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Tax policy of Ukraine in terms of martial law

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ABSTRACT
The introduction of martial law, due to the full-scale invasion of Russia into Ukraine, has had a major economic effect on Ukraine. This article argues that it created a need to improve the tax policy to take into account the political and socio-economic situation, as well as the challenges posed by the war to the country. Increasing the efficiency of tax policy can positively influence the attractiveness of foreign investments and can stabilize the economic situation in the country. The measures applied by state authorities are aimed at reducing the tax burden in order to quickly adapt the country's economy to the realities of the martial law and to ensure its rapid recovery after the war, and are related to import benefits, updating customs legislation, unshadowing the labour market, etc. It has argued that the tax policy of Ukraine needs a systematic update, including through the implementation of the norms of European laws into the national legal system. The formation of the modern tax policy of Ukraine should be based on a rational reduction of the tax burden, integration of innovative technologies into the production sphere and effective management decisions.

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1. Introduction

The introduction of the martial law due to the full-scale invasion of Russia into Ukraine caused functional changes in the entire economic system, especially in the field of taxation, which is sensitive to radical economic changes and the political situation in the country. The war has had a detrimental effect on the domestic economy, so the state institutions are actively updating the current legislation to support business, whose activities are extremely important for the operation of the economy during the war. Given the fact that it is the active work of Ukrainian business that makes it possible to fill the state budget and support the solvency of the population, the Ukrainian authorities have implemented a number of initiatives to support enterprises, which are aimed at

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optimizing and improving credit conditions, the possibility of relocation of production, reducing tax burden, etc.

One of the effective tools for supporting business operation is taxation and the adaptation of tax incentives for economic transformations taking into account the restrictions caused by the introduction of the martial law. Amendments in legislation that were implemented at the beginning of the Russian invasion had a positive effect on the business sector's operation, since they prevented excessive panic and managed to stabilize the economy to some extent. However, the long-term nature of military operations has already become evident today, which necessitates the formation of a tax policy capable of ensuring the stability of the economy in terms of the ongoing war.

At the same time, the issue of studying the factors that determine the formation and implementation of the tax policy and influence on the main indicators of its effectiveness is becoming more relevant. The current measures applied by state authorities are mostly aimed at reducing the tax burden in order to adapt the economy to the realities of the martial law and are related to import benefits, updating customs legislation, unshadowing the labour market, etc. Such changes are positive and require research related to their implementation and impact on the economy in the near future. The successful use of tax policy tools will contribute to overcoming the financial crisis, improving economic indicators and developing various sectors of the economy even during the war. Therefore, it is necessary to improve the tax policy taking into account the political and socio-economic situation in different regions of Ukraine, which are currently characterized by different security situations. Besides, increasing the effectiveness of the tax policy can positively influence on the attraction of foreign investments and can stabilize the economic situation in the country due to the attraction of foreign capital and innovative renewal of domestic enterprises. Therefore, the work in the area of amending the investment legislation should be carried out actively and systematically, since foreign investments can become a powerful source of attracting foreign capital at the present time.

The process of creating a political association and economic integration with the European Union (hereinafter referred to as the EU) is also particularly relevant during the war, since such processes contribute to the implementation of systematic reforms in the tax sphere. There is a need to find optimal ways to optimize the domestic system of tax legal relations, including through introducing the most effective tax regulatory mechanisms existing in European countries into national legislation. The implementation of European standards of tax policy into the tax system of Ukraine is primarily based on the harmonization of the current tax legislation, simplification of the tax administration process, adoption of the best practices for ensuring transparency of control over the administration of taxes and fees and reforming the State Tax Service, as well as its regional offices. Therefore, the research on the state tax policy, including within the context of harmonization with EU laws, seems particularly relevant, because this area of state regulation has a significant potential to improve economic indicators precisely through the increase of the effectiveness of the tax policy.

The article proceeds by providing a summary of the existing literature on tax policy in Ukraine. It then progresses to make the argument for the reform of tax law. The authors of the research used documentary analysis and a comparative-legal method to clarify a range of problematic issues related to the improvement of the state tax policy in wartime and its harmonization with the EU laws, which were researched and published by scholars in their papers both before full-scale military operations and after 24 February 2022. The comparative-legal method made it possible to carry out a legal analysis of the EU norms in the field of taxes and to clarify the range of issues that Ukraine will need to implement in order to harmonize with the EU laws.

