Analytical note

CENTRE FOR ECONOMIC STRATEGY

Comparative analysis of EU and Ukrainian tax legislation

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KEY POINTS

Ukraine is gradually bringing its tax system closer to European standards, but **the level of harmonisation remains partial and needs to be further deepened.**

In the area of VAT, the base rate and overall architecture are in line with European logic, but the reduced rates and array of exemptions go beyond the permitted list. VAT refunds to non-residents, the distinction between zero-rated and exempt transactions, and the details of the rules on the place of supply of services remain open issues.

Excise policy is approaching EU minimum levels according to a clear timetable, but the classification of alcohol and tobacco products has not yet been harmonised. Differences however remain in the logic of tax liability.Furthermore, integration into the European system for controlling the movement of excise goods is also incomplete. In the future, the area of new nicotine-containing products will require implementation with a new European framework.

Transparency standards and transfer pricing controls have already been introduced in direct taxation, but a number of key directives – on corporate structures, taxation of passive income, tax-neutral reorganisations and global minimum taxation – are still awaiting to be implemented

International cooperation is expanding: Ukraine has joined the automatic exchange of financial information and reporting by multinational companies. At the same time, it is necessary to complete the adaptation of transparency directives, ensure connection to secure EU networks and harmonise reporting with European standards.

The institutional capacity of tax authorities is being strengthened through digital transformation and the National Revenue Strategy, but stable funding, staffing and the compatibility of IT solutions with European systems remain key challenges.

Anti-corruption measures in the field of taxation have been strengthened by the automation of certain processes, but risks remain significant in the areas of VAT, excise duties and tax audits. Limited staff motivation, complex rules and the preservation of discretionary decisions create additional threats. Further progress will require not only technological solutions but also institutional changes to ensure the sustainability of reforms.

Overall, Ukraine has a clear roadmap and strategic guidelines. Ahead lies the difficult task of completing harmonisation, including politically challenging decisions that combine legislative approximation, digital integration and the strengthening of human and institutional capacity. Only the comprehensive implementation of these tasks will ensure the real compatibility of the Ukrainian tax system with the EU internal market.

INTRODUCTION

Ukraine's European integration in the field of taxation gained significant momentum with the signing of the Association Agreement with the EU. Article 353 and Annex XXVIII set out specific commitments for legal approximation in the taxation domain. According to the official Report on the Implementation of the Agreement for 2024, Ukraine has fulfilled about 90% of its obligations envisaged in during 2014–2024. This was a significant result of the first decade of integration.

Granting Ukraine candidate status in 2022, in the context of a full-scale Russian invasion, opened a tangibly new stage The scope of commitments increased sharply, as the adaptation of legislation is now being carried out not only within the framework of the association, but also in preparation for membership. The European Council's political decision in December 2023 to open accession negotiations marked the starting point of a new phase in Ukraine-EU relations. Already in June 2024, the first Intergovernmental Conference officially launched the negotiation process and started screening under an enhanced enlargement methodology.

Chapter 16, "Taxation," is part of Cluster 3, "Competitiveness and Inclusive Growth," alongside the customs union, economic and monetary policy, digital transformation, employment, education, science, and industry. This approach reflects an important logic: tax policy does not exist in isolation – it either enhances competitiveness and fair development or creates barriers to the movement of goods, services and capital.

Ukraine is simultaneously building a strategic framework for implementing new tasks through the National Revenue Strategy for 2024–2030. It covers four interrelated levels:

- regulatory – implementation of directives on VAT, excise duties, corporate taxes and administrative cooperation;
- institutional – strengthening the role of the Ministry of Finance and the State Tax Service, developing competency-based human resource management and compliance functions;
- technological – digitalisation of processes, from risk models and electronic services to integration with EU IT systems;
- procedural – transparent and predictable audits, VAT refunds, control of excise goods and international data exchange.

This is not just about harmonising legislative norms. The common European market requires their uniform application by all participants. Therefore, emphasis is also placed on practical aspects: how excisable goods move, how risk-oriented selection works, how information exchange between administrations is organised, how the discretion of officials is minimised. Ukraine has already taken significant steps towards digitalisation, expanded its participation in international transparency instruments, and set timetables for the approximation of rates. The next task is to bring these changes into full compliance with the acquis communautaire and test their sustainability in real-life administration.

This report therefore serves two purposes. First, it records Ukraine's current state of alignment with the EU acquis in the field of taxation, highlighting areas of compliance, partial compliance and gaps. Second, it provides a roadmap for implementation, from legislative changes to digital solutions and strengthened controls. Only a comprehensive effortat all levels will ensure Ukraine's real, rather than formal, integration into the EU internal market tax system.

1. INDIRECT TAXES

1.1. VALUE ADDED TAX

1.1.1. EU STANDARDS AND REQUIREMENTS

In the European Union, value added tax is one of the most regulated parts of the tax system. This is necessary to ensure that all countries operate under the same rules and do not create advantages for themselves or barriers to trade. The tax is paid where consumption takes place, and the standard rate cannot be lower than 15%.

Exemptions are socially oriented and apply to goods and services that are important to the population, such as medicines, food, transport, books and other socially significant categories, rather than to specific sectors of the economy. Tax authorities in different countries exchange information through a common electronic system, which helps to identify suspicious transactions and reduce fraud. The EU is currently updating this system, moving to a fully digital, real-time reporting model to increase transparency, reduce budget losses and simplify administration.

General provisions. VAT rules in the EU are defined by Directive 2006/112/EC, which has been continuously updated since its adoption to reflect economic realities and the development of the internal market. Specific directives and regulations clarify its provisions and harmonise administration between member states.

Subject and payers. The supply of goods and services, imports and domestic consumption are taxable. Any person who independently carries out economic activities is a payer if their annual turnover exceeds the threshold of € 85,000 or if they have voluntarily registered as a VAT payer. The taxable event coincides with te fact of supply, and the base is the entire remuneration, including price-related subsidies. For imports, the base is determined by the customs value. The core principle is neutrality: taxpayers can reduce their liabilities by the amount of VAT paid on purchase if these goods or services are used in taxable activities.

Place of taxation. For goods, the place of taxation is the place where the transportation begins; for services, it is the location of the recipient (B2B) or supplier (B2C). Regulation No. 282/2011 details the concepts of permanent establishment, electronic and traditional services, catering, real estate and transport rental.

Rates. The standard VAT rate in the EU cannot be lower than 15%. Member States may apply one or two reduced rates of not less than 5% to goods and services listed in Annex III to Directive 2006/112/EC. At the same time, Directive 2022/542 allowed to introduce an additional exceptionally low rate – below 5%

or even zero – for seven socially significant categories: food, water, medicines, medical equipment, passenger transport, books (in paper and electronic form) and solar panels.

Exemptions. These apply to education, medicine, social and financial services, as well as cross-border transactions based on the country of destination principle. Directive 2009/132/EC systematised import exemptions – from personal property to charitable goods and educational equipment.

Administration. The EU's common VIES (VAT Information Exchange System) facilitates data exchange between tax authorities but remains vulnerable to carousel fraud – schemes involving fictitious supplies between companies in different countries, where one participant (the 'missing trader') does not pay tax and the others receive undue refunds. Annual losses from such operations amount to at least €50 billion per year. To counter this, Regulation No. 904/2010 on administrative cooperation was adopted, as well as Directives 2013/42/EU and 2013/43/EU, which introduced a rapid response mechanism and a reverse VAT charging system, whereby the tax is paid by the buyer rather than the supplier. Directive 2018/2057 extended the application of this mechanism to transactions with a high risk of fraud.

In 2022, the European Commission presented a draft modernisation of administration, and in March 2025, the Council of the EU adopted the "VAT in the Digital Age" (ViDA) package. It provides for a transition to real-time digital reporting, mandatory electronic invoicing and the creation of a single registration system for cross-border transactions. From 2030, new digital reporting requirements Digital Reporting Requirements – DRR) will come into force, replacing summary declarations and integrating all transactions into the central VIES database. Such e measures are expected to reduce fraud and lower business costs.

The system also takes into account territorial exceptions. Directive 2013/61/EU established a special regime for the outermost French regions, bringing it into line with the provisions of the Treaty on the Functioning of the EU. This made it possible to avoid legal conflicts and ensure stability in regions that were not ready for full integration into a single taxation system.

1.1.2. CURRENT STATUS OF UKRAINIAN LEGISLATION

In Ukraine, value added tax is levied at all stages of the supply of goods and services, and on imports during customs clearance.

VAT rates are differentiated: a basic one is 20%, a special rate of 7% is allocated for medicines and medical products, 14% rate is used for the supply of certain types of agricultural raw materials. A zero rate applies to exports, international transport and duty free shopping. At the same time, the system of exemptions is too broad and includes a number of outdated and administratively complex privileges.

Tax administration is fully electronic, but overloaded with controls and vague risk criteria. An additional problem is the lack of transparency in the budgetary VAT refund register: since May 2022, the register has been operating in a semi-closed mode, and access to data is only possible after the payer's identification details have been disclosed.

General provisions. The legal regulation of value added tax and other taxes in Ukraine is comprehensively defined by the Tax Code of Ukraine – from the range of payers and the procedure for their registration to the rules for determining the object of taxation, rates, place of supply, exemptions, administration, budget refunds and special regimes.

Object and payers. VAT payers are persons who carry out taxable transactions in the customs territory of Ukraine, in particular the supply of goods and services, import and export. Mandatory registration occurs after the volume of supplies exceeds UAH 1 million over the last 12 months (approximately € 20,000), while voluntary registration gives the right to form a tax credit. Registration and cancellation are carried out through the taxpayer's Electronic Office. Tax liabilities arise on the date of the first event related to goods and services, e.g. payment or shipment. The base is determined by the contractual value, but not lower than the purchase price, cost price or normal price, if it is lower than the market price. Export transactions are taxed at a zero rate with the right to a tax credit. Adjustments to liabilities and credits are made through an adjustment calculation to the tax invoice in the event of a return, discount or change in the amount of compensation. Issues of valuation of free transfers, own consumption, and determination of the normal price remain controversial.

Rates. They are differentiated (Articles 193, 195 of the Tax Code). The basic rate is 20% and applies to most domestic supplies and imports. A reduced rate of 7% applies to the supply of medicines and medical devices, certain cultural and sports services, and hotel accommodation. A rate of 14% is used for the supply and import of certain types of agricultural products. A rate of 0% covers, in particular, the export of goods outside the customs territory of Ukraine and international transportation of passengers, baggage and cargo. For exports, the application of 0% is confirmed by documents – a foreign economic contract, customs declaration, transport documents in accordance with the Tax Code of Ukraine and customs legislation. For imports, VAT is paid at customs and included in the tax credit on the basis of the customs declaration.

Place of supply. The rules for its determination (Article 186 of the Tax Code) ensure the correct distribution of jurisdiction. For goods, the benchmark is their actual location or the one at the start of transportation. For services, a system of special conditions applies: consulting, engineering, legal, advertising and electronic services are taxed at the place of registration of the recipient; services in the fields of culture, art, education and sports are taxed at the place of actual provision; for other services, the general rule of the place of registration of the supplier applies.

Exemptions. The system includes both transactions that are not subject to taxation (Article 196 of the Tax Code) and those for which tax is not levied (Article 197 of the Tax Code).

The former include, in particular, the issue, placement and sale of securities for cash, the transfer of property during the reorganisation of legal entities, and a number of trust and commission structures. Also import into the customs territory of Ukraine, export outside the customs territory of Ukraine, regardless of the chosen customs regime for goods, the customs value of which does not exceed the equivalent of 150 euros.

The second category includes mainly social, but in practice often outdated or overly technical exemptions, which only complicate administration and create selectivity: privileges for transactions related to diplomatic missions and international organisations (complex confirmations and controls), extensive exemptions in education and healthcare (dozens of subtypes of services with different conditions), free transfers of property between state/municipal entities and railway rolling stock (bureaucratic acts, VAT adjustments), religious services and items, narrow rules such as library services in state institutions, recreation and resort vouchers as well as rehabilitation services in fixed formats. Otherminor exemptions are also included (telecom charity messages, port/air navigation services), which results in complex accounting, risks of abuse and unequal conditions of competition.

