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Taxation of Charitable Giving in Terms of Martial Law in Ukraine: Legislative Novelties and Future Models

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Abstract

The purpose of the article was to reveal the conditions and consequences of key developments in the Ukrainian tax legislation, with respect to charitable donations by residents and non-residents in the context of the martial law regime, but de facto, large-scale war; as well as to determine models of development forecasting tax incentives for the post-war period of the restoration of Ukraine. Interdisciplinary descriptive, analytical and prognostic methods were used in the development of the research; in particular, comparative, situational and matrix analysis, interpolation and extrapolation of trends, conceptual and cognitive modelling. It is concluded that, Ukrainian tax policy is being significantly modernized by implementing a wide range of novelties related to key national taxes, namely: corporate income tax and individual income tax, to create the most favourable treatment for charitable donations by individuals, legal entities, charitable organizations

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and business entities. It is expected that the post-war legislative strategy for taxation of charitable giving will be different from the peacetime and wartime models.

Keywords: charitable donations; tax incentives; war in Ukraine; humanitarian aid; restoration of Ukraine.

Tributación de donaciones caritativas en términos de derecho marcial en Ucrania: Novedades legislativas y modelos futuros

Resumen

El propósito del artículo fue revelar las condiciones y consecuencias de las novedades clave de la legislación fiscal ucraniana, con respecto a las donaciones caritativas por parte de los residentes y los no residentes en el contexto del régimen de la ley marcial, pero de facto, de la guerra a gran escala; así como determinar modelos de incentivos fiscales de pronóstico de desarrollo para el período de posguerra de la restauración de Ucrania. Se emplearon en el desarrollo de la investigación métodos descriptivos, analíticos y de pronóstico interdisciplinarios; en particular, análisis comparativo, situacional y matricial, interpolación y extrapolación de tendencias, modelado conceptual y cognitivo. Se concluye que, la política fiscal de Ucrania se está modernizando significativamente mediante la implementación de una amplia gama de novedades relacionadas con los impuestos nacionales clave, a saber: el impuesto de ganancias empresarial y el impuesto sobre la renta individual, para crear el tratamiento más favorable para las donaciones caritativas por parte de las personas, entidades legales, organizaciones caritativas y entidades comerciales. Se espera que la estrategia legislativa de la posguerra de impuestos de donaciones caritativas sea diferente de los modelos de paz y los de guerra.

Palabras clave: donaciones caritativas; incentivos fiscales; guerra en Ucrania; ayuda humanitaria; restauración de Ucrania.

Introduction

The unprovoked military aggression against sovereign Ukraine violating fundamental principles and rules of international law including international humanitarian one considering laws and customs of war became one of the key challenges to the civilized world within the first quarter of the XXI century.

According to the UN information published by BBC as of August 2022, there are thousands dead and wounded among civilians and the military, more than 13 million Ukrainians had left their homes including more than 6 million of internally displaced persons and 6 million leaving to Europe, where 4 million of them are women and children (Dorosh, 2022).

The enormous scale of humanitarian catastrophe determined unprecedented intensification of charitable giving on the part of both residents and non-residents of Ukraine. This phenomenon reflects the positive trend, which can be confirmed by the data of CAF World Giving Index 2022 indicating that Ukraine is the only top 10 European countries, moving up the rankings from #20 in 2020 to #10 in 2021 (The Charities Aid Foundation, 2022).

It is an axiom that peacetime legislative models in general and tax models in particular cannot objectively be fully effective during wartime. This issue is system in nature, consequently, it requires the modernization of tax incentives aimed at proper responding war challenges.

The purpose of the study regarding the above is to reveal Ukrainian legislation's key novelty in the field of direct taxation of charity activity provided by residents and non-residents by focusing attention on the main national taxes, namely, enterprise's assessable profit and personal income tax in the context of the warfare, as well as development forecasting of logical-semantic and cause-and-effect models for post-war period of Ukraine's restoration.

