



# NEWSLETTER

## № 6/2024



## State Tax Service implements Experimental project

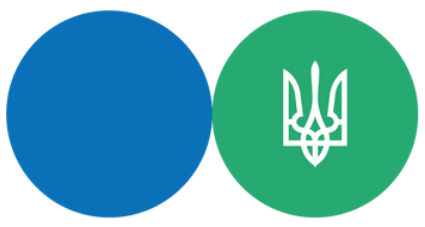


This Newsletter is devoted to questions that may arise from taxpayers in the process of implementing international management approaches based on the tax risk management (compliance risks) into organization and activities of the State Tax Service of Ukraine with aim of increasing the taxpayers' compliance level with their tax obligations.

Resolution of the Cabinet of Ministers of Ukraine № 854 as of 25.07.2024 "On the implementation of experimental project regarding functioning of the tax risk management system (compliance risks) in the State Tax Service" (hereinafter – Experimental project) entered into force on 31.07.2024.

This letter is informative in essence and is not individual tax consultation, as it is not based on the specifics of actual circumstances of a particular taxpayer's operations. Newsletter is based on provisions of current legislation of Ukraine and practice of its application, which may change in the future.

Each taxpayer, according to procedure established by Article 52 of the Tax Code of Ukraine, may apply to the controlling authority stating actual circumstances of operations and providing relevant materials for obtaining individual tax consultation.



## REGULATORY AND LEGAL ACTS USED IN THIS EXPLANATION:



Tax Code of Ukraine;



Resolution of the Cabinet of Ministers of Ukraine № 854 as of 25.07.2024 "On the implementation of experimental project regarding functioning of the tax risk management system (compliance risks) in the State Tax Service" (hereinafter – Resolution № 854).



## GENERAL PROVISIONS

According to the global practice of tax and levies' administration, the Memorandum on Economic and Financial Policy determined that efforts to reform the State Tax Service of Ukraine will be focused, including, on the development of modern compliance risk management practices (risks of compliance with tax legislation), which is also enshrined in the National Revenue Strategy until 2030, approved by Order of the Cabinet of Ministers of Ukraine № 1218-p as of 27.12.2023.

Implementation procedure of the experimental project on functioning of the tax risk management system (compliance risks) in the State Tax Service, approved by Resolution № 854, defines implementation mechanism of the experimental project on functioning of the tax risk management system (compliance risks) in the State Tax Service, is a methodological basis and basic document for practical implementation of the above-specified reform.

Introduction of the tax risk management system will ensure systematic and unified approach to managing risks of compliance with tax legislation in work of the State Tax Service's bodies, focusing efforts of tax authorities on the most problematic matters in the administration of taxes and levies.

Procedure does not impose any new obligations or restrictions on taxpayers. For the majority of taxpayers who seek to comply with tax legislation, the State Tax Service will focus its efforts on simplifying fulfillment of tax obligations by taking proactive influence measures (clarification of tax legislation norms, analysis and simplification of tax reporting forms if necessary, active interaction with the taxpayers' representatives and expert environment). Reactive influence measures (in particular, control and verification work) will be applied only to taxpayers with the most significant tax risks, which will be determined centrally according to unified rules within limits provided by norms of the Tax Code of Ukraine.

Coordinator of the experimental project is the Ministry of Finance of Ukraine.

The authorized authority for implementation is the State Tax Service of Ukraine and its territorial bodies.

Implementation of the Experimental Project is 2 years.

## MAIN INNOVATIONS OF THE EXPERIMENTAL PROJECT:



Distribution of all tax risks by the main types:



**registration risk** is a case when persons who are required to register in the tax authority or register as payers of certain taxes are not registered in the tax authority or are not registered as payers of relevant taxes;



**reporting risk** is a case when taxpayers submit tax reporting late or do not submit it at all;



**payment risk** is a case when taxpayers pay taxes, levies, payments late or pay incompletely, or do not pay at all, which leads to the emergence or accumulation of tax debt;



**declaration risk** is a case when tax revenues are reduced or may be reduced due to incorrect reflection of data in reporting (erroneously or intentionally).



Unification of rules for determining tax risk – creation of tax risk passports – unified rules for determining impact of tax risks on revenues to the State and Consolidated budgets of Ukraine, identification of payers who have such risk. Risk assessments, existence of risks for taxpayers will be carried out comprehensively on the basis of objective data, not subjective decisions and judgments.



Centralization of definition of tax risks and measures to influence them – creation of Expert commission on application of the tax risk management system, structural unit for implementation of tax compliance, which will coordinate work on implementation of the tax risk management system in the State Tax Service.



Systematic development of strategies for impacting tax risks and their implementation across the entire State Tax Service's vertical – based on identification and assessment of risks, General plan for improvement of tax risk management will be prepared, which will determine the most significant risks in the administration of taxes and levies and establish strategies for impacting them, as well as segmental (sectoral) plans focused on certain branches of economy, taxpayers' segments.



Self-assessment of effectiveness of conducted work – periodic assessment of effectiveness of measures is envisaged. At the end of the Experimental project, appropriate assessment to its results will also be given.