Administration. VAT is fully electronic. The declaration is submitted monthly in digital form within 20 calendar days after the end of the reporting month (Articles 49, 203 of the Tax Code). The tax invoice is drawn exclusively in electronic form and registered in the Unified Register of Tax Invoices (URTI); a duly registered invoice is the basis for forming the buyer's tax credit.

The key infrastructure is the VAT electronic administration system (SEV VAT): registration of tax invoices/adjustment calculations is carried out within the individual registration limit, which is calculated according to the Tax Code formula, taking into account the amounts of tax liabilities, tax credit, import indicators and replenishments of the electronic VAT accoun.,if the limit is insufficient, the payer replenishes the account to ensure registration. Despite the transparency of the SEA, "cash gaps" between the date of the first event and the actual payment by counterparties force businesses to freeze working capital; an additional problem is the suspension of tax invoice/adjustment calculation registration based on vague risk criteria and lengthy pre-trial and court appeals. An additional problem is the lack of transparency in budget reimbursement: since May 2022, the register has been operating in a semi-closed mode, and access to data is only possible after the payer's identification details have been disclosed.

1.1.3. IDENTIFIED INCONSISTENCIES

The Ukrainian VAT system differs from EU practice in terms of the structure of rates, the scope of exemptions and administration mechanisms. A rate of 14% applies to agricultural raw materials, while in the EU, reduced rates are aimed at goods and services of a social nature for the end consumer. The list of exemptions is excessive, containing outdated and sectoral privileges that distort the neutrality of the system.

Free transfers, including promotional gifts, are considered supplies in Ukraine and are subject to VAT, so businesses are forced to formally register them for 1 hryvnia. In the EU, such transactions are not subject to taxation. VAT is levied on all imported parcels, except for gifts between individuals worth up to €45, while in Ukraine, parcels worth up to €150 are exempt, creating asymmetry in taxation.

Administration is based on preventive control (CMKOR), while in the EU it is based on mutual exchange of tax data (VIES) and digital reporting (ViDA).

Rates. Ukraine has rates of 20%, 7%, 14% and 0%. The 14% rate applies to certain types of agricultural raw materials, while in the EU, reduced rates are used exclusively for goods and services of a social nature for final consumption. The standard VAT rate in member states cannot be lower than 15%, and a zero rate is only allowed for exports, international transport and certain special cases. In Ukraine, however, the zero rate applies to a wider range of transactions, which is not in line with the European approach.

Exemptions. The list of exemptions in Ukraine is much broader than in the EU and includes numerous sectoral, import and outdated privileges that have no social purpose, complicate administration and distort competition. Directive 2006/112/EC provides for exemptions only for limited areas – education, healthcare, social protection, financial and insurance services, as well as some cultural and religious transactions.

Free transfers. In Ukraine, any free transfer of goods or services, including promotional gifts, is considered a supply and is taxed at the "normal price" (sub-clause 14.1.191, clause 185.1 of the Tax Code of Ukraine). This leads to double taxation and forces businesses to formally register such goods at a nominal value of 1 hryvnia or 1 kopiika In the EU, low-value gifts and samples transferred within regular business activities are not subject to taxation, which ensures tax neutrality without additional costs.

Parcels. In the EU, VAT is levied on all imported shipments regardless of value, except for international gifts between individuals (C2C) up to €45 marked as "gifts". In Ukraine, imported parcels worth up to €150 are exempt from VAT, which creates tax asymmetry and a competitive advantage for foreign online sellers.

Intermediaries and non-residents. Ukrainian legislation does not provide for exemptions for intermediaries acting on behalf of and on the instructions of others in international transactions, as established by Article 153 of Directive 2006/112/EC. There is also no mechanism for VAT refunds to non-residents, which in the EU is regulated by Directives 2008/9/EC and 86/560/EEC and includes electronic filing of applications, specified processing times and compensation in case of delays.

Place of supply. The rules in Article 186 of the Tax Code reproduce the basic approach of the acquis, but are less detailed than Regulation No. 282/2011, which creates uncertainty in cross-border transactions, especially in the field of electronic and cultural services.

Administration. The Ukrainian model is based on preventive control through the VAT SEA and blocking tax invoices in the SMKOR. In the EU, control is exercised through the mutual exchange of information between tax administrations via the VIES system, and the ViDA initiative provides for a transition to electronic reporting in near real time.

1.1.4. RECOMMENDATIONS

To align with EU standards, Ukraine should reform its VAT system by simplifying the rate structure and reducing exemptions, retaining only those that are socially justified, introducing fair taxation of online commerce and promotional transactions, and transitioning to risk-based digital monitoring based on data exchange with EU tax administrations.

Tax rates. Abolish the 14% rate for agricultural raw materials, which contradicts the logic of the European VAT system, where reduced rates apply not to sectors of the economy, but to goods and services of a social nature. Review the rate structure with a view to simplification and unification, focusing on supporting the end consumer rather than individual production chains.

Exemptions. Review Article 197 of the Tax Code and Section 2 of Chapter XX, excluding sectoral, technical and obsolete exemptions (e.g. for certain state structures, ritual services or specific municipal operations). Retain only those that have a social or public purpose – education, health care, social protection.

Parcels. Establish a uniform approach to the taxation of imported parcels and online purchases: introduce VAT on all imported shipments, except for gifts between individuals worth up to €45. This will eliminate the price advantage of foreign marketplaces and reduce shadow imports.

Free transfers. Clarify the rules for taxing free transfers. Advertising gifts, samples and promotional goods that have no independent commercial value should be excluded from taxation, as provided for in Article 16 of Directive 2006/112/EC.

Intermediaries and exports. Provide for VAT exemption for services provided by agents and freight forwarders acting on behalf of customers in international transport or export operations (in accordance with Article 153 of Directive 2006/112/EC). This will eliminate double taxation and increase the competitiveness of Ukrainian businesses.

Refunds to non-residents. Implement the provisions of Directives 2008/9/EC and 86/560/EEC – create an electronic system for submitting VAT refund applications to foreign companies, set a processing time of up to four months and provide for interest compensation in case of delay.

Administration. Move from a system of blocking tax invoices to a risk-based monitoring model. Integrate electronic invoices, digital reporting and mutual data exchange through the VIES system within the ViDA package. This will reduce manual control, increase transparency and at the same time reduce the risks of VAT fraud.

1.2. EXCISE DUTIES

1.2.1. EU STANDARDS AND REQUIREMENTS IN THE FIELD OF EXCISE DUTIES

Excise duties in the EU cover a limited range of goods – alcohol, tobacco, energy products and electricity – and are levied according to uniform rules laid down in EU directives. The system is based on electronic movement control (EMCS), minimum rates and harmonised requirements for tax structure. Its aim is to ensure a level playing field and prevent evasion in intra-Union trade.

The general principles of excise regulation are set out in Directive 2020/262. It establishes the moment when the tax liability arises, the procedure for applying the suspension regime, the requirements for the operation of tax warehouses and the rules for the movement of excise goods within the EU. The unification of procedures is ensured by electronic document management: the form and content of administrative documents are determined by Delegated Regulation 2022/1636, the procedure for their use is determined by Implementing Regulation 2022/1637, and Decision 2020/263 establishes the functioning of the EMCS system, which allows real-time tracking of product movements.

Alcoholic beverages. The taxation of alcoholic beverages is based on the provisions of Directive 92/83, which defines the classification of goods and methods of calculating the tax base: for spirits – the pure alcohol content in hectolitres, for beer – the volume strength or wort extract, for wine and fermented beverages – the volume of alcohol content. The minimum rates are set by Directive 92/84: €550 per hectolitre of pure alcohol, €1.87 per hectolitre of beer for each degree of strength, as well as separate requirements for wine and intermediate products. For alcohol used for technical and industrial purposes, standardised denaturation methods are applied. They are defined by Regulation 3199/93, and serve as the basis for exemption from excise duty.

Tobacco products are regulated by Directive 2011/64, which establishes a tax structure based on a combination of a specific component in euros per 1,000 cigarettes and an ad valorem component as a percentage of the maximum retail price. To ensure a uniform minimum level, a rule has been established: no less than 60% of the weighted average retail price or at least €90 per 1,000 cigarettes. Minimum rates are also provided for cigars, cigarillos and weighted tobacco. Directives 92/79 and 92/80 regulate the collection of statistical data and reporting, ensuring uniformity of information between Member States.

Energy products. A single framework for energy products and electricity is laid down in Directive 2003/96. It defines the list of excise goods – petrol, diesel fuel, gas oil, fuel oil, natural gas, coal and electricity. Furthermore, it sets minimum rates: €359 per 1,000 litres of petrol, €330 per 1,000 litres of diesel fuel, €1 per megawatt-hour of electricity for businesses and €0.5 for households. Directive 95/60 introduced a system for marking gas oil and kerosene, and Implementing Decision 2022/197 defined a single fiscal marker to be used in all EU countries.

1.2.2. CURRENT STATE OF UKRAINIAN LEGISLATION

Ukraine's excise system is modelled by European standards. It covers taxes on alcohol, tobacco and fuel – areas where rates are gradually being aligned with EU minimum levels – as well as national elements such as vehicle tax and a 5% retail excise duty. Control over the circulation of excise goods is exercised through electronic reporting and state registers.

The list of excise goods in Ukraine covers both the main groups taxed in EU countries and goods specified by national legislation (215.3 of the Tax Code of Ukraine).

The former include ethyl alcohol and alcohol distillates, alcoholic beverages and beer, tobacco products and substitutes, fuel and electricity. The categories established additionally include liquids for electronic cigarettes, tobacco raw materials and waste, other nicotine-containing products, tobacco-containing products for electric heating and vehicles.They also includea 5% tax on the retail sale of alcoholic beverages, tobacco products and liquids for electronic cigarettes, which is credited to local budgets.

Alcoholic beverages are taxed at specific rates, which vary depending on the type of product and strength. For ethyl alcohol, the rate is calculated per 100% alcohol, while for intermediate products and beer, the rates are set per volume of product. Control is ensured by a system of excise stamps, which applies to both imported and domestic products. From 2026, it is planned to introduce an electronic alcohol circulation system with unique digital identifiers, which will ensure full traceability of product movement.

Tobacco products in Ukraine are taxed under a mixed system: a specific rate, an ad valorem rate as a percentage of the maximum retail price, and a minimum tax liability based on the weighted average price are applied. The system also includes new product categories, such as heated tobacco products and e-cigarette liquids. For cigarettes, there is a schedule for increasing rates for 2025–2028, which should ensure that the tax burden reaches a minimum level.

Energy products and electricity are also subject to excise taxation. The Tax Code sets rates in euros per 1,000 litres for petrol, diesel fuel and liquefied gas, while electricity is currently taxed at an ad valorem rate of 3.2% of its value. Law No. 3878-IX set out a schedule for gradually increasing fuel rates between 2024 and 2028 to reach target levels, ensuring the predictability and stability of fiscal policy.

The excise administration system is based on the use of electronic tools. For fuel and alcohol, there is an electronic administration system for the sale of fuel and ethyl alcohol (SEA RPSE), which provides for the registration of excise invoices and control over circulation through electronic accounts. In 2026, an electronic system for tracking the circulation of alcoholic beverages and tobacco products is expected to be launched, which will unify control mechanisms and increase market transparency.

Vehicles. When a vehicle is first registered in Ukraine, a fee of 3-5% of its value is charged, depending on the price, with electric vehicles exempt from this payment. In addition, a fixed transport tax of UAH 25,000 per year is applied to passenger cars less than five years old with an average market value of more than 375 minimum wages.

The further development of the excise tax system is defined by the National Revenue Strategy for 2024–2030. The priorities are the phased achievement of minimum taxation levels for tobacco products, fuel and alcoholic beverages, the digitisation of administration, the modernisation of electronic control systems and integration into the European Monitoring System for the Movement of Excise Goods (EMCS).

1.2.3. IDENTIFIED INCONSISTENCIES

The differences between the EU and Ukrainian systems are concentrated in four areas: the moment when the tax liability arises; the composition of excise goods; the methodology for determining rates; and the level of digital integration.