2. Prior research on tax policy in Ukraine

Considerable scientific works have been published, focusing on studying the state tax policy considering the place and significance of taxes in the economic development of Ukraine. However, many of them were written before the strengthening the processes of harmonization of Ukrainian legislation with the EU laws and before the introduction of the martial law. Therefore, they do not, to some extent, reflect the challenges that the country is currently facing and they are at the forefront of the social order of society. Besides, the tax legislation has undergone significant amendments and transformations aimed at economic stability since 24 February 2022. Therefore, a comprehensive analysis of the measures carried out by state authorities of Ukraine requires research in order to improve and strengthen the effectiveness of the tax policy tools.

The basics of the tax policy as a tool for implementing the state's general social policy are revealed in the monograph by Teremetskyi (2012). The study of the methodology for the formation and tools of the implementation of budget and tax policy was carried out in the scientific work of Kozachyshyna (2018). The tax policy as a tool for regulating the economic development of the state was studied in the scientific article by Ruban (2017). Problems and perspectives of the tax policy in the context of European integration were studied in the article by Slavkova and Vatamaniuk (2018). The essence and conceptual foundations of the tax policy formation in terms of European integration processes were revealed in the scientific work of Krysovatyi, Mel'nyk, and Koshchuk (2016). The current state and tendencies in the development of the state policy to ensure the implementation of the country's law enforcement function in the field of taxation were studied by Teremetskyi et al. (2021). The analysis of the perspectives for the innovative development of entrepreneurship and the generalization of the main areas of the state innovation policy of Ukraine were carried out in the article by Svitlychnyy et al. (2023). The analysis of external and internal factors and measures that had an impact on the economy in the war and post-war periods in the Philippines has been studied in the works of De Dios, Socorro Gochoco-Bautista, and Punongbayan (2021). Taking into account the results of the conducted studies by the mentioned scholars, we consider it expedient to focus scientific research on the analysis of legal means aimed at increasing the effectiveness of the tax policy of Ukraine in terms of the war. Therefore, the purpose of this article is to analyse the tax policy of Ukraine in terms of the martial law, as well as to study the perspectives for increasing economic indicators due to the improvement of the tax policy tools and harmonization of domestic legislation with the norms of the EU laws.

3. Improving tax law in Ukraine

3.1. Tax policy of the state as an effective tool for ensuring economic stability in terms of the war

Tax sovereignty is currently an expression of the phenomenon of state power (Žofˇcinová, Horváthová, and Cajková 2018). But the tax policy plays an important role in the development of the state, since it both allows us to accumulate resources and it contributes to the attraction of investments in the economy, which are the backbone of its development (Addisonj, Niño-Zarazúa, and Pirttilä 2018). An effective tax policy can stimulate economic growth, as noted in the UN Sustainable Development Goals, where tax policy is the core element of national and international development efforts (United Nations 2015).

Tax policy is a part of the state policy based on existing political ideology, analysis of the economic situation and ways of the state's development. It is characterized by the permanent activity of authorized state agencies and local self-governments regarding the creation of an effective mechanism of legal regulation through the adoption of the relevant regulatory legal acts and is aimed at forming the revenue part of the budget, as well as at developing and regulating tax relations (Teremetskyi 2012, 296).

Tax policy, being the key tool of the whole state policy, which can negatively or positively affect economic stability, is primarily related to such important issues as the formulation of the tax system and the development of strategies that will promote investment and create a favourable environment for business. Too complex and not transparent tax policy can cause the decline of the country's financial system as a whole. Therefore, it is obvious that the tax policy must coincide with the goals of other sectors of the state policy and take into account the country's political and legal situation. For this reason, it is important to prevent that the martial law becomes a favourable space for abuses and corruption, intensification of the influence of negative external and internal factors on the country's economy in war and post-war periods (De Dios, Socorro Gochoco-Bautista, and Punongbayan 2021).

