Policy Brief

CENTRE FOR ECONOMIC STRATEGY

TAX ALIGNMENT WITH THE EU: HOW CLEARER RULES REDUCE CORRUPTION

Prepared by:

Bohdan Slutskyi, economist at CES

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KEY POINTS

Ukraine's status as a candidate for EU membership has changed the logic of its tax policy. Whereas previously the Association Agreement[1] , with its selective list of EU acts (primarily directives), served as a benchmark, Ukraine must now ensure compliance with the full scope of the EU acquis[2] . The deadline for alignment is set for 1 January 2028, and the main roadmap is the National Adaptation Programme[3], adopted by the Cabinet of Ministers of Ukraine on 1 April 2026. Chapter 16 'Taxation' covers indirect and direct taxes, administrative cooperation, the automatic exchange of information, as well as the capacity and integrity of the tax administration.

This study examines the quality of tax legislation as an independent factor in corruption risks and assesses how alignment with the EU acquis under Chapter 16 affects these risks. To this end, we combined international comparisons of regulatory quality and perceptions of corruption, microeconomic data on the link between regulatory burden and unofficial payments, an assessment of the actual state of legislative alignment, and an analysis of specific draft laws. Main conclusion: the anti-corruption effect of European integration is not ensured by the mere adoption of regulations, but by their quality and effective procedures; therefore, tax alignment should be assessed primarily in terms of the clarity, simplicity and predictability of regulation.

Key findings and recommendations:

1. **Tax alignment with the EU should be assessed based on the quality of the rules.** A strong link between regulatory complexity and corruption is confirmed by numerous international studies — ranging from cross-country comparisons to analyses of business data; however, existing assessments do not provide grounds for attributing this to a clear-cut causal relationship. Therefore, every piece of legislation under Chapter 16 'Taxation' must be assessed for the clarity of its criteria, the number of exceptions, the simplicity of procedures and the proportionality of penalties.
2. **Move from the logic of the Association Agreement to full alignment with the EU acquis.** Ukraine has implemented 90% of the tax provisions of the Agreement for the period 2014–2025[4] , but alignment with the full scope of the acquis under Chapter 16 stands at around 35%[5]. The shortfall is spread fairly evenly across all components of Chapter 16, rather than being concentrated in any

[1] Association Agreement between Ukraine and the European Union (provisions on taxation). https://fakon.rada.gov.ua/laws/show/984_011#Text

[2] Acquis communautaire – the body of current EU law: founding treaties, regulations, directives, decisions and the case law of the Court of Justice of the European Union, which are binding on Member States and candidate countries.

[3] National Programme for the Adaptation of Ukrainian Legislation to EU Law (Resolution of the Cabinet of Ministers of Ukraine No. 438 of 1 April 2026). https://zakon.rada.gov.ua/laws/show/438-2026-п#Text

[4] Report on the implementation of the Association Agreement between Ukraine and the EU for 2025. https://eu-ua.kmu.gov.ua/wp-content/uploads/Zvit-2025_UA_web.pdf

[5] 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

single area: administrative cooperation and data exchange – 31%; indirect taxation – 35%; direct taxation – 36%. Further alignment must be based on the entire body of EU tax law, rather than on a selective list.

3. **Review the adaptation timetable and ease the burden on the final stage.** More than half of the tax package under the National Adaptation Programme is scheduled for October 2027 — very close to the final adaptation deadline of 1 January 2028. This creates a risk of regulations being adopted in haste without proper preparation of procedures, IT systems and administration. The most complex changes need to be prepared well in advance, together with technical solutions, reporting forms, control algorithms and implementation practices.

4. **The launch of a functioning procedure should be regarded as a criterion for success.** Legislation changes practice when taxpayers have a clear course of action and the supervisory authority has a standardised algorithm. Monitoring of the adaptation process should record not only the adoption of legislation, but also the launch of digital tools, data exchange channels and procedures that are actually used by taxpayers and the tax authority.

5. **Establish mechanisms to ensure the sustainability of reforms following EU accession.** The experience of new EU Member States shows varying trajectories following accession. Latvia, Lithuania and the Czech Republic continued with institutional changes, whilst Hungary, Slovakia and Bulgaria lost some of their earlier gains. The sustainability mechanism must be specific and in place before accession: irreversible digital procedures (e-Excise system, automatic data exchange), autonomy and sustainable funding for the State Tax Service, compatibility of IT systems with the EU, protection for whistleblowers, and monitoring based on whether procedures are actually working, rather than merely on the fact that regulations have been adopted. It is precisely these safeguards that have sustained the results in Lithuania and Latvia and have been dismantled in countries where the incentive for accession has faded (Hungary, Bulgaria).

1. THE QUALITY OF TAX LEGISLATION AS A FACTOR IN CORRUPTION

1.1. UKRAINE COMPARED WITH THE EU AND CANDIDATE COUNTRIES

The quality of tax regulations should be assessed alongside the overall quality of regulation and the level of corruption. Tax regulations are effective in an environment where clear rules, predictable government decisions and consistent enforcement practices are key. Two international indicators were used for this assessment: the World Bank's Regulatory Quality[6] and Transparency International's Corruption Perceptions Index[7] .

The comparison covers 171 countries for the period 2020–2024. Regulatory Quality reflects the quality of regulatory frameworks. The Corruption Perceptions Index assesses perceptions of corruption: a

[6] Worldwide Governance Indicators (Regulatory Quality). World Bank. https://www.worldbank.org/en/publication/worldwide-governance-indicators