The moment when the tax liability arises. In the EU, excise duty is levied only at the stage of release of goods for consumption, i.e. when they leave controlled circulation and actually enter the market. Until that moment, excisable products can be manufactured, stored or moved between authorised warehouses without paying tax under a deferral regime controlled through the EMCS system. Thus, excise duty is paid only once – at the moment when the goods become available for final consumption.

In Ukraine, the tax liability arises earlier – at the moment of sale or import of excise goods, regardless of actual consumption. Deferral of payment is provided only for a limited range of products (fuel, alcohol), so most goods are taxed without the possibility of using the deferred taxation regime characteristic of the EU system.

Composition of excise goods. In the EU, excise goods include alcoholic beverages, tobacco products, energy products and electricity. In Ukraine, the list is broader and, in addition to these groups, includes liquids for electronic cigarettes, tobacco raw materials and waste, other nicotine-containing products, tobacco-containing products for electric heating, as well as vehicles and tax on retail sales of alcoholic beverages, tobacco products and liquids for electronic cigarettes. On the other hand, some energy products that are taxed in the EU (coal, coke, natural gas) are not subject to excise duty in Ukraine.

Energy products and electricity. In the EU, rates are set at a fixed amount per unit of measurement (e.g. euros per 1,000 litres or euros per megawatt hour). In Ukraine, a similar approach is used for fuel, but for electricity, the rate is determined as a percentage of the market value (3.2%). This creates different tax consequences depending on price dynamics and deviates from the principle of stability enshrined in European directives.

Tobacco products. Ukraine applies a combined excise duty structure – specific and ad valorem components with a minimum tax liability, which is generally in line with the EU approach. At the same time, the calculation is based on the maximum retail price, while in the EU it is based on the weighted average price (WAP).

Alcoholic beverages. Ukrainian legislation divides products into beer, wine, other alcoholic beverages and spirits. In the EU, the classification is more detailed: beer, wine, fermented beverages, intermediate products and ethyl alcohol. This complicates a direct comparison of tax rates and bases. In addition, the EU has a uniform exemption system for alcohol used for industrial and technical purposes, while in Ukraine the denaturation procedure is regulated by national standards.

Vehicles. In Ukraine, excise duty is levied during the first registration of a vehicle (3–5% of the value) and transport tax is levied on high-value vehicles. EU law does not provide for harmonised excise duty on vehicles; Directive 83/182/EEC regulates only exemptions for temporary imports.

Digital administration and control. In the EU, the movement of excise goods is controlled through the integrated EMCS system, which ensures full traceability and a deferred payment regime between Member States. Ukraine has a system for the electronic administration of fuel and ethyl alcohol sales (SEA RPSE), and from 2026 it plans to introduce electronic excise duty for alcoholic beverages and tobacco products. Integration with EMCS is not yet in place, which limits control over cross-border movements.

1.2.4. RECOMMENDATIONS

It is necessary to introduce a deferred excise duty regime for all goods, connect to EMCS, expand the list of energy products, increase rates to the minimum permissible levels, and harmonise classification and control with EU directives.

General excise duty system. Extend the deferred payment regime to all excise goods, introduce excise warehouses for each product category, and ensure connection to EMCS. This will bring the movement of goods closer to EU standards and reduce the financial burden on businesses.

Energy products. Gradually raise rates to EU minimum levels and expand the list of excise goods to include coal, coke and natural gas. Introduce marking of gas oils and kerosene to strengthen control and prevent abuse.

Alcoholic beverages. Harmonise the classification of categories with EU directives, increase rates on alcohol and intermediate products, and abolish tax bills. This will reduce administrative barriers and ensure a level playing field for all producers.

Tobacco products. Implement the planned increase to €90/1000 cigarettes by 2028 and prepare for future changes in the EU. Harmonise the methodology for calculating the tax burden with the directive based on WAP (weighted average price).

Vehicles. Align national regulations with Directive 83/182/EEC, which sets out the rules for exemption on the temporary importation of vehicles within the EU.

2. DIRECT TAXES

2.1. CORPORATE INCOME TAX

2.1.1. EU STANDARDS AND REQUIREMENTS

Corporate income tax in the EU does not have a single rate or common system, such as VAT or excise duties. Each Member State sets its own rules, but they are harmonised to avoid double taxation, ensure fair competition and prevent artificial shifting of profit abroad.

Distribution of profits between companies. Directive 2011/96/EU stipulates that when a company receives profits (dividends) from its subsidiary in another EU country, these profits are not taxed again. This prevents the same income from being taxed in two countries.

Cross-border payments. Directive 2003/49/EC abolishes taxes on interest and royalties (payments for the use of technology, brands or copyrights) between related companies from different Member States in order to avoid double taxation.

Business reorganization. Directive 2009/133/EC allows for a temporary exemption from income tax in the event of a merger, division or transfer of assets between companies from different EU countries. This facilitates business consolidation and promotes economic integration.

Prevention of tax avoidance. The ATAD Directive (2016/1164/EU) establishes uniform minimum rules to counter aggressive tax planning, in particular by limiting the possibility of transferring profits to offshore jurisdictions or artificially reducing the tax base.

Minimum level of taxation. Directive 2022/2523/EU (Pillar 2) introduces a minimum effective tax rate of 15% for large international groups of companies with a total annual turnover of more than €750 million to prevent profits from being transferred to countries with low tax rates.

Settlement of tax disputes. Directive 2017/1852/EU establishes a coordination procedure between Member States to prevent companies from paying tax twice on the same profits earned in different countries.

2.1.2. CURRENT STATUS OF UKRAINIAN LEGISLATION

In Ukraine, corporate income tax has a base rate of 18%, and there are also separate special regimes (25% for financial institutions, 9% for residents of "Diy City", etc.). Ukraine has concluded double taxation agreements with all EU countries and has joined the OECD's international initiatives to combat tax evasion and the transfer of profits offshore.

Tax structure. Income tax is paid by resident legal entities on profits earned in Ukraine or abroad, as well as by non-residents on income sourced in Ukraine. The base rate is 18%, unless otherwise specified for certain categories of taxpayers.

Taxation of specific sectors. A combined model applies to insurers: 18% on profits and 0% or 3% on income (insurance premiums) depending on the type of operations. A dual approach applies to the gambling business: 18% on profits and an additional tax on gross income: 10% for slot machines and 18% for other types of activities. For lotteries, the rate is 30% or 18% on income, depending on the form of the draw. Income from the sale of fixed assets, corporate rights and securities is included in the tax base at a rate of 18%. A negative result from securities transactions may be carried forward to future periods without any time limit. This combination of profit and income taxation is used in areas where it is difficult to determine actual profit, so the state uses income as a more objective basis (Article 136 of the Tax Code of Ukraine).

Tax base. Tax is calculated based on financial results before taxation, adjusted for related differences (depreciation, reserves, transactions with related or low-tax counterparties). Companies with income of up to UAH 40 million (EUR 0.8 million) may not apply differences, while large taxpayers are subject to restrictions on taking into account losses from previous years – no more than 50% per year (Article 135 of the Tax Code of Ukraine).

Tax incentives. The legislation provides for income tax exemptions for a number of categories of taxpayers. In particular, enterprises established by public associations of persons with disabilities are exempt from tax provided that at least half of their employees have disabilities and receive at least 25% of the wage fund. The Chernobyl Nuclear Power Plant and enterprises implementing international programmes for the transformation of the Shelter Object also enjoy exemption if the funds are directed to the relevant activities. Participants in industrial parks are exempt from income tax for 10 years if they operate within the park in the manufacturing, scientific or processing sectors, use their profits for development and do not pay dividends (Article 142 of the Tax Code).

Reporting and payment. The reporting period for income tax is a calendar quarter, half-year, three quarters and a year. Taxpayers with income exceeding UAH 40 million, as well as financial institutions (including banks), submit quarterly declarations on a cumulative basis. Enterprises with income up to UAH 40 million report once a year. The deadline for submission is 40 days after the end of the quarter or 60 days after the end of the year; payment is made within 10 days after the deadline for submitting the return (Article 137 of the Tax Code).

International obligations. Ukraine has 70 double taxation agreements, including with all EU countries, and participates in the MLI Multilateral Convention, which harmonises these agreements with OECD international standards (BEPS). Their purpose is to prevent the transfer of profits to low-tax jurisdictions, i.e. countries or territories where tax rates are minimal or where there is virtually no corporate income tax, allowing businesses to evade paying taxes in the country where real value is created.

2.1.3. IDENTIFIED INCONSISTENCIES

In Ukraine, the main discrepancies with EU rules concern the taxation of intra-group payments abroad, company reorganisations, incomplete implementation of BEPS standards, the absence of a global minimum effective rate of 15% and a uniform procedure for resolving tax disputes between countries.

Cross-border payments and reorganisations. In Ukraine, dividends, interest and royalties paid to foreign companies (i.e. intra-group payments outside Ukraine) are taxable. In the EU, exemption regimes are in place for such transactions to avoid double taxation. Also, Ukrainian legislation does not provide for tax deferrals in the case of mergers, divisions or transfers of assets, which makes corporate reorganisations more expensive and less flexible for businesses.

Combating tax evasion. Ukraine has partially implemented BEPS standards: rules on transfer-controlled foreign companies and interest expense limitations are in place. At the same time, a general anti-abuse rule (GAAR), exit tax and hybrid mismatch rules, which are mandatory in EU countries, have not been introduced.

Minimum global taxation. The EU already applies a minimum effective rate of 15% for large international groups, after taking into account all exemptions and special regimes. Such rules are not yet in force in Ukraine. Existing incentives, in particular the 9% rate for residents of "Diy City" and benefits for industrial parks, reduce the actual tax burden below this level. In this case, other countries have the right to charge the difference in taxation if the company operates in several jurisdictions.

Resolution of tax disputes. Ukraine applies a mutual agreement procedure under international agreements, but it does not have clear deadlines and a mechanism for independent commissions as provided for in EU directives. This complicates and delays the settlement of disputes between countries.

Administration and coordination. National reporting and audit procedures are functional within the country, but there is no common electronic framweork orstandard for information exchange as used by the tax authorities of EU countries. This increases administrative costs for international companies and slows down interaction between tax administrations.

2.1.4. RECOMMENDATIONS

The Ukrainian income tax system needs to be harmonised with EU rules on payments between companies within the same group, corporate reorganisations, full application of BEPS standards, dispute resolution procedures, a minimum effective rate of 15% and technical administration.

Payments between companies within the same group. Tax exemption should be provided for dividends, interest and royalties paid between related companies within the same international group, subject to verification of the actual owner of the income and safeguards against abuse. This will eliminate double taxation and reduce barriers to investment.

Reorganisations. It is advisable to establish a tax-neutral regime for mergers, divisions, share exchanges and asset transfers. Deferral of capital gains tax and preservation of continuity of the tax base will be in line with EU practice and will simplify business restructuring.

BEPS standards. International rules preventing the transfer of profits to countries with ultra-low taxation (offshore zones) should be fully implemented. In addition to the existing rules on controlled foreign companies, transfer pricing (control of prices in intra-group transactions) and interest expense limitations (to prevent companies from reducing profits through fictitious loans), it is necessary to introduce a general anti-abuse rule, a tax on the transfer of assets abroad (to avoid loss of tax base) and to regulate "hybrid mismatches" – cases where a single transaction is treated differently in different countries and is therefore not taxed. This will increase the transparency of the system and reduce opportunities for tax evasion.

Dispute resolution. The mutual agreement procedure should be supplemented with clear deadlines, the possibility of establishing advisory or arbitration commissions, and guarantees of the finality of decisions. This will increase the predictability of outcomes for taxpayers.

Minimum effective rate. An internal compensatory tax should be introduced to guarantee a tax rate of no less than 15% after taking into account all exemptions. This will prevent revenue losses due to additional tax assessments in other countries. Special regimes should be converted into cost incentives, such as accelerated depreciation, investment or R&D credits.