We note that the financial and economic sector in wartime is no less important than the military sector, since it enables effective protection of Ukraine at the national and international levels. Therefore, it is important that the tax policy tools have a stimulating effect on economic and social processes in society and the state, and are as effective as possible. It is important in terms of the martial law to use such measures of the tax policy, which would make it possible to influence on business as quickly and effectively as possible by supporting its vital activity and development.

Having analysed the changes in the tax policy of Ukraine after the introduction of the martial law, we note that they are related to the support of entrepreneurship for the effective recovery of the country's economy. In particular, measures have been implemented during the martial law aimed at exempting a single tax payers of the 1st and 2nd groups from its payment; changes in the simplified taxation system for small, medium and certain large enterprises; exempting those VAT payers from taxation of operations for the supply of goods, works and services, whose place of supply is still in the customs territory of Ukraine; changes in the activities of enterprises that are in full or partial shutdown; changes related to the remuneration of mobilized employees or those employees who have been granted refugee status; changes in customs and investment legislation, etc.

According to the experience, general and individual instruments of tax regulation of the economy are among the most effective in wartime. The general ones are aimed at reducing the overall level of taxation in the country and are applied to all taxpayers, creating the most favourable conditions for business. Individual ones involve the provision of hidden assistance to certain groups of taxpayers in the form of subsidies, tax breaks or tax exemptions, etc. (Svyschuk 2014). The state also actively applies such tax policy tools as financial sanctions and tax administration (Kozachyshyna 2018). Besides, the tax, customs and investment spheres must undergo significant transformational changes in order to maintain the vitality of the economy during the war and for the creation of favourable investment climate for attracting national and foreign capital (including the creation of territories with a special tax regime) (Ruban 2017).

Tax policy within the system of the mechanism for stimulating investment activity has the greatest potential for attracting foreign investment and socio-economic development because the state can regulate investment processes with the help of taxes by influencing the solution of certain investment tasks. Tax regulation of investment activity is a complex system of financial and economic, organizational and legal, information measures carried out at the macro and micro level by state and local institutions with the help of various tax instruments to ensure the possibility of investment activity by business entities within the scale and terms that correspond their interests and the interests of the entire society development.

Such preferential taxation tool as tax break is often used to stimulate investment activity within the state or in a certain region, the essence of which is the temporary exemption of an enterprise from paying taxes, if such funds are oriented on investments or on increasing the volumes of export of manufactured products.

Attracting foreign investments to the regions during the war has great perspectives for the development, however, it, despite this, requires a high-quality legislative framework and effective tax and customs policy. Unfortunately, domestic legal norms regarding the regime of foreign investment are too contradictory and unstable, which prevents investors from freely investing capital for the long term into a certain branch of the economy. Therefore, the guarantees of the reliability of tax legislation for stimulating foreign investment should be both the introduction of preferential taxation and ensuring the stability of the legislation, especially in the period of war, when the economy needs to attract additional resources from outside.

It is difficult to consider foreign investments during the war into Ukrainian economy in their general sense, since investors will most likely expect the end of hostilities and the presentation of the country's reconstruction plan. Despite this, the Cabinet of Ministers of Ukraine is developing a mechanism for the insurance of investments in terms of the martial law in order to speed up the attraction of foreign capital. Ukraine currently cooperates with the Multilateral Investment Guarantee Agency (MIGA), which has experience in developing and implementing investment insurance programmes in terms of terrorist threats. The insurance mechanism provides that investors' safety will be guaranteed on the basis of the insurance purchased by them, where the volume of investment will affect its value. In case of force majeure, the investor will be able to receive compensation for lost funds. This mechanism is extremely important for supporting the economy of Ukraine, which is suffering great losses every day of the war.

It is extremely vital for Ukraine to attract direct foreign investments now, which are the key factor in economic growth in terms of world globalization, since they are sources of technology transfer from developed countries to developing countries (Chenaf-Nicet and Rougier 2016) and are able to efficiently and to the maximum extent modernize the labour market in the short term (to increase productivity by raising the skills and competence of employees in the host country) (Lipsey 2001).

