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TAX SYSTEM

Tutorial

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T63

Наведено теоретичні та практичні матеріали, необхідні для самостійного вивчення дисципліни «Податкова система».

Навчальний посібник складається з частин, в яких розглянуто основний зміст навчальної дисципліни «Податкова система». До кожної частини подано стислий огляд змісту теми, приклади розв'язання задач, які розкривають зміст теми. Викладено особливості адміністрування податків із застосуванням норм Податкового кодексу України.

Запропоновано тести і задачі для перевірки розуміння дисципліни, набуття практичних навичок розв'язання тематичних задач з податкової системи. Дано список основних термінів і тем рефератів.

Для іноземних студентів денної та заочної форм навчання економічних спеціальностей вищих навчальних закладів.

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Theoretical and practical materials necessary for independent study courses "tax system."

The manual consists of parts, where the basic content of the course "tax system is considered." Each part presents a brief overview of the content of the theme, problem solving examples that reveal the content of the topic. Peculiarities of tax administration are given with the use of the Tax Code of Ukraine.

There are proposed tests and tasks to test understanding of the discipline, practical skills solving topical problems of the tax system. A list of key terms and topics abstracts is given.

For foreign students of full-time and part-time studying of economic specialties of higher educational institutions.

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INTRODUCTION

Today Ukraine is carried out reform of the tax system. Integration into the European community requires proof of current tax legislation with the norms and requirements of the European Union. Therefore there is a need to systematize the existing regulatory framework accessible and understandable way subject to the provisions of the Tax Code of Ukraine.

State regulation of the economy through the use of taxes should be directed to the maintenance and support of reproductive processes in the economy, efficient use of resources, promote investment and business activities.

Discipline "tax system" is special, that give theoretical and practical issues of forming behavior of taxpayer within the tax law. The theoretical and practical aspects of the problem of the tax system and, in particular, the tax system of Ukraine devoted such prominent local scientists as VM Fedosov, OD Wasylyk, A. Sokolovsky, V. Wisniewski, P. Miller, MP Kucheryavyenko et al.

The purpose of this publication is to report in sufficient shape-based taxation of businesses and individuals, the definition of taxable items of each type of tax and the acquisition of practical skills in tax and non-tax payments.

In the book we attempt to systematize materials from taxation under current tax system and is available to present materials. It is necessary to organize a systematic self-study courses to familiarize students with the curriculum of the course, the requirements for obtaining the required level of knowledge and practical skills, self-monitoring system of student evaluation criteria and knowledge.

1. NATURE AND TYPES OF TAXES

1.1. Nature and Function of Taxes

Tax as a socio-economic category expresses the main features and properties of Finance in any market economy. This is an important financial category, reflecting the form of economic relations with state entities and the public.

Tax revenues collected in the budgets of different levels. Besides them there are other mandatory payments: pay, deductions, tax.

Taxes – are a mandatory payment with are set by the highest level of state authority, are paid by corporations and individuals in the prescribed orders and terms.

Tax collection is carried out only if the actual composition of the object of taxation provided for in the regulations. The necessary condition to attract tax - payer is the presence of an independent source of income or a specific property.

The nature of the taxes is implemented in terms of their functions: fiscal, social, regulatory, control.

Fiscal function is aimed at the formation of financial resources of the state by bringing taxes. It provides objective conditions for the material basis of society functions.

Social function consists in redistribution of income between population groups in order to reduce disproportions between them and to protect low-income citizens.

Regulatory function allows the state through taxes to regulate various aspects of economic and social life at all levels of the economy. With this function, special mechanisms are created to ensure the balance of economic interests between government, businesses and individuals.

Control function reveals that taxes are signaling about qualitative and quantitative proportions which are formed in social and economic life of society as a result of the distribution and redistribution of GDP (gross domestic product). This creates opportunities for using taxes as a means of control. The control function is realized by the tax authorities.

Socioeconomic taxes found in the simultaneous combination of all three functions.

In studying the features of the tax system and tax mechanisms need to know the tax terminology and concepts that reveal the essence of taxation. This will allow understanding the nature of the tax and identifying the main elements that determine the internal content of the discipline "tax system" (Table 1.1).

Elements of Taxation

Type of element	Content
Object of taxation	Object or process that is subject to tax
Taxpayer	Participants in the process of collecting tax (payer, government, public authorities)
Source tax	The fund, which is paid with tax (the tax may be paid from income earned in different forms of property or capital)
The scale of measurement	Unit tax object (distinguish physical and monetary units of measure)
The tax rate	Legally established tax unit. Betting can be hard (defined as the amount of money per unit of taxation in real terms) or interest (applicable only to taxable items in monetary terms)
Tax exemption	Legally established exception to the general rules of tax (full or partial exemption)
Tax quota	Share in income tax payer

After reviewing the elements of the tax system we should consider the classification of taxes on various grounds (Fig. 1.1).

1. Depending on the structure of the state budget	Taxes paid to the state budget
	Taxes paid to local budgets
	Mixed taxes
	Taxes and duties which form the state trust funds
2. Depending on the form of tax	Direct (charged to income)
	Indirect (included in the price and passed on to the next customer)
3. Depending on the level of government agencies that establish taxes	General Government
	Local
4. With the economic content of the object of taxation	Taxes on income
	Consumption taxes
	Property tax
5. For taxable	Corporate taxes (income tax, municipal tax)
	Individual taxes (income tax, personal income tax on fishing)
	Mixed (land tax, tax on vehicle owners)

Fig. 1.1. Tax classification

1.2. Features of tax administration according to the Tax Code of Ukraine

A new document from the tax - Tax Code of Ukraine began operating from 1 January 2011.

There are a number of changes to this document, particularly regarding tax regulations for individuals. The changes include differentiated rate of personal income tax, changes in the taxation of foreigners' income, as well as change in the form and timing of reporting. It was expected that the changes will be more substantial. Particularly, if we compare them with changes in the tax rates for corporate income tax and value added tax.

Table 1.2 presents the comparison of tax rates of value added tax, income tax of enterprises and personal income tax before acting the Tax Code of Ukraine and with changing of tax laws.

With regard to personal income tax, the base rate has changed and is 18 %. This rate applies to income in the form of wages is the base rate.

The rate of VAT on 01.01.2011 has not increased and is 0 % and 20 %. But the rules of the Tax Code provide its decline to 17 %.

The rate of income tax of enterprises, according to the Tax Code, each year was changed: in 2011 it was 23 %, in 2012 – 21 %, in 2013 – 19 % and from 2014 the tax rate of income tax of enterprises is 18 %.

Table 1.2
Features of Tax Administration According to the Tax Code of Ukraine

Name of tax	Before acting of the Tax Code		Subject to the provisions of the Tax Code	
	Rate	Terms of use	Rate	Terms of use
Personal income tax	01.01.04 - 31.12.06 – 13 %; from 01.01.07 – 15 %	Generally taxable income of individuals	18 %	Base rate
Value Added Tax (VAT)	0 %	Some export operations and supply of goods and services	0 %	Some export operations and supply of goods and services
	20 %	Purchase and sale operations	20 %	Purchase and sale operations
Income tax of enterprises	25 %	The general form of enterprises taxation	01.04.11-31.12.11 – 23 %; 01.01.12-31.12.12 – 21 %; 01.01.13-31.12.13 – 19 %; 01.01.14- till now – 18 %	The general form of enterprises taxation

1.3. Tests for control of knowledge

1. The term “taxes” defines as: Given
 - 1) fees, charges, payments of companies to ministry
 - 2) the form of financial relations between the state and enterprises which based on equivalent exchange
 - 3) are a mandatory payment with are set by the highest level of state authority, are paid by corporations and individuals in the prescribed orders and terms
 - 4) income (profit) of company, which is transferred to the budget
2. Taxes perform the following functions:
 - 1) fiscal, control, emission;
 - 2) distribution, regulatory, stimulating;
 - 3) distribution, stimulating, fiscal;
 - 4) fiscal, regulatory, control.
3. The stimulating effect of taxes menus:
 - 1) in the context of the regulatory function of taxes;
 - 2) through the control of tax payments;
 - 3) through the definition of the object of taxation;
 - 4) in the process of setting tax rates.
- 4 Property tax is:
 - 1) the amount of the tax per unit of taxation;
 - 2) object or process to be taxed;
 - 3) the person or entity to which the law placed the obligation to pay tax;
 - 4) Unit of measure of the tax.
- 5 The bearer of tax is:
 - 1) the taxpayer;
 - 2) the person who pays the tax after all processes shifting value;
 - 3) the person or entity to which the law placed the obligation to pay tax;
 - 4) The person who prepares drafts for payment of tax.
- 6 The tax rate is described as:
 - 1) the amount of tax payable is determined in the budget;
 - 2) statutory tax rate per unit of the object of taxation;
 - 3) the amount actually paid to the budget;
 - 4) the interest rate that determines the amount of contributions to be paid to the local budget.
- 7 taxpayer is:
 - 1) the amount of the tax per unit of taxation;
 - 2) object or process to be taxed;
 - 3) participant in the process of collecting the tax;
 - 4) Unit of measure of the tax.
- 8 Scale measuring tax is:
 - 1) the amount of the tax per unit of taxation;
 - 2) object or process to be taxed;
 - 3) participant in the process of collecting the tax;

4) Unit of measure of the tax.

9 Sources of tax are:

- 1) value added, gross expenses, wages;
- 2) income, wages;
- 3) cash funds, property, capital;
- 4) deductible, funds for special purposes.

10 Tax benefit - is:

- 1) the amount of deferred tax;
- 2) object or process to be taxed;
- 3) total or partial exemptions;
- 4) Unit of measure of the tax.

2. VALUE ADDED TAX

2.1. Administration Features of the Value Added Tax

Value Added Tax (VAT) - an indirect tax on the added value, created in each stage of product promotion from producer to consumer, means an increase in the price of goods or services, is fully paid by customer. VAT provides stable revenues into the budget. In Ukraine the calculation of VAT takes place according to Law of Ukraine "About VAT" since 1992, and Tax Code of Ukraine since 2011.

To determine the amount of VAT payable to the budget, it is needed to reduce the amount of tax liability for the amount of tax credit of the same reporting period:

$$\sum \text{VAT (payable to the budget)} = \text{Tax Liability} - \text{Tax Credit} \quad (2.1)$$

Tax liability includes the amount of VAT received by or accrued to a taxpayer in connection with the selling of goods and services – the taxable operations by tax rate 20 %.

Tax credit includes: the amount of VAT paid or accrued to a taxpayer by the suppliers in connection with the purchasing of goods and services, which value relates to the gross expenditure, fixed assets and intangible assets, which have to be amortized.