1. Methodology of the study

The outlined purpose of the study determined its epistemological approaches to the proper doctrine and methodology. Since there is no single method of cognition that would provide total knowledge on its own, it is worth applying a set of methods based on the ability of each of them to realize its advantages and at the same time compensate for the cognitive limits of other methods.

To provide the in-depth research alongside with diagnostic (descriptive) methods, a wide range of interdisciplinary analytical and forecasting methods are expected to be applied effectively, in particular, comparative, situational and matrix analysis, trends interpolation and extrapolation, conceptual and cognitive modelling.

The working hypothesis of the study, which is to be confirmed or refuted, is that residents and non-residents' taxation models of charity activity operated in Ukraine in peacetime have become history and cannot be preserved during the war or fully returned during the restoration of Ukraine.

2. Analysis of recent research

Having applied literature review qualitative methods, some dominant trends can be described. Particular attention within in-depth law research including PhD theses and monographs published in Ukraine in the field of private law is focused on the different aspects of the civil law status of charitable organizations, non-profit societies and institutions in the context of adaptation to EU laws including some features in the field of charity activity such as endowments (Kochin, 2020), (Shpuganych, 2018). In turn, public law research is being conducted in the field of administrative law regarding, among others, legal and administrative principles of patronage (Putayto, 2019), administrative and legal regulation of sponsorship in Ukraine (Demeshko, 2019).

As a rule, taxation of charity activity is the subject matter of the research in economics, which can be illustrated by the example of the dissertation with respect to tax incentives of charitable giving in terms of foreign practice and prospects of Ukraine (Bobrivets, 2018), PhD in economics scientific article regarding charity as a source of financial resources of the population social protection (Nasibova, 2020). Issues of charitable giving taxation alongside with this trend are analysed by practice-oriented experts, in particular, representatives of the State Tax Service of Ukraine, multinational audit and consulting companies, for instance, Price Waterhouse Coopers.

Analysis of recent research allows making the conclusion that synthesis of direct taxation issues of charity, volunteer and humanitarian aid provided by individuals and legal entities - residents and non-residents in the context of both warfare and future post-war restoration of Ukraine within one scientific article defines it as one of pioneering.

3. Results and discussion

3.1. Volunteer activity taxation

The peculiarity of Ukrainian legislation consists of the existence of three laws related to charity activity and charitable organizations (Law of Ukraine No. 5073-VI, 2012), volunteer activity (Law of Ukraine No. 3236-VI, 2011) and humanitarian aid (Law of Ukraine No. 1192-XIV, 1999). Comparative analysis of their rules determines the correlation between basic definitions considering charity activity as generic concept and volunteer and humanitarian aid as the concept's types. Meanwhile, "The Tax Code of Ukraine does not distinguish humanitarian aid separately and actually contains a description of charitable giving taxation" (Savchuk, 2022).

There are axioms that volunteers became the first and remain one the most effective supporters of the Armed Forces of Ukraine, territorial defense units and other formations in the defense sector.

Taking into account the definition of the Law of Ukraine “On volunteer activity” as of April 19, 2011 No. 3236-VI with the latest amendments as of December 13, 2022, it’s worthwhile pointing out that volunteer activity is immanent significant peculiarity. Its concept quintessence consists of asymmetry between volunteers’ legislative permission to receive any assets free of charge including cash, goods, services, works, property rights and narrower scope of activity limited by services providing and works performed to the beneficiaries personally without any monetary or material compensation.

Key problems related to volunteer activity taxation under warfare concerned the obligation to pay personal income tax after assets receiving free of charge and the absence of the right to compensate expenses occurred de-facto documentary unconfirmed de-jure. Indeed, an individual or a volunteer organization may need to receive cash or goods from benefactors (donors, philanthropists) both residents and non-residents in order to provide volunteer activity. The amount of such cash or the fair value of goods under the general tax legislation requirements during peaceful time shall be included in the gross individual taxable income followed by tax payment under 18 % tax rate.