Attracting foreign direct investment is an important pillar of economic development policy (Loewendahl 2018), therefore, it is important that Ukraine's investment attractiveness is maintained, and the legislation is stable and guarantees the safety for investors. Attracting foreign investments has a high potential for innovation and technological renewal, especially in the most perspective sectors of Ukraine both during the war and in the post-war period. Therefore, the reform of the tax system within the framework of the harmonization of the legislation of Ukraine and the EU should include the formation of effective investment legislation, as one of the most important tools of the state tax policy, which is as close as possible to the terms of the martial law.

3.2. Transformational changes in the functioning of the tax policy of Ukraine in terms of the martial law aimed at supporting the domestic economy

The state tax policy is always formed in response to the challenges and problems inherent in a certain stage of development of the state, society and in view of the political and socio-economic situation. The formation of the state tax policy is part of ongoing process, which is characterized by the introduction of relevant amendments into the legislation and the assessment of the level of effectiveness and efficiency of such amendments. Therefore, the state tax policy is dynamic, so the methods and means of its implementation are constantly evaluated, revised and changed.

One of the factors requiring the critical changes in the tax policy is the introduction of the martial law on the entire territory of Ukraine from 24 February 2022 in view of the military aggression of the Russian Federation against Ukraine. The introduction of the martial law led to changes in all spheres of life. The tax system of Ukraine has also undergone changes, since ensuring the stable receipt of taxes to the state and local budgets is the key to the stable functioning of the state during the wartime.

The Verkhovna Rada of Ukraine adopted a number of important Laws of Ukraine, which are aimed at reducing the tax burden in order to quickly adapt the country's economy to the realities of the martial law and to ensure its rapid recovery after the war. First, the state introduced significant amendments to the current tax legislation to reduce the tax burden on business and citizens. However, certain tax obligations were practically restored to the state of the pre-war period due to the fact that the financing of the defense capability of the state directly depends on the payment of taxes. In general, tax and customs policy, monetary and credit sphere, budgetary policy and debt sphere have undergone significant changes.

Changes in tax and customs policy are the most obvious ones. The expansion of cooperation with the Organization for Economic Cooperation and Development (OECD) in matters of tax policy development is among the important achievements in this area. In particular, there are agreements on the involvement of OECD experts in finalizing the draft of the Recovery Plan of Ukraine on matters already included in the document (namely, regarding the development of income taxation model for individuals, environmental taxation, expanding the powers of local authorities to administer local taxes and fees, etc.). OECD experts also expressed their readiness to assist in implementing measures to develop the human resource potential of the Ministry of Finance of Ukraine and the State Tax Service, as well as to improve the qualifications of personnel.

Steps aimed at unshadowing the labour market are also important. They involve close cooperation between the State Tax Service and the State Service of Ukraine on Labor Issues. The essence of such a cooperation is the need to reduce the level of informal employment and monitor over the state of undeclared work within business entities. Therefore, the State Tax Service and the State Service of Ukraine on Labor Issues have agreed to ensure effective communication of territorial agencies aimed at unshadowing the labour market and improving control over the registration of labour relations with employees.

We would like to note that unshadowing the economic relations should provide for a complex system of measures primarily aimed at minimizing the causes and prerequisites for the emergence and development of shadow economic relations. It should be facilitated by the creation of favourable conditions in the sphere of attracting shadow resources into legal economic relations (Moshenets and Denysiuk 2022). Since the low standard of living of the population, the high level of taxes and unemployment are primarily the factors in the formation of the shadow economy in Ukraine, it is important that the implementation of the state policy of unshadowing the economic relations involves systematic changes within the legal framework aimed at improving the current legislation and its adaptation to international standards, ensuring close cooperation of state authorities at all levels of state administration in order to implement a comprehensive mechanism of strategies and programmes in the tax sector and the labour market, as well as reducing the tax burden on the taxpayers.

It is important that the reform of unshadowing the economy is the official strategic purpose of Ukrainian tax policy and must be among the priorities. Unshadowing measures should be comprehensive and relate to both the customs and tax spheres, labour relations, prevention of corruption, etc. and should be carried out within the framework of public administration reform in general (Zakharchenko 2018). It is obvious that such measures taken as a whole will contribute both to the legalization of capital, the formation of a competitive market environment, the growth and increase of the competitiveness of Ukrainian economy and to the democratization of Ukrainian society, the elimination of real threats to economic and national security.