To determine the whole price of goods and services payable by customers:

$$\text{Price} = \text{First Cost} + \text{Profit} + \text{VAT} \quad (2.2)$$

Added Value - newly created value of the goods at the each stage of the production process, defined as the difference between total sales and total purchases from the other entrepreneurs (Fig. 2.1).

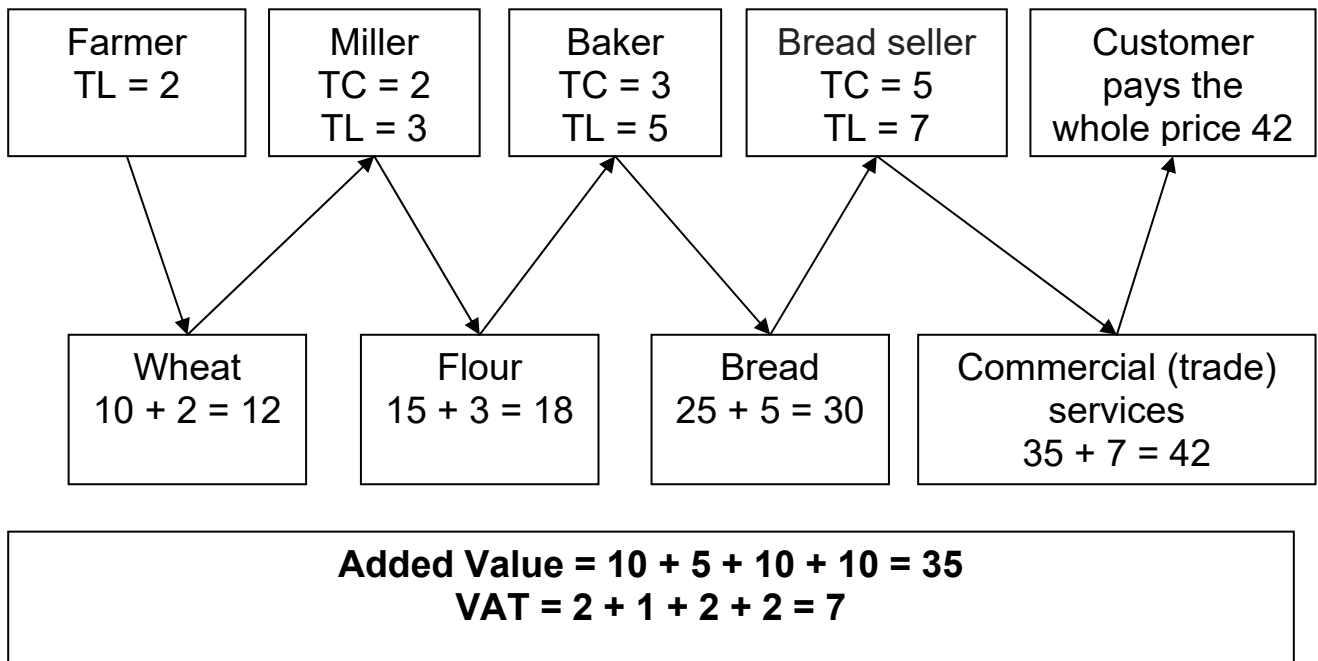


Fig. 2.1. Scheme of origin the Added Value

In the process of buying and selling 3 participants are involved (Fig. 2.2):

- 1) seller - the implementer of goods or services
- 2) buyer – purchases goods from the seller
- 3) budget – where VAT is paid

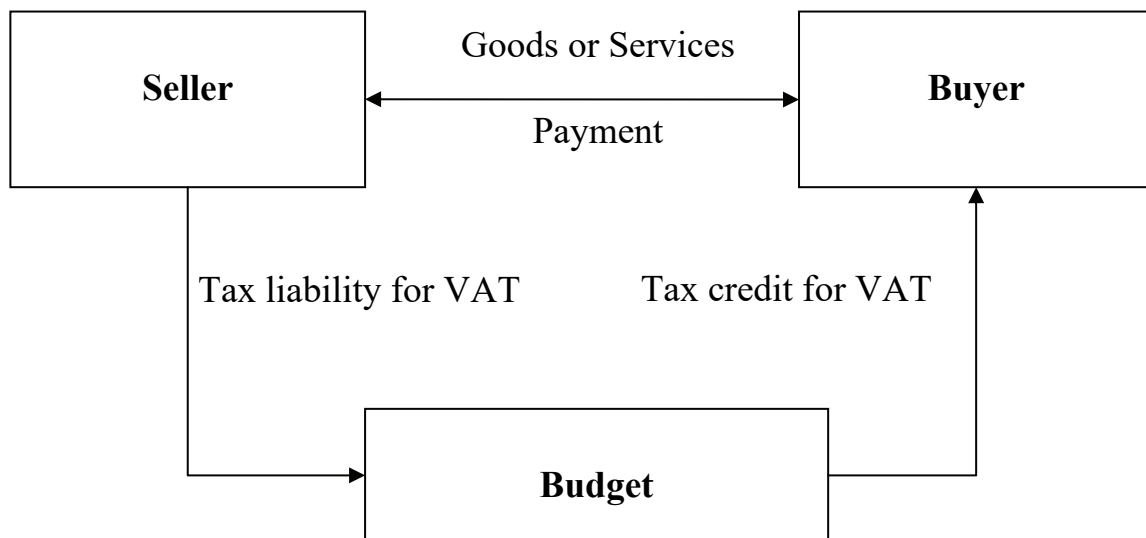


Fig. 2.2. Buyer, Seller and Government

In the process of interactions the payment of VAT 3 participants are involved:

1. subject of taxation - manufacturer or seller of goods, is a legal tax payer and contributes to the budget the amount of tax from the goods sold.
2. carrier of tax – individuals or legal entities, final product consumer. After

buying products - is an actual tax payer. So tax is transferred from the subject of taxation to the carrier of tax.

3. tax authority – receives and controls the payment of tax from subject of taxation.

VAT payers are all legal entities and individuals who engage manufacturing and other business activities in Ukraine which connect with selling goods and services, regardless of ownership and form of management (Fig. 2.3).

VAT payers	
Individuals who have volume of taxable transactions of selling goods and services during the previous year more than 300 thousand UAH	
Individuals who voluntarily register as VAT payers and have volume of taxable transactions of selling goods and services during the previous year less than 300 thousand UAH	
Individuals who import goods into the customs territory of Ukraine	

Fig. 2.3. Classification of taxpayers

The object of taxation for VAT is not only goods but also services and works. In Ukraine, this tax is used since 1992. The objects of taxation Value Added Tax are the transactions concerning Sales of goods and services in Ukraine, import of goods and services inside the customs territory of Ukraine and others.

It should be noted that the object of taxation is real:

- the sale of goods (services) in Ukraine, including, real transfer of ownership of the secured;
- import of goods (services) on the territory of Ukraine, obtaining work provided to non-residents for their use on the territory of Ukraine;
- export of goods outside the customs territory of Ukraine, the provision of transport services for passengers and goods within the customs territory.

In addition, regarding VAT, for some transactions the benefits are applied - transactions which are not object of taxation and transactions which are exempted from taxation (Table 2.1).

Table 2.1

VAT transactions with benefits

Transactions which are not object of taxation:	Transactions which are exempted from taxation:
Issue and selling stocks	Selling of domestic baby food
Insurance services	Education services
Turnover of currency	Medical services
State payable services	Selling of medicine
Rental payments	Selling of domestic baby food

Currently VAT rate is 20% to the object of taxation, and 0 %. Zero VAT rate is mostly used for export transactions. From 01.01.2014 p. it is 17 and 0 %.

Zero rate means that the VAT for sells turnover for goods and services is not charged. At the same time, these taxpayers are entitled to add into the tax credit (pay) the amount of VAT that was included in the price of purchased goods, works, services, raw materials used for the production and sale of goods or services which are taxed at a zero rate (Fig. 2.4).

Transactions taxed at 0%	
Export of goods and related services	
Sale of goods by retailers that are located in Ukraine, at the zone of customs control	
Providing transport services for passengers and cargo for long distance transportation	

Fig. 2.4. Transactions taxed at a zero rate

The date of the chargeable event for the sale of goods (works, services) shall be the date of an accounting period during which there was any of the events that happened before: date of transfer of funds from the buyer to the bank account of the taxpayer; in case of sale of goods for cash - date posting them on hand of the taxpayer or the date of shipment; for works or services - the date of registration, confirming the execution of works or provision of services by the taxpayer.

The date of the chargeable event when importing goods in Ukraine is the date of registration of import customs declaration indicating the amount of tax payable.

Date of the beginning of the tax credit is the date of the events that occurred before either the date of receipt of proof of purchase of goods, performance of works or services, or the date of debiting the account of the taxpayer to pay for purchased goods and services.

The amount of VAT paid by the taxpayer during the reporting period due to the acquisition of fixed assets subject to amortization, are included in the tax credit this reporting period, regardless of the timing of commissioning of such assets.

In cases where a taxpayer enters into transactions of sale of goods which are exempt or not subject to, the amount of tax paid on the acquisition of goods whose value refers to the total production cost of fixed assets and intangible assets subject to amortization are added, respectively, to the gross production value of fixed assets and intangible assets, and the tax credit are not included.

It is necessary to pay special attention to the tax-filing date and VAT

payment terms (Table 2.2).

Table 2.2

The Tax-filing Date and VAT Payment Terms

The Tax-filing Date of VAT		VAT Payment Terms	
For months tax period	For quarter tax period	For months tax period	For quarter tax period
During 20 calendar days next the last day of the reporting month	During 40 calendar days next the last day of the reporting quarter	During 10 calendar days next the last day of the deadline of tax-filing date	

For taxpayers which had volume of taxable transactions of selling goods and services during the previous year more than 300 thousand UAH– it is provided a calendar month tax period. For taxpayers with volume of sales less than 300 thousand UAH – it is provided a calendar month or quarter tax period for choose.

2.2. Tests for control of knowledge

1. VAT payers are:

- 1) all entities;
- 2) legal entities whose annual sales exceed 300 thousand UAH in previous year;
- 3) individuals who pay VAT in the price of purchased goods;
- 4) persons who transport goods from the customs territory of Ukraine.

2. The object of charging VAT are:

- 1) income from sales;
- 2) the cost of production;
- 3) value of sales of goods, works (services) and the customs value of imported goods;
- 4) the cost of goods at wholesale prices.