Nowadays, the relevant tax treatment has been liberalized by the Ukrainian Parliament since 24 February 2022 significantly by means of implementing the following algorithms. Each volunteer may choose the appropriate tax model within the alternative - to be or not to be a taxpayer of individual income tax in part of assets received free of charge. Implementing of the first model does not require any additional procedure steps, in its turn, there are reasons to recognize the second model as much more effective adopted for the period of martial law in the territory of Ukraine. Its quintessence is following - the amount of cash and value of goods received free of charge by volunteers from other benefactors shall not be included in the gross individual taxable income under certain conditions regarding:

1. Obtaining the legal status of a benefactor by being included in a special State Register of volunteers by its holder State Tax Service of Ukraine which shall be completed during just 1 day after all required documents submitted.
2. Providing charitable giving (aid) to the certain categories of beneficiaries defined legislatively as exhausted list, namely: a) participants in hostilities or members of their families; b) employees of enterprises (institutions), civil defense forces participating in the

implementation of relevant state measures in the areas of hostilities directly (as well as their family members); c) natural persons who live or lived on the territory of settlements where hostilities are or were taking place and have been forced to leave their place of residence in connection with hostilities.

The option, that is the right but not obligation, concerning entering in the State register of volunteers, as a precondition for individual income tax incentive, became an important legislative novelty. Indeed, the huge problem was that, during the most awful initial period of Russian military invasion in February – March 2022, a number of Ukrainian volunteer's de-facto received cash on their banking (cards) accounts and goods from natural and legal persons to support the Armed Forces of Ukraine, territorial defense units, internal refugees without paying individual income tax to the state budget and confirming charitable expenses documentary.

De jure it means that the volunteers have been violating the provisions of the Tax Code of Ukraine (Tax Code of Ukraine No. 2755-VI, 2010), consequently they can be held liable and pay fines, which should be recognized as legal, but not fully legitimate. It is the reason for supporting the supplements of the Tax Code of Ukraine by the Parliament of Ukraine with a special rule in November 2022, which has retroactive effect.

That rule stipulates that charitable giving shall not be included in the personal income tax, if it was received during the period from February 24, 2022 to the date of inclusion of the individual in the Register of volunteers. Simultaneously, a sufficient time was given to complete the formal and legal procedure for inclusion in the mentioned Register, since the deadline expired just on January 1, 2023.

A little earlier, in September 2022, a reasonable valid alteration was adapted to the Tax Code of Ukraine, which also had a retroactive effect stipulating that the requirement for mandatory documentary confirmation of the expenses by individuals-volunteers was not applied to expenses in the period from February 24, 2022 to May 1, 2022.

An important positive temporal aspect for volunteers is that “Tax incentive period is stipulated till December 31, 2023 after of completing the measures of national defense and security implementation” (Karpenko, 2022).

3.2. Legislative restrictions of charity activity and incentives towards individuals-entrepreneurs

There are a lot of individuals in Ukraine acting as entrepreneurs providing profit-oriented activities of the certain types to be fixed under official registration procedure. They have the right to choose either general

system of taxation or simplified one within 1-3 groups applying different reduced tax rates.

The vast majority of individuals-entrepreneurs represent the 3d group within the simplified system of taxation, having the option to apply either 3% tax rate under condition of indirect value added tax payment or 5 % without VAT. One of the main legislative problems related to such kind of individuals-entrepreneurs included the barrier to transfer cash to either charitable organizations or directly to beneficiaries as charitable giving.

Individuals-entrepreneurs from the general point of view are permitted to receive cash free of charge within their commercial activity, which is recognized as irrevocable financial aid. Such a transaction results in including appropriate amount in the entrepreneurs' taxable income. Alongside with that, the amount of irrevocable financial aid received as charitable giving is not considered to be the income of an individual-entrepreneur paying a single tax by providing commercial activity (B24 – Information Business Portal, 2019). In accordance with the Art. 177.6 of the Tax Code of Ukraine in case if an individual-entrepreneur receives income other than the conduction of entrepreneurial activity, such income shall be taxed under the much higher personal income tax rate of 18% and, additionally, military collection of 1,5 %.