Extensive customs benefits for the import of goods and certain vehicles imported by citizens into the customs territory of Ukraine, which ceased to operate on 1 July 2022, are also worth of attention. The indicated benefits were cancelled by the Law of Ukraine “On Amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding revision of certain tax benefits” dated 21 June 2022 No. 2325-IX (Law of Ukraine “On Amendments to the Tax Code of Ukraine and Other Legislative Acts of Ukraine Regarding Revision of Certain Tax Benefits”, No. 2325-IX). According to this Law, the import of goods imported by business entities (individual entrepreneurs and legal entities), regardless of the taxation system, will be subject to import customs duties starting from 1 July

2022. Therefore, customs clearance of vehicles is carried out in accordance with the procedure established by the legislation in force before the cancellation of payments. Persons who are on the simplified taxation system of the I–III groups, who are not VAT payers, will again import goods with the value-added tax payment.

The adoption of the decision on "customs visa exemption" is also very important for supporting Ukraine's economy during the war. It supposes the invitation of Ukraine to the Convention on the common transit procedure (Convention on the Common Transit Procedure 1987) and the Convention on the simplification of formalities in trade in goods (Convention on the Simplification of Formalities in Trade in Goods 1987). It should be noted that the accession of Ukraine to the Convention on the common transit procedure provides a number of advantages for Ukrainian business, namely: one transit declaration and one guarantee for the movement of goods between 36 countries (with EU countries and also with the United Kingdom, Turkey, Serbia, North Macedonia, Iceland, Norway, Liechtenstein and Switzerland); authorized enterprises will be able to send and receive goods at their enterprise without going to customs terminals; Ukrainian financial guarantees will operate in other 36 countries of the world.

Besides, joining the mentioned Conventions is an important element of Ukraine's customs integration with the EU. However, such innovations require significant optimization and improvement of the work of Ukrainian customs, given the fact that some of the customs authorities are currently located on the occupied territories and in the zone of active hostilities. Therefore, the State Customs Service of Ukraine is implementing measures aimed at redistributing and strengthening the staffing of customs employees in the customs offices of the Western region at the expense of customs employees who have temporarily ceased their activities. Such actions are, first of all, carried out for the sake of operational and uninterrupted provision of measures for the passage, customs control and registration of goods, vehicles and humanitarian cargo in terms of the martial law.

The Verkhovna Rada of Ukraine has also made amendments to the Customs Code of Ukraine to simplify the process of declaring goods, which make the process of declaring goods easier for business. In particular, it is assumed that business entities will be given the opportunity to group goods with similar characteristics under one code and provide their full description in one column of the customs declaration. In fact, European rules and, above all, the norms of the Customs Code of the European Union are being implemented, which suppose the need to group goods only with similar characteristics, that is within the same commodity heading of the Ukrainian classification of goods of foreign economic activity.

It is important that all authorities of Ukraine currently work in harmony and take balanced steps in the tax sphere, which will contribute to the long-term perspective not only in the context of improving the tax procedures, but also the sustainability of the development of the Ukrainian economy in general.

In general, amendments in tax legislation in terms of the martial law affected business representatives to a large extent. Such amendments provided the establishment of a 2% rate of the single tax according to the rules of the third group of taxpayers from the turnover for individual persons – entrepreneurs, as well as legal entities whose turnover does not exceed UAH 10 billion; the possibility of voluntary payment of a single tax for individual persons – entrepreneurs of the first and second groups; amendments were made in the calculation of certain taxes and fees operating in terms of the martial law; there was a reduction of VAT to 7% and exemption from paying excise tax on fuel; the provision on the exemption from liability for late fulfilment of obligations to the creditor under the consumer credit contract was established; the exemption from paying income tax was provided for individuals who suffered as a result of the invasion of the aggressor country; the rule on the termination of provisions that gave rights to the mortgagee regarding the eviction of residents and the acquisition of the ownership right to the mortgage's subject or its sale was established (Law of Ukraine No. 2120-IX 2022; Selivanova 2023).

As one can see, such amendments were aimed at supporting taxpayers and mainly concerned with the simplification of the taxation system and creation of favourable conditions for business, in particular for representatives of small and medium enterprises.