Administration. It is necessary to harmonise technical rules for accounting and reporting with European requirements, and the texts of international tax agreements should be updated in line with the Multilateral Convention (MLI), which modernises existing double taxation agreements and introduces modern standards of transparency and anti-tax avoidance.

2.2. PERSONAL INCOME TAXATION

2.2.1. EU STANDARDS AND REQUIREMENTS

Personal income tax, like corporate income tax, is not harmonised across the EU. Each country sets its own rates and rules, but all adhere to common principles – avoidance of double taxation, equal treatment of residents and non-residents, transparency and exchange of tax information.

Legal framework. Member States' approaches are coordinated through double taxation agreements, the Multilateral Convention (MLI), which updates old tax agreements in line with current standards, and OECD standards. In particular, the Common Reporting Standard (CRS) is used – an international system for the automatic exchange of financial information between tax authorities. This allows states to obtain data on the income of their citizens abroad and prevent tax evasion.

Equal treatment of taxpayers. The EU ensures that income from employment, business, investments and pensions is taxed according to the same rules for citizens and non-residents. This ensures the free movement of capital and labour within the Union and prevents tax discrimination.

Dispute resolution. Directive 2017/1852 and Arbitration Convention 90/436/EEC are used to reconcile positions between countries in disputed tax situations. They define the procedure for setting up joint commissions and the time limits for consideration in order to avoid cases where the same income is taxed twice.

Countering tax avoidance. The EU applies rules developed under the BEPS initiative and the ATAD (Anti-Tax Avoidance Directive, 2016/1164/EU), which are aimed at preventing the transfer of profits to offshore jurisdictions. These rules apply not only to companies but also to individuals who own businesses or assets abroad. They provide for control over transactions with foreign entities, prevent fictitious loans and double interpretation of transactions in different countries.

2.2.2. CURRENT STATUS OF UKRAINIAN LEGISLATION

Personal income tax in Ukraine is set at a base rate of 18%, with an additional military levy of 1.5% (temporarily increased to 5% for the period of martial law). There are special rules for transactions involving property, investment income, inheritance and gifts.

Ukraine has already joined international standards for the exchange of tax information (CRS, FATCA) and is gradually introducing mechanisms to control the foreign assets of individuals.

Rates. The basic personal income tax rate is 18%, with an additional military tax (temporarily 5%, after the end of martial law – 1.5%). These rules apply to most types of income, except for cases for which a special regime is established (Article 167 of the Tax Code of Ukraine).

Real estate transactions. The first sale of residential real estate during the year, if the property has been owned for more than three years, is exempt from taxation. The second sale is subject to 5% personal income tax + 5% military tax, the third and subsequent sales are subject to 18% + 5% rates. Taxable income may be reduced by documented expenses for the purchase of property.

Transactions with movable property. The first sale or exchange of a vehicle during the year is not taxed. The second is taxed at 5% + 5% rate, while the third and subsequent sales are taxed at 18% + 5%. The sale of other movable property is included in the total taxable income at a rate of 5% + 5%, without reducing the base for expenses.

Investment income. Profit from the sale of securities, derivatives and corporate rights is determined as the difference between the sale price and the acquisition cost. The rates are 18% PIT and 5% military tax. The results are summed up for the year: losses can reduce investment income or be carried forward to subsequent years. For exchange and non-exchange transactions, accounting is carried out separately.

Inheritance and gifts. For first- and second-degree relatives, there is a zero tax rate. For other residents – 5% PIT + 5% military tax, for non-residents – 18% + 5%.

International exchange of tax information. Ukraine participates in global transparency initiatives that allow tax authorities to exchange information about citizens' accounts, income and assets:

- FATCA (Foreign Account Tax Compliance Act) is an intergovernmental agreement between Ukraine and the United States, signed on 7 February 2017 (ratified in 2019). Under its terms, Ukrainian financial institutions transfer data on the accounts of US tax residents to the State Tax Service of Ukraine, which, in turn, transfers this information to the US Internal Revenue Service

(IRS). There is currently no provision for the automatic exchange of information from the US to Ukraine under this mechanism.

- CRS is a system for the automatic exchange of financial information between tax authorities of countries that implements the provisions of Directive 2014/107/EU (DAC2) within the framework of the system of administrative cooperation in taxation (DAC). Ukraine joined the CRS multilateral agreement and conducted its first exchange in 2024, receiving data from more than 50 jurisdictions and transmitting information to more than 30 countries.
- DAC7 is an update to the EU's administrative cooperation system that establishes rules for the automatic exchange of information on the income of digital platform users. The mechanism aims to increase transparency in e-commerce and prevent tax evasion on income earned through online platforms. Ukraine is preparing a regulatory framework for the implementation of this standard in accordance with EU and OECD requirements.
- CARF (Crypto-Asset Reporting Framework, DAC8) is a new extension of the DAC system, developed on the basis of OECD standards, which provides for the automatic exchange of information on transactions with crypto-assets. Its purpose is to ensure the tax transparency of digital financial assets and prevent tax evasion in the crypto sector. Ukraine is preparing a regulatory framework for the implementation of this standard in accordance with the updated EU and OECD requirements.

Controlled foreign companies (CFCs). On 1 January 2022, rules for declaring controlled foreign companies for individuals and legal entities resident in Ukraine came into force. For the duration of martial law, taxpayers are temporarily exempt from penalties for violating CFC legislation. Starting in 2024, after Ukraine joins the CRS system, the conditions will be in place for using international financial data to monitor compliance with these requirements.

2.2.3. IDENTIFIED INCONSISTENCIES

In Ukraine, the main differences with the EU approaches concern the features of the simplified taxation system for individual entrepreneurs, which is used by a much wider range of taxpayers than in EU countries, as well as the incomplete implementation of mechanisms to prevent aggressive tax planning, tax neutrality of transactions and dispute resolution.

Rates. In Ukraine, personal income tax is applied at a single rate of 18%. In EU countries, tax systems usually take into account income level, marital status and social circumstances, which ensures a more flexible burden on taxpayers.

Simplified taxation system. In Ukraine, the simplified taxation system covers not only micro and small businesses, but also encourages the active involvement of medium and even large companies through the possibility of using the single tax regime for tax optimisation. Rates of 3–5% of turnover for the third group of sole proprietors or even fixed amounts for the first and second groups of sole proprietors, which are not tied to the actual financial results of their activities.

Unlike most EU countries, where support for small businesses is implemented within the general corporate taxation system through reduced rates or simplified administration, the Ukrainian model creates a deep tax gap between the simplified and standard regimes. This encourages the use of the simplified system to minimise the tax burden, divide businesses into networks of sole proprietorships, and formally transfer employees to the status of "entrepreneurs."

Prevention of aggressive tax avoidance. There is no general anti-abuse rule (GAAR) that allows tax authorities to reject fictitious transactions with no real economic purpose. There are also no rules on "hybrid schemes" – situations where the same transaction is treated differently in different countries and is therefore not taxed anywhere. Taxation on capital transfers is also not regulated, where the taxpayer transfers assets or tax residency abroad without paying tax on unrealised profits.

Dispute resolution. Ukrainian mutual agreement procedures do not contain clear deadlines and arbitration mechanisms as provided for in EU legislation. This limits the possibilities for effective resolution of cross-border disputes.

International tax transparency. The CRS and FATCA automatic information exchange systems are already in place, but their integration into tax control processes remains incomplete.

2.2.4. RECOMMENDATIONS

Further reform of personal income taxation should ensure stable budget revenues and a fair distribution of the tax burden. The main areas of focus are the introduction of a more flexible tax scale, the expansion of the social deduction system, the updating of the simplified regime in line with EU standards, and the improvement of mechanisms to combat tax abuse.

Rates. Gradually move from a single PIT rate to a flexible tax scale that takes into account income levels and social circumstances. This will ensure a fair distribution of the tax burden and align the fiscal function of the tax with its social purpose.

Taxation of passive income. Harmonise the rules for taxation of dividends, interest and royalties with the provisions of EU Directives 2011/96/EU and 2003/49/EU. Provide for a mechanism to avoid double taxation for intra-group payments where there is a real beneficiary and safeguards against abuse. This will simplify the movement of capital and reduce fiscal barriers in corporate structures.

Simplified taxation system. Its development should be aimed at supporting micro and small businesses, while creating the conditions for their gradual growth into medium and large businesses. Simplicity, clear rules and preferential conditions at the start should help businesses get used to the general system, rather than alienate them from it. At the same time, it is necessary to reform the general taxation system itself – in the direction of deregulation, simplification of procedures and reduction of administrative pressure. Then the transition between regimes will become logical and barrier-free, and entrepreneurs will develop naturally, without the need to resort to artificial fragmentation of business.

Prevention of aggressive tax planning. Introduce a general anti-abuse rule (GAAR), rules on hybrid schemes, where a single transaction is interpreted differently in different countries, and exit taxation rules when moving capital or changing tax residency. This will create a legal basis for neutralising avoidance schemes.

International tax transparency. Deepen the integration of CRS, DAC7 and DAC8 automatic information exchange standards into the tax control system. Ensure the effective use of the data obtained to verify compliance with controlled foreign company (CFC) rules and identify undeclared foreign assets.

3. ADMINISTRATIVE COOPERATION AND EXCHANGE OF TAX INFORMATION (EXTERNAL INTEGRATION)

3.1. IMPLEMENTATION OF DAC DIRECTIVES AND READINESS FOR AUTOMATIC EXCHANGE OF TAX DATA

3.1.1. EU STANDARDS AND REQUIREMENTS

The EU has created a comprehensive system of tax transparency that brings all member states together in a single information exchange area. It enables tax authorities to quickly obtain data on the income, accounts, ownership structures and international transactions of companies and individuals. This system is based on a series of DAC (Directive on Administrative Cooperation) directives, which define how EU countries cooperate to prevent tax evasion and money laundering.

A single framework for cooperation. Administrative cooperation in taxation is based on Directive 2011/16/EU (DAC1), which defined the main forms of interaction between tax administrations: exchange of information on request, automatic exchange, joint audits and the establishment of uniform procedures. The Directive established clear response times, the principle of "anticipated relevance" (information is requested only when it is actually needed) and requirements for the protection of personal data.

Expansion of financial information exchange. In 2014, Directive 2014/107/EU (DAC2) implemented the international CRS standard, which required banks and other financial institutions to provide tax authorities with information on non-resident accounts for automatic exchange between EU countries.

Control over tax rulings. Directive 2015/2376/EU (DAC3) introduced the automatic exchange of information on individual tax rulings and advance pricing agreements. Its purpose is to prevent the use of such rulings for the hidden transfer of profits between jurisdictions.

Transparency of multinational groups. In 2016, Directive 2016/881/EU (DAC4) was adopted, extending automatic exchange to country-by-country (CbC) reports. These reports disclose to tax authorities data on profits, taxes paid and activities of large international groups of companies in each country, which increases global business transparency.

Access to data on beneficial owners . Directive 2016/2258/EU (DAC5) gave tax authorities of Member States access to information from financial monitoring systems, in particular on beneficial owners of companies and trusts. This made it possible to reconcile tax data with anti-money laundering mechanisms.

Combating tax schemes. In 2018, Directive 2018/822/EU (DAC6) was adopted, introducing an obligation to report cross-border schemes with signs of aggressive tax planning to tax authorities. Lawyers, tax advisors and financial intermediaries are now required to disclose such transactions before they are implemented.

Control over digital income. In 2021, Directive 2021/514/EU (DAC7) was adopted, which extended the scope of automatic information exchange to include the income of users of digital platforms (in particular, housing rentals, online sales, and services). This made it possible to control taxation in the digital economy.

Accounting for crypto assets. Directive 2023/2226/EU (DAC8) integrates crypto asset transactions into the mandatory reporting system. It also updated the international CRS 2.0 standard, incorporating digital financial instruments into a single tax transparency architecture in the EU.

3.1.2. CURRENT STATUS OF UKRAINIAN LEGISLATION

Ukraine has established a functioning system of administrative cooperation in taxation, partially harmonised with EU requirements. Provisions equivalent to DAC1 have been fully implemented, as well as parts of DAC2 and DAC4. The implementation of the remaining directives – DAC3, DAC5, DAC6, DAC7 and DAC8 – isstill in the development or legislative preparation stage.