Concerning the restriction to be a cash donor, representatives of the State Tax Service of Ukraine emphasized that the provision of financial aid, moreover, both revocable and irrevocable, by individuals – entrepreneurs of 1-3 groups applying the simplified system of taxation belonged to the sphere of financial services, namely, intermediation which has been expressly prohibited for such payers at the legislative level for a long period (The Main Administration of The State Tax Service in The Ternopil Region, 2021).

We can agree with the experts' position that, actually, such approach meant a taboo on the implementation of charity and donations by an individual-entrepreneur on the simplified system of taxation because such payments, according to the terminology of the Tax Code of Ukraine, fully fell under the category of irrevocable financial aid, meanwhile, such prohibition was absolutely illogical (Korol, 2021).

Violating the legislative restriction concerning providing charitable activity led to losing preferable simplified single tax payer status by individual-entrepreneur with the obligation to switch to a general taxation system with the tax rate 18 %.

In the context of Ukrainian tax legislation modernization, it is important to focus attention on the novelty rule, stipulating that, temporary, namely, from April 1, 2022 till the until the termination or cancellation of martial law treatment, individuals - entrepreneurs of the 3rd group being single tax

payers under the tax rate 2% are permitted to provide both revocable and irrevocable financial aid.

Key problem towards individuals-entrepreneurs who are income tax payers under the general system lies in the very fact that charitable aid delivered by individuals-entrepreneurs to the beneficiaries were not recognized as expenses resulted in non-reducing their taxable profit under the general rule of Ukrainian tax legislation in the peacetime.

This limiting rule was modified after beginning of the military invasion of Russia. According to the novelty rule - clause 22 of the subsection 1“Peculiarities of personal income tax payment” of the Section XX of the Tax Code of Ukraine, cash transferred to the Armed Forces of Ukraine and other formations in the defense sector voluntarily, as well as expenses in value of property including amount of cash of individuals-entrepreneurs providing commercial activity confirmed documentary can be taken into account as a part of expenses.

Thus, Private entrepreneurs registered under the general tax regime may deduct business expenses and depreciation charges, subject to the rules established by the Tax Code (PwC, 2023).

3.3. Business entities’ charitable giving taxation

Under the warfare, business entities can grant charitable giving to the Armed Forces of Ukraine, other public law legal entities in the defense and security sector directly or through private law charitable organizations, which can be established as a charity society, institution or fund, herewith, this list is exhausted.

Indeed, Ukrainian business entities under the general system of taxation are active in providing social entrepreneurship and transferring assets to charitable organizations, which can be registered as non-profit ones. At the same time, they have to comply with the imperative rules stipulating significant limitations in regard to different approaches of financial and tax accounting related to the recognition of charitable giving as expenses.

The amount of the profit of an enterprise taxable is determined on the basis of financial statements prepared in accordance with either National Accounting Standards or International Financial Reporting Standards followed by its readjustment (increase or decrease) for differences in taxes defined in the Tax Code of Ukraine.

Business legal entities may receive both cash including foreign currency from non-residents and goods (services, works) free of charge from other economic entities. Such transactions from private law point of view require the conclusion of a donation contract or similar one. In turn, this transaction from taxation point of view shall be recognized as irrevocable financial aid

(which is non-targeted aid in comparison with charitable giving, which is targeted as a rule) without any tax differences.

Ukraine implemented charitable giving taxation model for business entities stipulating deduction of such giving portion from gross enterprise income generated from the sources both inside and outside with the ceiling expressed in certain per cent. Thus, when providing charity activity in times of peace, business entities had the right to add an amount of cash, as well as value of goods or services transferred free of charge to non-profit organizations to the corporate expenses in an amount not exceeding just 4 % of the taxable profit of the previous reporting year.