Due to the active strengthening of charitable organizations and foundations' activities for providing support to the army and war victims, legislative provisions on granting them with tax benefits were put into effect. Support to the Armed Forces is not subject to VAT in accordance with the norms of Ukrainian law, and targeted charitable aid provided to military personnel and civilians who are in the war zone, to injured and forcibly displaced persons, is exempt from personal income tax and military levy.

Certain amendments regarding the payment of excise tax were related to fuel and provided for a change in the regulation on the sale of fuel and the exclusion from this list of such operations as the supply of fuel on the territory of Ukraine as humanitarian aid; operations carried out in regard to the forced alienation or withdrawal of fuel for the needs of the state or the Armed Forces of Ukraine; during the period of the martial law on the territory of Ukraine, the rate of excise tax on fuel was set at 0% (Official website of the State Tax Service 2023).

Amendments actually did not affect local taxes, with the exception of territories that were under occupation or in the war zone. For example, the amount of the fee for a land plot is still determined by the local self-government agency and can independently decide on the exemption from the fee for certain land plots. There is a possibility to be exempted from paying the environmental tax, if the enterprise is registered on the temporarily occupied territory or in the war zone. In fact, all issues related to the payment of local taxes remained under the authority of local self-government agencies. The provision has been defined at the state level giving the possibility for the exemption from liability for non-fulfilment of tax obligations or untimely its fulfilment and failure to submit reports. However, such an obligation must be fulfilled within six months after the end or cancellation of the martial law in Ukraine (Official website of the State Tax Service 2023).

It is quite obvious that tax legislation for business during the war is very different from the situation existed before the war. The war state in Ukraine made some adjustments to business. Such changes are positive, since the reduction in the tax burden significantly supports business from economic point of view. There is an interesting fact that tax revenues, according to the State Tax Service, to the state budget increased by 15.3% within three quarters of 2022 compared to the same period in 2021, despite the reduction in the tax burden on enterprises (Official website of the State Tax Service 2023).

The effect of tax legislation amendments during the war on the formation of the revenue part of the budget should be presented in the following form (Figure 1).

The dynamics of tax revenues to the State Budget demonstrate that the situation has worsened in some indicators, but it is not critical. Some indicators, on the contrary, have been improved (for example, revenues from income tax and profits-based levy increased by UAH 3.2 billion in 2022, which indicates the conscientious fulfilment of tax obligations by individuals and legal entities).

The Verkhovna Rada of Ukraine adopted the Law of Ukraine "On Amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the revision of certain tax benefits" in 2023 in order to increase the revenue part of the budget due to customs payments, which restored taxation for goods imported by the single tax taxpayers of the first, second and third groups; for enterprises that do not pay import duty; for vehicles imported by citizens (Law of Ukraine On Amendments to the Tax Code of Ukraine and Other Legislative Acts of Ukraine Regarding the Revision of Certain Tax Benefits 2022).

Given the fact that taxes were always the largest part of the budget revenue structure, it is worth constantly analysing the effectiveness of introduced tax benefits, attracting additional sources of fund mobilization, adjusting income tax rates in accordance with the amount of the taxpayer's income, simplifying the conditions for doing business and motivating entrepreneurs to the resumption of activity. Therefore, the dynamics of amendments in tax legislation in terms of the martial law are extremely high and are quite justified. Support for business was of particular importance for the state and business itself within the most difficult first months of Russia's invasion in Ukraine, since it enabled business to adapt to work in war conditions and continue to support the state with its activities and payment of taxes. However, it is clear at the current stage that the war will continue, so business must also feel its responsibility to the state and support it by timely fulfilment of its tax duty. The main tasks for ensuring

