*, 2(1), 13-20. doi: 10.32782/2520-2200/2019-2-2.
- [35] Redziuk, Ye. (2021). Economic European integration: Assessment and modelling of superficial and hidden factors of divergence between Ukraine and the EU. *International economic policy*, 1(34), 95-118. doi: 10.33111/iep.2021.34.05.
- [36] Reports of the Cabinet of Ministers of Ukraine on implementation of the Association Agreement between Ukraine and the European Union. (2022). Retrieved from <https://eu-ua.kmu.gov.ua/zvity-pro-vykonannia-uhody-pro-asotsiatsiiu>.
- [37] Ruda, T.V. (2022). Peculiarities of the application of the joint transit procedure in the context of international legislation. *Innovative economy*, 1(90), 163-168. doi: 10.37332/2309-1533.2022.1.22.
- [38] Sağlam, B., Ertürk, E., & Tepe, R. (2019). *Authorized economic operator program in Turkey: Evaluation of benefits and challenges from the supply chain perspective*. *Karadeniz Teknik Üniversitesi Sosyal Bilimler Enstitüsü Sosyal Bilimler Dergisi*, 9(17), 165-179.
- [39] Semenets, A., Tiurina, D., Kuzkin, Ye., & Yarmak, O. (2020). An analysis of the European integration processes in Ukraine. *Finance and credit activity: problems of theory and practice*, 4(35), 495-506. doi: 10.18371/fcaptp.v4i35.222526.
- [40] Simplification of trade procedures in Ukraine: Assessments and expectations of business. (2021). Retrieved from <http://www.ier.com.ua/ua/publications/reports?pid=6894>.
- [41] Sokolovska, A., & Rainova, L. (2020). Value added tax: Approaches to reform in Ukraine and the European union. *Economy and state*, 8, 43-48. doi: 10.32702/2306-6806.2020.8.43.
- [42] The Logistics Performance Index and its indicators. (2018). Retrieved from: <https://openknowledge.worldbank.org/bitstream/handle/10986/29971/LPI2018.pdf>.
- [43] Torello, A. (2021). The simplification of customs formalities: The role of the authorized economic operator (AEO) in Vietnam and in the EU. In V. Bobek & C.-H. Quah (Eds.), *Emerging Markets* (pp. 1-13). London: IntechOpen. doi: 10.5772/intechopen.93609.
- [44] Voloshchenko, O. (2020). Novelization of intellectual property in the conditions of the European integration policy of Ukraine: Problems of theory and practice. *Entrepreneurship, Economy and Law*, 4, 17-21. doi: 10.32849/2663-5313/2020.4.03.
- [45] Zaiats, V., Tytor, V., & Kurylov, V. (2022). Joint transit procedure: Strategy and state of implementation in Ukraine. *World of Finance*, 3(72), 83-98. doi: 10.35774/SF2022.03.083.
- [46] Zakharkina, L., & Novikov, V. (2020). Environmental taxation in Ukraine: Prospects for improvement based on foreign experience. *Bulletin of Sumy State University. Economy series*, 4, 121-130. doi: 10.21272/1817-9215.2020.4-14.

Митно-податкові аспекти економічної інтеграції України до ЄС

Юрій Борисович Іванов

Доктор економічних наук, професор
Харківський національний економічний університет імені Семена Кузнеця
61166, просп. Науки, 9А, м. Харків, Україна
<https://orcid.org/0000-0002-5309-400X>

Вікторія Федорівна Тищенко

Доктор економічних наук, професор
Харківський національний економічний університет імені Семена Кузнеця
61166, просп. Науки, 9А, м. Харків, Україна
<https://orcid.org/0000-0001-5924-2061>

Олексій Євгенович Найденко

Кандидат економічних наук, доцент
Харківський національний економічний університет імені Семена Кузнеця
61166, просп. Науки, 9А, м. Харків, Україна
<https://orcid.org/0000-0003-0638-3965>

Анотація. Економічна інтеграція України насамперед передбачає імплементацію заходів Угоди про асоціацію з ЄС, яка включає в себе різні сектори. Одними з ключових секторів Угоди про асоціацію є «Митні питання та сприяння торгівлі» та «Оподаткування». Метою статті було дослідження впливу митних та податкових аспектів на інтеграційні процеси України та ЄС в умовах глобалізаційних процесів в економіці. Вирішення поставлених в дослідженні завдань виконано з використанням наукових методів аналізу та синтезу, історичного та хронологічного методів, статистичних, економічних та графічних методів, а також абстрактно-логічного методу. Досліджено генезис реалізації заходів Угоди про асоціацію з ЄС за секторами «Митні питання» та «Оподаткування». Узагальнено проблемні аспекти щодо реалізації заходів інтеграції України до ЄС. Проаналізовано стан зовнішньоекономічної діяльності та встановлено, що Угода про асоціацію позитивним чином вплинула на обсяг операцій зовнішньоекономічної діяльності, але не призвела до позитивного сальдо зовнішньої торгівлі. Встановлено, що митні платежі складають більшу частину доходів Зведеного бюджету України, а основну питому вагу в доходах бюджету складає податок на додану вартість. Проаналізована структура експорту та імпорту (за товарами та країнами) та встановлено, що Україна поступово відходить від виробництва продукції машинобудування та акцентує зусилля на секторі агропромислового комплексу. Виокремлено сектори Угоди про асоціацію, які негативним чином впливають на процеси митного та податкового регулювання, запропоновано шляхи вирішення проблемних питань. Практичне значення одержаних результатів полягає в узагальненні заходів реалізації Україною Угоди про асоціацію, виокремленні існуючих проблем та розробці пропозицій щодо їх вирішення

Ключові слова: зовнішньоекономічна діяльність; експорт; імпорт; надходження до бюджету; Індекс глобалізації