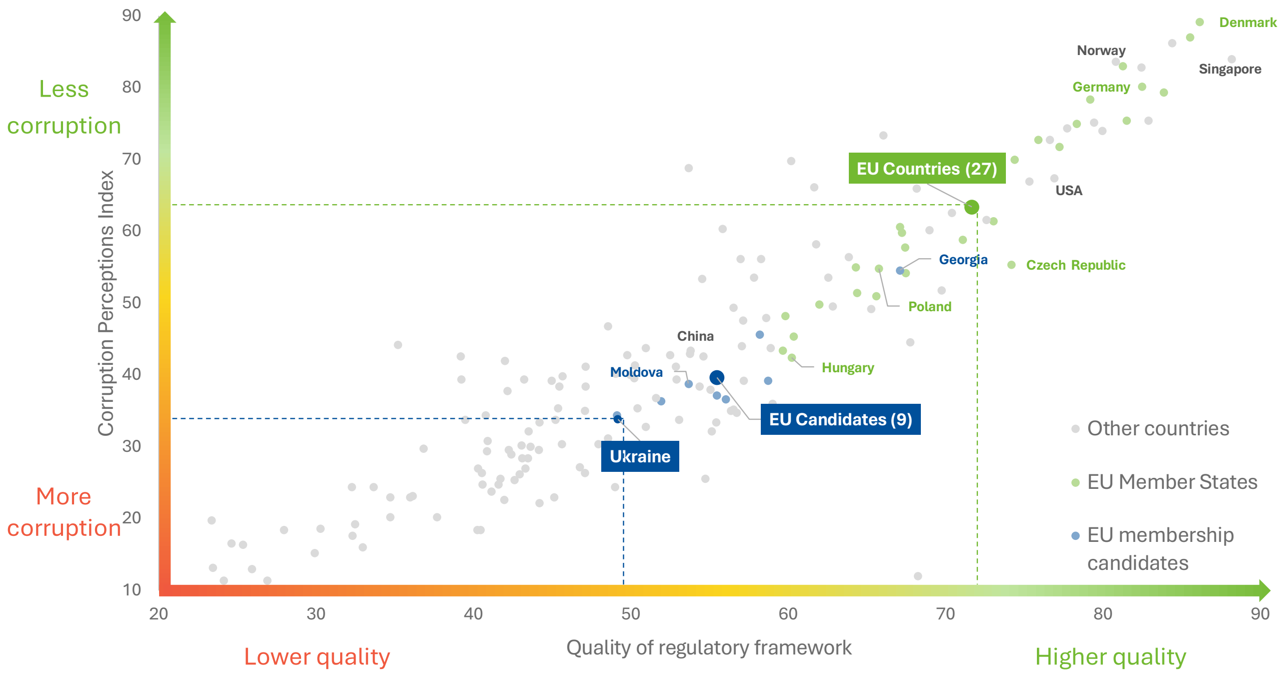
[7] Corruption Perceptions Index. Transparency International. https://www.transparency.org/en/cpi

higher score indicates a lower level of corruption. For both indicators, five-year averages were used to minimise the impact of one-off fluctuations.

The horizontal axis shows regulatory quality: the further to the right, the better. The vertical axis shows the Corruption Perceptions Index: the higher the value, the lower the level of corruption. The strongest position is in the top right-hand corner of the graph, where higher-quality regulation is combined with lower levels of corruption.

The positioning of the countries follows a clear pattern: higher-quality regulation is usually associated with a higher score on the Corruption Perceptions Index. Countries with weaker regulation tend to have lower scores on this index.

Figure1. Countries with lower-quality laws have higher levels of corruption



Source: World Bank Group, Transparency International, CES calculations
Note: Data covers 171 countries; average for 2020–2024

Ukraine's position is doubly unfavourable. In terms of regulatory quality (49) and perceptions of corruption (34), the country ranks significantly below the EU-27 average (72 and 63 points respectively), which is expected given the incomplete nature of the reforms. More fundamentally, Ukraine also lags behind the average of its own reference group of nine candidate countries (55 and 40 points). Thus, the gap is evident not only in relation to the ultimate goal, but also in relation to those following the same path.

The most telling comparison is with Moldova, which outperforms Ukraine on both indicators while being at the same stage of integration and having started from a similar institutional baseline. This indicates that the gap is not a predetermined structural burden of the post-Soviet economy, but can be narrowed through targeted policies. The longer implementation of the adaptation plan is delayed, the longer Ukraine will forgo the potential benefits of closing this gap.

Georgia's relatively high position on the graph should be interpreted with particular caution, as it may partly reflect the lasting effect of the administrative reforms of 2004–2012. Both indicators used are perceptual (i.e. reflecting perceptions rather than actual conditions) and aggregate expert and business assessments: in particular, at least three sources from a total of 13 are used to calculate each country's CPI[8]. Research shows that perception-based indicators may react to changes with a time lag[9]. It is therefore more appropriate to interpret the Georgian case as a combination of the sustained effects of previous administrative reforms and a deterioration in broader institutional conditions, rather than as evidence that results achieved are unconditionally sustainable.

Disparities are also present among EU member states. Northern and Western European states consistently rank high in terms of regulatory quality and low levels of corruption (Denmark, Germany), while certain states from later waves of enlargement have noticeably weaker positions. Hungary, in particular, lags behind the other members in terms of perceptions of corruption, even maintaining a relatively acceptable level of regulatory quality. This highlights the limits of external incentives — accession sets the direction and triggers change, but the long-term quality of regulations is ensured by national institutions: independent courts, digital administrative systems and established procedures. The dynamics of this effect before and after accession are examined in section 1.4.

1.2. REGULATORY COMPLEXITY INCREASES CORRUPTION RISKS

The link between regulatory complexity and the level of corruption is confirmed by numerous theoretical and empirical studies:

- A comparison of 85 countries shows that excessive regulation of market entry is consistently associated with higher levels of corruption and a larger shadow economy[10].
- A theoretical model demonstrates that the possibility of collusion following inspections creates incentives for excessive "red tape" (artificially complicated and unnecessary bureaucratic procedures), leading to more red tape in equilibrium than is socially optimal.[11] .
- Data from 43 countries reveal the other side of the same relationship: excessive regulation hinders the entry of new firms, while in the most heavily regulated countries, corruption partially mitigates this effect[12].
- At the same time, higher levels of corruption are consistently associated with excessive regulation at national, regional and company levels[13].

[8] Methodology for calculating the Corruption Perceptions Index. Transparency International. https://www.transparency.org/en/news/how-cpi-scores-are-calculated

[9] On the tendency of perception-based indicators to respond to changes with a time lag, see: Knack S. Measuring Corruption: A Critique of Indicators in Eastern Europe and Central Asia. Journal of Public Policy, 2007, vol. 27, no. 3, pp. 255–291; Kenny C. Measuring Corruption in Infrastructure: Evidence from Transition and Developing Countries. The Journal of Development Studies, 2009, vol. 45, no. 3, pp. 314–332.