3. The manufacturer or seller of the goods, who pays the VAT to the budget from the sale of goods is:

- 1) carrier of tax
- 2) subject of taxation
- 3) object of taxation

4. VAT rates in the current year are:

- 1) 20 %;
- 2) 20 and 17 %;
- 3) 20 and 0 %;
- 4) 17 and 0 %.

5. The zero tax rate applied to transactions:

- 1) the provision of health services by health agencies that are licensed;

- 2) export of goods outside the customs territory of Ukraine;
 - 3) supply of medical products registered in Ukraine;
 - 4) the importation of goods into the customs territory of Ukraine.
6. Tax liability for VAT - is:
- 1) the amount of tax by which can be reduced the amount of payments to the budget;
 - 2) the amount of tax received (accrued) by the taxpayer during the reporting tax-period;
 - 3) the amount of tax which should be refunded to the taxpayer from the budget.
7. Tax credit for VAT - is:
- 1) the amount of tax by which can be reduced the amount of payments to the budget;
 - 2) the amount of tax received (accrued) by the taxpayer during the reporting tax-period;
 - 3) the amount of tax which should be refunded to the taxpayer from the budget.
8. To the budget is paid:
- 1) the amount of VAT collected from customers;
 - 2) the amount of tax liability for VAT;
 - 3) the amount of tax credit for VAT;
 - 4) the difference between tax liability and tax credit.
9. Tax period for VAT is:
- 1) calendar year;
 - 2) calendar quarter;
 - 3) calendar half-year;
 - 4) calendar month.
10. Transactions which are not object of taxation:
- 1) education services
 - 2) medical services
 - 3) insurance services
 - 4) transport services for passengers in public transport
11. Transactions which are exempted from taxation:
- 1) selling of medicine
 - 2) turnover of currency
 - 3) selling of domestic baby food
 - 4) rental payments
12. The Tax-filing Date for VAT is:
- 1) during 10 calendar days next the last day of the reporting period;
 - 2) during 20 calendar days next the last day of the reporting period;
 - 3) during 30 calendar days next the last day of the reporting period;
 - 4) during 40 calendar days next the last day of the reporting period.

2.3. Examples of solving tasks

Example 1. The manufacturing costs of the company are 80 thousand UAH without VAT. Planned profitability (the ratio of income to expenditure) - 15%. Calculate the object of taxation for VAT, the amount of VAT and the selling price of the product with VAT.

Solution: Planned profit is included in the price determined on the basis of profitability given:

$$P = 0.15 \cdot 80 = 12 \text{ UAH};$$

The tax base of VAT - the price without VAT;

$$\text{Net price} = 80 + 12 = 92 \text{ UAH},$$

$$\text{VAT} = 0.2 \cdot 92 = 18.4 \text{ UAH};$$

Selling price with VAT:

$$\text{Price with VAT} = 92 + 18.4 = 110.4 \text{ UAH}.$$

Example 2. During the reporting period the company sold products in the amount of 30 thousand UAH with VAT and spent for the purchase of raw materials 27 thousand UAH with VAT.

Calculate the tax liability, tax credit and the amount of VAT payable to the budget.

Solution:

1) Tax liability is the sum of the VAT obtained from sales:

$$\text{Tax Liability} = 30 \text{ thousand UAH} \cdot 20\% / 120\% = 5 \text{ thousand UAH}$$

2) Tax credit consists of the sum of VAT paid for raw materials:

$$\text{Tax Credit} = 27 \text{ thousand UAH} \cdot 20\% / 120\% = 4.5 \text{ thousand UAH}$$

3) The amount of VAT payable to the budget:

$$\text{VAT (payable to the budget)} = \text{Tax Liability} - \text{Tax Credit} = 5 - 4.5 = 0.5 \text{ thousand UAH}$$

2.4. Practice

Task 1. During the reporting period the company sold products in the amount of 30 thousand UAH with VAT and performed the works in the amount of 48 thousand UAH with VAT. The manufacturing costs are: raw materials 36 thousand UAH with VAT; payment for services from other entities 6 thousand UAH with VAT.

Calculate the tax liability, tax credit and the amount of VAT payable to the budget.

Task 2. The total amount purchased during the reporting period goods belonging to the gross costs of the enterprise, is 30 000 UAH (excluding VAT). Total sales in the reporting period is 22 000 UAH (excluding VAT), including export volume - 12 000 UAH. Determine the amount of refund.

Task 3. Total sales of home appliances in December amounted to 990 000 UAH (excluding VAT), of which 690 000 UAH - exports. This month also

acquired basic production assets, which are used for both export and non-export products, amounting to 580 000 UAH (excluding VAT). Determine the amount of VAT payable to the budget.

Task 4. The enterprise in January 2013 performs the following transactions (Table 2.2):

Table 2.2

Name of product	Sold, items	Selling price of the product without VAT
A	540	24
B	292	29
C	800	19
D	140	74

Calculate the tax liability VAT from selling all the goods.

Task 5. The enterprise in January 2013 performs the following transactions (Table 2.3):

Table 2.3

Name of product	Sold, items	Selling price of the product without VAT
A	540	29,40
Б	290	12,43
B	800	85,50
Г	140	123,40

Calculate the tax liability VAT from selling all the goods.

3.EXCISE TAX

3.1. Administration features excise tax

Excise tax - this is an indirect tax on highly profitable or exclusive products, included in the price of products. Like the VAT, excise tax is paid by consumer. Excise tax is included in the category of specific excise as it is charged at differential rates and has a narrow tax base.

Unlike VAT, this tax is paid only once: at the moment of selling goods or their importation into Ukraine. The object of taxation is the full cost of the goods or the customs cost including the customs duty. The main objects of excise tax are shown in Fig. 3.1.

Objects of excise tax	
Turnover of excisable goods produced in Ukraine	
The cost of alcohol and tobacco products manufactured in Ukrainian from raw materials supplied by the customer	
Customs (purchase) price of imported goods purchased in foreign currency	

Fig. 3.1. Objects excise tax

Payers are manufacturers and importers of excisable goods:

- entrepreneurs - manufacturers of excisable goods;
- legal entities or individuals who buy goods from excise tax agents;
- entrepreneurs who import excisable goods into the customs territory of Ukraine;
- individuals (citizens of Ukraine, foreigners and persons without citizenship) who import excisable goods in amount more then 200 EURO into the customs territory of Ukraine.

The list of products which are objects of excise are tax approved by the laws of Ukraine. Excise tax rates are uniform throughout the territory of Ukraine for domestic and imported goods.

Products which are objects of excise tax are called excisable goods (Fig. 3.2).

Groups of excisable goods	
Alcohol beverages, beer	
Tobacco	
Vehicles	
Petroleum products	

Fig. 3.2. Groups of excisable goods

In world practice, the following types of excise tax rates are in use:

- 1) specific - the tax rate is set in fixed amounts per unit of product; tax rate can be expressed in UAH or EURO per unit of sold (transferred, imported)

products;

2) ad valorem rate - the tax rate is set in percentage to value of excisable goods;

3) combined (mixed) - a combination of 2 previous types of rates.

Combined (mixed) tax rate is applied as a percentage to the turnover, but not less than established fixed rate per unit of goods (products).

Excise taxes are differentiated depending on the group of excisable goods and its origin (domestic or imported).

The amount of excise tax which is set in a foreign currency is paid in the currency of Ukraine at the currency exchange of the NBU valid at the time of submitting the customs declaration.

The amount of the excise tax established applying specific tax rate can be calculated in the following way:

1) for domestic excisable goods :

$$ET = Str * N, \quad (3.1)$$

where Str - fixed tax rate set in UAH per unit of product; N - quantity of goods

2) for imported excisable goods :

$$ET = Str * N * CE, \quad (3.2)$$

where Str - fixed tax rate set in EURO per unit of product; N - quantity of goods; CE – EURO currency exchange of the NBU.

The feature of the establishing of specific tax rate is that the amount of excise tax does not depend on the value of the goods.

The amount of the excise tax if the rate is set as a percentage, is calculated

a) for domestic excisable goods

$$ET = Atr * V, \quad (3.3)$$

where Atr - ad valorem rate set in percentage; V - value of goods;

b) for imported goods

$$A = Atr * (Vc + C), \quad (3.4)$$

where Vc- the customs value of the goods; C – customs duty.
Excise tax rates are shown in table 3.1.

Table 3.1

Excise tax rates

Groups of excisable goods	Unit measure	Tax rate
1. Alcohol beverages		
beer	UAH / liter	2.78
natural wine		0.01
wine with the addition of alcohol		8.02
champagne		11.65
ethyl alcohol (100%)		126.96
1. Tobacco		
unfiltered cigarettes	UAH / 1000 units	445.56
	%	12
filter cigarette	UAH / 1000 units	445.56
	%	12
1. Petroleum products		
petrol	EURO / 1000 kg	27 – 213.5
1. Vehicles		
Volume of engine up to 1000 cubic centimeters	EURO / 1 cubic centimeters	
new		0.102
less than 5 years in use		1.094
more than 5 years in use		1.438
Volume of engine 1000 – 1500 cubic centimeters		
new		0.063
less than 5 years in use		1.367
more than 5 years in use		1.761
Volume of engine 1500 – 2200 cubic centimeters		0.327
Volume of engine 2200 – 3000 cubic centimeters		
		1.316

Transactions exempted from the excise tax, shown in Fig. 3.3

Transactions are exempt from payment of excise tax	
Sales of goods exported for foreign currency	
Sales of special purpose cars (police, ambulance, fire, etc.)	
Sales of special-purpose vehicles for the disabled	
Sales of excisable goods to produce other excisable goods (sale of ethyl alcohol to produce medicine)	
Excisable goods imported into the territory of Ukraine for the demonstration	
Excisable goods, which are transported through the territory of Ukraine to other countries	

Fig. 3.3. Transactions exempted from the excise tax

The date of tax liabilities excise tax is considered one of the events that took place earlier:

- or the date of shipment;
- or the date of receipt of funds to the taxpayer.

The tax period for excise tax is the calendar month. Deadline for return is within 20 calendar days following the last day of the reporting month (Table 3.2).

Table 3.2

Reporting period	The Tax-filing Date
1 month	During 20 calendar days next the last day of the reporting month

An important feature of the collection of the excise tax on alcoholic beverages and tobacco products, their labeling is mandatory.

3.2. Tests for control of knowledge

1. Excise tax is described as:

- 1) direct tax that is included in the price of goods;
- 2) tax on highly profitable and imported goods;
- 3) an indirect tax on highly profitable monopoly and products included in the price of the goods;
- 4) direct tax on excisable goods.