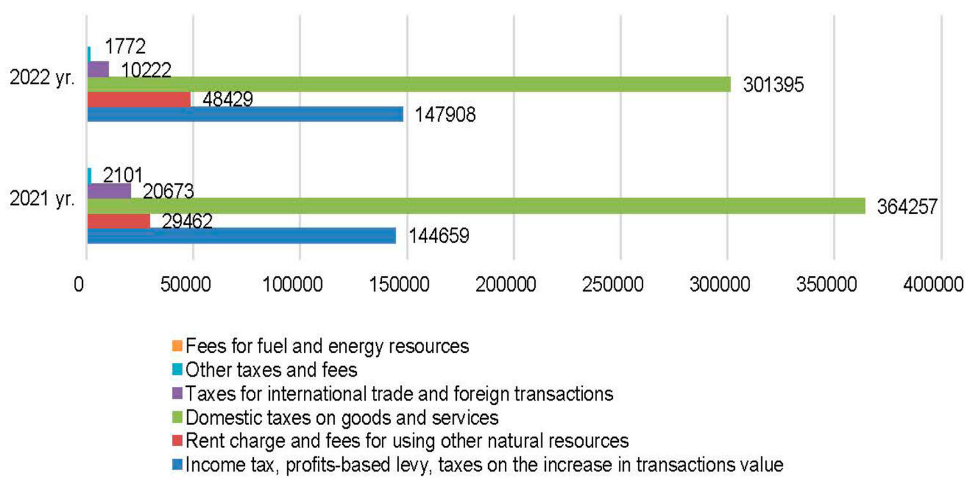

Figure 1. Dynamics of tax revenues of the State Budget of Ukraine for 2021–2022 (in million hrn). Source: Derzhavnyy veb-portal byudzhetu dlya hromadyan, July 2023, https://openbudget.gov.ua/?month=12&year=2021&budgetType=NATIONAL.

the income of the State Budget and reducing the level of deficit are currently both the attraction of international financial aid and the creation of proper conditions for the functioning of business during the war, as well as the preservation of jobs.

Another interesting aspect that directly affects the state's ability to attract resources to fill the state budget is related to the fight against the shadow economy. Moreover, this requirement is a mandatory condition for joining the European Union. Ukraine has been modernizing its legislation in this area to strengthen measures against unshadowing starting from 2019. Although the war actually created a favourable environment for smugglers and the share of the shadow economy increased, the government is already taking steps to its unshadowing. Understanding that the issue of unshadowing concerns the survival of the country and is the mandatory condition for joining the EU, this issue is given enough attention both at the legislative level and at the management level. In particular, there are measures to modernize state institutions and to digitize the main management processes for their optimization and efficiency improvement. It is notable that borrowing international experience in the application of modern technologies, in particular Artificial Intelligence, can have an extremely positive effect on the optimization of many government processes related not only to the fight against the shadow economy but also to the acceleration of many extremely complex and bureaucratic procedures (Martsenko 2021; Martsenko 2022). These issues are under the authority of the National Council for the Recovery of Ukraine from the War (Presidential Decree on the National Council for the Recovery of Ukraine from the War 2022).

Therefore, amendments in tax legislation occur simultaneously with amendments in customs, investment, currency and labour legislation. This leads to a qualitative update of national legislation and bringing it to EU standards. At the same time, such amendments suppose the adaptation of the conditions of the martial law and long-term post-war reconstruction by Ukrainian legislation.

3.3. Harmonization of the tax policy of Ukraine with the norms of the European Union laws as one of the ways of economic development in terms of the war

In the context of amendments and qualitative updating of the current legislation capable of increasing the effectiveness of the tax policy, one should give proper respect to the active processes of the harmonization of the tax legislation of Ukraine with the requirements of the EU.

Harmonization involves the replacement of various national policies by a single common EU policy in a certain area, i.e. it is understood as the objective approximation of national law norms to the established EU standards by cancelling differences in national legislation (Schweitzer and Hummer 1996). Harmonization within the tax policy is one of the forms of coordination and means the equalization of tax bases and/or tax rates (for example, an option of the harmonization is the establishment of minimum bases or rates) (Céline, Desbordes, and Wooton 2020). Harmonization of the EU tax policy is based on various reasons, has many different forms and is mostly determined by changes in the competitive environment, the needs to finance the European budget and the development of a unified approach to decision-making in tax matters (Altshuler and Goodspeed 2015).

Taxes can be considered a special area of cooperation within the EU, given that the Treaty on the Functioning of the European Union does not include this area in the list of its exclusive competence (the Articles 3, 4) (Treaty on the Functioning of the European Union 2016). Such a policy primarily means that tax measures taken at the EU level must consider the tax sovereignty of these countries and thus, require their unanimous consent (Oręziak 2020).