Administrative cooperation (DAC1). Ukraine has ensured full exchange of tax information – upon request, spontaneous and automatic. These mechanisms are enshrined in Articles 73 and 73¹ of the Tax Code, in the Procedure for the Exchange of Tax Information (Order of the Ministry of Finance No. 118 of 16 April 2022) and are based on the Convention on Mutual Administrative Assistance in Tax Matters.

Automatic exchange of financial data (DAC2). Ukraine joined the CRS multilateral agreement in 2022; in 2023, Law No. 2970-IX was adopted, defining the reporting rules for financial institutions. The first exchange took place in 2024 – Ukraine received data from more than 50 jurisdictions and transferred information to more than 30 countries. The provisions on reporting to the European Commission and the use of the EU IT network (CCN) are not yet applicable, so DAC2 compliance is partial.

Country-by-country reporting (DAC4). Ukraine joined the relevant multilateral agreement in 2022; the form and procedure for submission have been determined. The first exchange is scheduled for 2026. As with DAC2, there is no interaction with the European Commission and EU networks, so the implementation is partial.

Other directives. The provisions of DAC3 (exchange of tax rulings), DAC5 (access to financial monitoring data), DAC6 (reporting on cross-border schemes), DAC7 (income from digital platforms) and DAC8 (transactions with crypto-assets) have not yet been implemented.

In 2025, a draft law on DAC7 and DAC8 was developed; DAC3, DAC5, and DAC6 regulations are scheduled to be adopted by the end of 2027.

3.1.3. IDENTIFIED INCONSISTENCIES

The administrative cooperation system in Ukraine covers the basic elements but does not meet all EU requirements for information exchange, transparency and technical integration.

Incomplete coverage of directives. Ukrainian legislation does not yet contain the provisions provided for in DAC3, DAC5, DAC6, DAC7 and DAC8. This means that the following are missing:

- automatic exchange of information on tax rulings;
- access by tax authorities to financial monitoring information;
- exchange of data on cross-border tax schemes;
- reporting on income received through digital platforms;
- automatic exchange of information on crypto assets.

Partial implementation of DAC2 and DAC4. Despite the successful implementation of CRS and CbC reporting, Ukraine does not yet use the EU IT network infrastructure (CCN) and does not report directly to the European Commission, so implementation is incomplete.

Technical limitations of DAC1. The information exchange procedure needs improvement – defined response periods, definition of group requests and unified terms.

Lack of integrated procedures for the EU. Ukraine does not have technical access to European tax administration networks (CCN/CSI), which complicates full integration with the tax authorities of Member States.

3.1.4. RECOMMENDATIONS

To fully comply with EU standards, Ukraine must complete the implementation of all DAC directives and ensure technical integration with EU information systems.

Update the Procedure for Information Exchange (DAC1). Provide specific deadlines for responding to requests, rules for group requests, definition of key terms and procedures for interaction with the competent authorities of foreign states.

Expansion of automatic exchange (DAC2 and DAC4). Ensure technical compatibility with the CCN network, a reporting mechanism to the European Commission, and full integration of CRS 2.0 and CbC Reporting standards into the national system.

Full implementation of the remaining directives (DAC3, DAC5, DAC6, DAC7, DAC8). Adopt the necessary legislative changes providing for:

- exchange of information on tax rulings;
- access by tax authorities to financial monitoring data;
- reporting on cross-border tax schemes;
- exchange of income from digital platforms;
- exchange of information on crypto assets.

Institutional coordination. Establish a single exchange administration centre within the State Tax Service to coordinate all DAC formats and communication with the EU. Ensure that IT infrastructure and personnel are ready to connect to European tax administration networks (CCN/CSI) by the time Ukraine joins the EU.

3.2. INTEGRATION OF IT INFRASTRUCTURE WITH EUROPEAN TAX EXCHANGE SYSTEMS

3.2.1. EU STANDARDS AND REQUIREMENTS

EU tax administrations are united in a single digital network for data exchange and control of tax operations. The system is based on security standards, automatic exchange and mutual access to data in near real time.

Single CCN/CSI network. All EU tax administrations are connected to the Common Communication Network / Common System Interface (CCN/CSI) – a secure telecommunications platform through which tax information is exchanged in accordance with the DAC directives and Directive 2010/24/EU on mutual assistance in the recovery of tax claims.

Exchange systems for specific taxes:

- VIES (VAT Information Exchange System) – an online system for checking VAT numbers and monitoring cross-border transactions.
- ViDA (VAT in the Digital Age) – a digital reporting initiative that will ensure the transfer of VAT transaction data in near real time.
- CESOP (Central Electronic System of Payment Information) – a centralised database for recording electronic payments and combating fraud in e-commerce.
- EMCS (Excise Movement and Control System) and SEED (System for Exchange of Excise Data) – systems for electronic control of the movement of excise goods.

Requirements for Member States. Each country must ensure the technical compatibility of its tax IT systems with European platforms, apply unified standards for cyber security, electronic signatures and reporting formatsThe final report on the matter should be made to the European Commission.

3.2.2. CURRENT STATUS OF UKRAINIAN LEGISLATION

Ukraine is developing the IT infrastructure of its tax service to ensure full compatibility with European systems. The first steps towards integration have already been taken, particularly with regard to VAT and electronic administration.

Integration with the VIES system. The "Electronic Taxpayer's Office" has been technically integrated with the VIES system, which allows for the verification of VAT numbers of counterparties from EU countries. This is the first element of external compatibility of the tax infrastructure.

Digital development of the State Tax Service. In 2024, the Plan for the Digital Development of the State Tax Service until 2030 was approved, which sets out the following priorities:

- modernisation of IT systems for tax administration;
- connection to the European CCN/CSI networks;
- creation of conditions for data exchange via EMCS and CESOP;
- introduction of EU cyber security standards.

3.2.3. IDENTIFIED INCONSISTENCIES

Ukrainian tax systems are technologically advanced, but are not yet integrated into the single European CCN/CSI network. They do not interact with the main digital exchange systems.

No connection to CCN/CSI. Ukraine does not yet have access to the main EU communication network through which all tax information is exchanged.

Partial compatibility with VAT systems. The existing integration with VIES does not yet extend to digital reporting under the ViDA initiatives and the VREF and OSS systems operating in the EU.

No synchronisation with systems for excise goods. The electronic excise invoice system in Ukraine operates autonomously and is not synchronised with the European EMCS and SEED.

There is no integration with CESOP. Electronic payment control is not connected to the European cross-border transaction accounting centre, which limits the fight against evasion in e-commerce. National standards for cyber security, electronic signatures and reporting formats have not yet been harmonised with EU requirements.

3.2.4. RECOMMENDATIONS

Ukraine needs to complete the technical integration of its tax IT infrastructure with European systems, ensuring compatibility, security and automatic data exchange.

Connection to the CCN/CSI network. Ensure technical readiness and legal prerequisites for joining the main European tax exchange network.

Adaptation of the VAT administration system. Improve the "Electronic taxpayer Office" in accordance with ViDA, VREF and OSS requirements, expanding data exchange with EU countries.

Integration of excise systems. Synchronise the national electronic excise invoice system with EMCS and SEED, ensuring control over the cross-border movement of excise goods.

Interaction with CESOP. Develop technical modules for the transfer of information on electronic payments in EU formats.

Cybersecurity and electronic signature. Adapt national encryption, data storage and electronic signature protocols to EU standards (eIDAS, ISO/IEC).

International testing. Launch pilot integration projects with the tax authorities of Member States to test system compatibility prior to EU accession.

4. INSTITUTIONAL CAPACITY AND DIGITALISATION OF THE TAX SYSTEM (INTERNAL TRANSFORMATION)

4.1. ORGANISATIONAL STRUCTURE AND INSTITUTIONAL CAPACITY OF THE STATE TAX SERVICE

4.1.1. EU STANDARDS AND REQUIREMENTS

The EU requires that the tax administrations of Member States be independent, professional and results-oriented. These principles are reflected in EU basic documents and international performance assessment tools.

Administrative autonomy and good governance. The EU does not have a single directive that directly regulates the organisation of tax administrations, but the general principles are enshrined in the European Code of Good Administrative Behaviour,adopted by the European Parliament.They are also stated in the European Commission's recommendations on public financial management. Such regulations provide for a separation between policy-making (by the government) and technical implementation (by tax administrations), structural stability and protection from political pressure.

Professional human resources policy. The EU expects the tax authorities of Member States to have clear procedures for recruitment, competence assessment and merit-based career progression. These requirements are derived from the European Public Administration Standards (EPAS) developed by SIGMA/OECD in collaboration with the EU, which are used to assess candidate countries for EU membership.

Capacity assessment. The maturity level of tax administrations is measured using the international methodology of the Tax Administration Diagnostic Assessment Tool (TADAT) , administered by the International Monetary Fund.

4.1.2. CURRENT STATUS OF UKRAINIAN LEGISLATION

Ukraine has basic administrative autonomy for the State Tax Service and is introducing a competency-based approach to human resource management, but the process of institutional strengthening is still ongoing.

Division of powers. The Ministry of Finance of Ukraine determines tax policy, and the State Tax Service implements it in accordance with the Regulations approved by Resolution of the Cabinet of Ministers No. 227 of 6 March 2019. This is in line with the principle of separation of political and executive functions adopted in the EU.

Institutional assessment and international cooperation. Ukraine underwent a TADAT assessment in 2018. According to the results, the State Tax Service demonstrated an average level of operational capacity but needs improvement in risk management, IT processes and human resources policy.

Ukraine has expressed its readiness to undergo a reassessment with the participation of the IMF to verify progress.

Human resources system. The State Tax Service has developed a human resources management competency model, which is partially applied in recruitment, performance appraisal, and professional development. Since 2024, its digitalisation has been ongoing, with an electronic HR system being created as part of the Digital Development Plan.

Improving institutional resilience. The 2022-2025 Public Finance Management Strategy provides for strengthening human resources, cyber protection of databases and improving the quality of risk monitoring. In the DPS Digital Development Plan until 2030 (approved by Ministry of Finance Order No. 660 of 24 December 2024), these measures are identified as key conditions for convergence with EU standards.

4.1.3. IDENTIFIED NON-CONFORMITIES

The main differences from EU standards relate to the human resources system, transparency of assessment and the lack of updated external auditing.

Incomplete integration with the European approach to competence assessment. Although the State Tax Service has formally introduced a competence model, it does not cover all levels of management. There is no systematic link to the motivation policy and annual assessment.

Insufficient training. The professional development system for employees does not have a stable financial basis and is not adapted to the modern requirements of tax administration in a digital environment.

No new external assessment. The results of the 2018 TADAT are no longer relevant. Without a repeat audit, it is impossible to objectively determine the progress of reforms and the level of operational efficiency.

4.1.4. RECOMMENDATIONS

Conduct a repeat TADAT assessment in conjunction with the IMF to determine the current level of institutional maturity.

Complete the integration of the competency-based approach into all HR processes, from recruitment to performance evaluation.

Create a unified electronic personnel management system and introduce regular professional development based on European practices, ensuring the stability of the SFS organisational structure and protecting it from political interference. Provide targeted funding for personnel modernisation within the framework of medium-term budget planning.

4.2. DIGITAL TRANSFORMATION OF THE TAX SYSTEM AND MODERNISATION OF INTERNAL IT SOLUTIONS

4.2.1. EU STANDARDS AND REQUIREMENTS

The EU is developing a common digital architecture for tax administration based on security, process automation and the unification of data exchange between countries.

Digital compatibility and security. European requirements for IT infrastructure are defined by Regulation No. 904/2010 on cooperation in the field of VAT, Regulation No. 910/2014 on electronic identification and ISO/IEC 27001 standards. All Member States must ensure the secure exchange of tax data within the single CCN/CSI network.

Interoperability and automation. EU tax authorities use common digital interfaces and data formats to exchange information on VAT, excise duties and e-commerce. These principles also apply to candidate countries integrating into the CCN/CSI and VIES, EMCS and CESOP systems.

