

Where to find more money for the Ukrainian state budget: *illegal markets problem and steps to solve it*

09 February 2024

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UAH 520 bn

financing needs,
not covered by expected foreign financing



we can ensure at least

UAH 80 bn

additional revenues to the state budget
by reducing the share of illegal markets



Temporary Investigative Commission (TIC) on Economic Security: results in 2023

5 large
schemes

**of tax evasion
were closed**

~15 bn
UAH

**were returned
to the state budget**



TIC's results of work in 2023: TOP closed schemes of tax evasion



Closed tax evasion
through Duty Free
tobacco goods



Closed tax evasion through
miscoding and several
legislative loopholes on
gambling markets



Made ARMA to open the
seized asset register and
use Prozorro.Sale



Illegal Alcohol Market – Case Study

Tax payer	Vat tax burden in % of turnover		Tax burden from corporate income tax in % of turnover	
	2022	2023	2022	9 months 2023
Average for the market	5,07%	5,63%	0,66%	1%
«Vinal» LLC	0,42%	0,57%	0,33%	0,21%
«ZLGZ Zlatogor» LLC	0,02%	0,27%	0,08%	0,07%
«ABK Dnipro» LLC	0,48%	0,5%	0,05%	0,05%
«Getman» LLC	0%	0%	0,12%	0,09%



Illegal Tobacco Market – Case Study

Case of illegal tobacco sales

The law enforcement agencies haven't step up to eliminate illegal productions and licensees of manufacturers by launching production timekeeping during the night (which STS hasn't the right to do according to the law).

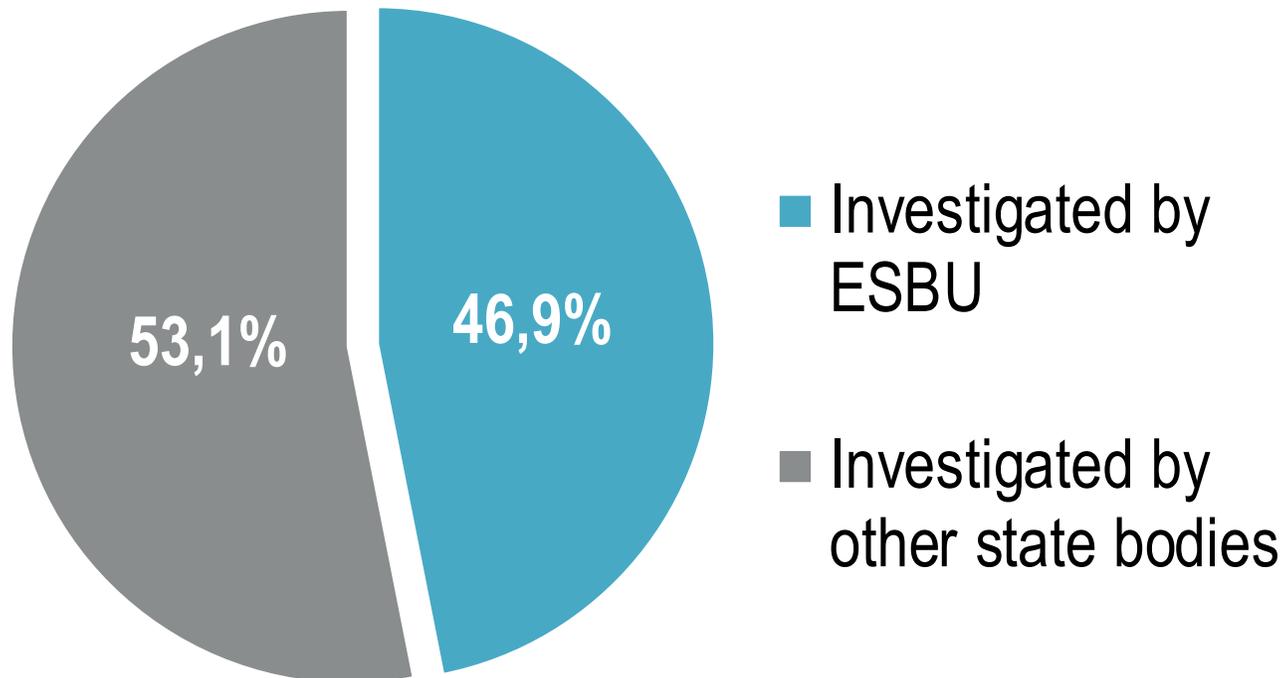
There is no evidence of effective investigations to uncover chains of illegal tobacco online sale from the sellers to manufacturers.

