Tax alignment with the EU: how more transparent rules reduce corruption

Negotiation Chapter 16: “Taxation”

~35%

Alignment of legislation with the full scope of the EU acquis under Chapter 16 “Taxation”.

×2

Complex rules effectively double unofficial payments by businesses: from ~0.8% to ~1.6% of annual revenue.

1 Jan 2028

Deadline for bringing tax legislation into full compliance with the requirements for EU acquis.

55%

More than half of the tax package (29 laws) is planned for October 2027.

Key points

Candidate status has changed the logic of tax policy: the full scope of the EU acquis has become the benchmark, rather than a selective list of acts from the Association Agreement. Every act within Chapter 16 must be analysed to establish a system with clear criteria and simple procedures – it is precisely the complexity of the rules that creates corruption.

CENTRE FOR ECONOMIC STRATEGY

EUACI EUROPEAN UNION ANTI-CORRUPTION INITIATIVE

Funded by the European Union

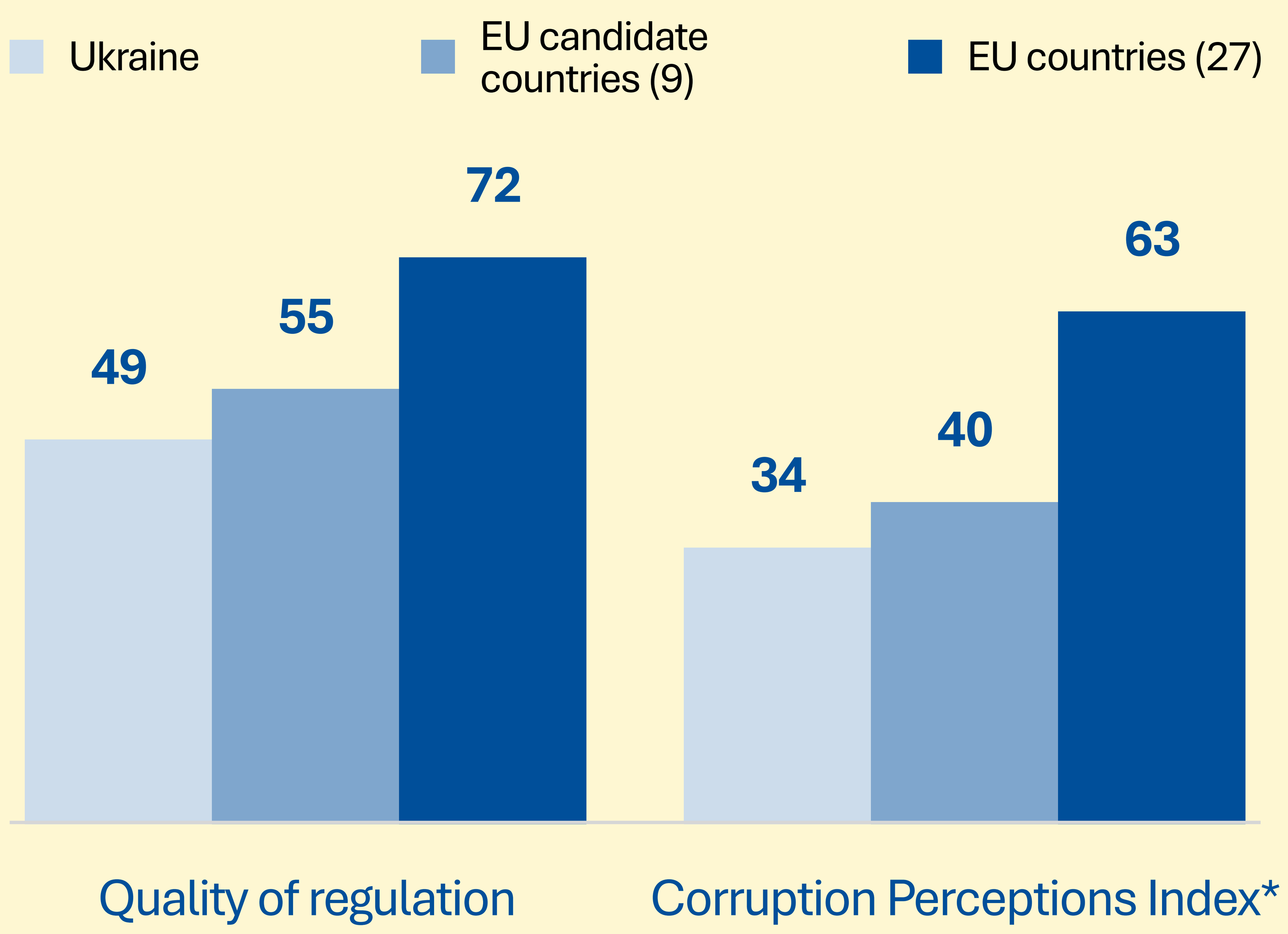
Why do more transparent rules mean less corruption?