4.2.2. CURRENT STATUS OF UKRAINIAN LEGISLATION

Ukraine has a developed IT system for tax administration and has approved a Digital Development Plan until 2030, which provides for full integration with the EU infrastructure.

IT infrastructure and digital strategy. The State Tax Service's Digital Development Plan until 2030 defines the directions for modernising IT resources, creating data centres, automating services and strengthening cyber security.

Integration with EU systems. The "Electronic Taxpayer's Office" has already been integrated with the VIES system for verifying the VAT numbers of EU counterparties. In 2026, it is planned to launch electronic control of excisable goods, similar to the EMCS system.

4.2.3. IDENTIFIED INCONSISTENCIES

The main gaps relate to the lack of connection to CCN/CSI, partial compatibility with EU platforms, and a lack of resources for full modernisation.

There is no connection to the CCN/CSI network, which limits the automatic exchange of data in the EU format.

The IT systems of the State Tax Service are not fully compatible with ViDA, CESOP, and SEED, which hinders the exchange of information.

Lack of funding complicates the implementation of the Digital Development Plan.

4.2.4. RECOMMENDATIONS

Ukraine needs to complete integration with EU digital networks, ensure compliance with security standards, and create sustainable mechanisms for financing IT modernisation.

Connect the State Tax Service's IT systems to CCN/CSI and ensure data format compatibility with EU systems.

Synchronise VAT and excise systems with VIES, EMCS, CESOP, SEED, ensuring participation in the ViDA initiative.

Unify cybersecurity standards in line with eIDAS and ISO/IEC 27001.

Centralise data storage, create backup capacity and a business continuity system.

Provide stable budgetary funding for digitalisation, in particular through international technical assistance mechanisms, by launching pilot projects with EU member states to test technical compatibility prior to accession.

5. FIGHTING CORRUPTION IN TAXATION

5.1. ANTI-CORRUPTION MEASURES AND RISKS

5.1.1. EU STANDARDS AND REQUIREMENTS

The EU does not have a "single" tax anti-corruption act; a set of mandatory rules on transparency, testimony protection, conflict of interest prevention, data exchange and digitalisation of processes applies.

The fight against corruption in tax authorities is based on:

- testimony protection – Directive 2019/1937;
- access to and exchange of data, including financial monitoring – AML Directives (2015/849 and 2018/843) and administrative cooperation under the DAC;
- criminalisation of fraud involving EU funds – PIF Directive 2017/1371, as well as OLAF (Regulation 883/2013) and EPPO (Regulation 2017/1939);
- ethical codes, conflict of interest management, minimisation of discretion, digitalisation – as established practice of Member States in tax administrations.

5.1.2. CURRENT STAUS OF UKRAINIAN LEGISLATION

The regulatory and institutional framework for combating corruption in the State Tax Service exists and is being gradually strengthened.However, vulnerabilities remain in processes with a high degree of discretion in tax administration.

Legal basis and instruments. The system is based on the provisions of Law No. 1700-VII "On Prevention of Corruption", the State Anti-Corruption Programme, and the Anti-Corruption Programme of the State Tax Service for 2023-2025. The service has special compliance units, ethical standards, internal channels for testimonies, control over the submission of declarations and the resolution of conflicts of interest.

Risk areas. The most vulnerable areas remain those related to VAT administration (registration of tax invoices, refunds), tax audits, tax debt management, licensing and control of excisable goods. Additional risks are created by low wages, complex regulations, and temporarily restricted access to certain registers – in particular, the VAT refund register – during the period of martial law.

5.1.3. IDENTIFIEDINCONSISTENCIES

The main EU requirements in the area of corruption prevention have been partially taken into account, but weaknesses remain – excessive "manual" decisions in tax procedures, insufficient protection for whistleblowers, limited transparency in working with VAT registers, fragmented staff rotation and weak joint analysis with law enforcement agencies.

Level of automation. Despite the existing regulatory framework, a significant part of key processes continues to depend on the decisions of specific officials. This is particularly noticeable in the area of VAT – during the registration of tax invoices, tax refunds or the selection of companies for inspection. Automation covers only part of the procedures, leaving room for subjective actions and abuse.

Personnel control mechanisms. Existing safeguards – such as in-depth special checks, rotation of employees in high-risk areas, or disciplinary responsibility for violations of ethical standards – are applied selectively and do not form a unified integrity management system.

Testimony protection. Although the relevant channels are in place, in practice they do not ensure complete confidentiality and timely feedback. In some cases, guarantees against pressure or persecution are formal, which reduces the level of trust of employees in the system for reporting violations.

Data transparency. During the period of martial law, some state registers, in particular the VAT refund register, remain closed. This complicates public control and independent verification of tax service decisions, which reduces the overall accountability of the system.

Cooperation with law enforcement agencies. Data exchange between the State Tax Service and law enforcement agencies is unsystematic. There is no unified digital analytical platform that would allow for the consolidation of information, risk analysis, and joint case management. This limits the effectiveness of investigations and joint analytics.

5.1.4. RECOMMENDATIONS

The number of "manual" decisions should be reduced, automation expanded, staff integrity strengthened, data made public, and effective cooperation with law enforcement agencies established, in line with EU practices.

Reduce discretion and fully automate risk processes. In the area of VAT, ensure continuous automation of the entire cycle: from risk assessment and decision-making to justification and appeal. Every deviation from the algorithm should be recorded. For tax audits, transparent rules for selecting taxpayers should be introduced and a general list of risk indicators should be published.

Transparency and open data. After the end of martial law, public access to the VAT refund register must be restored and open online dashboards with key indicators must be created. The State Tax Service must regularly publish reports on whistleblower complaints, disciplinary decisions and the effectiveness of VAT and audit procedures.

Staff integrity and rotation. It is necessary to systematically introduce staff rotation in high-risk areas – VAT, audits, excise duties. Checks for conflicts of interest should be strengthened.

Testimony protection (EU Directive 2019/1937). Anonymity, reliable feedback, and real protection from pressure must be ensured. It is advisable to create a secure external channel for reports and clearly define response times. Managers should be trained to handle such reports properly.

Joint analytics with law enforcement agencies. It is necessary to create a single digital platform for data exchange between the State Tax Service, the Economic Security Bureau, the National Police, and the Prosecutor's Office. This will allow for coordinated investigations into tax evasion schemes, VAT fraud, and abuse of excisable goods.

Traceability of excise goods. By 2026, an electronic track & trace system needs to be implemented – a single register for tracking the movement of excise goods (alcohol, tobacco, fuel) from production to sale. This will significantly reduce illegal circulation.

CONCLUSIONS AND RECOMMENDATIONS

The analysis of Ukraine's compliance with the EU acquis in the field of taxation (Chapter 16) shows a gradual convergence of legislation and administrative practices, although the level of harmonisation remains partial.

The VAT system has a basic rate of 20%, with special regimes and a refund mechanism, which is generally in line with the European framework. At the same time, the rate structure is not in line with the acquis: the 14% rate on agricultural products is not provided for in the directives, and the list of exemptions is significantly broader than that set out in Annex III to Directive 2006/112/EC. Issues remain open regarding VAT refunds to non-residents, the distinction between zero-rated and exempt transactions, and the harmonisation of rules on the place of supply of services.

In excise taxation, a schedule has been introduced for the gradual increase of rates on alcohol, tobacco and energy products to EU minimum levels over the next few years. The legislation is partially compliant with Directive 2020/262/EU and related acts, but requires additional changes: harmonisation of the classification of alcoholic beverages and tobacco products, deployment of a system of warehouses under excise supervision, introduction of fiscal marking of fuel and connection to the European EMCS system. In the area of new nicotine-containing products (TVENs, e-liquids), the EU framework is currently not harmonised, leaving room for different approaches in future regulation.

Provisions on transparency and transfer pricing control, as well as BEPS standards, have already been implemented in direct taxation. At the same time, directives on the status of parent and subsidiary companies, interest and royalties, tax-neutral reorganisations, global minimum taxation (Pillar Two) and dispute resolution mechanisms have not yet been agreed. Their adaptation is provided for in the National Revenue Strategy for 2026-2028.

Administrative cooperation is gradually strengthening. Ukraine has already joined the international mechanisms for the automated exchange of financial information (CRS) and country-by-country reporting (CbC) for multinational companies and has begun the first exchanges.

Institutional capacity is being strengthened thanks to the State Tax Service's Digital Development Plan until 2030, but there is still a need for additional resources, staff training and ensuring the compatibility of IT systems with European ones.

Anti-corruption policy in the field of taxation is having a tangible effect thanks to the digitisation and automation of procedures, but tax audits, VAT and excise duty administration remain high-risk areas. Challenges relate to excessive discretion, complex legislation, limited transparency in wartime and the emergence of new fraud schemes. Further progress will require more precise risk criteria, a reduction in manual decisions, the restoration of public registers and deeper cooperation with law enforcement agencies.

Overall, Ukraine has a clear course and roadmap for reform. The next stage will involve combining legislative approximation with practical implementation of processes, digital solutions and effective control. Based on this assessment, it is advisable to focus on the following steps:

1) VAT

- Revise the list of exemptions with a clear distinction between zero-rated transactions (with the right to deduction) and exemptions without such a right.
- Review the architecture of reduced rates, harmonise the rules on the place of supply of services and special regimes.
- Complete preparations for VAT refunds to non-residents in line with Directives 86/560/EEC and 2008/9/EC.
- Restore transparency in refund procedures, including through the opening of registers.

2) Excise duties

- Implement the schedule for raising rates to EU minimums (alcohol, tobacco, electricity).
- Bring the classification of alcohol, tobacco (in particular cigars and cigarillos) and energy products into line with EU acts; introduce requirements for the fiscal marking of gas oils and kerosene (95/60/EC, 2022/197).
- Complete the roll-out of the tax warehouse system and connection to EMCS.
- For HEETS, e-liquids and other new nicotine-containing products, adapt the harmonised taxation framework within the framework of future EU decisions.

3) Direct taxes

- Prepare and adopt a package for harmonisation with Directives 2011/96/EU (parent/subsidiary), 2003/49/EU (interest/royalties), 2009/133/EU (reorganisations), 2017/1852 (dispute resolution) and 2022/2523 (Pillar Two) within the timeframe of the National Revenue Strategy (2026–2028), with deferred entry into force on the date of accession.

4) Administrative cooperation and mutual assistance

- Complete the practical implementation of DAC2 and DAC4, adopt legislative decisions for DAC6, DAC7 and DAC8, and establish mechanisms for DAC3 and DAC5.

- Ensure connection to the EU's secure telecommunications network (CCN) and deploy cooperation tools in the field of indirect taxation and mutual assistance in enforcement.

5) Institutional capacity and digitalisation

- Provide resource support for the State Tax Service's Digital Development Plan until 2030 (staff, training, IT budgets), focusing on compatibility and interoperability with EU IT systems.

6) Integrity and compliance

- Develop process automation, fine-tune risk criteria in VAT, reduce discretion in audits and decisions.
- Deepen information exchange and joint analytics with law enforcement agencies.
- Continue measures to improve staff integrity.

APPENDICES

Appendix 1. Comparative analysis of VAT administration in the EU and Ukraine

Block	EU: rules and practice	Ukraine: rules and practice	Main differences	Practical implications	Harmonisation step
VAT rate architecture	Directive 2006/112/EC, Articles 96–99; update 2022/542. Standard rate ≥15%. Up to two reduced rates ≥5% plus one rate <5% or 0% (max. 7 categories from Annex III).	Tax Code of Ukraine, Article 193: 20% standard, 7% and 14% reduced, 0% for a wide range of transactions.	14% as a third reduced rate, not provided for in the acquis. The list of 0% rates in the Tax Code is broader than that in Articles 146-150 of the Directive.	Unequal conditions of competition, risks of state aid claims, accounting complexity for exporters.	Abolish 14% or transfer the agricultural sector to permitted categories. Review 0% and narrow it down to a list compatible with 2006/112/EC and 2022/542.
Tax exemptions	2006/112/EC Articles 132–135 (education, healthcare, social protection, culture within narrow limits, financial and insurance services, certain real estate transactions). 2009/132/EC – for imports.	PCU Art. 197 and Section 2 of Chapter XX: significantly broader list of exemptions (printed products, funeral services, industrial parks, extended import privileges).	Excessive breadth of exemptions, some of which do not comply with the acquis.	Narrowing of the VAT base, break in the chain of deductions, distortions of competition, more complex accounting of input VAT.	Inventory of privileges. Abolish or narrow down to the scope of Articles 132–135 and 2009/132/EU. Replace atypical exemptions with reduced rates.