2. Payers of excise duty are:
 - 1) manufacturers and importers of excisable goods;
 - 2) exporters of excisable goods;
 - 3) individuals who purchase excisable goods in Ukraine;
 - 4) not-residents who buy excisable goods in Ukraine.
3. The objects of taxation in collecting excise tax are:
 - 1) the cost of production;
 - 2) The volume of production of excisable goods;
 - 3) the turnover of sales, exchange, transfer of goods produced in Ukraine and the customs value of imported excisable goods;
 - 4) the turnover of export-import operations of excisable goods.
4. Excise tax is calculated:
 - 1) in USA dollars and EURO per unit sold, transferred, exchanged, imported goods in Ukraine ;
 - 2) in EURO per unit sold, transferred, exchanged, imported goods or at the rates as a percentage to the turnover of excisable goods;
 - 3) in UAH and EURO per unit sold, transferred, exchanged, imported goods or at the rates as a percentage to the turnover of excisable goods;
 - 4) in UAH, USA dollars and EURO per unit sold, transferred, exchanged, imported goods or at the rates as a percentage to the turnover of excisable goods.
5. Excise tax is not charged in the case if excisable goods are sold:
 - 1) for export in foreign currency;
 - 2) by enterprises, which employ persons with disabilities and their amount more than 50% of all employees;
 - 3) by farms;
 - 4) small businesses that pay a single tax.
6. If the rate is set as a percentage to the value of excisable goods, tax rates it:
 - 1) specific;
 - 2) ad valorem;
 - 3) combined.
7. The list of excisable goods in Ukraine is approved by:
 - 1) Cabinet of Ministers;
 - 2) Parliament;
 - 3) the President;
 - 4) Ministry of Finance.
8. The primary reason for slight revenue from excise tax in the budget are:
 - 1) narrow tax base;
 - 2) low tax rates;
 - 3) irregular payment of tax;
 - 4) wide range of benefits.
9. Excise tax is calculated as a percentage to the turnover of:
 - 1) alcohol beverages;
 - 2) vehicles;

- 3) tobacco products;
 - 4) petroleum products.
10. The tax period for excise tax is:
- 1) 1 month;
 - 2) 1 quarter;
 - 3) 1 year.
11. The goal of taxation of luxury goods is:
- 1) redistribution of income between different social groups;
 - 2) collection of income from the rich people;
 - 3) equal distribution of taxes between groups of goods;
 - 4) all answers are correct.
12. The goal of taxation of imported goods is:
- 1) protection of the importers interests;
 - 2) protection of domestic producers interests;
 - 3) the development of international relations;
 - 4) escalation of international conflicts.

3.3. Examples of solving tasks

Example 1. Cost of production per unit of excisable goods is 40 UAH, its expecting profitability - 30%, excise tax rate - 5%. Calculate the selling price of the goods.

Solution: Profit is included in the price of goods:

$$N = 40 \cdot 0.3 = 12 \text{ UAH.}$$

The tax base of excise duty: $BO = 40 + 12 = 52 \text{ UAH.}$

The amount of the excise tax, which is included in the price of goods:

$$A = 52 \cdot 0.05 = 2.6 \text{ UAH.}$$

Price based excise: $Pe = 52 + 2.6 = 54.6 \text{ UAH.}$

VAT included in the price of goods: $VAT = 54.6 \cdot 0.2 = 10.92 \text{ UAH.}$

Selling price including VAT and excise tax:

$$Tspdv = 54.6 + 10.92 \text{ UAH.}$$

Example 2. The manufacturer has sold during the reporting period excisable goods in the amount of 12 000 UAH. The excise tax rate is 25% to the tax base without VAT. Calculate the amount of excise tax.

Solution: Define the base excise tax, which deduct VAT on sales:

$$BW = 12\,000 - 2000 = 10\,000 \text{ USD.}$$

The amount of the excise tax as follows: $A = 10\,000 \cdot 0.25 = 2500 \text{ USD.}$

3.4. Practice

Task 1. The company has sold 33 000 bottles of brandy with alcohol content 38.0% in terms of 100% alcohol. Bottle capacity is 0.5 liters. Calculate

the amount of the excise tax.

Task 2. The company has sold in the reporting year alcohol drinks in the amounts presented below. Calculate the amount of the excise tax.

- 1) 840 liters of vodka, percent alcohol content 40%;
- 2) 570 liters of champagne semisweet;
- 3) 780 liters of natural wine;
- 4) 710 liters of cognac, alcohol content 42 %.

Task 3. The company sold alcohol drinks (Table 3.3). Calculate the amount of the excise tax.

Table 3.3

No	Alcohol drinks	Alcohol content, %	Volume of sales, bottles	Bottle capacity, liters
1	vodka	40	700	0,5
2	cognac	43	800	0,5
3	beer	6	900	0,5
4	wine with the addition of alcohol	14	650	0,7

Task 4. Automobile factory in the reporting month sold 16 cars with volume of engine 1150 cm³ and 9 cars with a volume of engine 2 145 cm³. Calculate the amount of the excise tax.

Task 5. In October, the company has produced and sold 220 tones of fuel. The cost of production of 1 ton is 2100 UAH. Total profits from sales is 51 000 UAH.

Determine the amount of excise tax which must be paid by manufacturer, contract price including indirect taxes and the unit price of excisable goods.

Task 6. The manufacturer in October sold 1200 kg of fuel oil. In September selling price of 2600 kg of fuel (with VAT and excise tax) was 7700 UAH. Calculate the amount of excise tax in October.

Task 7. The amount of sales of filter cigarettes during the month is 130 000 units. Turnover from the sale of cigarettes at the maximum retail prices (excluding VAT and excise tax) is 19 500 UAH. Calculate the amount of the excise tax and selling price of a 1 pack of cigarettes.

Task 8. Maximum retail price of cigarettes without a filter is 1,95 UAH, without VAT and excise tax - 1,55 UAH. Actual sales of filter cigarettes are 9,000 packs. Calculate the amount of the excise tax selling price of a 1 pack of cigarettes.

4. INCOME TAX OF ENTERPRISES

4.1. Administration Features of the Income Tax of Enterprises

Income tax of enterprises applies to direct taxes. **The object of taxation** is profit from all kinds of activity. Profit before taxation is defined as the difference between the amount of adjusted gross income, gross expenditure and amortization:

$$Pbt = Gla - GE - A, \quad (4.1)$$

where *Pbt* – profit before taxation,
Gla - adjusted gross income;
GE - gross expenditure;
A - amortization.

Adjusted gross income is calculated by summing all income minus those that their constituents are not included.

Income tax payers - all legal entities and individuals who are entrepreneurs and engage in activities aimed at profit (Fig. 4.1).

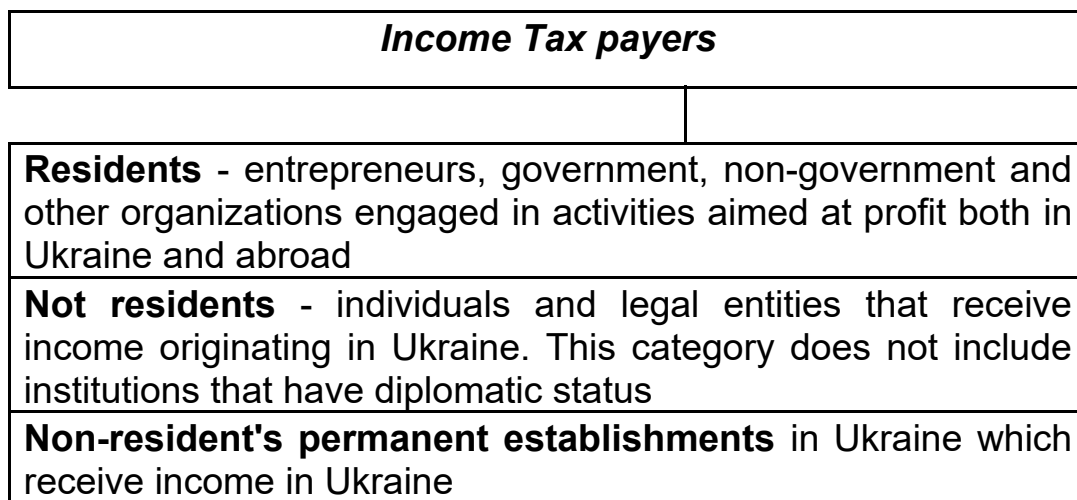


Fig. 4.1. Operations are taxed at a zero rate

The tax rates for income tax of enterprises are shown in Table 4.1.

Table 4.1

Date of application	Rate
Before operating Tax Code of Ukraine (until 1 January 2011)	25 %
After operating Tax Code of Ukraine (from 1 January 2011)	01.01.11 – 31.12.11 – 23 %; 01.01.12 – 31.12.12 – 21 %; 01.01.13 – 31.12.13 – 19 %; 01.01.14 – now – 18%.

Gross income - total revenue from all types of activity received during the reporting period in cash, tangible and intangible form, both in Ukraine and abroad.

It is important to pay attention to revenues, which are not included in the gross income of the enterprise (Table 4.2.).

Gross expenditures - total cost of the taxpayer for goods and services in cash, tangible and intangible form, that taxpayer purchased for use in business

Table 4.2

Gross income can include:	Gross income can't include:
Income from sale of goods (works, services);	Amount of VAT;
Income from sale of financial instruments except their initial public offering;	
Income from banking, insurance and other services, foreign currency exchange trading;	
Income from joint activities, dividends, interest, royalties, ownership of debt requirements, leasing transactions;	Amount of money received back from the budget as overpaid taxes;
Past income identified in the reporting period;	
Financial aid, fines and penalties received by the taxpayer during the reporting period;	Amount of money received by the taxpayer as compensation for expenses or losses incurred by the taxpayer as a result of a violation of his rights and interests.
Amount of uncollectible accounts receivable.	

It is advisable to pay attention to costs, which are not included in deductible expenses (Table. 4.3).

Separate the costs of dual purpose:

- to provide employees with special clothing, footwear, food;
- related to scientific and technical support economic activity;
- environmental protection;
- to purchase licenses and other special permits for business activities;
- on official business;
- to conduct promotional activities;
- insurance;
- warranty items.

Table 4.3

Costs which are not included in the gross expenditure

Gross expenditure can include:	Gross expenditure can't include:
Expenditures for preparation, organization, production, sales of goods, labor protection;	Payments of income tax, property tax, value added tax, personal income tax;
Payments as salary for employees;	Purchase of fixed assets – subjects of amortization;
Social Union Contribution from salary payments (36.2 – 44.5%);	Expenditures for fines and penalties paid by the taxpayer during the reporting period;
Expenditures for business trips;	Expenditures which don't connect with production activities;
Past expenditures identified in the reporting period;	Depreciation;
Expenditures for audit services;	Expenditures for dividends payment;
Expenditures for acquisition of licenses;	Funding of individuals personal needs.
Expenditures for payments of debentures;	
Voluntary contributions.	