As far as war requires fundamentally new legislative solutions from the public authorities to be adopted to stimulate charity activity, the above-mentioned provision of the Tax Code of Ukraine concerning 4 % ceiling shall not be applied until the termination or abolition of legal regime of the martial law on the territory of Ukraine. In order to take advantage of this tax incentive, i.e. to preserve the amount of financial accounting taxable profit without increasing readjustments for differences in taxes, it is necessary to comply with the mandatory rules related to:

- first, the range of property including an amount of cash or value of personal protection special means (helmets, body Armor, manufactured in accordance with military standards), technical means of observation, medicines, food, items of physical support, as well as other goods, works performed, services provided under the list of the Government of Ukraine;
- secondly, the manner of transferring above mentioned property - exclusively volunteer one, which is fundamentally different from a forced alienation of private property or withdrawal state one from state-owned enterprises;
- thirdly, the list of beneficiaries including, in particular, but not exclusively the Armed Forces of Ukraine, the National Guard of Ukraine, the Security Service of Ukraine, the Foreign Intelligence Service of Ukraine, the State Border Guard Service of Ukraine, the Ministry of Internal Affairs of Ukraine, other institutions or organizations maintained at the expense of the state budget, civil defense forces, as well as health care institutions of state or municipal ownership;
- fourthly, the purposes of charitable giving - the needs of state defense and provision of humanitarian aid in compliance with the requirements of the legislation of Ukraine on humanitarian aid in connection with the military aggression of the Russian Federation against Ukraine.

3.4. Taxation of charitable organizations

In accordance with the general preferential rule of the Tax Code of Ukraine (Art. 197.1.15), provision of charitable aid, in particular, free of charge supply, i.e., supply of goods or services without any monetary, material or other types of compensation, to charitable organizations, as well as provision of such aid by charitable organizations to recipients are tax-exempt transactions.

The main problems of key subjects – charitable organizations in the field of taxation are determined by legislative requirements to act in the compliance with the purposes and directions of the charity activity defined in the founding documents. Despite the fact pointed out by the State Tax Service of Ukraine that this requirement is mandatory (State Tax Service of Ukraine, 2023), it is worth emphasizing that such approach can be considered acceptable in peacetime, but unreasonable barrier during the war.

In the context of the declared state policy regarding the creation of favorable conditions for intensifying charity activity, charitable organizations can implement the option stipulated in the Tax Code of Ukraine. This option provides the acquisition of the legal status of non-profit organizations or institutions entered in the corresponding state Register that are not considered to be profit tax payers.

In accordance with the imperative rule stipulated in the Art. 133.4.2 of the Tax Code of Ukraine, profit (income) of a non-profit organization is permitted to be used for covering expenses for 1) its maintenance and 2) achievement of purposes within the scope of charitable activities directions. In peacetime, violation of the legislative restrictions concerning the targeted use of assets (cash, goods, property rights) by non-profit organizations in part of the compliance with the framework of charitable activities and list of permitted beneficiaries resulted in losing of the non-profit legal status.

Such an approach creating risks for charitable organizations as non-profits is radically modernized, albeit for a certain period of time, namely, for the duration of the martial law regime. The State Tax Service of Ukraine emphasizes that non-profit organizations can provide all kinds of charitable giving to third parties at the expense of their income, even if provision of any of them is not stipulated in their founding documents. Thus, it is not currently considered to be a violation of the tax legislation, consequently, there is no risk of losing their non-profit status (STA, Information letter No. 7/2022).

It is worth adding that the provision of a wider charitable giving unrelated to the purposes and directions of charity activity is not considered to be a violation of the legislation under the compliance with certain

requirement. The quintessence of such a requirement is goods transferring, services providing and works performing on a voluntary basis for certain priority needs, namely, defense and security of the state (in particular, for the Armed Forces of Ukraine, the National Guard Service of Ukraine, the Security Service of Ukraine, the Ministry of Internal Affairs of Ukraine), as well as health care facilities of state or municipal ownership.