[10] Djankov S., La Porta R., Lopez-de-Silanes F., Shleifer A. The Regulation of Entry. Quarterly Journal of Economics, 2002, vol. 117, no. 1, pp. 1–37.

[11] Guriev S. 'Red Tape and Corruption'. Journal of Development Economics, 2004, vol. 73, no. 2, pp. 489–504.

[12] Dreher, A., and Gassebner, M. 'Greasing the Wheels? The Impact of Regulations and Corruption on Firm Entry'. Public Choice, 2013, Vol. 155, No. 3–4, pp. 413–432.

[13] Breen M., Gillanders R. 'Corruption and the Burden of Regulation'. Public Finance Review, 2024, Vol. 52, No. 6, pp. 765–790.

- Regionally, data from Moldova show that more frequent inspections and higher levels of corruption are associated with lower business productivity[14].

Correlation establishes a link but not its direction: in theory, it is not only complex regulations that can give rise to corruption, but high levels of corruption can also drive the complexity of regulations. A World Bank study helps shed light on this issue[15]. It is based on business surveys[16] data covering the period 2006–2018 and encompassing 25,388 businesses across 131 countries and 29 sectors. Instead of subjective expert indices, the authors use two indicators derived from surveys on business experiences:

1. **Level of corruption** — an estimate of the volume of unofficial payments to officials, typically made by such enterprises to resolve administrative issues, as a percentage of their annual turnover;
2. **Regulatory burden (Time Tax)**[17] — the share of senior management's working time spent on complying with regulatory requirements.

To ensure that a firm's own experience of corruption does not distort its assessment of the burden, the authors apply a simple but effective procedure: the burden for each firm is measured not by its own response, but as the average across the other firms in the same 'country × sector' cell. This makes the indicator external to any specific firm, thereby reducing the risk of reverse causality and measurement error.

Quantitatively, each additional p.p. of regulatory burden is accompanied by an increase in the level of corruption of approximately 0.03 p.p. (estimate of β_1 — from 0.028 to 0.030). This relationship is most clearly illustrated by the distribution of firms across burden quartiles (Fig. 2).

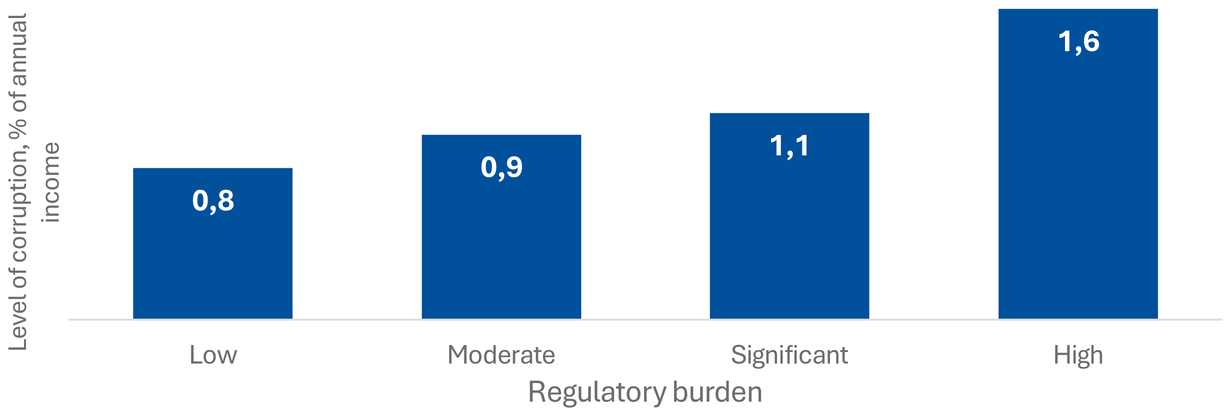
[14] Tan S. W., Tusha D. Effects of Regulatory Burden and Corruption on Firm Performance: Evidence from Moldova. Review of Development Economics, 2023, Vol. 27, No. 4, pp. 2149–2182.

[15] Amin M., Soh Y. C. Does a Greater Regulatory Burden Lead to More Corruption? Evidence Using Firm-Level Survey Data for Developing Countries. The World Bank Economic Review, 2021, Vol. 35, No. 3, pp. 812–828. https://openknowledge.worldbank.org/server/api/core/bitstreams/1307616e-e3e4-4bf4-87f6-0afc024b62b0/content

[16] World Bank Enterprise Surveys — representative surveys of the private non-financial sector using a standardised stratified random sampling methodology, which ensures cross-country comparability of data.

[17] Time Tax — the proportion of senior management's working time spent on complying with regulatory requirements. This indicator reflects the de facto regulatory burden, rather than the formal content of the regulations 'on paper'.

Figure 2. Corruption levels rise as the regulatory burden increases



Source: World Bank Group

In the first quartile of regulatory burden, the average volume of informal payments stands at 0.77% of annual turnover, whilst in the fourth quartile it is 1.58%. Consequently, in the group of firms with the highest regulatory burden, the burden of corruption is almost twice as high as in the group with the lowest. A positive correlation has also been identified for petty corruption in specific transactions (obtaining permits, licences and connections): the share of transactions in which businesses encountered a bribe or a demand for a bribe increases by approximately 0.15 p.p. for every additional point of regulatory burden.

Taken together, the studies reviewed paint a consistent picture, despite differences in methods and samples. More complex and burdensome regulation is consistently associated with higher corruption risks. Theoretical models and company data confirm the existence of mechanisms through which excessive procedures can exacerbate corruption.

For Ukraine, this means that unification, digitalisation, and reduced discretion in implementing EU rules could curb practices that rely on vague regulations, complex calculations, exceptions, and individual approvals.

1.3. MECHANISMS THROUGH WHICH EU ALIGNMENT AFFECTS CORRUPTION RISKS

If rule complexity is a source of corrupt rents, then alignment with the EU acquis works in the opposite direction — through four interrelated mechanisms that narrow the scope for administrative discretion.

