

Rodion Horbunov
V.V. Tsykhmystro, research supervisor
S.I. Kostrytska, language adviser
National Mining University, Dnipro, Ukraine

Changes in Simplified Taxation System and in Unified Social Tax

Taxes are one of the main governmental sources of income that are always in progress. The Ministry of Revenues of Ukraine has set an objective to improve the tax and customs policy for small and medium size businesses. The changes related to the simplified taxation system have been introduced and made public.

The simplified taxation system is the specific government mechanism which replaces separated levies with unified tax. This system also simplifies reporting to tax authorities. There are four groups of entrepreneurs who work on a simplified system of taxation.

The first taxpayer group consists of retailers or service providers. The main restrictions for this group are to have an annual income not exceeding 300 000 UAH, and not to have employees.

The second taxpayer group consists of entrepreneurs having an annual income not exceeding 1.5 million UAH with no more than ten employees. They are involved in production and/or selling goods, providing services and catering. Entrepreneurs working in the sphere of real estate evaluation, buying, selling and renting as well as production, delivering and selling precious and semiprecious jewels belong to the third group.

The third taxpayer group consists of entrepreneurs having an annual income which does not exceed 5 million UAH without any limitation in the number of employees. Companies are of any legal form of organization.

The fourth taxpayer group consists of entrepreneurs who have more than or equal to 75% of income from agricultural sector.

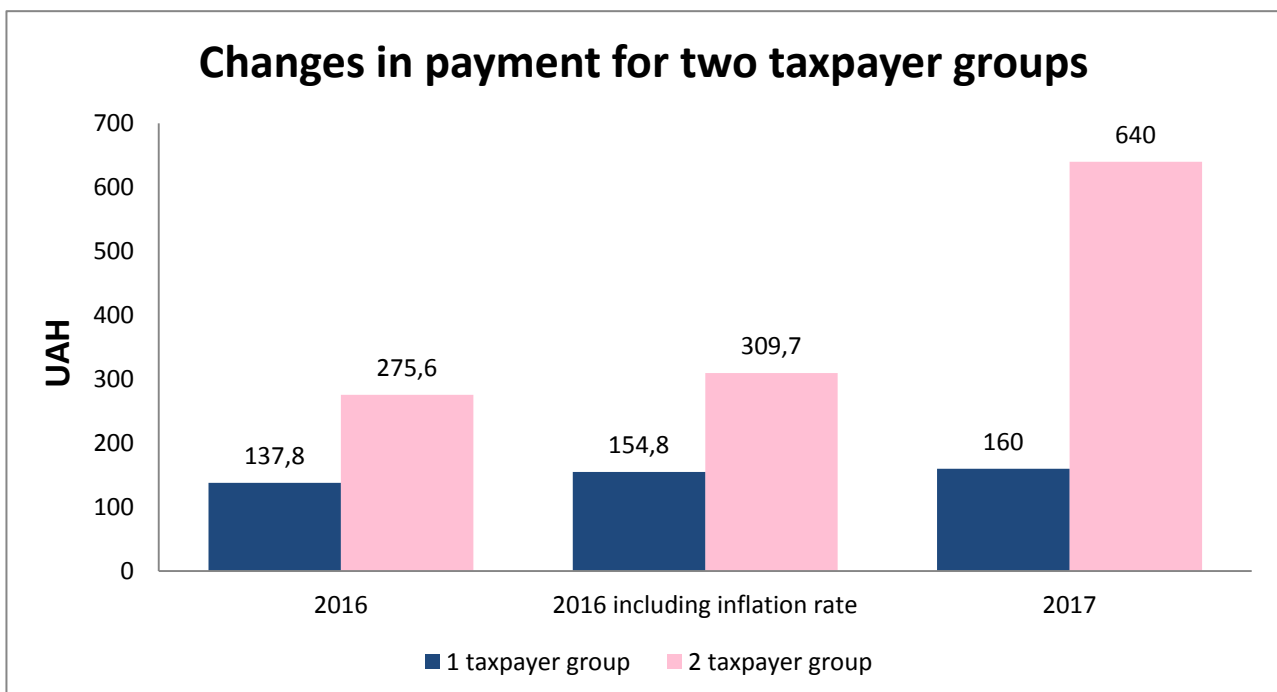
A lot of changes have been introduced in tax system in Ukraine. Unified tax is paid in the fixed percent of minimum **wage** (not minimum salary) for the first group of taxpayers and is settled in a fixed percent of minimum salary for the second taxpayer group. Taxpayers of the third category pay unified tax depending on total income. The taxation for this category is related to the profit tax rate (3% or 5%). The fourth group of taxpayers is still unstable in 2017.

The social standards have been increased in the government budget by January the first, 2017. The minimum salary has been raised up to 3200 UAH and minimum wage has been raised up to 1600 UAH. The payment for two additional groups of single taxpayers has been calculated: for the first group it is 160 UAH ($1600 \cdot 10\%$); for the second group it is 640 UAH ($3200 \cdot 20\%$).

Unified Social Tax (UST) unites all social security taxes. The UST rate has not been changed and has stayed stable for the second and the third taxpayer groups. It is

still 22% of minimum entrepreneurs' salary as in the previous year. For the first group the UST rate has declined by 50%. As a consequence, UST payment is not less than 352 UAH ($3200 \cdot 22\% \cdot 1/2$) for group 1 and 704 UAH ($3200 \cdot 22\%$) for groups 2 and 3. Pensioners and disabled people are contracted out of UST payment. The main change is to make all entrepreneurs pay UST tax disregarding income. As a result, more than 128 000 entrepreneurs cut back their business operations.

Last year the same single taxpayer's payments were for the first group - 137,8 UAH, and for the second group - 275,6 UAH. Unified tax is 10% and 20% of minimum salary (1378 UAH) for the mentioned above taxpayer groups. According to statistical data, the inflation rate has been calculated as 112.4 by the end of 2016. As a consequence, inflated taxes would be 154.8 UAH and 309.7 UAH correspondingly. In comparison with the preceding year the fiscal charges has raised insignificantly (3%) for group 1 and dramatically (106%) for group 2. The payments are not big for both of the groups when we compare possible income and taxation.



So, the Ministry of Revenues of Ukraine pursues loyal and tolerant policy for small and medium businesses depending on the entrepreneur income. Taking the above mentioned into account, the nominal payment to the budget has been raised up to 93.5%. The real payment to the budget has been increased up to 72.2% compared with the previous year.

References:

1. Podatkovyi kodeks Ukrainy [Internal Revenue Code Ukraine]. Retrieved from <http://sfs.gov.ua/nk/rozdil-xiv--spetsialni-podat/edynyi-podatok/> [in Ukrainian].
2. Podatkovyi kodeks Ukrainy [Internal Revenue Code Ukraine]. Retrieved from <http://sfs.gov.ua/baneryi/podatkovyi-konsultatsii/konsultatsii-dlya-fizichnih-osib/71664.html> [in Ukrainian].