Amortization - the gradual accumulation of funds for purchasing, construction or improvement of fixed assets and intangible assets (on the

balance sheet of an enterprise)

Date of increase of gross income shall be the date falling on the tax period during which there were any of the events that occurred before:

– date of crediting customer's bank account, and in the case of sale of goods for cash - the date of receipt on hand of the taxpayer;

– or the date of shipment or the actual provision of works and services to the taxpayer.

Date of increase of gross expenditures shall be the date of an accounting period during which there was any of the events that occurred before:

– or the date of debiting the bank account of the taxpayer to pay for goods, and in the case of acquisition for cash - their date of issue of taxpayer cash;

– or the date of receipt of goods or actual results of operations.

The amount of income tax of enterprises payable to the budget is determined by the formula:

$$\text{Income Tax of Enterprises} = Pbt * Rt \quad (4.2)$$

where Rt – tax rate for Income Tax of Enterprises.

For taxpayers of Income Tax of Enterprises it is provided a calendar quarter, half-year, 3 quarters and annual tax periods (Table 4.4)

Table 4.4

The Tax-filing Date	Payment Terms
During 40 calendar days next the last day of the reporting quarter	During 10 calendar days next the last day of the deadline of tax-filing date

4.2. Tests for control of knowledge

1. Income tax of enterprises is paid by:
 - 1) residents who receive incomes as employees;
 - 2) non-residents who engaged in business activities abroad;
 - 3) residents and Non-residents who engaged in business activities aimed at profit both in Ukraine;
 - 4) people who transport goods from the customs territory of Ukraine.
2. The object of taxation for collecting Income Tax of Enterprises is:
 - 1) gross profit;
 - 2) the difference between gross income and gross expenditures;

- 3) income as the difference between gross income and gross expenditures and amortization;
 - 4) the difference between adjusted gross income, gross expenses and amortization.
3. What the rate of Income Tax of Enterprises in 2013?
 - 1) 23 %;
 - 2) 16 %;
 - 3) 21 %;
 - 4) 19 %?
 4. Adjusted gross income does not include:
 - 1) income from sale of financial instruments except their initial public offering;
 - 2) financial aid, fines and penalties received by the taxpayer;
 - 3) amount of VAT;
 - 4) amount of uncollectible accounts receivable.
 5. Adjusted gross income includes:
 - 1) income from ownership of debt requirements;
 - 2) amount of money received back from the budget as overpaid taxes;
 - 3) amount of money received by the taxpayer as compensation for expenses or losses.
 6. Adjusted gross income does not include:
 - 1) income from banking, insurance and other services, foreign currency exchange trading;
 - 2) amount of money received back from the budget as overpaid taxes;
 - 3) income from sale of goods.
 7. Gross expenditure includes:
 - 1) expenditures for dividends payment;
 - 2) purchase of fixed assets – subjects of amortization;
 - 3) expenditures for business trips.
 8. Gross expenditure does not include:
 - 1) payments as salary for employees;
 - 2) expenditures for acquisition of licenses;
 - 3) purchase of fixed assets – subjects of amortization.
 9. Gross expenditure includes:
 - 1) voluntary contributions;
 - 2) expenditures for fines and penalties paid by the taxpayer;
 - 3) amortization;
 10. Tax period for Income Tax of Enterprises is:
 - 1) calendar year;
 - 2) calendar quarter;
 - 3) calendar half-year;
 - 4) 3 calendar quarters;
 - 5) all answers are correct.
 11. The Tax-filing Date for Income Tax of Enterprises is:
 - 1) during 10 calendar days next the last day of the reporting period;
 - 2) during 20 calendar days next the last day of the reporting period;
 - 3) during 40 calendar days next the last day of the reporting period.
 12. The payment term for Income Tax of Enterprises is:
 - 1) during 10 calendar days next the last day of the reporting period;
 - 2) during 10 calendar days next the last day of the deadline of tax-filing date;

3) during 40 calendar days next the last day of the deadline of tax-filing date.

4.3. Examples of solving tasks

Example 1. During the reporting period, the costs associated with the acquisition of raw materials amounted to 48 000 UAH (including VAT), labor costs - 6 000 UAH, the amount of deductions for social events - 2000 UAH, advertising costs - 1 200 UAH (including VAT), the cost of maintaining social assets is UAH 4000, accrued interest on debt bonds in relation to the conduct of economic activity - from 3 000 USD, the costs of organizing the presentation - 5 000, the amount of the fine, paid by arbitral award - 7000 UAH.

Determine the allowable costs.

Solution: We expect the gross expenses of the enterprise:

$BB = 48\ 000 + 6\ 000 + 2\ 000 + 1\ 200 + 4\ 000 + 3\ 000 = 56\ 000$
UAH.

Example 2. During the reporting period the company received income from selling goods in the amount of 84 000 UAH (with VAT). The company purchased materials for production purposes in the amount of 48 000 UAH (without VAT), equipment (fixed assets) for the production - 60 000 (with VAT), paid the salary to employees - 10 000 UAH (with USC), amortization – 2000 UAH.

Determine the amount of income tax of enterprises and VAT payable to the budget.

Solution:

$$Pbt = G_{ia} - GE - A;$$

$$G_{ia} = 84000 - VAT(TO) = 70000;$$

$$VAT(TO) = 84000 / 6 = 14000;$$

$$GE = 48000 + 10000 = 58000;$$

$$Pbt = 70000 - 58000 - 2000 = 10\ 000;$$

$$\text{Income Tax of Enterprises} = Pbt * Rt;$$

$$\text{Income Tax of Enterprises} = 10000 + 18\% = 1800;$$

$$VAT = TO - TC;$$

$$VAT(TC) = 60000 / 6 = 10000;$$

$$VAT = 14000 - 10000 = 4\ 000.$$

4.4. Practice

Task 1. Problem 1 for the reporting period the company received proceeds from the sale of goods in the amount of 21 600 UAH (including VAT). The resulting non-repayable financial assistance is 8300 USD, fine, now received by him under delivery of products according to agreement - 3 700 USD.

Determine the amount of adjusted gross income.

Task 2. During the reporting period, the costs associated with payment received production services amounted to 18 000 UAH (including VAT), the increase in the carrying amount of materials in warehouses - 5 000, the amount of funds transferred to the charity fund - UAH 10 000, the cost of distribute gifts to advertise - 8000 USD, labor costs - 36 000 USD, the cost of acquisition of fixed assets - 1 000 000 (including VAT). Taxable income of the previous reporting period amounted to 140 000 USD.

Determine the allowable costs.

Task 3. In the reporting year, the amount of the adjusted income of the enterprise was 150 000 UAH, total cost - 60 000 UAH depreciation - 30 000 UAH. In addition, repair of fixed assets company spent 25 000 UAH. The carrying amount at the beginning of the year was 150 000 UAH.

Determine the amount of income tax and terms of payment.

Task 4. Adjusted gross income of the company for the quarter amounted to 180 000 UAH, wage costs - 40 000 UAH, social security - 16 000 UAH, costs of purchased materials - 9200 UAH (including VAT). Remaining materials in stock at the beginning of the quarter amounted to 2 500 UAH. During the quarter production activities spent materials amounting to 2 000 UAH.

Determine the amount of income tax payable for the quarter, and the terms of payment.

Task 5. During the reporting period the company carries out the following operations:

Received During the reporting period the company – 700 000 UAH with VAT;

Debited raw materials – 39 000 UAH with VAT;

Paid salary: 3700 UAH to 5 employees, 4000 UAH to 4 employees, 5000 UAH to 3 employees, 6000 UAH to 2 employees, 7000 UAH to 1 employee;

Social Union Contribution from salary payments - 36.77%;

Amortization – 8000 UAH.

Determine the amount of income tax of enterprises and VAT payable to the budget.

Task 6. During the reporting period the company carries out the following operations:

Received During the reporting period the company – 680 000 UAH with VAT.

Debited raw materials – 60 000 UAH with VAT;

Purchased equipment – 50 000 UAH with VAT;

Paid salary: 2000 UAH to 2 employees, 4000 UAH to 1 employee, 5000 UAH to 1 employee;

Social Union Contribution from salary payments - for enterprises - 38.77%;

Amortization – 9000 UAH.

Determine the amount of income tax of enterprises, VAT payable to the budget and Personal Income Tax.

Task 7. During the reporting period the company carry out the following operations:

Received During the reporting period the company – 750 000 UAH with VAT;

Debited raw materials – 56 000 UAH with VAT;

Paid fines and penalties are 3 000 UAH with VAT;

Paid salary is 27 000 UAH;

Social Union Contribution from salary payments - for enterprises - 36.76 %.

Accrued amortization for following fixed assets is counted (Table 4.5). Determine the amount of income tax of enterprises, VAT payable to the budget

Table 4.5

Group fixed assets:	Cost, UAH	Term of use:
building	1 200 000	20
equipment	158 000	5
transport	230 000	5
instruments	15 000	4

Task 8. During the reporting period the company carries out the following operations:

Received During the reporting period the company – 730 000 UAH with VAT;

Debited raw materials – 51 000 UAH with VAT;

Paid for advertisement – 3 000 UAH with VAT;

Paid salary – 29 000 UAH;

Social Union Contribution from salary payments - for enterprises - 36.76 %.

Accrued amortization for following fixed assets is counted (Table 4.6). Determine the amount of income tax of enterprises, VAT payable to the budget

Table 4.6

Group of fixed assets:	Cost, UAH	Term of use:
capital expenditures on land improvements	140 000	15
transport	215 000	5
instruments	24 000	4
animals	12 000	6

5. PERSONAL INCOME TAX

5.1. Administration Features of Personal Income Tax

Personal Income Tax(PIT) – payment for individual services provided by local community in which such individual lives or registered.

Tax payers are:

- individuals residents who receive income originating from the territory of Ukraine and foreign income;
- individuals not residents who receive income originating from the territory of Ukraine.

Objects of taxation are:

- total monthly taxable income;
- net annual taxable income (determined by reducing the total annual taxable income in the amount of the tax credit):

$$NTI_{\text{annual}} = TTI_{\text{annual}} - TC, \quad (5.1)$$

where TTI_{annual} – total annual taxable income,
 TC – tax credit.

Composition of total monthly taxable income and the tax base are shown in table 5.1.

During the calculating of personal income as salary, the object of taxation is:

$$\text{Personal Income Tax} = OT * Rt, \quad (5.2)$$

where Rt – tax rate for Personal Income Tax.