1. **Standardization of rules.** The introduction of uniform rates, tax bases, exemptions and definitions for similar transactions eliminates exceptions and “grey areas” that create room for discretion (the freedom of an official to act at their own judgement).
2. **Digitalisation of procedures.** The e-Excise system, a digital taxpayer portal, and automatic reporting by digital platforms replace paper-based processes, manual requests, and face-to-face contact with a formalised digital trail.

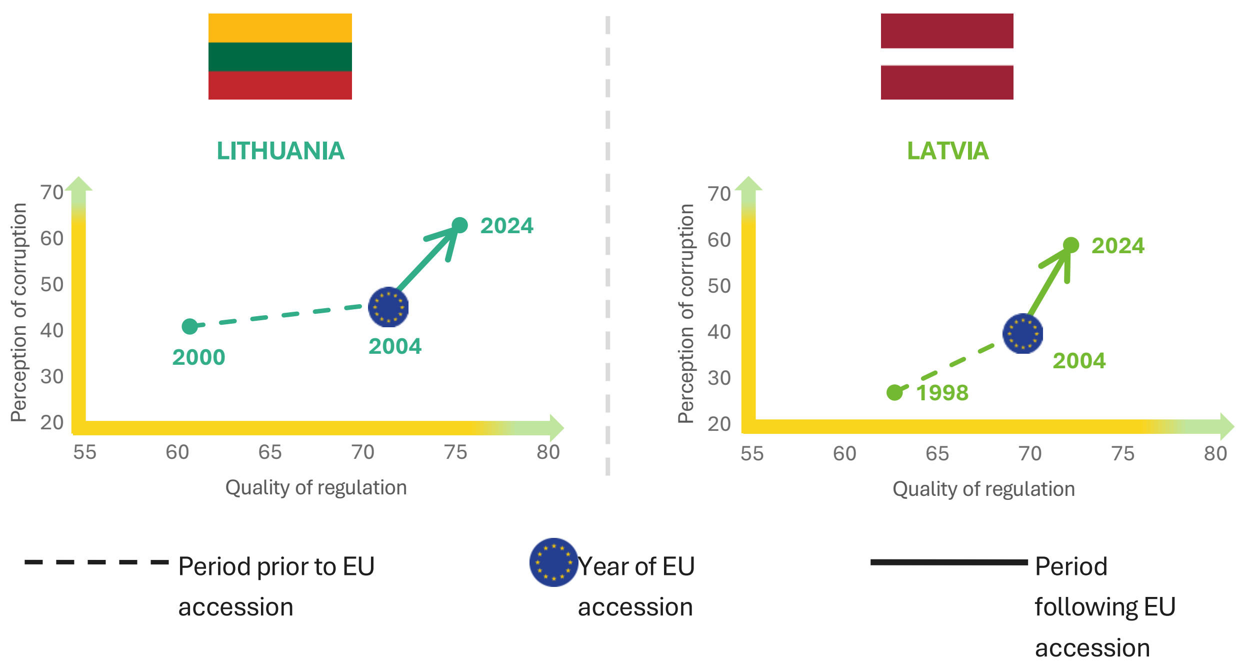
3. **Transparent administration and data exchange.** Automatic information exchange with EU tax authorities and standardised reporting forms reduce the need for discretionary checks and shift oversight to a data-driven approach rather than one based on the inspector's discretion.
4. **Reduced taxpayer dependence on officials.** Clear deadlines, precise criteria and formalised dispute resolution procedures (mutual agreement procedure, arbitration) limit the scope for informal "settlements" that circumvent the law.

At the same time, moving closer to the EU is no automatic guarantee of a reduction in corruption. The external incentive is at its strongest during the pre-accession phase, when a country brings its legislation into line with EU standards and demonstrates its readiness; after accession, the intensity of the incentive diminishes, and the subsequent trajectory is determined primarily by the quality of domestic institutions. This is confirmed by the varied experiences of the countries that have joined the EU.

1.4. THE EXPERIENCE OF MEMBER STATES: THE LIMITS OF THE EXTERNAL INCENTIVE

The dynamics of the new EU Member States show that, during the pre-accession phase, the external incentive accelerates reforms, but once membership is achieved, trajectories diverge. Some countries continue to improve the quality of regulation and reduce perceptions of corruption. Others lose some of their previous gains or enter a period of stagnation. Thus, EU accession sets the direction and pace, but the long-term outcome depends on a country's internal capacity to maintain the quality of its regulations.

Figure 3. In Lithuania and Latvia, the quality of regulation improved following EU accession

