

IMPROVING TAX ADJUSTMENT MECHANISM OF PRODUCTION AND CIRCULATION OF EXCISABLE GOODS

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A significant number of substandard excisable goods in the domestic market and the high incidence of smuggling of these goods in Ukraine indicate lack of public (including tax) adjustment of the domestic market of these products. For this reason, mechanisms of excise tax require increased attention from scientists whose job primarily is to strengthen the regulatory properties of excise taxes and restrictions through tax mechanisms of illicit production and shady rotation of alcohol, tobacco and other excise goods.

Given the above, it is logical that scientific works of B. Andrushchenko, B. Buryakovskiy, V. Vyshnevskiy, O. Danilov, Y. Ivanov, A. Krysovaty, I. Lunina, V. Oparin, A. Sokolovska, V. Fedosov, S. Yuriy are dedicated to the studying of problems of excise taxation in Ukraine.

Along with this, in works of these scholars as well as in studies of other scientists dedicated to the indicated problems, there are no areas of problems solution of tax regulation of production and circulation of excisable goods grounded. In addition, the adoption of the Tax Codex of Ukraine and transformation mechanisms of excise taxation caused by changes to the Tax Codex, adopted in 2013, cause the need for further scientific research on issues of taxation of excisable goods and ways to solve them, which led to the need for this study.

The purpose of this research is the scientific study of directions to improve the mechanism of excise taxation in Ukraine.

Research methodology. To accomplish the task while working on the material presented in this publication, economic and statistical research methods, including monographic method, comparison, tabular and graphical methods were applied.

Results of the research. It should be noted that the excise tax (the excise duty till 2011) has always been an important source of state treasury and is an essential lever for the state regulation of production and turnover of excisable goods in Ukraine. At the same time, according to the Tax Codex of Ukraine [5] and the Law of Ukraine of 06.12.2012 № 5519/VI «On Amendments to Certain Legislative Acts of Ukraine on further improvement of the administration of taxes and fees" to enter into force [7], the mechanism for collecting the excise duty has undergone significant changes (Fig.1) are the main ones expanding the list of products subject to excise duty and excise tax payers, and increase of the rate of tax forms compared to the period before 2011.

It should be noted that the excise taxation forms a significant part of the consolidated budget of Ukraine. That's what the dynamics of this tax mobilization in the consolidated budget of one of districts of Cherkasy region, Cherkasy region in general and Ukraine demonstrates, disclosed by us in Table 1.

Taxpayers:	<ul style="list-style-type: none"> • domestic producers of excisable goods. • importers of excisable goods. • people selling confiscated and abandoned goods. • people who sell or otherwise alienate goods imported into Ukraine with exemption from taxation until the expiration of the exemption. • people responsible for compliance of customs regimes and targeted use of goods for which the exemption of excise taxes is set or of the tax rate that corresponds 0% in case of failure of the requirements to comply with these customs regimes and procedures for the use of such products. • persons who sell or otherwise alienate securities.
Objects of taxation:	<ul style="list-style-type: none"> • real production, sale and import in Ukraine of excisable goods. • operations of confiscated and abandoned goods. • loss of excisable goods in excess of loss limit. • transaction for the sale or other disposal of securities and derivatives.
Excisable goods:	<ul style="list-style-type: none"> • alcohol, beer, spirits and tobacco. • petroleum products and liquefied petroleum gas. • passenger cars, their bodies, trailers and half-trailers, motorcycles. • securities and derivatives.
Forms of calculation and payment:	<ul style="list-style-type: none"> • for alcohol and tobacco products there are tax mechanisms set through the acquisition of producers and importers of special excise stamps. • for the rest of excisable goods calculation is conducted according to set rates for sales volume for the tax period.
Peculiarities of charge and payment:	<ul style="list-style-type: none"> • excise tax rates are set as a percentage and solid amounts (interest rates are applied to sales prices including this tax). • a basic tax period for taxes corresponds with a calendar month. • declaration of excise tax is submitted to the STI within not more than 20 calendar days following the reporting month, and the tax is paid within 30 calendar days following the reporting month. • importers pay the excise tax not later than the date of import customs declaration reporting.