Low quality of criminal proceedings in violations detected and sent to the law enforcement bodies by the STS (e.g. case of unmarked tobacco products under the TT brand for UAH 149 million).



Institutional Issues: Ineffective work of the Bureau of Economic Security (BES)

**Investigations under Criminal Code articles,
that fall under the jurisdiction of the BES
in 2023**

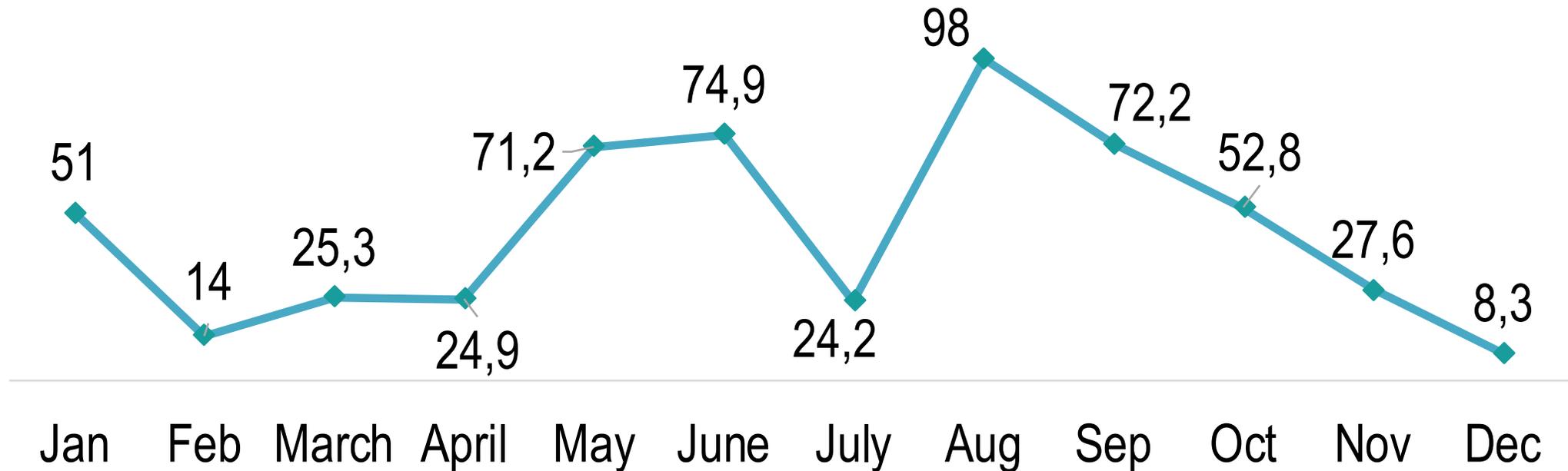


**Sentences in which a person
was found guilty in criminal
offence**

0

Institutional Issues: Ineffective work of the Bureau of Economic Security (BES)

Recovery of state budget losses in 2023, mln UAH





Institutional Issues: Restart of the BES. Key steps



Adopt the draft law on proper restart of the BES based on the draft law №10088-1.

Support the BES restart process.