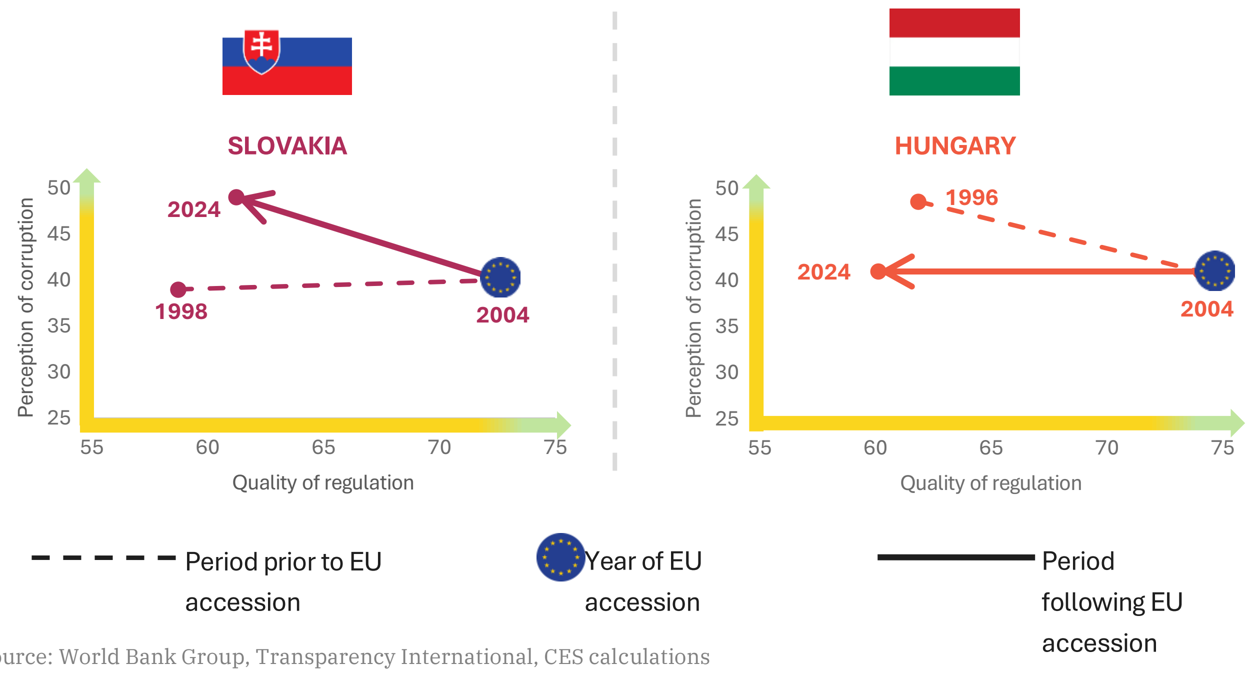


Source: World Bank Group, Transparency International, CES calculations

Lithuania and Latvia show the strongest positive trends. Lithuania improved its regulatory quality by 11 points prior to accession and gained 4 points after accession. The corruption perception index rose by 5 points prior to accession and by 17 points after accession. Latvia followed a similar trajectory: the quality of regulation rose by 7 points prior to accession and by a further 3 points after accession, whilst the corruption perception index rose by 13 and 19 points respectively. In these countries, EU membership marked a continuation of institutional modernization rather than its final stage.

This shows that better-quality regulations yield results when they are underpinned by enforcement, oversight and consistent administrative practice. Changes in legislation alone do not guarantee a rapid improvement in anti-corruption indicators.

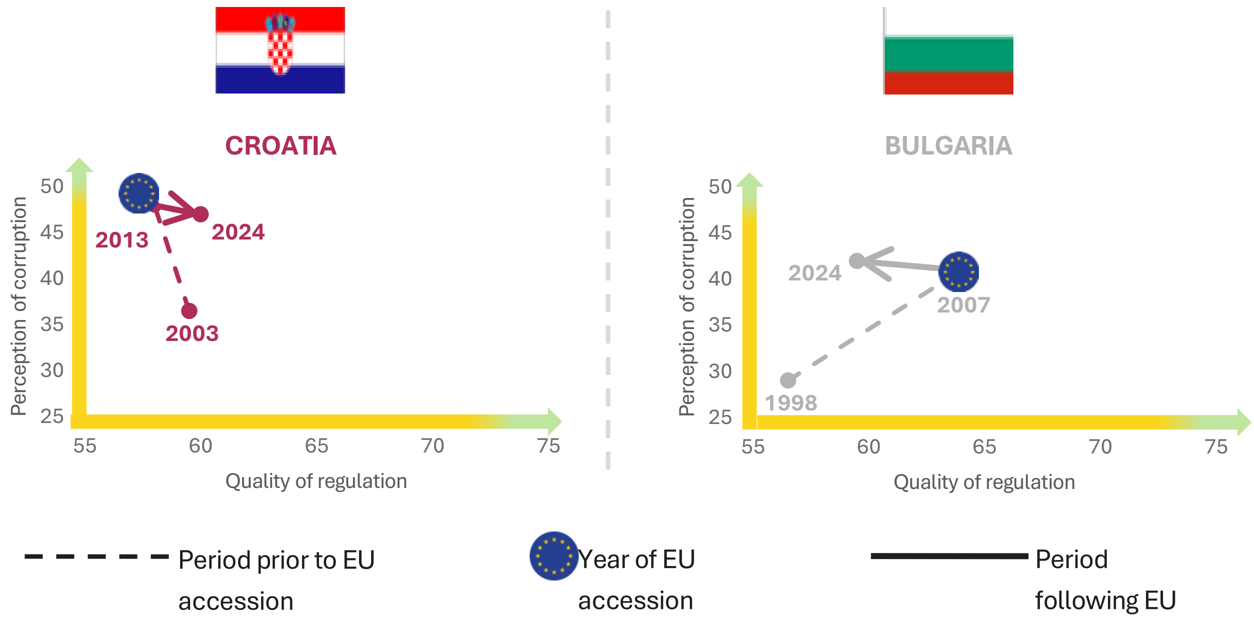
Figure 4. In Hungary and Slovakia, the quality of regulation deteriorated significantly following EU accession



Source: World Bank Group, Transparency International, CES calculations

Hungary shows the opposite trend. Prior to accession, the quality of regulation rose by 12 points, but fell by 14 points after accession. The corruption perception index deteriorated by 8 points prior to accession and remained virtually unchanged afterwards. This is an example of losing some pre-accession gains following the weakening of domestic safeguards and regulatory predictability.

Figure 5. In Croatia and Bulgaria, the quality of regulation stagnated following EU accession



Source: World Bank Group, Transparency International, CES calculations

Bulgaria also shows limited sustainability of results. Prior to accession, regulatory quality rose by 8 points, whilst the Corruption Perceptions Index rose by 12 points. Following accession, the quality of regulation declined by 5 points, while the Corruption Perceptions Index increased by only 2 points over 17 years of EU membership. This indicates a weak post-accession effect: the initial improvement did not translate into sustained institutional progress.

Croatia is closer to a scenario of stagnation. Prior to accession, the quality of regulation fell by 1 point, whilst the Corruption Perceptions Index rose by 11 points. Following accession, both indicators remained virtually unchanged: the quality of regulation rose by 1 point, whilst the Corruption Perceptions Index fell by 1 point. This suggests that the conclusion of negotiations does not automatically trigger improvement unless the domestic governance system creates a sustained demand for high-quality regulations.