Figure 1. The main features of modern mechanism for collecting excise tax [4; 5; 7]

In particular, the data in Table 1 show the trend in the annual growth of the absolute size of the amounts of mobilized excise tax in the area researched, in the region and in Ukraine. At the same time, the indicators listed in the Table, showed that in 2011 the share of excise tax in the tax revenue of consolidated budget of Ukraine, mobilized by the STI in the area researched of Cherkasy region significantly reduced. The situation is similar as to the share of income tax forms in the state treasury revenue mobilized in Cherkasy region and in Ukraine in general [1, 2].

1. Dynamics of mobilization of excise tax and its share in the state revenue budget for Ukraine, Cherkasy region and the area researched *

Indicators	2007	2008	2009	2010	2011
I. In Ukraine:					
Mobilized excise tax, bln hrn	10.5	12.8	21.6	28.3	28.3
Specific share of excise tax in the tax revenue of the state budget, %	6.5	5.7	9.8	11.8	10.6
II. In Cherkasy region					
Mobilized excise tax, mln hrn	252.3	283.9	295.9	309.1	450.1
Specific share of excise tax in the tax revenue of the state budget, %	15.5	15.9	15.8	14.7	14.1
III. For STI in Cherkasy region area researched					
Mobilized excise tax, mln hrn	48.9	51.1	56.0	65.9	83.2
Specific share of excise tax in the tax revenue of the state budget, %	25.5	24.3	23.5	23.9	22.6

* Prepared according to the Financial Department and the STI in one of the districts of Cherkasy region, the Financial Department and the STI in Cherkasy region and according to sources: [1, 2].

One reason for this, in our opinion, is a decline in legal production and circulation of alcohol, tobacco and other excise goods, as well as the simultaneous growth of shady circulation of excisable goods due to the global financial crisis, , increase the excise tax in Ukraine and, consequently, the rising cost of excisable goods as well as a decrease in demand of legal excisable products and the increasing demand for cheaper, albeit lower quality similar goods of various clandestine workshops, developed and implemented without payment of excise duty as well as contraband goods imported into Ukraine without quality control and paying the excise tax, as evidenced by the dynamics of performance of audit departments of usage of payment transactions registrators (PTR), and control of the production and circulation of excisable goods of the STI analyzed (Table 2).

2. Dynamics of performance of audit departments of usage of payment transactions registrators (PTR), and production and sale of excisable goods of the STI analyzed*

Index	2007	2008	2009	2010	2011
Inspections conducted, total	17	16	15	15	14
Those that breach the order of production and circulation of excisable goods	5	6	8	10	14
Size of adjustments calculated per a successful inspection, which detected the violation of order of production and circulation of excisable goods, ths hrn	7.1	14.7	17.2	17.5	29.9

* Prepared according to accounting of the STI in one of the districts of Cherkasy region.

As the Table shows, in one of the districts of Cherkasy region for the last 5 years the STI has slightly decreased number of inspections regarding compliance with the order of cash transactions and the production and circulation of excisable goods. At the same time, as the data in the Table show, despite the criminal penalties for violation of the order of excisable goods operations, in the service of the territory of the STI researched, in 2008-2011 the number of violations increased as a result, and the scale of these disorders increases that demonstrates the increase of the amount of fines per one successful inspection, which revealed these facts. This clearly shows an increase of the illicit production and excisable goods turnover on the territory of the STI researched, especially of alcoholic beverages and tobacco products production and turnover.

The reason for such an increase in the number of violations of the legislation on the production and circulation of excisable goods, in our opinion, was a constant increase in the excise tax rate and other disadvantages of the mechanism of its collection, part of which was eliminated during the work on the relevant section of the Tax Codex of Ukraine [3, p. 209; 6, p. 748; 8, p. 114].