Free transfers, gifts and samples	Articles 16, 26, 74–75 of the Directive: gifts of small value and samples are not taxed; base = purchase price/cost price.	Tax Code, para. 14.1.191: any gift = supply; base = "normal prices".	No exceptions for gifts/samples; different base.	Excessive burden, restrictions on marketing practices, risk of economic unreasonableness.	Introduce exceptions for low-value gifts and samples; define the base as the purchase price/cost price.
Intermediary services	Article 153 of the Directive: services provided by agents in international transport and export are exempt from VAT.	There are no similar provisions in the Tax Code of Ukraine.	Lack of harmonisation.	Double taxation, reduced competitiveness of exports.	Implement Article 153 of the Directive into the Tax Code of Ukraine.
VAT refunds to non-residents	2008/9/EC (for EU taxpayers), 86/560/EEC (Thirteenth Directive, for third countries). E-filing, standardised deadlines, interest for late payment.	No mechanism in place.	Fundamental gap.	Unnecessary costs for foreign businesses, reduced investment attractiveness.	Introduce a refund procedure based on 2008/9/EC and 86/560/EEC with e-filing and guaranteed deadlines.
Place of supply of services	2006/112/EC and Regulation 282/2011. B2B – place of the recipient. B2C – place of the supplier with exceptions (electronic services, TCE, real estate, culture, education). High level of detail.	Tax Code of Ukraine, Article 186: basic logic is similar, but less detail, some categories are defined differently.	Lower level of detail, inconsistencies in service categories.	Risks of double taxation or non-taxation, disputes over jurisdiction.	Harmonise Article 186 with Regulation 282/2011; synchronise exceptions for B2C.

TIN format	Article 215 of the Directive: individual numbers with an ISO prefix (UA, DE, PL).	Ukrainian TIN without "UA".	Technical incompatibility.	Complications with integration into European data exchange systems.	Introduce the prefix "UA" in the TIN format.
Administration and control	VIES, information exchange, post-audit. ViDA: near real-time e-reporting, digital invoices, platforms.	VAT SEA and SMKOR: preventive control, deposit of funds, blocking of tax invoices.	A different control philosophy.	Cash gaps, delays, disputes, high administration.	Transition to risk-oriented post-audit, integration with VIES, convergence with ViDA.

Appendix 2. Comparative analysis of excise policy in the EU and Ukraine

Block	EU: rules and practice	Ukraine: rules and practice	Main differences	Practical consequences	Harmonisation step
General excise duty system	Directive 2020/262, Regulations 2022/1636 and 2022/1637: all excise goods (alcohol, tobacco, energy products) are moved without paying excise duty until they are released for consumption. Single network of excise warehouses and control through EMCS.	Tax Code (Articles 213–229): excise duty is paid immediately upon production or import; deferral only for alcohol and fuel; excise warehouses operate selectively; no	No universal deferral; limited coverage of warehouses; no electronic monitoring.	Freezing of working capital, abuse during transport, barriers to integration into the EU internal market.	Extend deferral to all categories; create a comprehensive network of warehouses; join EMCS.

		integration with EMCS.			
Energy products	Directive 2003/96/EC: taxation of petrol, diesel, LPG, electricity, coal, coke, natural gas; minimum rates in €/unit. Directive 95/60/EC and Decision 2022/197: mandatory marking of gas oils and kerosene.	Tax Code of Ukraine, Article 215: excise duty on petrol, diesel, LPG, electricity (% of cost). Coal, gas and coke are not covered. Rates are lower than the minimum. Marking does not apply.	The list is incomplete; rates are lower; different principle of electricity taxation; no labelling.	Fiscal losses, tax arbitration, risks in trade with the EU.	Implement Law No. 3878-IX: bring rates to EU minimums by 2028; expand the list of goods; introduce labelling.
Alcoholic beverages	Directives 92/83/EEC and 92/84/EEC (as amended by 2020/1151): categories – beer, wine, fermented beverages, intermediate products, ethyl alcohol; minimum rates in €/unit.	Tax Code Art. 215, Law No. 3817-IX: different classification; lower rates on alcohol and intermediate products; tax bills are used.	Different classification; lower rates; use of tax bills, which are not found in the acquis.	Distortion of competition, complicated trade.	Harmonise classification with the EU model; raise rates to minimum levels; abandon tax bills.
Tobacco products	Directive 2011/64/EU: minimum €90/1000	PKU Art. 215 (as amended: No. 466-	Ukraine has already set a trajectory of	Differences in the methodology for	Implement an increase to €90/1000 by 2028;

	cigarettes or total excise duty ≥60% of the weighted average price (WAP). If the rate is ≥€115/1000, the 60% criterion does not apply. Categories: cigarettes, cigars/cigarillos, fine-cut tobacco for hand-rolling cigarettes, other smoking tobacco. The reform of 16 July 2025 extends the scope of to e-cigarette liquids, HTPs and nicotine pouches (applicable from 2028).	IX, No. 1914-IX, No. 4115-IX): rates in euros with a gradual increase to €90/1000 by 2028; combined system (specific + ad valorem from the MRP); minimum tax liability ; from 2025 – minimum retail prices (coefficient 1.45; transitional 1.1). Simplified classification.	increase to €90/1000, but the basis for calculation is the MRP, not the WAP. The minimum tax liability acts as a safeguard instead of the 60% WAP rule.	determining the load; risks of harmonisation after EU enlargement; potential barriers to trade in new products.	harmonise the methodology with the requirements of the directive (60% WAP or €90); prepare UKT ZED codes and rates for new categories from 2028.
New products and transport	EU: no single directive for e-cigarettes and HTPs (regulated nationally); the 2025 reform provides for inclusion in the framework from 2028. Cars: Directive 83/182/EEC – exemption for temporary importation.	Tax Code: excise duty on e-cigarette liquids and HTPs; excise duty on cars upon first registration (3–5% of value); transport tax for high-value cars.	Ukraine is ahead of the EU in terms of taxation of HTPs and liquids; the approach to cars does not correspond to European logic.	Risk of different regimes after the adoption of the new directive; complications for cross-border use of cars.	Update the rules for HTPs, liquids and pouches after the reform in the EU; align the vehicle administration scheme and taxation regime upon first registration with the provisions of Directive 83/182/EEC.

Appendix 3. Comparative analysis of corporate taxation in the EU and Ukraine

Block	EU: rules and practice	Ukraine: rules and practice	Main differences	Practical implications	Harmonisation step
Intra-group dividends (Parent–Subsidiary)	Directive 2011/96/EU: exemption of intra-group dividends subject to ownership conditions + anti-abuse tests.	Outgoing dividends to non-residents are subject to withholding tax (usually 15%) with reductions under double taxation agreements; internal dividends between residents are subject to benefits/exemptions under the Tax Code.	There is no general exemption regime for cross-border dividends between related companies as in the EU.	Higher capital costs in groups, barriers to profit repatriation, less attractive holding structures.	Introduce an exemption regime for intra-group dividends with anti-misuse tests, synchronise ownership criteria.
Interest and royalties between related companies	Directive 2003/49/EC: exemption of cross-border payments within groups (subject to ownership conditions, beneficial ownership status, anti-abuse tests).	A 15% withholding tax is levied on non-resident income (reduced under double taxation agreements); there	There is no mandatory exemption for group interest and royalties.	Intragroup financing and IP structures are more expensive, and the role of contractual networks and complex structures is growing.	Implement exemptions with beneficial ownership conditions and tests against abuse.

		is no general exemption.			
Tax-neutral reorganisations	Directive 2009/133/EC: deferral of capital gains taxation in cross-border reorganisations under certain conditions; preservation of the base and value of assets.	There is no systemic regime for deferral of capital gains taxation; cross-border reorganisations are not detailed in the legislation.	No tax neutrality regime for reorganisations, especially cross-border ones.	High tax cost of restructuring, inhibition of M&A, more complex corporate realignments.	Introduce a tax deferral regime and base continuity rules for certain forms of reorganisations; harmonise definitions in corporate law.
EU Anti-Tax Avoidance Directive (ATAD), which implements key BEPS standards	Directive 2016/1164 (as amended): interest limitation (fixed ratio rule), controlled foreign companies (CFC), general anti-abuse rule (GAAR), exit tax, rules on hybrid mismatches.	Partially: interest limitation and CFC rules introduced; GAAR, exit tax and full set of rules on hybrid mismatches – absent.	Incomplete implementation of the ATAD package.	"Windows" for tax planning, higher uncertainty and risks of base erosion.	Complete implementation of ATAD: introduce GAAR, exit tax, rules for hybrid mismatches; modernise interest limitation to the EBITDA-fixed ratio model with group exemptions.
Resolution of tax disputes	Directive 2017/1852/EU + Regulation 2019/652; Arbitration Convention 90/436/EEC and Code of Conduct (2009/C 322/01).	The mutual agreement procedure (MAP) under the Tax Code and double taxation	There is no procedural framework with mandatory deadlines and arbitration.	Longer and less predictable proceedings, higher burden of proof for businesses.	Codify MAP deadlines, introduce advisory and arbitration commissions modelled on Directive 2017/1852 and the Code of Conduct.

		agreements applies without mandatory deadlines or advisory commissions; there are no EU arbitration mechanisms.			
Global minimum tax (Pillar 2)	Directive 2022/2523: minimum effective rate of 15% for groups with revenues exceeding €750 million; IIR/UTPR mechanisms and qualified domestic minimum tax (QDMTT).	Relevant rules do not apply; special regimes (9% "Diy City", exemption of industrial parks, etc.) may reduce the effective rate below 15%.	No QDMTT, IIR, UTPR rules; conflict between preferential regimes and the minimum rate of 15%.	Top-up tax may be levied abroad; base erosion and lower returns from national incentives.	Adopt QDMTT and a roadmap for IIR/UTPR; reformat incentives into expenditure incentives that do not reduce the effective rate.
Taxation of capital gains and securities	The EU does not unify the general regime, but within the framework of Directive 2009/133/EC, it guarantees neutrality in reorganisations; at the level of state practices – transparent rules for securities and derivatives.	Capital gains are integrated into income tax at a rate of 18%; for securities, separate accounting is maintained with	No cross-border neutrality in reorganisations; different technical accounting rules.	Higher costs of exits and portfolio reconfigurations at the border, fragmentation of approaches.	Harmonise rules relating to reorganisations; update technical accounting provisions in line with EU best practices.

		indefinite carry-forward of losses.			
Intragroup payments and withholding tax model	The EU has systemic exemptions for dividends, interest and royalties within groups (subject to ownership and anti-abuse conditions).	The basic withholding tax is 15% on passive income of non-residents, with reductions under international double taxation agreements.	Ukraine relies on a network of agreements instead of a general exemption regime.	Structuring costs, uneven conditions due to different agreements.	Introduce general exemptions for related companies with safeguards (beneficial ownership, Principal Purpose Test, GAAR).
Administration and coordination	In the EU, coordination is achieved through directives, arbitration, information exchange, and mature MAP procedures.	Subordinate regulations are in place, MAP is institutionally limited; synthesised MLI texts are partially published.	Fewer procedural guarantees and transparency in cross-border cases.	Higher transaction costs, legal uncertainty in cross-border transactions.	Expand MAP procedures, accelerate the publication of synthesised MLI texts, unify forms and interaction deadlines.
Special regimes and incentives in light of Pillar 2	In the EU, incentives are being reviewed for compatibility with the minimum rate; the emphasis is on cost incentives	"Action City" 9%, industrial parks and mining regions – exemptions; a number of regimes	Tax breaks that reduce the rate result in a "top-up" tax abroad.	Loss of part of the fiscal effect of incentives, complexity of modelling the effective rate.	Convert incentives into expenditure instruments (accelerated/instant depreciation, investment and R&D credits), calibrate so that the

	(accelerated/instant depreciation, tax credit for R&D).	for reducing the effective rate.			effective rate does not fall below 15%.