For Ukraine, this means that tax alignment with the EU acquis must be structured as the launch of a sustainable administrative system. Legislation must be accompanied by digital procedures, standard reporting forms, verification algorithms, data exchange channels and accountability for non-compliance. It is precisely these elements that reduce the scope for manual interference with taxpayers and produce an anti-corruption effect once the negotiation process has concluded.

2. PROGRESS ON LEGISLATIVE ALIGNMENT UNDER CHAPTER 16

2.1. A NEW BENCHMARK FOLLOWING THE GRANTING OF CANDIDATE STATUS

Between 2014 and 2025, Ukraine made progress in the tax sphere primarily within the framework of the Association Agreement with the EU. Under this framework, almost 90% of tax obligations have been fulfilled[18]. This is an important result, as it was the Association Agreement that initiated the first systematic alignment with EU tax rules.

Following Ukraine's recognition as a candidate state in 2022, this framework became insufficient. Membership negotiations assess compliance not with a specific list of directives, but with the full scope of the EU acquis. This is precisely why a high percentage of compliance with the Association Agreement does not imply near-complete readiness for membership. According to the CES's assessment, Ukraine's compliance with the full acquis under Chapter 16 stands at around 35%[19] . The shortfall is largely uniform across all components.

[18] Report on the implementation of the Association Agreement between Ukraine and the EU for 2025. https://eu-ua.kmu.gov.ua/wp-content/uploads/Zvit-2025_UA_web.pdf

[19] Assessment by the Centre for Economic Strategy based on the shadow report under Chapter 16. The readiness level of 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

Table 1. Readiness components by acquis blocks under Chapter 16

Acquis block under Chapter 16	Readiness	State of implementation
Indirect taxes (VAT and excise)	35%	Core VAT provisions (Directive 2006/112) – partially; reduced rates, exemptions, the EMCS system (control of the movement of excise goods), and refunds to non-residents – partially implemented or not in place.
Direct taxes (corporate and personal income tax)	36%	BEPS standards – substantially; basic anti-avoidance measures – partially; global minimum tax (15%), neutral reorganisations, dispute resolution mechanisms – absent.
Administrative cooperation (data exchange with the EU)	31%	Automatic exchange of financial data (CRS) and country-by-country reporting – to a significant extent; DAC1 – partially; DAC3, 5, 6, 7, 8 – largely absent.
Institutional capacity and digitalisation of the State Tax Service	43%	Autonomy of the State Tax Service and e-services – partially; there is a lack of an updated TADAT assessment, stable funding and compatibility of IT systems with the EU.
Integrity (anti-corruption in taxation)	38%	Institutional structures and automation – partially; risks in VAT-related refunds, excises and audits remain high; protection for whistleblowers is insufficient.

Source: EC screening report, CES shadow report, National Adaptation Programme

Consequently, the shortcomings are concentrated not in formal areas but in those that are procedurally complex and sensitive to corruption, which highlights the importance of high-quality, rather than merely timely, implementation.

2.2. PRIORITY AREAS FOR ALIGNMENT AND THEIR ANTI-CORRUPTION IMPLICATIONS

The National Programme for the Adaptation, adopted by the Cabinet of Ministers of Ukraine on 1 April 2026, is intended to bring legislation into full compliance with the requirements for accession by 1 January 2028. In the tax sector alone, this entails the adoption of 29 laws and over 13 subordinate legal acts, as well as a significant amount of technical work: the introduction of e-Excise, the establishment of data exchange, the integration of information systems and the launch of new digital procedures. The main areas of alignment can be grouped as follows.

The tax tasks in the programme cover five groups.

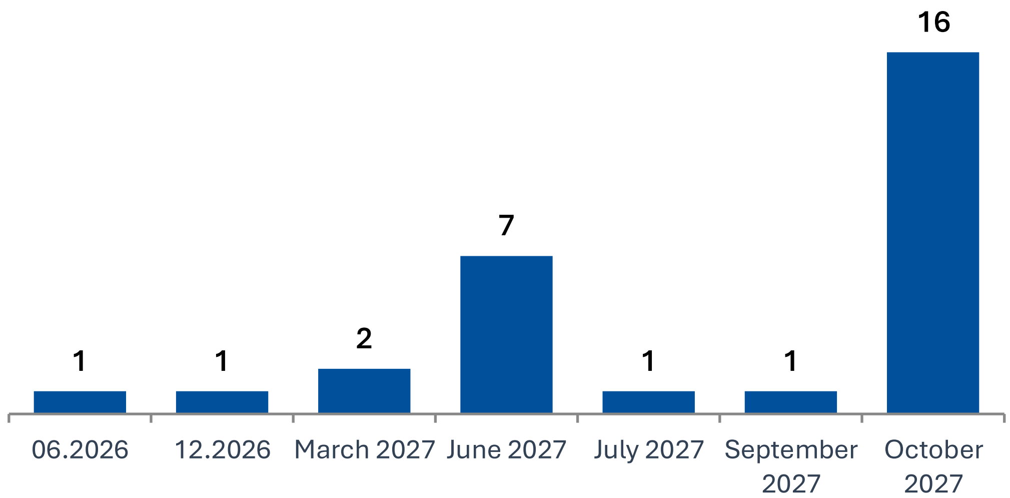
1. **VAT.** Adaptation covers rates, exemptions, place of supply, e-commerce, imported consignments, refunds and data exchange. The main objective is VAT neutrality: identical transactions should have identical tax consequences. Clear refund rules, the harmonisation of the Tax and Customs Codes, a

transparent regime for e-commerce and the automated exchange of information with the EU all contribute to the anti-corruption effect.