Causality, not correlation

A World Bank study (covers 25,388 businesses in 131 countries): more complex regulations increase the volume of informal payments, not the other way round.

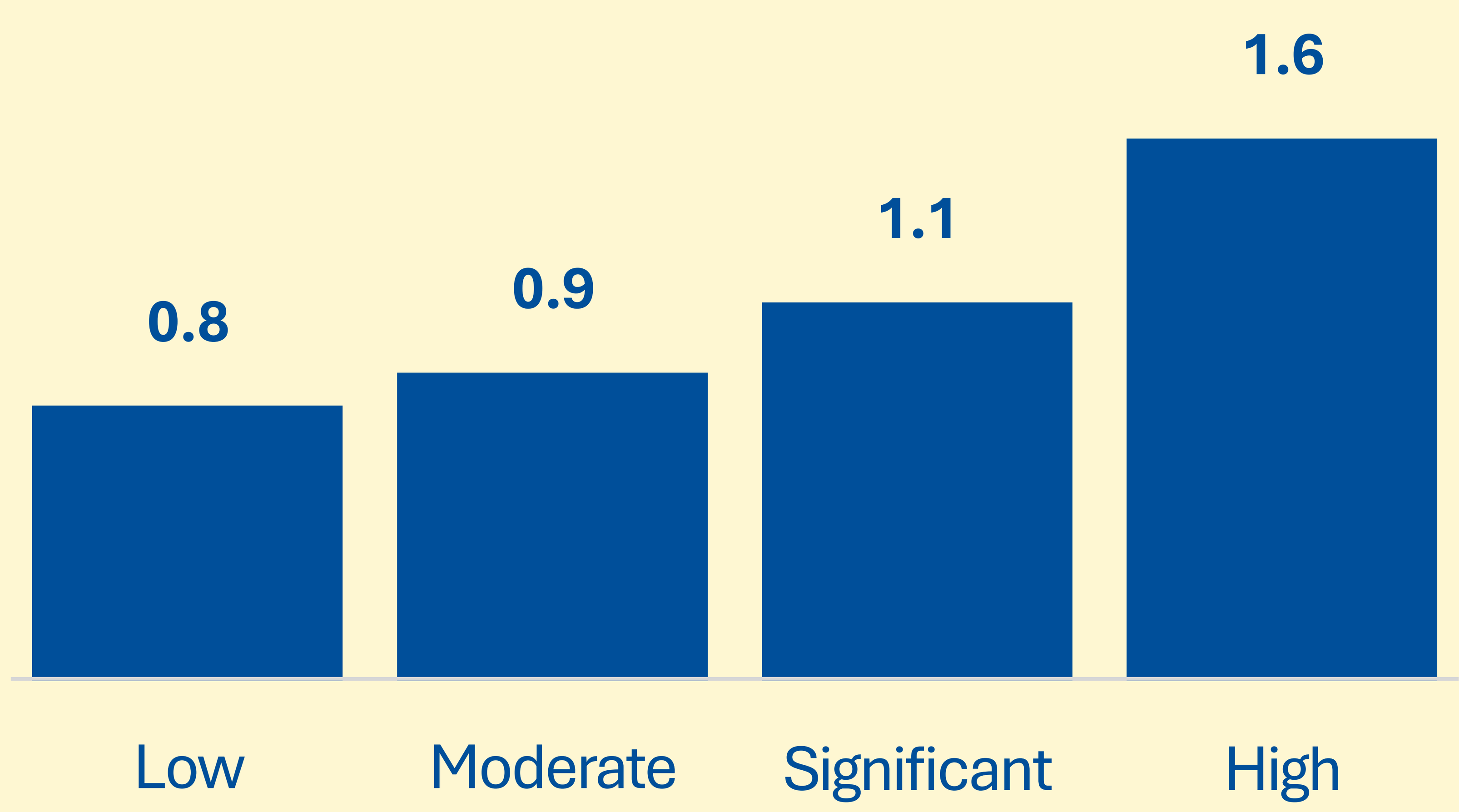
The cost of complexity

Each additional item of regulatory burden (Time Tax) adds ~0.03 p.p. to corruption. For petty corruption, the effect reaches ~0.15 p.p.