At the same time, even after the enactment of the Tax Codex of Ukraine and introducing there a number of changes related to the taxation of excisable goods, the mechanism for collecting the excise tax has a number of disadvantages associated with the growth properties of the fiscal tax forms and a decrease in its regulatory effect on the production and circulation of excisable goods (Fig. 2).

For this reason, the current procedure for domestic excise taxes requires significant improvement task which, in our opinion, on the one hand should prevent informal circulation of excisable goods, on the other ensure that these payments are not only fiscal goals, but regulatory functions.

Thus, the main steps towards improving the mechanism for collecting the excise tax, in our opinion, should be:

- provision of stability of the payment rates for an extended period (at least 3.5 years);

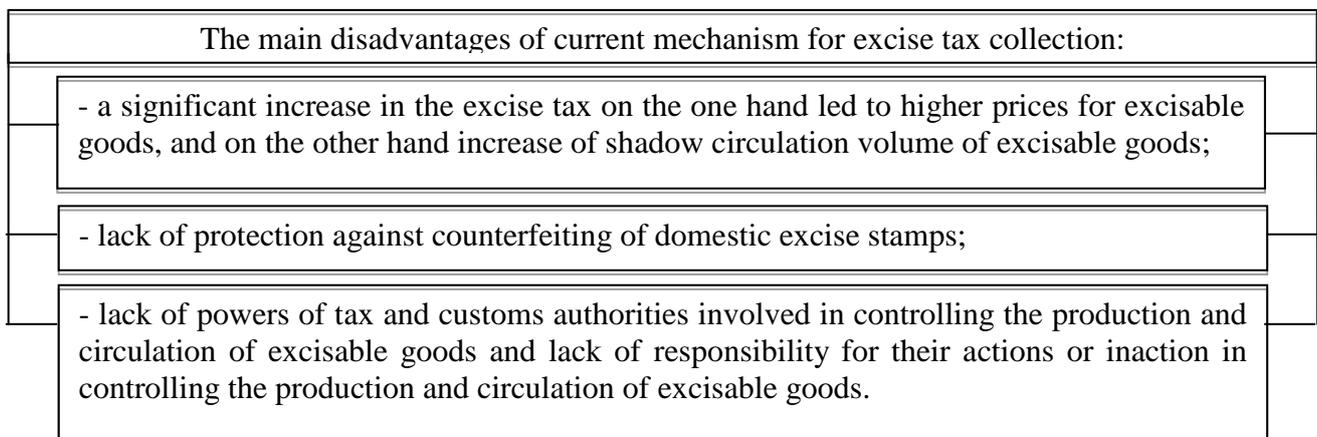


Figure 2. Main disadvantages of the domestic mechanism of excise tax collection* [3; 4; 5; 6; 8]

* Generalized by the authors.

- introduction of excise stamps which are more secure against counterfeiting for alcohol and tobacco;
- empowering and increasing the accountability of tax and customs authorities involved in controlling the production and circulation of excisable goods;
- a substantial increase in the list of excisable goods through jewelry, expensive imported cars and other luxury items.

Feasibility of the ways of reforming the mechanism of excise taxation offered by us will lead to the formation of a transparent and stable legal framework of the taxpayers of this payment, help to create a fair competitive environment and at the same time lead to increase in excise tax revenues to the state budget, which is a consequence of broadening the base of its collection.

Conclusions. The results of the study showed that, despite the significant improvement of the mechanism for collecting the excise tax, which took place in Ukraine as a result of the Tax Codex adoption and making a number of changes to this legal act, the current procedure of collection of this tax form is still not perfect. Its main functioning problems are associated primarily with the growth of properties of fiscal and regulatory impact of this reduction in payment. Therefore, nowadays a great importance needs to be paid to significantly improve the procedure of calculation and payment of excise tax by strengthening its regulatory properties and broaden the tax base.