Alongside with that, it is worth paying attention to the additional positive legislative novelty that it is not the violation of the tax legislation of Ukraine, if charitable aid is provided to individuals, who are not founders, members of non-profit organizations or related persons and who: a) reside or have previously resided on the territory of a settlement, where hostilities are being conducted or have been conducted, or b) were forced to leave their place of residence in connection with hostilities in such settlements.

3.5. Foreign humanitarian aid taxation and incentives

Non-residents of Ukraine have an opportunity to support Ukrainians by means of providing humanitarian aid to charitable organizations, other legal entities, as well as individuals whereby both across borders and on the territory of foreign countries. Such an aid can be provided from abroad of Ukraine, in particular, in foreign currencies on the banking accounts of charitable organizations without any legislative barriers and additional requirements like obligatory sale of a portion of foreign currency earnings, which was in effect for exporting businesses for a long period before the war.

Rules regarding taxation of succession shall be applied in cross-border free of charge receiving both of cash and goods by an individual resident of Ukraine from a non-resident individual. It means that the amount of cash or value of goods received shall be taxed under the personal income taxation rate of 18% with additional 1,5% of military collection.

According to the novelty rule - clause 27 of the subsection 1 “Peculiarities of paying personal income tax” of the Section XX of the Tax Code of Ukraine, amount of cash or value of goods (services) provided free of charge at the expense of budgetary funds of foreign countries and their state funds to individuals-residents of Ukraine and members of their families of the first degree of kinship shall not be included in the gross individual taxable income.

Indeed, such tax incentive is actual for millions of Ukrainian refugees being on the territory of EU Member States, Canada, USA, other friendly countries as far as it is granted just to persons, who suffered due to armed aggression of the Russian Federation against Ukraine and exercised the right to temporary protection in accordance with the legislation of the foreign state.

Taking into account the importance of such a foreign aid, which is under provisions of public law regulation, the effect of this rule is expanded towards private law relations by both objective and subjective speckle. Thus, individual-resident of Ukraine will not have the obligation to pay individual income tax under certain related conditions, namely: first of all, receiving all forms of provision of the specified aid including its recognition as an additional benefit, secondly, receiving such an aid from foreign companies and organizations carrying out charitable activities in accordance with the legislation of the relevant foreign jurisdiction.

4. Future models of charitable giving taxation under Ukraine's restoration

Considering the temporary nature of the tax incentives disclosed above, the development of appropriate models within the framework of stimulating approaches in the post-war recovery period of Ukraine is relevant. Such future models are likely to be different from previous models in order to provide new balance between public interests of the society and private interests of individuals and legal entities.

Ukrainians and people supporting Ukraine all around the world hope for the end of the awful war during 2023. To eliminate consequences of the uncivilized war at macro level - destroyed thousands of residential buildings, hospitals, schools, damaged transport and energetic infrastructure, the wide range of industries – the country will need partner international assistance of the governments and international organizations by means of implementing a Marshall Plan II-like the Restoration Plan for Ukraine.

At the same time, at micro level, millions of Ukrainians, in particular, participants of hostilities, families of fallen defenders of Ukraine, internally displaced persons, this list is not exhausted, will need social support also after the end of the war. According to the Art. 1 of the Constitution, Ukraine is declared to be, inter alia, social state, but it is obviously that public authorities will not be able to solve all the social issues without charitable activity provided by individuals and legal entities both by residents and non-residents. It requires adaptation of the state tax policy to the scale and conditions of the restoration of Ukraine unknown previously.

Key authors' conceptual approach to future strategy modelling is that tax legislation rules before and during the war can be viewed as having been adopted in fundamentally different polar historical conditions. Consequently, they are unlikely to be appropriate in the new perspective, but complicated context of Ukraine's restoration.