The basic tax rate on income from wages is 18%.

The taxpayer has the right to reduce the amount of total monthly taxable income received in Ukraine from the same employer as salary (at main place of work only) for the amount of social tax benefit.

At the moment, in general, social tax benefit equals:

$$STB = 50 \% * LW, \quad (5.3)$$

where STB – social tax benefit;

LW – living wage, established on 1 January of the reporting year.

Composition of Total Monthly Taxable Income and the Tax Base

Incomes that relate to Total Monthly Taxable Income	Incomes that are not objects of taxation for Personal Income Tax
Incomes as a salary, wages and other payments from employer to employee;	Amount of state targeted aid;
Part of income from transactions with property;	Pensions from State Retirement Fund;
Income from sale of intellectual property;	Social assistance in connection with pregnancy, childbirth and baby-minding;
Income from royalties;	Amount of state rewards;
Income from fines or penalties actually received by the taxpayer in respect of financial or moral damage;	Cost of free health care, food and spa treatments at sanatorium;
Sum of insurance payments received by the taxpayer under contracts of long-term life insurance and private pension insurance;	Amount of grants (total sum of monthly grant shouldn't exceed an amount equal to the sum of monthly living wage, multiplied by 1.4 and rounded to 10 UAH);
Income from property rental or sublease;	Money received as assistance for treatment;
Income as the value of inherited property which is object of taxation;	Income of individuals who are entrepreneurs and pay Single Tax;
Investment income from transactions with securities;	Child support (alimony) received from residents;
Incomes as interests, dividends, prizes, winnings;	Funds received as charity;
Income received by the taxpayer as a treasure.	Other state social payments.

The size of the social tax benefit according to taxpayer status (Fig. 5.1).

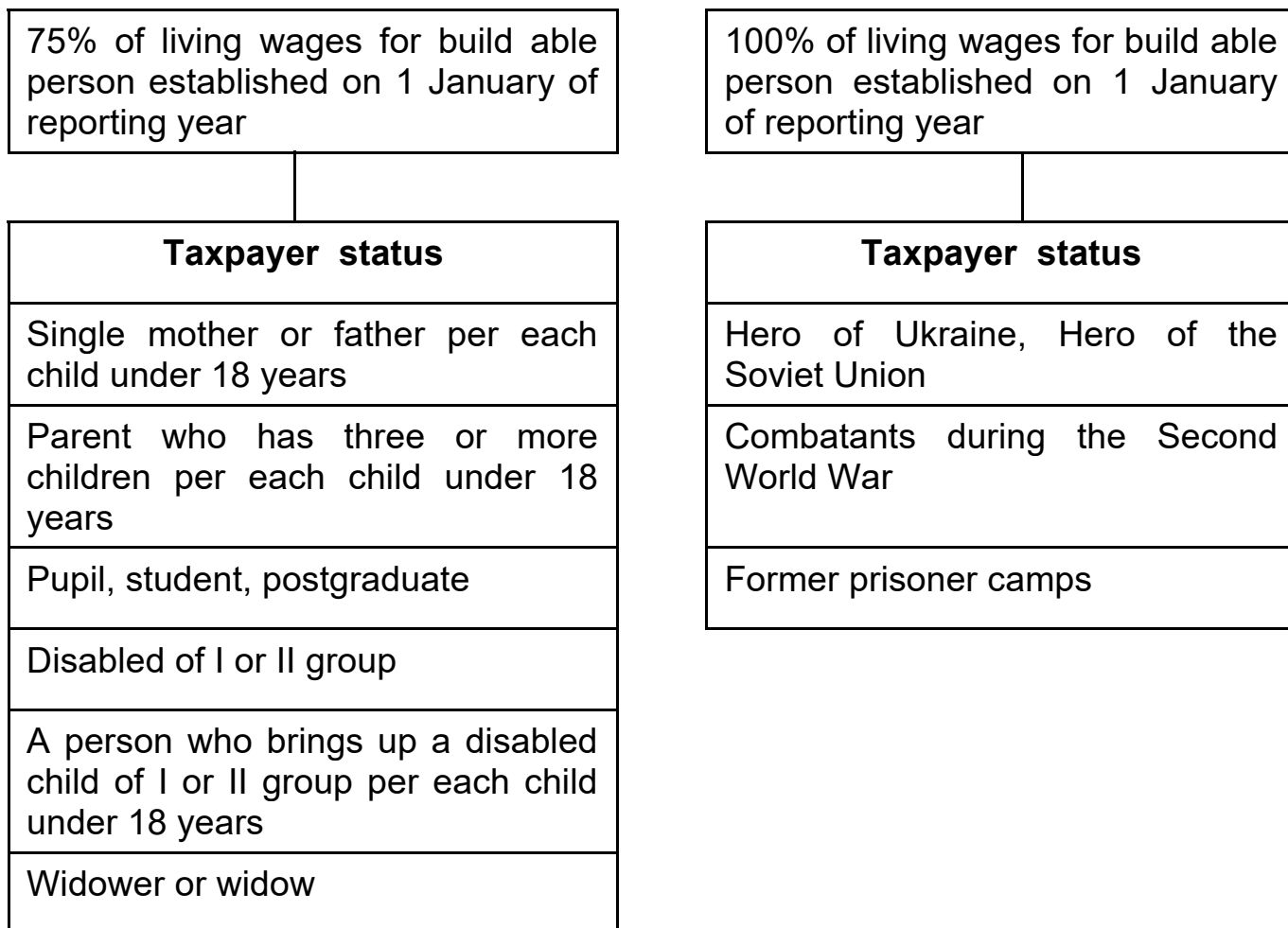


Fig. 5.1. Dimensions tax benefits

Social tax benefit is applicable to the taxpayer's income which were received during the month as salary, if its size does not exceed an amount equal to the sum of monthly living wage, multiplied by 1.4 and rounded to 10 UAH .

If monthly salary does not exceed the limit for applying social tax benefit, the object of taxation is calculated by the formula:

$$OT = S - USC - STB, \quad (5.1)$$

where STB - social tax benefit.

Tax Credit – amount of expenses on which taxpayer has the right to reduce his Total Annual Taxable Income (Fig. 5.2).

Terms for using Tax Credit:

- Tax Credit can be accrued to resident who has unique identification number;

- The total amount of Tax Credit can not exceed the Total Annual Taxable Income of taxpayer received as salary or wages;
- If the taxpayer did not use the right to charge the Tax Credit for the reporting fiscal year, he loses this right for this period next year.

Costs that can be include to the structure of Tax Credit according to the Tax Code of Ukraine	
	The amounts of money or value of property transferred by the taxpayer as a charity to nonprofit organizations (2 - 5% of Total Annual Taxable Income)
	Amount of money paid by taxpayer to educational institutions for their services (secondary school, junior technical college or high school) that are provided to him or to family members first-degree relatives (total cost shouldn't exceed an amount equal to the sum of monthly living wage, multiplied by 1.4 and rounded to 10 UAH for per month of studding during the year)
	Amount of expenses paid by taxpayer as insurance premiums under contracts of long-term life insurance (total cost shouldn't exceed an amount equal to the sum of monthly living wage, multiplied by 1.4 and rounded to 10 UAH for per month of insurance during the year)
	Amount of own funds paid by taxpayer to health care institutions for treatment (for purchase of essential medicines, donor components, prosthetic and orthopedic devices), except the costs of: cosmetic treatments, dental prosthetics , sex change operations, treatment of tobacco and alcohol dependent, etc.
	Part of mortgage interest paid by taxpayer

Fig. 5.2. Elements of the tax credit

Amount of expenses must be documented and reflected in the tax return. The right to a tax credit in future periods is not tolerated. The total amount of the tax credit may not exceed the amount of annual taxable income earned as wages.

In addition to income from wages, individuals can receive other types of income are also taxable. In Table. 5.2 presents rates of tax on personal income by source of their receipt.

Table 5.2

Personal Income Tax rates on other incomes according to the Tax Code of Ukraine

No. in order	Type of income	Rate
1.	Income from the sale of real estate	
1.1.	Income from the sale of one property object during calendar year	0 %
1.2.	Income from the sale of more than one property object during calendar year	5 %
2.	Revenue from the sale of personal estate	
2.1.	Income from the sale of a car, motorbike, scooter, motor boat no more than once during the calendar year	0 %
2.2.	Income from the sale more than one of objects in paragraph 2.1 during the calendar year	5 %
2.3.	Income from the sale of other objects of personal estate	5 %
3.	Heritage	
3.1.	All incomes from the heritage (real and personal estate, commercial ownership, insurance compensation, the accounts and cash) received by family members of first degree relatives and one of married	0 %
3.2.	All incomes from the heritage received by other family members (except first degree relatives)	5 %
3.3.	All incomes from the heritage received from not residents	18 %
4.	Prizes and winnings (except state lotteries)	18 %
5.	Incomes received by not residents	18 %
6.	Dividends, investment income, rental income	5 - 18 %

The tax period for the tax on personal income in the form of salaries is the calendar quarter. Declaration filed quarterly within 40 calendar days following the last day of the reporting period. The tax is paid simultaneously with the payment of wages or no later than 30 days following the reporting period (Table 5.3).