At the same time, tax and customs authorities should give considerable attention in the administration of excise tax to the fight against illicit production and circulation of excisable goods.

Further research in this area of financial science should be devoted to development of practical measures to improve the work of regulatory bodies in the production and circulation of excisable goods.

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Совершенствование механизма налогового регулирования производства и оборота подакцизных товаров

Наличие некачественных подакцизных товаров на внутреннем рынке и частые случаи контрабанды этих товаров в Украину свидетельствуют о недостаточном уровне налогового регулирования внутреннего рынка данной продукции. В то же время, существенные изменения в механизме изымания акцизного налога, которые произошли в Украине в последние годы, требуют повышенного внимания ученых к проблемам акцизного налогообложения. Акциз всегда был весомым источником доходов государственного бюджета и является существенным рычагом государственного регулирования производства и оборота в Украине подакцизных товаров.

В то же время, одним из последствий реформирования порядка начисления и уплаты акциза, который произошел путем роста ставки этого налога и расширение базы его изымания, является сокращение доли этой налоговой формы в доходной базе государственного бюджета и одновременный рост внутреннего оборота теневого подакцизных товаров. Это связано с существенными недостатками отечественного механизма изымания акцизного налога, основными из которых являются нестабильность ставок акцизного налога, которая приводит к росту цен на подакцизные товары а также к увеличению объемов теневого оборота подакцизных товаров, недостаточный уровень защиты от подделки акцизных марок и недостаточный уровень полномочий работников налоговых и таможенных органов, осуществляющих контроль в сфере производства и оборота подакцизных товаров, а также их ответственности за действия или бездействие в сфере акцизного налогообложения.

Практическими путями решения перечисленных проблем должны быть обеспечение стабильности ставок акцизного налога, введение более защищенных от подделок акцизных марок на алкогольные напитки и табачные изделия, расширение полномочий и повышение уровня ответственности работников налоговых и таможенных органов, осуществляющих контроль в сфере производства и оборота подакцизных товаров а также значительное увеличение перечня подакцизных товаров за счет драгоценностей, дорогих импортных автомобилей и других предметов роскоши.

Ключевые слова: *подакцизные товары, налоговое регулирование производства и оборота подакцизных товаров, косвенные налоги, акцизный налог.*

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Improving tax adjustment mechanism of production and circulation of excisable commodities

The dominance of low-quality excisable commodities at the domestic market and the frequent cases of smuggling of these goods into Ukraine indicate the insufficient tax regulation of the domestic market of the mentioned products. At the same time, significant changes in the mechanism of charging of excise duty, which took place in Ukraine in recent years, require special attention of scientists to the problems of excise taxation. Excise has always been an important source of income for the national treasury and is an essential lever of state regulation of the production and turnover of excisable commodities in Ukraine.

At the same time, one of the consequences of the reform of the sequence of calculation and excise payment, which is held by the increase of this tax rate and broadening the base of its charging, is the reduction of the rate of this tax in the revenue base of a state budget and a simultaneous increase in internal circulation of black excisable commodities. It is connected with the substantial disadvantage of the national mechanism of the charging of excise tax, the main of which are the instability of the excise tax rates, which leads, on the one hand, to prices increasing for excisable commodities, on the other hand, to the increasing of black circulation of excisable commodities, the absence of anti-counterfeiting of excise stamps and the lack of authorities of tax and customs employees that regulate the production and circulation of excisable commodities, as well as their responsibility for the actions or inactions in this sphere.

Practical ways of the solution of these problems must be the ensuring of the stability of the excise tax rates, the providing of more protected anti-counterfeited excise stamps for alcohol and tobacco, the expansion of the authorities and strengthening of the responsibilities of tax and customs employees who regulate the production and sale of excisable commodities as well as a significant increase of the list of excisable commodities with jewelry, expensive imported cars and other luxury items.

Key words: *excisable commodities, the tax regulation of the production and circulation of excisable commodities, indirect taxes, excise tax.*