Ukraine lags behind the EU and candidate countries

*The lower the figure, the higher the perceived level of corruption



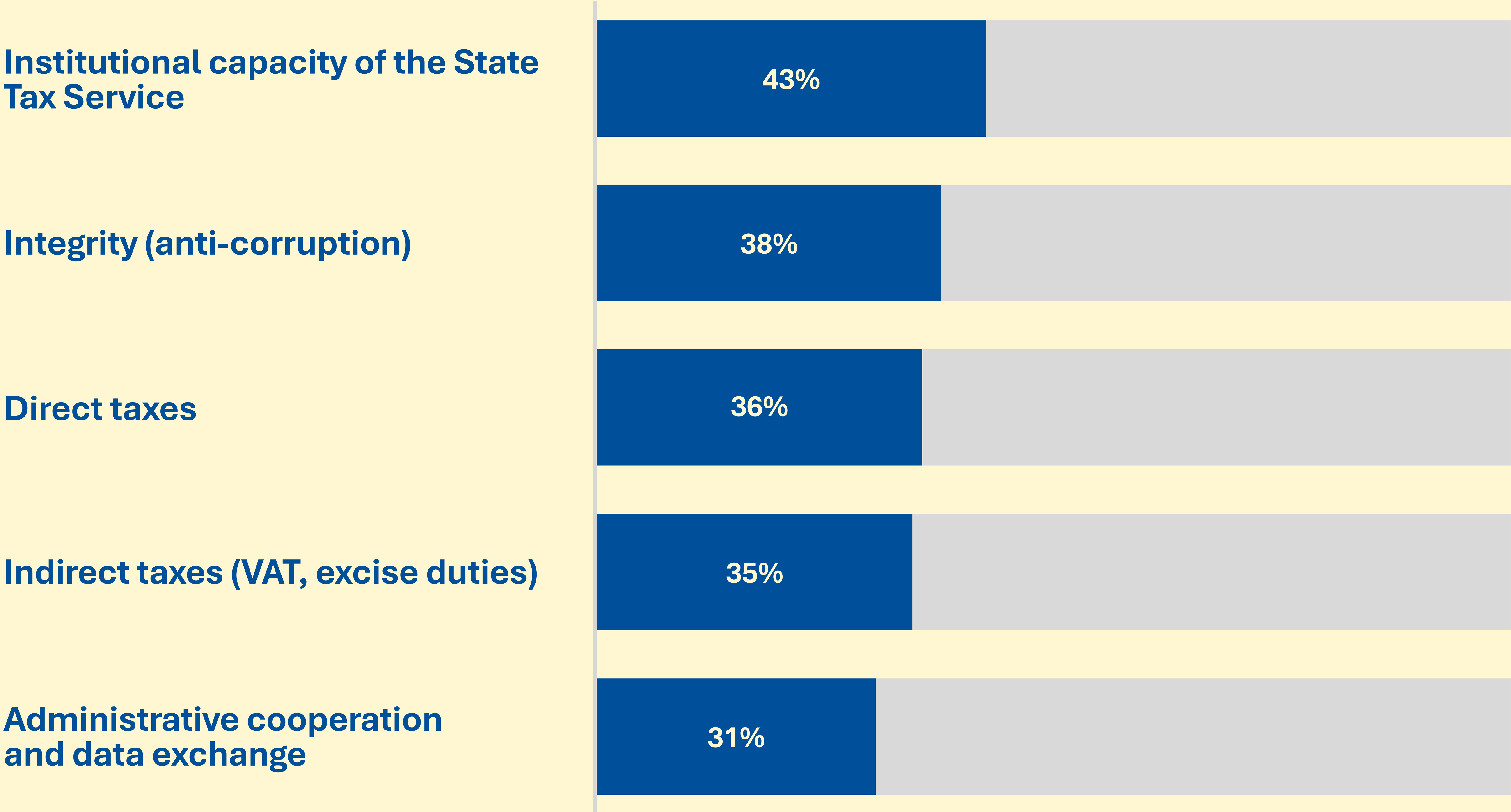
Level of corruption, % of annual income

How can Ukraine reduce the scope for corruption?