2. **Excises.** The adaptation concerns rates, rules for the taxation of excise goods, e-Excises and the digital tracking of alcohol and tobacco. The transition from paper excise stamps and manual checks to a digital product trail makes it more difficult to conceal illegal trade and reduces contact between businesses and tax inspectors.
3. **Direct taxes.** This area covers the Anti-Tax Avoidance Directive (ATAD), the global minimum tax, countering hybrid arrangements, tax-neutral reorganisations, tax arbitration and cross-border disputes. To reduce corruption risks, precise criteria, materiality thresholds, proportionate sanctions and safeguards against double taxation are required.
4. **Administrative cooperation and data exchange.** This area covers the DAC, the automatic exchange of tax information, reporting by digital platforms, joint audits, mutual assistance and the enforcement of decisions in cross-border cases. Oversight is shifting from manual requests and contacts with taxpayers to standardised procedures and data-driven processes.
5. **Digitalization, institutional capacity and integrity of the State Tax Service.** This area covers the compatibility of IT systems with the EU, the e-office, standard reporting forms, APIs, risk-based procedures, internal controls, whistleblower protection, human resource capacity and stable funding for the State Tax Service. Results emerge when tax authority decisions are verifiable and procedures are clear and predictable.

The distribution of this workload over time is extremely uneven. Only a few decisions are planned up to the start of 2027, after which there is a sharp increase: around 7 legislative decisions are scheduled for June 2027 and 16 for October 2027. In other words, more than half (55%) of the entire tax package is effectively concentrated within a single month, creating a heightened risk that unresolved issues will accumulate and that rushed implementation will lead to technical errors (Fig. 4).

Figure 6. In March and October 2027, the Verkhovna Rada is expected to adopt a large number of tax laws as part of the EU accession process



Source: National Programme for the Adaptation (Cabinet of Ministers of Ukraine, April 2026); Government Strategy for 2026–2027.

How abstract policy directions are transformed into concrete anti-corruption changes can be seen from the examples of measures set out in the programme (Table 3). The logic is the same in all cases — less paperwork, fewer individual interpretations and less selective scrutiny: decisions are made not by an official at their own discretion, but by a formalised digital procedure.

Table 2. Examples of measures in the programme that simplify administration and reduce opportunities for corruption

Initiative	Responsible parties	Timeframe	Expected anti-corruption effect
e-Excise on alcohol and tobacco	Ministry of Digital Transformation	November 2026	A digital trail instead of paper stamps: legal goods are easier to verify, illegal goods are harder to conceal, and fewer interactions with on-site inspectors are required.
Revenue monitoring via digital platforms (DAC7)	Ministry of Finance, State Tax Service, Verkhovna Rada	June 2026	Platforms report automatically: sellers operate under clear rules, the tax authority receives data without unnecessary contact or discretionary checks.
VAT data exchange and cooperation with the EU	Ministry of Finance, State Tax Service, Verkhovna Rada	October 2027	Monitoring of cross-border transactions shifts from manual enquiries to automatic data exchange; legitimate businesses suffer less from the tax avoidance by other market participants.
VAT rules and refunds in line with EU standards	Ministry of Finance, State Tax Service, State Customs Service, Verkhovna Rada	October 2027	Standardised rules for similar transactions reduce the scope for manual blocking or delaying refunds.
Tax arbitration and dispute resolution (MAP)	Ministry of Finance, State Tax Service, Verkhovna Rada	September 2027	Taxpayers are provided with a defined pathway for resolving disputes rather than protracted conflicts; fewer subjective decisions.

Source: Government Adaptation Strategy for 2026–2027

3. ANALYSIS OF SPECIFIC LEGISLATIVE INITIATIVES

Three draft laws currently going through the legislative process clearly illustrate how the general adaptation priorities are being translated into specific provisions[20]. They represent the three areas of Chapter 16: direct taxation (ATAD), exchange of information (DAC7) and indirect taxation (VAT on international postal consignments). All of them are moving in the right direction, transposing the core of the relevant EU rules. At the same time, their anti-corruption impact could be strengthened: we have analysed each draft and proposed clarifications. The most important of these are set out below.

3.1. TRANSPOSITION OF THE ANTI-TAX AVOIDANCE DIRECTIVE (ATAD)

The draft bill from the Ministry of Finance, published on 24 February 2026, implements the provisions of ATAD 1 and 2. The published version is stricter and less balanced than the European standard. As of mid-July 2026, it has not yet been approved by the Cabinet of Ministers nor registered as a draft law in the Verkhovna Rada. The Centre for Economic Strategy (CES) has proposed ten amendments[21] , of which three are particularly significant from the perspective of corruption risks.

- **Vague criteria for "place of management".** The draft sets out thirteen criteria for recognising a foreign company as a tax resident, including secondary ones (such as maintaining accounting or management records). This allows a company to be recognised as a resident even on the basis of the activities of a service centre, whereas EU law limits such grounds to substantive management functions. It is proposed to narrow the list to strategic management functions.
- **Risk of triple taxation in the event of adjustments.** The draft simultaneously allows for an increase in the tax base as a result of abuse, the treatment of the amount as dividends, and the withholding of tax at a rate of 18%. Uncertainty regarding the interaction of these provisions creates scope for arbitrary additional tax assessments. It is proposed to explicitly prevent the same amounts from being taxed more than once.
- **Disproportionate fixed penalty.** A penalty of UAH 600,000 is introduced for operating without registration, with no differentiation based on the severity or duration of the breach. A fixed penalty for a technical error contravenes the principle of proportionality enshrined in ATAD 2 and is a typical source of informal settlements. A differentiated penalty scale is proposed.

Vague criteria, the absence of materiality thresholds (in particular, the €3 million threshold) and fixed penalties embody "vague rules and case-by-case application", which carry economic costs. Bringing these provisions in line with the ATAD standard narrows the scope for supervisory discretion.

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[20] The statuses of the draft laws are as at July 2026, based on data from the legislative database of the Verkhovna Rada of Ukraine (rada.gov.ua).