Table 5.3

Tax-filing date and payment terms of Personal Income Tax for legal entities

The Tax-filing Date		Payment Terms
Tax period	Calendar quarter	1) At the same time with the payment of salary
Deadline	During 40 calendar days next the last day of the reporting quarter	2) Not later than 30 days next the reporting period

5.2. Tests for control of knowledge

1. Tax payers of Personal Income Tax are:
 - 1) individuals residents who receive income originating from the territory of Ukraine and foreign income;
 - 2) individuals not residents who receive income originating from the territory of Ukraine;
 - 3) individuals not residents who receive income originating from abroad.
2. Objects of taxation for Personal Income Tax are:
 - 1) net annual taxable income;
 - 2) total annual taxable income;
 - 3) tax credit;
 - 4) social tax benefit.
3. Family members first-degree relatives are:
 - 1) parents;
 - 2) brother;
 - 3) stepchild;
 - 4) grandchildren.
4. Incomes that relate to total monthly taxable income are:
 - 1) amount of state rewards;
 - 2) income from royalties;
 - 3) money received as halping for treatment;
5. Income of citizens as a salary or wages taxed at:
 1. 18%;
 2. the progressive scale rates;
 3. 15%;
 4. 13%.
6. Incomes that are not objects of taxation for Personal Income Tax
 - 1) sum of insurance payments received by the taxpayer under contracts of long-term life insurance and private pension insurance;

- 2) income from fines or penalties actually received by the taxpayer in respect of financial or moral damage;
 - 3) income of individuals who are entrepreneurs and pay Single Tax.
7. Social tax benefit for Personal Income Tax - is:
- 1) non-taxable minimum incomes of citizens;
 - 2) tax credit for certain expenses of the individuals;
 - 3) amount of money by which can be reduced the total monthly taxable income of the individuals;
 - 4) differentiation of tax rates for income of socially unprotected categories of taxpayers.
8. The right for applying social tax benefit have:
- 1) all categories of taxpayers;
 - 2) socially unprotected categories of taxpayers;
 - 3) taxpayers who have to hold three or more children under the age of 18 years;
 - 4) taxpayers, whose monthly salary is less than the living wage, multiplied by 1.4 and rounded to 10 UAH.
9. Social tax benefit equals:
- 1) non-taxable minimum incomes of citizens;
 - 2) 50% of the minimum wage;
 - 3) 50% of the living wage.
10. The categories of taxpayers who have the right for application of social tax benefit at the rate of 75 % of living wages are:
- 1) military;
 - 2) combatants during the Second World War;
 - 3) a person who brings up a disabled child of I or II group per each child under 18 years;
 - 4) parent who has two children per each child under 18 years.
11. The categories of taxpayers who have the right for application of social tax benefit at the rate of 100 % of living wages are:
- 1) hero of Ukraine, Hero of the Soviet Union;
 - 2) parent who has two or more children per each child under 18 years;
 - 3) pupil, student, postgraduate;
 - 4) disabled of I or II group.
12. Tax Credit is:
- 1) amount of expenses on which taxpayer has the right to reduce his Total Month Taxable Income;
 - 2) amount of expenses on which taxpayer has the right to reduce his Total Annual Taxable Income;
 - 3) the concept close to social tax benefit;
 - 4) the amount of VAT by which can be reduced the amount of payments to the budget.
13. Tax Credit does not include:
- 1) the amounts of money or value of property transferred by the taxpayer as

- a charity to nonprofit organizations;
 - 2) amount of VAT;
 - 3) amount of own funds paid by taxpayer to health care institutions for treatment;
 - 4) amount of money paid by taxpayer to educational institutions for their services that are provided to him or to family members first-degree relatives.
14. If the right for applying tax credit was not used in the reporting fiscal year:
- 1) it is carried over to the following tax periods;
 - 2) it is lost;
 - 3) it can be used by other family members first-degree relatives;
 - 4) it is considered as a personal income tax overpayment.
15. Costs of an individual as a charity can be considered as a tax credit if:
- 1) it is provided to nonprofit organization;
 - 2) it size in the range 2 – 5 % of Total Annual Taxable Income;
 - 3) costs are verified by fiscal checks;
 - 4) all answers are correct.
16. Income received as a winning in non-state lottery is taxed at the rate:
- 1) 30 %;
 - 2) free of tax;
 - 3) 5 %;
 - 4) 18 %.
17. One of the tax rates for objects of heritage is:
- 1) 0 %;
 - 2) 15 %;
 - 3) 30 %;
 - 4) is differentiated according to the kinship degree of inheritor.
18. Tax period for Personal Income Tax is:
- 1) calendar year;
 - 2) calendar quarter;
 - 3) calendar half-year;
 - 4) calendar month.
19. The Tax-filing Date for Personal Income Tax is:
- 1) during 10 calendar days next the last day of the reporting period;
 - 2) during 20 calendar days next the last day of the reporting period;
 - 3) during 40 calendar days next the last day of the reporting period.
20. The payment term for Personal Income Tax is:
- 1) during 10 calendar days next the last day of the deadline of tax-filing date;
 - 2) At the same time with the payment of salary;
 - 3) during 40 calendar days next the last day of the reporting period.

5.3. Examples of solving tasks

Example 1. Resident of Ukraine in January 2018 received salary equals 4000 UAH at main place of work. Calculate the amount of personal income tax, which should be paid to the budget.

Solution:

1) PIT at main work place:

For this salary shouldn't be applied social tax benefit: $4000 \text{ UAH} > 1.4 * 1700 = 2380 \text{ UAH}$.

Object of taxation is:

OT = 4000 UAH

Personal income tax:

PIT = $4000 * 18\% = 720 \text{ UAH}$

5.4. Practice

Task 1 A citizen besides the main job is working part-time. Income from part-time work in March 2018 is 3980 UAH. Calculate the amount of personal income tax, which is necessary to keep up with his monthly income.

Task 2 A citizen holds a disabled child group II aged 15 years. In February, he received a salary 2080 UAH and 200 UAH financial aid. Calculate the amount of personal income tax, which is necessary to keep up with his monthly income.

Task 3 A citizen in January 3220 received a salary UAH, to work part-time - 1450 UAH. It has three dependent children under 18 years. Calculate the amount of personal income tax, which is necessary to keep up with her monthly income.

Task 4. Postgraduate in March 2018 received grant equals 1580 UAH and a salary 2300 UAH. Calculate the amount of personal income tax, which should be paid to the budget.

Task 5. Resident of Ukraine in February 2018 received salary equals 5000 UAH. He is a collier and spends in the mines more than half of work-time. Also he received state reward 1500 UAH. Calculate the amount of personal income tax, which should be paid to the budget.

Task 6. The average salary of a Ukrainian citizen in a month is 6000 UAH. During the year he paid 10 000 UAH education fees, made a charitable contribution 1000 UAH, made insurance payment 3000 UAH. At the end of the reporting year he submitted declaration to tax authority for recalculation PIT he should have paid. Determine net the annual taxable and make recalculation of PIT.

Task 7. A citizen of Ukraine during 2018 has sold 2 apartments. The first apartment with area 120 sq m costs 100 000 USD, the second apartment with area 40 square meters costs 30 000 USD. Calculate the amount of PIT he has to pay from the income as real estate sale.

Task 8. In 2017 the following family members have received inheritance from a resident of Ukraine: mother, wife, son, brother, sister. Inheritance is: 1) property in the amount of 394 thousand UAH; 2) deposit in a bank in the amount of 35 thousand UAH; and 3) insurance compensation in the amount of 47 thousand UAH. Under the terms of the bequest: the property should be inherited by mother, wife and sister equally. Deposit funds and insurance money – should be distribute among all members of the family equally. Calculate PIT they have to pay to the budget.

6. LOCAL TAXES AND FEES

6.1 Features administration of local taxes and fees

According to the Tax Code of Ukraine, local taxes and fees include: common tax; fee for the first registration of the vehicle; fee for car parking; fee for certain types of business activities; tourist fee.

Common tax payers are divided into four groups (Table 6.1):

- **1st group** - individual entrepreneurs who are not use labor of employees; are engaged in the retail sale of goods from trading places on the market or providing household services to the public; their annual income does not exceed 300 thousand UAH;
- **2nd group** - individual entrepreneurs who provide services, including household services, produce and (or) the sale goods, engaged in activities in the restaurant business, they don't use labor of employees or their number is less than 10 persons, and the annual income is less than 1 million 500 thousand UAH;
- **3rd group** - individual entrepreneurs and legal entities of any form of ownership, who do not use labor of employees or their number is not limited, and the annual income does not exceed 5 million UAH;
- **4th group** - agricultural enterprises and organizations, in which the amount of finished products is not less than 75 % - agricultural products, the rate depends on the amount of used land.

Common tax rate for the first group of taxpayers is between 1 and 10% of the living wage; for the second group - 2 to 20% of the minimum wage. To taxpayers of third and fourth groups it is set as a percentage to income: 3% of income - in the case if the taxpayer is a VAT payer; 5% of income - if the taxpayer is not a VAT payer.

Payers of property tax are individuals and legal entities, including non-residents who own residential properties.

Groups of common tax payers

Group of common tax payer	Characteristic of the taxpayer	Rate
1st group	Individual entrepreneurs who are not use labor of employees; are engaged in the retail sale of goods from trading places on the market or providing household services to the public; their annual income does not exceed 300 thousand UAH	between 1 and 10% of the living wage
2nd group	Individual entrepreneurs who provide services, including household services, produce and (or) the sale goods, engaged in activities in the restaurant business, they don't use labor of employees or their number is less than 10 persons, and the annual income is less than 1,5 million UAH	between 2 and 20% of the minimum wage
3rd group	Individual entrepreneurs and legal entities who do not use labor of employees or their number is not limited, and the annual income does not exceed 5 million UAH	3% of income - in the case if the taxpayer is a VAT payer; 5% of income - if the taxpayer is not a VAT payer
4th group	Agricultural enterprises and organizations, in which the amount of finished products is not less than 75 % - agricultural products, the rate depends on the amount of used land.	

The object of taxation is residential real estate. The tax base is the area of residential real estate.

Tax rates are set at the following rates per 1 m² of floor space of residential properties:

- for apartments, area of which is more than 60 m² and does not exceed 300 m², and houses with an area between 120 m² and 500 m², the tax rate is 1.5 % of the minimum wage (prescribed by law on January 1 of the reporting (tax) year) per m²;
- – for apartments with an area greater than 300 m², and houses with an area greater than 500 m², the tax rate is the same, plus 25 000 UAH per object.

Payers of the fee for car parking are legal entities and individual entrepreneurs who organize and carry out activities to ensure the parking of cars at platforms for paid parking and designated parking.

The object of taxation is a piece of land designated for the parking of cars on public roads.

Fee rate is set for each day of activities to ensure the parking of cars in UAH per 1 m² of land for parking is 0.075 % of the minimum wage set by law at 1 January of tax (reporting) year.

Tourist fee payers are citizens of Ukraine, foreigners and stateless persons who arrive in the territory of the administrative-territorial unit where tourist fee is charged, and receive services of temporary accommodation.

Persons who shouldn't pay tourist fee:

- persons who live on such territory and have an employment contracts;
- persons who are in business trip;
- disabled persons, children with disabilities;
- war veterans;
- liquidators of the Chernobyl accident;
- persons who came in health centers.

The rate is 1 % of the total cost of accommodation (without VAT) in the place where the tourist fee is in charge (except food and personal services).

6.2. Tests for control of knowledge

1. Simplified taxation system was introduced in order to:
 - 1) increase in tax revenues;
 - 2) state support of small businesses;
 - 3) reducing the tax pressure on businesses;
 - 4) all answers are correct.
2. Payers of common tax from legal entities can be:
 - 1) legal entities with value of revenue from product sales for the year is less than 5 million UAH;
 - 2) individual entrepreneurs, who's average number of employees not exceeding 50 persons and the value of revenue from product sales for the year is less than 1 million UAH;
 - 3) entrepreneurs if they have trade a patent;
 - 4) all answers are correct.
3. First group of common taxpayers includes:
 - 1) individual entrepreneurs who do not use labor of employees and their annual income does not exceed 300 thousand UAH;
 - 2) individual entrepreneurs who do not labor of employees or their number is not more than 10 persons, and the annual income less than 1,5 million UAH;
 - 3) entrepreneurs if they have trade a patent;
 - 4) all answers are correct.