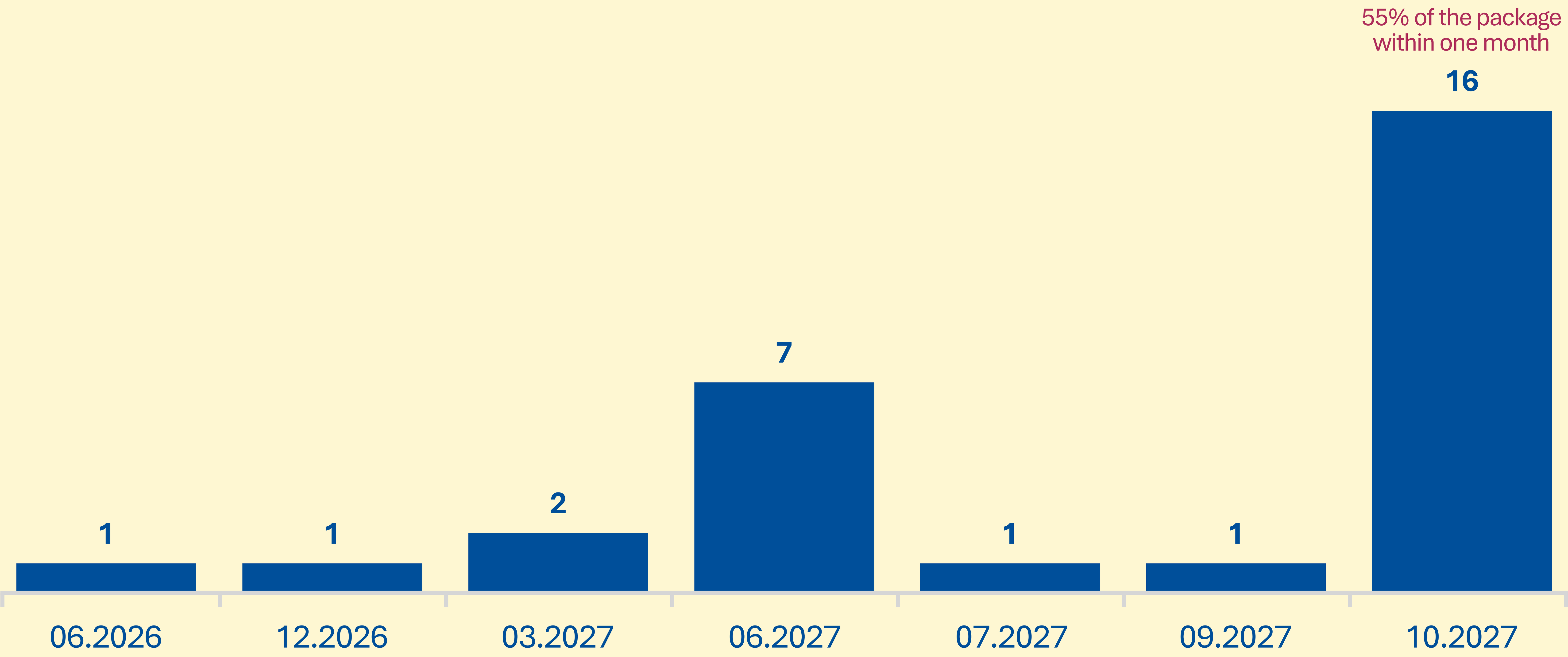
1. **Standardisation of rules** – uniform rates, tax bases and definitions eliminate exceptions and “grey areas”.
2. **Digitalisation of procedures** – e-Excise system and automatic reporting replace paper-based processes and face-to-face contact.
3. **Transparent administration and data exchange** – oversight is based on data, not on the inspector’s discretion.
4. **Reduced taxpayer dependence on officials** – clear deadlines and formalised dispute resolution procedures.

Progress towards compliance under Chapter 16

Under the Association Agreement, approximately 90% of commitments have been fulfilled, but compliance with the full scope of the EU acquis stands at only around 35%*. The shortfall is concentrated not in formal areas, but in anti-corruption-sensitive, procedurally complex areas.



Readiness by acquis blocks under Chapter 16



Number of tax laws to be adopted

*Assessment by the Centre for Economic Strategy based on the shadow report under Chapter 16. The readiness level for each block is calculated as a weighted index $R = \sum(w_i \cdot s_i) / \sum(w_i)$, where w_i is the weighting of the act's importance (crucial — 3, important — 2, technical — 1), and s_i is the status of its implementation (complete — 1; significant — 0.75; partial — 0.5; initial — 0.25; absent — 0). Full source: Centre for Economic Strategy, "Comparative Analysis of EU and Ukrainian Tax Legislation" (October 2025). https://ces.org.ua/wp-content/uploads/2025/10/tinovyj-zvit-1.pdf

Recommendations

- **Set priorities based on anti-corruption impact rather than ease of**: first and foremost, digital procedures and regulations that eliminate discretion.
- **Reduce the workload for October 2027** – prepare key legislation in 2026 and the first half of 2027 to avoid the package being adopted "as a single block".
- **Measure success by whether the procedure works,** not by the text of the regulation: implementation should mean that a digital procedure is launched and actually used by taxpayers and the State Tax Service.
- **Invest in institutional resilience**: autonomy and sustainable funding for the State Tax Service, compatibility of IT systems with the EU, and protection for whistleblowers.

Good to know

The transition from the simplest to the most complex rules doubles the corruption burden on businesses – from 0.8% to 1.6% of annual revenue.

EU experience: Lithuania and Latvia stepped up reforms after accession, whilst Hungary and Slovakia lost some of their gains. Membership sets the direction, but sustainability depends on domestic institutions.

Centre for Economic Strategy (CES)

An independent centre for public policy research. The CES's mission is to support reforms in Ukraine for sustainable economic growth. Founded in May 2015.

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