[21] Centre for Economic Strategy, '10 amendments to the draft law on EU rules against tax evasion'. https://ces.org.ua/10-reasons-to-amend-atad-transposition-bill/

3.2. TAXATION OF INCOME THROUGH DIGITAL PLATFORMS (DAC7)

Draft Law No. 15111-d passed its first reading on 8 April 2026 and was adopted in its entirety on 9 June 2026. However, as of mid-July 2026, it has still not been signed by the President.[22]

It implements the OECD Model Rules and the DAC7 Directive. Platform operators will collect and transmit data on sellers' income. This model lies at the heart of the anti-corruption approach — automatic data exchange replaces selective audits. The CES has proposed eight amendments[23], of which the following are key to transparency:

- **Fixed penalties without differentiation.** Article 25a of DAC7 requires penalties to be proportionate, whereas the draft establishes fixed fines that impose the same penalty for offences of varying severity. It is proposed to introduce a differentiated range of penalties depending on the nature of the offence.
- **Lack of a mechanism for joint audits.** DAC7 (Article 12a) provides for joint audits of cross-border cases, but the draft does not include such a mechanism. As a result, the state receives data but lacks a legal basis for transparent cooperation.
- **Late notification of sellers.** The draft provides for sellers to be notified at the same time as the report is submitted, whereas DAC7 (Article 25(4)) requires advance notice so that sellers can verify the data. It is proposed to require notification at least 15 days in advance.

Formally, income generated through platforms is already subject to taxation, but only "on paper" in the absence of a convenient procedure. The reform aims to create a system in which the platform transmits data, the seller follows a clear procedure, and the authority receives information without unnecessary contact; proportionate sanctions limit discretion in the application of penalties.

3.3. VAT ON INTERNATIONAL POSTAL CONSIGNMENTS

On 26 May 2026, the Verkhovna Rada rejected comprehensive draft law No. 12360, which contained provisions on the taxation of imported parcels[24]. Following the resignation of the Cabinet of Ministers[25], government draft law No. 15112 was withdrawn, meaning that the new government will have to prepare and submit a new bill. Meanwhile, parliamentary bill No. 15112-1 remains under consideration[26].

[22] Draft bill No. 15111-d on the Verkhovna Rada of Ukraine's web portal. https://itd.rada.gov.ua/billinfo/Bills/Card/69816

[23] Centre for Economic Strategy, '8 reasons to amend the draft law on digital platforms'. https://ces.org.ua/8-reasons-to-amend-draft-law-on-digital-platforms/

[24] Draft bill No. 12360 on the Verkhovna Rada of Ukraine's web portal. https://itd.rada.gov.ua/billinfo/Bills/Card/55500

[25] The Rada dismissed the Svyrydenko Government. 'Ukrainska Pravda'. https://epravda.com.ua/power/rada-zvilnila-uryad-sviridenko-823632/

[26] Bill No. 15112-1 on the Verkhovna Rada of Ukraine's web portal. https://itd.rada.gov.ua/billinfo/Bills/Card/69806

The bill brings the VAT rules for imported postal items closer to the EU model (Directives 2006/112, 2017/2455 and 2019/1995[27]) and introduces the simplified IOSS scheme[28]. This is a step in the right direction, as it levels the playing field between Ukrainian businesses and foreign sellers; however, the text contains several inaccuracies[29].

- **The €150 threshold includes delivery costs.** In the absence of clarification, the threshold may also include separately paid delivery costs, artificially excluding consignments from the simplified regime, whereas EU law takes into account only the intrinsic value of the goods themselves.
- **The absence of an episodic criterion and limits for consignments up to 45 euros.** In their absence, commercial consignments may be imported under the guise of "gifts", creating a loophole for evasion. Clear value thresholds and harmonised codes eliminate the scope for "negotiating" interpretations.

The transposition of the directive does not in itself guarantee an anti-corruption effect. This depends on high-quality provisions that are clear, proportionate, harmonized with related legislation, and supported by digital procedures.

4. CONCLUSIONS AND RECOMMENDATIONS

4.1. CONCLUSIONS

1. **Excessive regulation is associated with higher corruption risks.** According to World Bank data, the average volume of informal payments amounts to around 1.6% of annual turnover in the quartile with the highest regulatory burden, compared with 0.8% in the quartile with the lowest burden; the methodology reduces, but does not eliminate, the risk of reverse causality.
2. **Convergence with the EU is a powerful tool for combating corruption, but membership does not guarantee irreversibility.** The sustainability of the outcome is determined by institutional capacity and digital procedures, rather than by the mere fact of membership.
3. **Ukraine has only partially implemented the required alignment, with the most critical elements proving the most difficult to implement.** Actual compliance with the acquis under Chapter 16 stands at around 35%, with the lowest figures recorded in the anti-corruption-sensitive areas of data exchange (31%) and indirect taxation (35%).
4. **The anti-corruption effect is ensured by functioning procedures, not merely by the text of the regulations.** Digital trails, standardised forms and automatic data exchange are more important than the mere fact that a regulation has been adopted.

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[27] Council Directive 2006/112/EC on the common system of VAT (as amended by 2017/2455 and 2019/1995). https://eur-lex.europa.eu/eli/dir/2006/112/oj

[28] IOSS (Import One Stop Shop) — a simplified EU scheme under which VAT on imported consignments worth up to €150 is paid by the seller or platform at the time of sale, rather than by the recipient during customs clearance.

[29] Centre for Economic Strategy, '7 reasons to amend the draft law on the taxation of parcels'. https://ces.org.ua/7-reasons-to-amend-draft-legislation-on-taxation-of-parcels/

4.2. RECOMMENDATIONS

1. **Set priorities based on anti-corruption impact rather than ease of adoption.** Priority should be given to digital procedures and regulations that eliminate discretion and ensure tax neutrality.

2. **Reduce the workload for October 2027.** It is advisable to bring forward the preparation and coordination of key legislation to 2026-the first half of 2027, to avoid the package being adopted "as a single block" without functioning procedures in place.

3. **Measure success by whether the procedure works, not by the adoption of the regulation.** The launch of a digital procedure that is actually used by taxpayers and the supervisory authority should be considered the criterion for implementation, rather than the date of the vote.

4. **Invest in institutional resilience.** The autonomy and sustainable funding of the State Tax Service, the compatibility of information systems with the EU, and the protection of whistleblowers are prerequisites for ensuring the irreversibility of the outcome following accession.

Tax reform will only become a fully-fledged anti-corruption reform if its results are tangible for taxpayers. Ukraine needs a simple and neutral tax system in which transactions of the same nature have the same consequences, conscientious businesses do not pay a hidden "complexity fee" for navigating the rules, and decisions are made through formalised procedures rather than at an official's discretion.