4. Second group common taxpayers includes:
- 1) individual entrepreneurs who do not use labor of employees or their number is not more than 10 persons, and the amount of income does not exceed 3 million UAH;
 - 2) individual entrepreneurs who do not use labor of employees or their number is not more than 10 persons, and the annual income of less than 1,5 million UAH;
 - 3) individual entrepreneurs , who in the year the average number of employees not exceeding 50 persons and the value of revenue from product sales for the year is less than 5 million UAH;
 - 4) all answers are correct.
5. Third group of common taxpayers includes:
- 1) individual entrepreneurs who do not use labor of employees and annual income does not exceed 300 thousand UAH;
 - 2) individual entrepreneurs who do not use labor of employees or their number is not more than 10 persons, and the annual income of less than 1,5 million UAH;
 - 3) individual entrepreneurs and legal entities with amount of income does not exceed 5 million UAH;
 - 4) all answers are correct.
6. Object of taxation of common tax is:
- 1) income from sales of goods;
 - 2) profit of the company;
 - 3) total value of goods at market prices;
 - 4) all answers are correct.
7. In case of common taxpayers of third group are payers of VAT, they should pay tax rate equals:
- 1) 3 % of income;
 - 2) 10 % of income;
 - 3) 5 % of income;
 - 4) 20 % of income.
8. If the taxpayer of 3 group is not a VAT payer, his common tax rate is:
- 1) 5 % of income;
 - 2) 6 % of income;
 - 3) 3 % of income;
 - 4) 20 % of income.
9. Common tax rate for the first group payers is:
- 1) 10 % of the declared value of goods to be sold;
 - 2) from 1 to 10 % of the living wage;
 - 3) from 1 to 10 % of the minimum wage;
 - 4) from 10 to 100 UAH depending on the type of product.
10. Common tax rate for the second group of taxpayers is:
- 1) from 20 to 200 UAH depending on the type of activity;
 - 2) from 1 to 10 % of the minimum wage;

- 3) 20 % of the declared value of goods to be sold;
 - 4) from 2 to 20 % of the minimum wage.
11. Tourist fee payers are:
- 1) persons who reside on the territory where tourist fee is charged, including the persons who have an employment contracts;
 - 2) persons who have a business trip to the territory where tourist fee is charged;
 - 3) persons who arrive on the territory of the administrative-territorial unit where tourist fee is charged, and receive services of temporary accommodation;
 - 4) persons who come on such territory under permits and authorization in health centers.
12. The object of collecting tourist fee is:
- 1) time of being on a tourist territory;
 - 2) fixed sum of money;
 - 3) the daily cost of living on tourist territory;
 - 4) all answers are correct.
13. Tourist fee is:
- 1) 1 % of the tour price;
 - 2) 1 % of the total period of residence cost;
 - 3) 1 % of the minimum wage;
 - 4) 1 % of the person's income.
14. The object of collecting fee for car parking is:
- 1) the area of land for parking;
 - 2) duration of parking;
 - 3) engine size of vehicles;
 - 4) all answers are correct.
15. The rate of the fee for car parking is:
- 1) 0.1 % of the minimum wage;
 - 2) 0.1 % of income;
 - 3) 0.075% of the minimum wage;
 - 4) 0.075 % of income.
16. The rate of property tax is:
- 1) 0.5 % of the minimum wage per m²;
 - 2) 1.5 % of the minimum wage per m²;
 - 3) 1.5 % of the living wage per m²;
 - 4) 25 000 UAH per object.

6.3. Examples of solving tasks

Example 1. Individuals - small businesses that have a common tax payer, has an annual income of 100 ths., Hired workers do not use only pays tax at a maximum rate. Calculate the value of the common tax.

Solution. Individuals - small business belongs to the first group of

taxpayers, as hired workers does not use and has an annual income of less than 150 thousands UAH. He only pays tax at a maximum rate - 10% of the living wage:

$$CT = 1762.0 * 10 \% = 176.2 \text{ UAH.}$$

Example 2. Individuals - small businesses that have a common tax payer, has an annual income of 500 ths., Hired workers do not use only pays tax at a maximum rate. Calculate the value of the common tax.

Solution. Individuals - small business belongs to the second group of taxpayers, as hired workers does not use and has an annual income of less than 1 500 thousands UAH. He only pays tax at a maximum rate - 20% of the minimum wage:

$$CT = 3723.0 * 20 \% = 744.60 \text{ UAH.}$$

Example 3. Legal entity that is a common tax payer, has an annual income of 1440 ths and is a VAT payer. Calculate the value of the common tax.

Solution: Legal entity belongs to the third group of taxpayers. His monthly income is:

$$MI = 1440 / 12 = 120 \text{ ths UAH}$$

Calculation of the amount of VAT:

$$VAT = 120 / 6 = 20 \text{ ths UAH.}$$

Object of taxation is:

$$OT = 120 - 20 = 100 \text{ ths UAH.}$$

Common tax is:

$$CT = 100 * 3 \% = 3 \text{ ths UAH.}$$

6.4. Practice

Task 1. Individual entrepreneurs, which is a common tax payer, has an annual income of 120 thousand UAH, does not use labor of employees, pays tax at the maximum rate. Calculate the value of a common tax per month.

Task 2. Individuals - small businesses that have a common tax payer, has an annual income of 500 thousands. Employees - 7 individuals only pay tax at the maximum rate. Calculate the value of the common tax.

Task 3. Individuals - small businesses that have a common tax payer, has an annual income of 2 million UAH, employees - 10 people. An individual as a payer of VAT. Calculate the common tax and value added tax.

Task 4. Small business - the legal entity that is a common tax VAT payer, has income from sales per month 180 000 UAH. The number of employees is 13 persons salary of each is minimum wage. Determine whether the legal entity can use the simplified taxation system. Calculate the value of the common tax, VAT, personal income tax.

Task 5. Individual entrepreneurs, is a common tax payer. He does not use labor of employees, has an annual income of 395 thousand UAH. This month he traveled to Morshin for 8 days, the daily cost of living in the city was 360 UAH without VAT. In addition to the common tax he pays the property tax

as he owns 100 m² apartment. Calculate a common tax, property tax and tourist fee.

Task 6. Legal entity that is a common tax and VAT payer has an annual income 4.7 million UAH with VAT. A legal entity shall also pay fee for car parking. Platforms for paid parking is 95 m², the fee is paid for 22 days of parking. Calculate the common tax per month, VAT per month and the fee for car parking.

Task 7. Individual entrepreneurs, who are common tax payers at the maximum rate has annual income 1190 thousand UAH and 6 employees. This month he has purchased automobile and a house of 600 m². Calculate a common tax per month, fee for car parking and property tax.

Task 8. Legal entity that is a common tax and VAT payer has income from sales per month 270 000 UAH. The number of employees is 25. This month the company purchased automobile and lorry. Also this month the director traveled to Odessa for 7 days, the daily cost of living in the city was 700 UAH without VAT. In addition to the common tax and VAT, entity pays such fees: tourist fee, fee for parking of 2 cars per 22 days in the month. Calculate common tax, VAT, tourist fee, fee for car parking.

RECOMMENDED THEME PAPERS

1. Objective necessity and socio-economic nature of taxes.
2. Key features of taxes and their characteristics.
3. The historical aspect of the emergence taxes.
4. Elements of taxes and their characteristics.
5. Taxes on income and property.
6. Distribution of taxes between the links of the budget system of Ukraine.
7. The use of taxes as an economic stimulus.
8. Types of tax rates.
9. Nature and types of exemptions.
10. Classification of taxes.
11. The tax system of Ukraine, its content and structure.
12. Direct and indirect taxes in Ukraine, their relationship.
13. Trends and reform of the tax system of Ukraine.
14. The concept of reforming the tax system of Ukraine.
15. Tasks and functions of the State Tax Service.
16. The functions, rights and duties of the tax police.
17. Rights and obligations of taxpayers.
18. Organization of taxpayers.
19. Nature and purpose of VAT.
20. Payers, object and database VAT.
21. VAT exemptions and tax rates.
22. The tax credit and tax liability.
23. Tax bill: the content and order filling.
24. The procedure for calculating and timing of payment of VAT to the budget.
25. Procedures for VAT reimbursement.
26. Features of VAT in export-import operations.
27. The essence and purpose of excise duty.
28. Payers of excise duty and tax items.

29. Groups of excisable goods and tax rates.
30. The procedure for the calculation and payment of excise duty in the budget.
31. Nature and types of fees.
32. The order of import duty.
33. Export duty in Ukraine.
34. Taxable income and tax items.
35. Gross revenue and the order of their definition.
36. Gross costs.
37. The procedure of calculating depreciation for tax purposes.
38. The rates and benefits from income tax.
39. The procedure for calculating and timing of income tax.
40. Overview of the fixed agricultural tax (FAT).
41. Taxpayers, tax items and rates of FAK.
42. Taxable income individuals and objects of taxation.
43. Payout, non-cumulative taxable income.
44. Social benefits for the taxation of personal income.
45. Tax rates on personal income and the mechanism of their application.
46. The tax credit for the taxation of personal income.
47. Common tax payers and the right to use the simplified taxation system.
48. Property Tax and procedure of calculation and payment of the common tax.
49. The fixed tax.
50. Tax on fishing.
51. Payments for natural resources.
52. General description of duties for special use of natural resources.
53. Fee for water use.
54. The fee for special use of forest resources and to use forest areas.
55. Fee for environmental pollution.

56. Tax on Vehicle: taxpayers, objects of taxation, rates and benefits.
57. The procedure of calculation and payment of tax on vehicle owners in the budget.
58. Land tax: taxpayers, objects of taxation, rates and benefits.
59. The order and timing of land tax in the budget.
60. General description and value of local taxes in the formation of local budget revenues.
61. Types of local taxes.
62. The procedure of calculation and payment of local fees.
63. The content and features of tax evasion.
64. Re-taxes.
65. Tax policy and the principles of its development.
66. Criteria for forming the optimal tax policy.
67. Types and forms of implementation of tax policy.
68. Types and characteristics of non-payment.
69. The procedure of establishment and payment of rent.
70. The procedure for calculating the state.

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