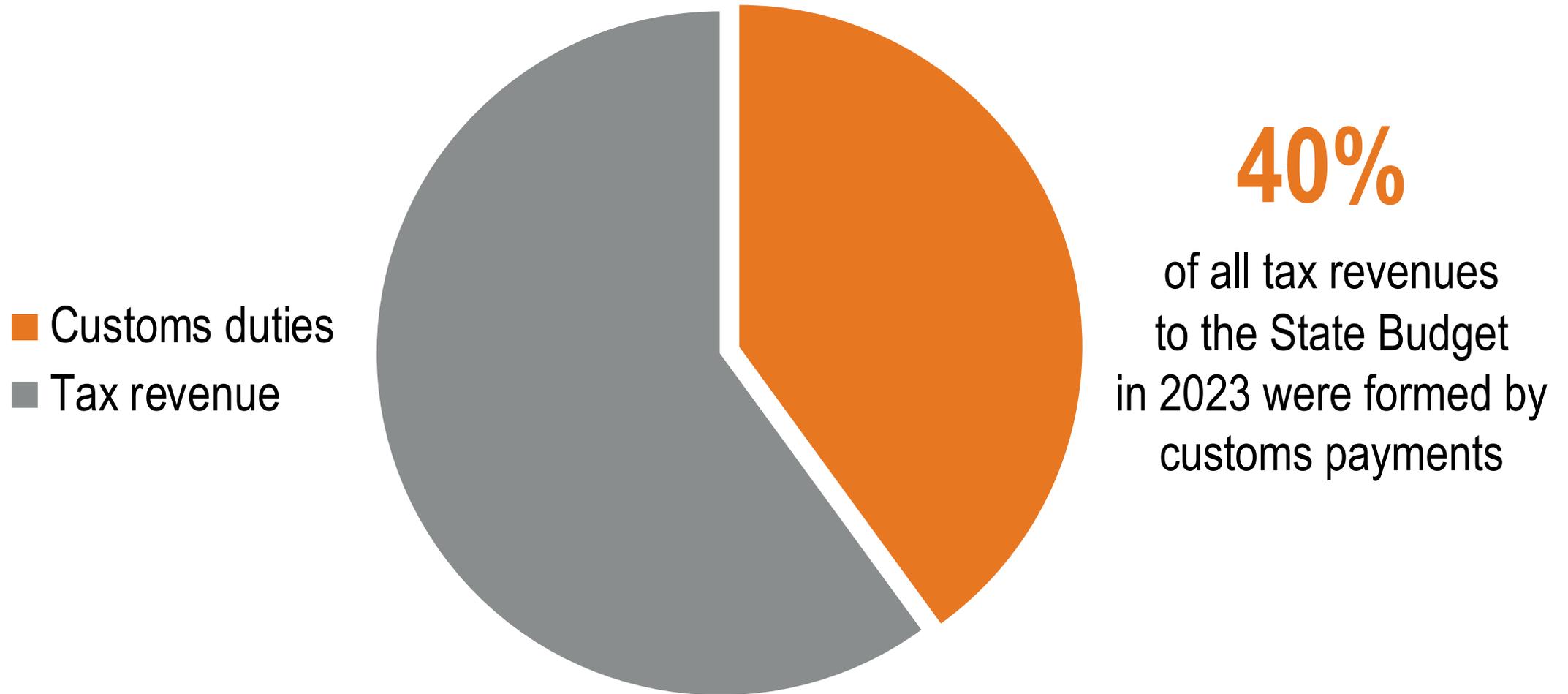
Improve cooperation between the BES and other state bodies.

Prepare and advocate the amendments to the Criminal Procedure Code.

Prepare a draft law on special prosecutorial supervision of the BES.

Develop and implement a risk management system for the BES.

Institutional Issues: Ineffective work of the State Customs Service





Institutional Issues: Ineffective work of the State Customs Service

Key pitfalls in the SCS's work.

Understatement of customs value and smuggling contribute to fiscal gap via VAT, excise and customs duties losses.

Influence and interference of law enforcement bodies.

Lack of accountable management: for the last 4 years the SCS is managed by acting heads only.

Salary level of customs officers is below the market.

Wear and tear of technical equipment for customs control (e.g. 80% of weight scanners are outdated or don't work).

Non-transparent customs data which make public control difficult.



Institutional Issues:

Restart of the State Customs Service. Key Steps



Adopt the draft law on proper restart of the State Customs Service №6490-d

Support the SCS restart process

Improvement of the SCS risk management system

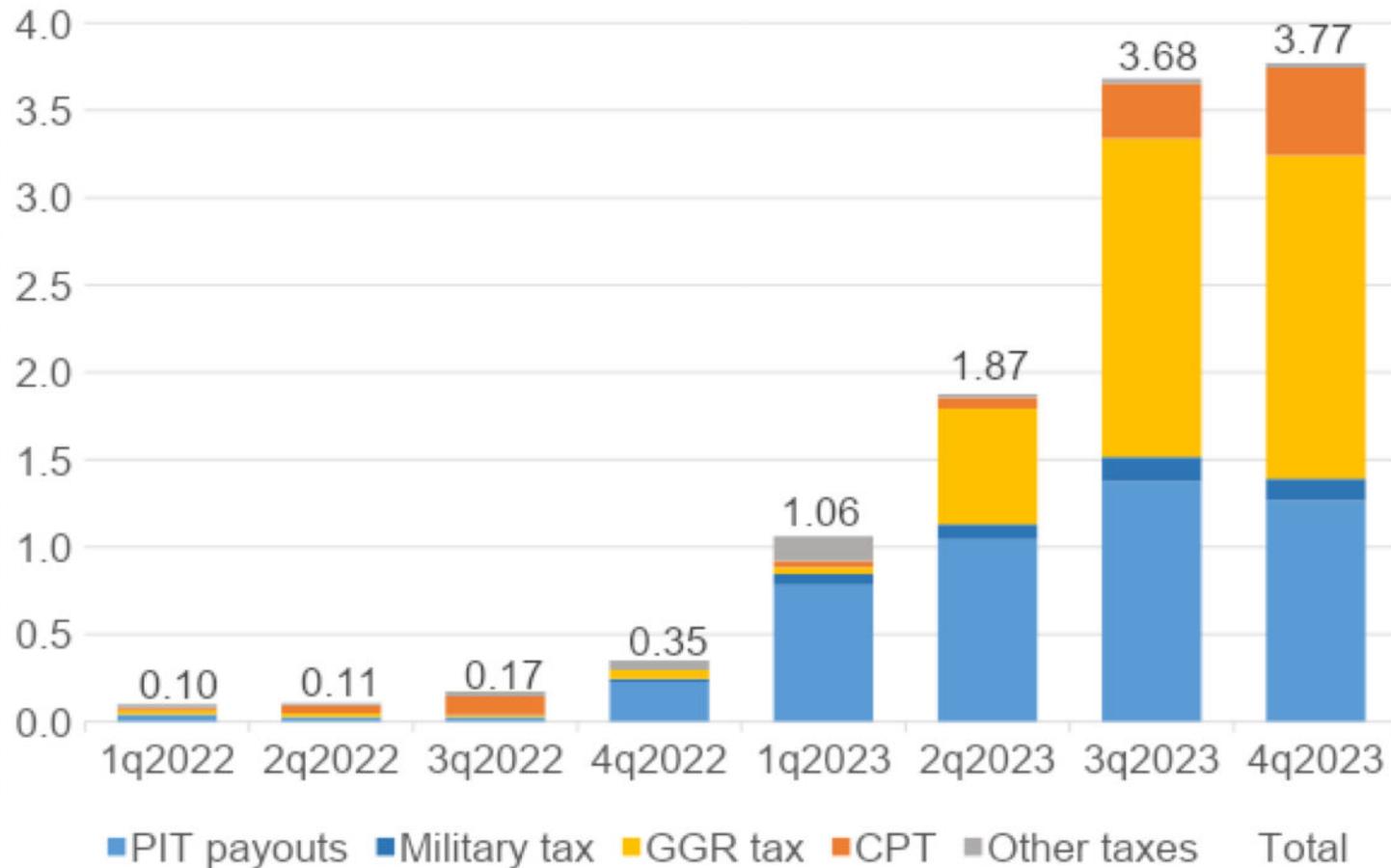
Provide the customs infrastructure development and equipment

Improve the customs information exchange with other countries

Open access to customs data, develop and launch BI.Customs

Gambling: actions and results in 2023

Quarterly gambling tax revenue, UAH bn



Key actions taken

coordination of NBU, STS, BES and gambling authority

miscoding scheme closed

single tax loophole closed



Gambling – focus in 2024



I. Implementation of Online Monitoring System

live collection and monitoring of data on bets and payouts

complicates tax evasion

allows protection of vulnerable and addicted gamblers

II. Gambling Authority activities

enforcement of compliance with licensing requirements

initiatives on decreasing unlicensed gambling

institutional capacity and governance

Illegal Fuel and Alcohol Markets



~ 10 bn UAH

state budget lost in 2023
due to illegal fuel market*



~ 8 bn UAH

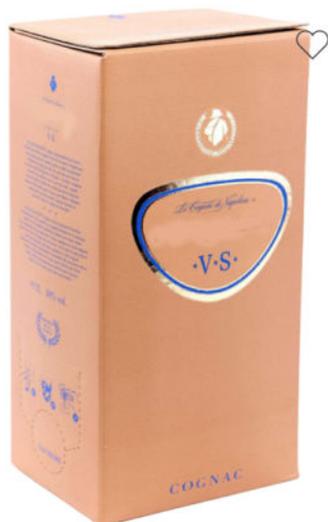
state budget lost in 2023
due to illegal alcohol market*