Appendix 4. Comparative analysis of personal income taxation in the EU and Ukraine

Block	EU: rules and practice	Ukraine: rules and practice	Main differences	Practical implications	Harmonisation step
Rate structure	Most EU countries have a progressive tax scale that takes into account income level, family status and social circumstances, ranging from 0% to 45–50%.	A single base rate of 18% + 1.5% (temporarily 5%) military levy. No progressive scale.	Simplified but less equitable model; no consideration of ability to pay or social factors.	Excessive burden on low incomes, limited social function of the tax.	Develop a gradual transition to a progressive scale, taking into account income and family status, while maintaining the competitiveness of the system.
Taxation of dividends	Parent-Subsidiary Directive 2011/96/EU: elimination of double taxation, exemption of intra-group dividends.	Dividends from residents – 5%, from non-residents – 9%. Double taxation remains.	No automatic exemption mechanism.	Barriers to capital, increased costs for group structures.	Implement a mechanism for exempting intra-group dividends with safeguards against abuse.

Passive income (interest, royalties)	Directive 2003/49/EC: exemption of cross-border interest and royalties within related companies.	Basic taxation – 15% (WHT), reduction under conventions.	No general exemption for intra-group payments.	More expensive intra-group financing and IP structures.	Introduce exemptions for related companies, integrate beneficial ownership tests.
Simplified system (FOP)	Separate simplified regimes are not common in the EU; small entrepreneurs are taxed under the general system, with benefits/exemptions.	Single tax of 3–5% of turnover, widespread application, simplified accounting.	European small business support practices are aimed at developing enterprises and their transition to the standard taxation system, while the Ukrainian sole proprietorship model creates incentives to remain in the simplified regime, using it for tax optimisation and dividing businesses into small parts.	Distortion of competition, optimisation by large businesses.	Transformation of the simplified system into a regime accessible only to small and micro businesses; gradual integration into the general system.
Social benefits and deductions	In EU countries – broad mechanisms (family benefits, expenses for	Narrow list: education, mortgages, life insurance, charity.	Limited application of the social function of tax.	Less targeting and support for vulnerable groups.	Expand the list of expenses that reduce the tax base, following European models.

	children, medicine, education, mortgages).				

Appendix 5. Comparative analysis of administrative cooperation and exchange of tax information in the EU and Ukraine

Block	EU: rules and practice	Ukraine: rules and practice	Main differences	Practical implications	Harmonisation step
DAC1 – administrative cooperation	Directive 2011/16/EU: sets clear deadlines for responding to tax requests, rules for group requests, the concept of "presumed relevance," the possibility of joint audits, and standardised procedures.	Tax Code, Ministry of Finance Order of 2022, internal instructions of the State Tax Service. The procedure for exchange is defined, but without specific deadlines and group requests.	Implementation is substantial, but still needs to be harmonised.	Lower speed and predictability of information exchange; reduced trust among partners.	Set response times, provide for group requests, detail procedures.
DAC2 – automatic exchange of information on financial accounts	Directive 2014/107/EU: mandatory automatic exchange between all Member States, based on the international CRS standard.	Ukraine joined the multilateral agreement in 2022 and adopted Law No. 2970-IX in 2023. The first	The special CCN network is not used, and there is no reporting to EU institutions.	Exchange is possible, but not in the full EU format.	Connect to the CCN network, introduce reporting to European institutions.

		exchange took place in 2024.			
DAC3 – tax rulings	Directive 2015/2376/EU: automatic exchange of information on individual tax rulings and transfer pricing agreements.	The Tax Code provides for the possibility of concluding such agreements, but there is no international exchange.	Not implemented.	There is a lack of transparency in the area of tax rulings.	Establish procedures for the exchange of information on tax rulings.
DAC4 – Country-by-Country Reporting	Directive 2016/881/EU: mandatory exchange of reports of multinational groups of companies between Member States.	Ukraine joined in 2022 and determined the reporting format. The first exchange took place in 2025.	The CCN network is not used, and reporting to European institutions is not provided for.	Partial compatibility with the EU system.	Ensure technical integration and reporting.
DAC5 – access to information from financial monitoring systems	Directive 2016/2258/EU: tax authorities have direct access to data on beneficial owners and transactions that are checked for money laundering.	Tax authorities can obtain such data, but the mechanism is not integrated into the tax system.	Only partial implementation.	Limited use of information for tax purposes.	Legislate systematic access to this data for tax authorities.

DAC6 – Cross-border tax schemes	Directive 2018/822/EU: reporting and automatic exchange of information on schemes that may be used for aggressive tax planning.	There are no specific provisions in the legislation.	Not implemented.	The ability to control risky schemes is lost.	Develop rules for reporting and exchanging information on cross-border schemes.
DAC7 – income from digital platforms	Directive 2021/514/EU: mandatory exchange of information on income of individuals and legal entities from activities through digital platforms.	A draft law has been prepared and is currently under consideration by the Verkhovna Rada.	Not implemented.	There is a lack of transparency in the digital economy.	Adopt the law and create an exchange system.
DAC8 – crypto assets and CRS 2.0	Directive 2023/2226/EU: reporting on crypto asset transactions and the updated CRS 2.0 automatic exchange standard.	A draft law has been prepared and is currently under consideration by the Verkhovna Rada.	Not implemented.	There are no mechanisms for sharing information about crypto assets.	Adopt the law and join CRS 2.0.

Appendix 6. Comparative analysis of digital tax administration tools in the EU and Ukraine

Block	EU: rules and practice	Ukraine: rules and practice	Main differences	Practical implications	Harmonisation step
Tax Information Exchange Network	CCN/CSI – secure infrastructure used for exchange within the DAC and debt collection.	Internal channels ("Electronic Office") are used; there is no connection to CCN/CSI.	Ukraine operates outside the single European network.	Inability to fully exchange information with the EU automatically.	Preparation of technical connection to CCN/CSI.
VAT number verification (VIES) and digital reporting (ViDA)	VIES provides verification of identification numbers, ViDA provides real-time digital reporting.	There is partial integration with VIES for number verification. ViDA is not yet supported. (VAT regulatory requirements are discussed in a separate section).	Integration is limited to number verification only, with no digital reporting.	Limited transparency of cross-border transactions.	Expansion of integration to digital reporting, adaptation of data formats.
VAT administration through European portals (OSS, VREF)	OSS and VREF are centralised EU portals for cross-border trade.	The VAT SEA is used as the national system. No connection to OSS/VREF. (The substantive part of	No access to centralised European registers.	Double administration for businesses.	Adaptation of the VAT SEA for integration with OSS/VREF.

		VAT harmonisation is discussed in the relevant section).			
Control of cross-border electronic payments	CESOP – a data collection system to combat fraud in e-commerce.	National financial monitoring tools, without synchronisation with CESOP.	No connection to the European hub.	Gaps in the tracking of cross-border payments.	Creation of an integration module with CESOP.
Movement of excisable goods	EMCS and SEED – electronic monitoring and registration of participants in the circulation of excisable goods.	The national system is planned to be launched in 2026.	The system is not integrated with EMCS/SEED.	Risk of illegal movement of goods.	Adaptation of the system to EMCS/SEED requirements.
Cyber security and signature standards	The EU applies unified standards (GDPR, CCN protocols, security certification).	Ukrainian protocols and standards differ in part, and certification is fragmented.	Discrepancies in data protection standards.	Risks to trust and access to European systems.	Harmonisation of security protocols, certification of equipment and software.

Annex 7. Comparative analysis of the institutional capacity of tax authorities in the EU and Ukraine

Block	EU: rules and practice	Ukraine: rules and practice	Main differences	Practical implications	Harmonisation step
Institutional structure	Ministry of Finance – policy formation; tax administrations – autonomous implementation; stability of organisational structure.	The Ministry of Finance determines policy, the State Tax Service implements it; autonomy is enshrined in law.	Formal autonomy, but needs to be strengthened in practice.	Risks of political influence, weak trust.	Strengthening protection against external interference, consolidating structural stability.
Capacity assessment (TADAT)	Regular diagnostics and updating of recommendations.	The last assessment was in 2018, and a new one is planned.	There is no current objective assessment.	Limited understanding of the actual capacity of the State Tax Service.	Conduct a new TADAT, implement recommendations.
Human resources management	Competency model in recruitment, assessment and development of personnel.	Competency model developed, but integration is partial.	The personnel management system does not fully comply with EU standards.	Limited effectiveness of HR processes.	Full integration of the competency-based approach, review of training programmes.

Appendix 8. Comparative analysis of the digital transformation of tax administration in the EU and Ukraine

Block	EU: standards and practice	Ukraine: norms and practice	Main differences	Practical implications	Harmonisation step
Digitalisation of administration	Business process automation, electronic services, interoperability with the EU.	Digital development plan of the State Tax Service until 2030; "Electronic Office" and other services.	Partial compatibility with European platforms.	Limited integration with the EU IT environment.	Modernisation of system architecture, unification of standards.
IT infrastructure	Centralised data centres, backup systems, cyber protection.	Functioning IT solutions, but with fragmented infrastructure.	Lack of a centralised system with backup capacity.	Security risks and data loss.	Centralisation of data centres, implementation of backup systems.
Cyber protection and e-signature	Uniform standards (GDPR, unified protocols).	National standards differ in part from European standards.	Incompatibility of protocols and certification levels.	Risk of refusal to interact with EU systems.	Unification of protocols, certification of equipment and software.
Financing digitalisation	EU budget resources are allocated systematically.	There is a digital development plan, but the financing is not detailed.	No complete estimate or financing schedule.	Risk of disruption or delay in modernisation.	Integration of costs into medium-term budget planning, attraction of EU assistance.

Appendix 9. Comparative analysis of transparency and ethical principles in the tax authorities of the EU and Ukraine

Block	EU: rules and practice	Ukraine: rules and practice	Main differences	Practical implications	Harmonisation step
Codes of conduct and ethical standards	All EU Member States have codes of ethics, mandatory rules for preventing conflicts of interest, strict restrictions on gifts, compatibility of positions and employment after dismissal	Law on Prevention of Corruption, internal ethical rules in the State Tax Service, control over declarations, mechanisms for resolving conflicts of interest	Formally in place, but implementation is selective; no systematic staff rotation	Risks of continuing "shadow" practices, low trust in the integrity of the State Tax Service	Integration of ethical standards into personnel policy, systematic staff rotation, strengthening of control
Protection of testimonies	The EU has special directives on whistleblower protection, anonymity guarantees, and protection from persecution	Channels for whistleblowers have been created in the State Tax Service, but the mechanisms are limited and the guarantees of protection are weak	Insufficient legal protection for whistleblowers	Limited effectiveness of reporting, risk of retaliation by management	Strengthening of legislative guarantees, independent monitoring
Process automation	Maximum digitisation to minimise the human factor (online registers, automatic algorithms for selecting audits, open reporting)	Automation has been partially implemented (SMKOR, electronic office), but a	Automation does not cover the entire tax administration cycle	Excessive discretionary powers, scope for corruption	Expansion of automation (especially VAT and excise duties), integration with European systems

		significant part of the processes remain "manual".			
Access to registers and transparency	In the EU, public access to key registers, transparency in VAT refunds	Access to the VAT refund register is restricted during martial law	Temporary closure of data	Reduced transparency, risks of corruption	Restore public access after the war, introduce European open data standards
Cooperation with law enforcement agencies	EU tax and law enforcement agencies have integrated databases and conduct joint analysis	Cooperation between the State Tax Service and law enforcement agencies exists, but data integration is limited	Lack of a joint analytical system	Difficulty in detecting complex schemes, duplication of checks	Development of integrated databases, joint risk analysis
Personnel policy and integrity	In the EU – staff rotation, competitive salaries, systematic training	In Ukraine, salaries are low, rotation is virtually non-existent, and training is limited	Unequal conditions for integrity	High risks of abuse, staff turnover	Review of pay levels, comprehensive training, introduction of a rotation system