Thus, the strategic task is to offer new models of charitable activity taxation aimed at balancing, on the one hand, the need to increase budget revenues, which implies abolishing so-called war tax incentives to volunteers, charitable organizations and business entities, on the other hand, stimulation of these subjects to provide charitable giving to those who need social support as active as possible.

A very important aspect within conceptual modelling is temporal horizon as it can be considered an axiom that restoration of Ukraine will last much longer than a couple of years. Accordingly, it is worth developing several types of relevant models, in particular, the long-term ones designed for at least 10 years and models to be implemented under certain conditions.

Being one of the key providers of assets transferred to beneficiaries both charitable organizations and directly recipients free of charge, business entities—legal persons and individuals—entrepreneurs under the general system of taxation deserve the implementation of special treatment of profit taxation.

It can be defined as gradual reduction of tax incentives model. Its quintessence is saving the right of deducting 100% of charitable giving during a year after the martial law cancelling in Ukraine. Starting from the second year, the allowed deductible portion is 90% of charitable giving. In line with this logic, deduction for the 3d year will reach 80% portion of giving and so on gradually during next seven years. Thus, for the 11th year, public authority will have a possibility to stipulate the optimal level of a portion giving deductions allowed between 4% in a peacetime and 100% during the warfare.

Given the importance of volunteers in the field of charitable activities, it is worth preserving personal income tax incentive for them, where charitable giving is fully deductible for at least 10-years transitional period after the end of the war.

Offered approach can be extended to individuals – final recipients in need of charitable giving or humanitarian aid. It means that such recipients will not include all forms of giving to the gross individual taxable income. Herewith, it is said about the giving received from both residents and non-residents including foreign companies and organizations carrying out charitable activities in accordance with the legislation of the relevant foreign jurisdiction.

Considering the role of charity organizations as key subjects in the field of charitable activity, it is worthwhile saving them the wider space for manoeuvre to act out of limits of special legal personality. Thus, the provision of charitable activity unspecified in their founding documents, as well as granting charitable giving to the wider range of individuals, in particular, who were forced to leave their place of residence due to hostilities

should not lead to the loss of the status of charitable organizations as non-profit during at least 7-10 years after the end of the war.

Conclusions

Taxation policy of Ukraine related to charitable giving in the whole and volunteer and humanitarian aid in particular is significantly modernized to respond the challenges of unprovoked war in the center of the European continent, which is unprecedented after World War II.

It creates favorable conditions to fully implement moral, humanistic values by benefactors (philanthropists) - residents and non-residents – individuals and legal entities along with key subjects in this field, namely, Ukrainian and foreign charity organizations towards beneficiaries, who are in great need of support and assistance. The range of such beneficiaries includes, in particular, wounded defenders of Ukraine, families of fallen soldiers and officers, people who survived the occupation and left their homes because of hostilities, Ukrainian refugees on the territories of a number of foreign countries, primarily, women and children.

Ukrainian legislation liberalization in the field of direct taxation concerns the key nationwide taxes, namely, enterprise's assessable profit and personal income tax, when carrying out transactions of transferring cash, supply goods, providing services, performing works voluntarily and free of charge in favor of the Armed Forces of Ukraine, territorial defense units, the National Guard of Ukraine, the Security Service of Ukraine, the State Border Service of Ukraine, the Ministry of Internal Affairs of Ukraine and other institutions in the fields of defense, security, medicine, social protection, etc.

Looking forward to the end of the war in 2023 and developing the future post-war models of charitable giving taxation, it is suggested that the best legislative rules and practices that were introduced after the annexation of Crimea in 2014, improved and expanded by the Ukrainian Parliament after the large-scale invasion starting on February 24, 2022 should be preserved. Alongside with some constants, it's worthwhile implementing variable part of tax models stipulating decreasing tax incentives gradually granted at least for 10 years of transitional period of Ukraine's restoration.

The restoration of Ukraine will certainly happen and it'll be successful with the support of people of good will and kind hearts, foreign countries like Ukraine's partners from all over the civilized world.

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