** According to CASE Ukraine estimations*

Case of illegal alcohol sales via website



Коньяк Hennessy 2 літри
€330.00



Коньяк Courvoisier 2 літри
€280.00



Коньяк Молдовський Ви...
★★★★★
€440.00



Коньяк Молдовський Кар...
★★★★★
€440.00



Коньяк Молдовський Ми...
★★★★★
€440.00

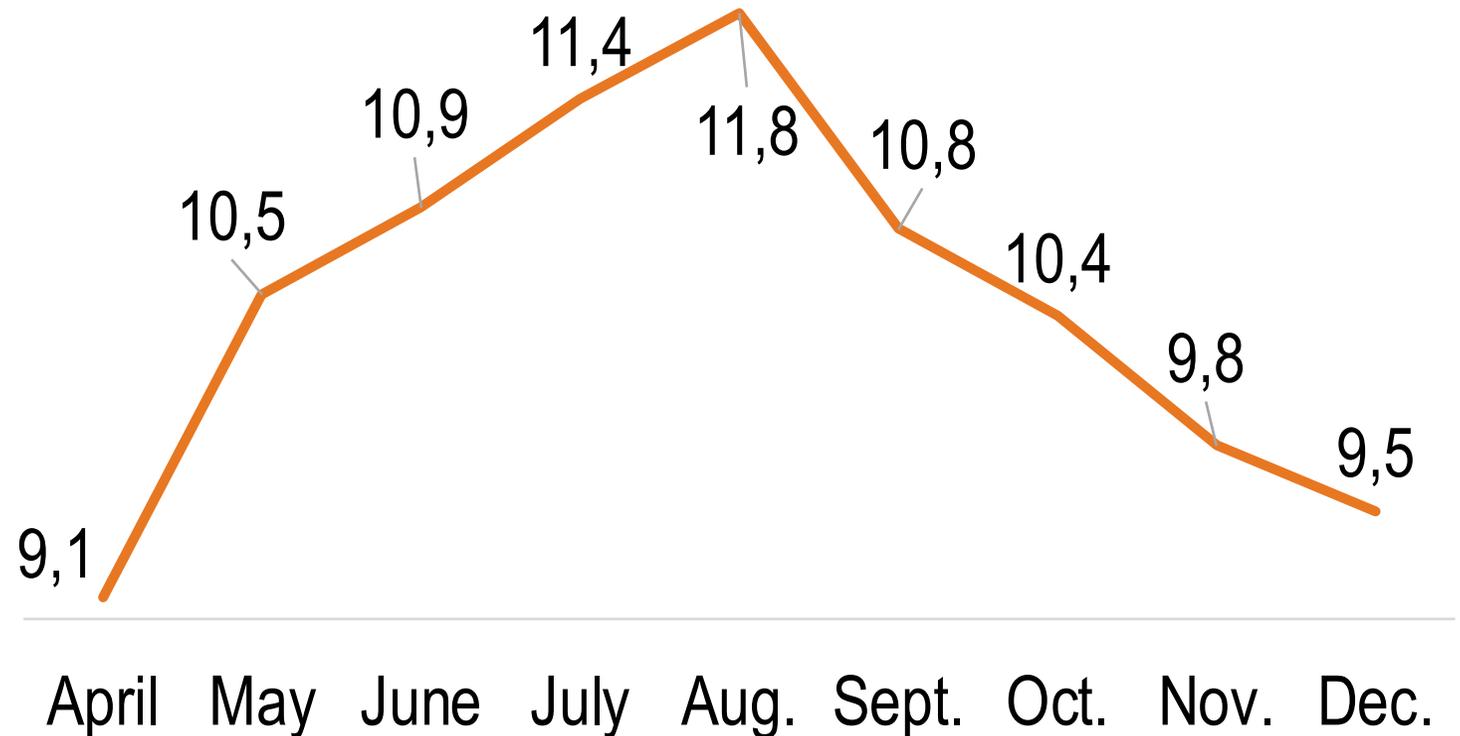


Illegal Tobacco Market

~ 23,5 bn UAH

state budget lost in 2023
due to illegal tobacco market
according to
Kantar estimations

Retail sales of tobacco products in 2023, bn UAH



Case of illegal tobacco sales via Telegram Channel

Ciga_alko_store | Сигареты Украина 8...



Стики для ГЛО (Деми) NEO.

- ✓ Purple Boost
- ✓ Scarlet Click.
- ✓ Terracotta Tobacco

Россыпь под резинку
100 стиков в пучке

💰 350грн/пучок (100сиг) 👍

Отправка от 1 пучка 🙌

**Key steps for
successful fight
against illegal markets
of excised goods**

**Adopt the draft law on proper restart of the
ESBU based on the draft law №10088-1.
Supervise and support the restart process.**

**Adopt the draft law on proper restart of the
State Customs Service №6490-d.
Supervise and support the restart process.**

**Ensure the effective work of the law
enforcement state bodies, particularly by
eliminating political influence on them.**