Thus, taxation is the basis of national sovereignty, and the powers to introduce or abolish taxes, increase or decrease tax rates, as well as their administration are assigned to the exclusive competence of the EU Member States. Since the jurisdiction of tax regulation remains the exclusive competence of the Member States, it does not mean that EU laws do not affect the national tax legislation of the Member States. For example, the European Commission issues policy recommendations in the field of taxation, which are implemented by the Member States and are reflected in their national taxation rules (in particular, it concerns the mandatory compliance of national tax policy with the fundamental principles of non-discrimination and respect for the free movement of goods and services in the EU internal market).

The advantages of tax harmonization in the EU are repeatedly emphasized in the literature, which are primarily manifested in the fact that the regions have harmonized tax rates, they do not compete for capital and for lower tax rates. Besides, the harmonization of legislation will bring lower costs for multinational companies and enable the use of fiscal transfers between regions reducing loan-for-use costs at capital markets or private or for international credit investors (Nerudova 2016).

The fiscal sector in most EU countries is characterized by the introduction of high tax rates. It is explained by the desire of such countries to use the potential of market self-regulation and the regulatory capacity of taxes as effectively as possible, and, at the same time, to improve the quality and dynamics of socio-economic development, to provide a reliable financial base for the elimination of state "market failures" and structural disparities (Feranecová et al. 2017). In general, there is currently a tendency in the EU to carry out tax transformations in accordance with the national economic and institutional environment within the limits of own fiscal traditions.

The creation of political association and economic integration with the EU is extremely important for Ukraine, since it will contribute to the implementation of systemic reforms in the tax sphere. The improvement of economic relations, trade, fair competition and attraction of investments will directly depend on proper management in the taxation sector. Therefore, the tax reform is taking place in Ukraine even despite the active military actions, which is the most expected for business and investors. Ukraine, as a candidate country applying for the EU membership, must properly implement the norms of EU laws by making the necessary amendments to the tax legislation in order to ensure the equal application of those tax provisions that are harmonized at the EU level.

Having analysed the EU tax policy, it should be noted that it consists of two components: direct taxation, which remains the exclusive responsibility of the Member States, and indirect taxation, which affects the free movement of goods and the freedom of providing services at the single market. Harmonization of indirect taxation has attracted considerable attention in the academic literature and the policy sphere, which mostly emphasizes the desirability of reforms (where tax revenues are returned to the consumer in a lump sum or used to finance public goods) (Kotsogiannis and Lopez-Garcia 2021). Since the EU has its own economic area, most indirect tax directives establish a level playing field for companies from all Member States, primarily in terms of value-added tax and excise duties. As for Ukraine, the VAT legislation should be brought into line with the EU Value Added Tax directive (EU Directive 2006). Besides, the requirement to harmonize VAT and excise tariffs is contained in the Association Agreement between Ukraine and the EU (Association Agreement between Ukraine and the European Union 2014). However, there are still several directives that go beyond the Association Agreement and regulate, in particular, the administration of excise taxes (we are talking about the creation of a network of excise warehouses that meet the legal and technical requirements of the EU). Such novels are necessary to prevent the circulation and production of counterfeits at a single market.

The main principle of the EU within direct taxation provides a balance between the standards of taxation of individuals and legal entities, where measures to prevent tax evasion and double taxation are the most important ones (Slavkova and Vatamaniuk 2018). It should be noted that Ukraine has already implemented certain European taxation standards to combat tax evasion and avoid double taxation into the national legislation. However, there is a need for further implementation of certain tax rules, such as the Directive on tax dispute resolution mechanisms in the EU (EU Directive 2017).

The Association's equally important element is the mutual integration and administrative cooperation of tax agencies. Thus, the tax agencies of the Member States cooperate to exchange information. Therefore, the create of a legal and administrative framework for the automatic exchange of information on financial accounts is fundamentally important for Ukraine (Krysovatyi, Mel'nyk, and Koshchuk 2016). Effective information cooperation, conducting joint control measures and facilitating the collection of tax debts will be important to avoid abuses in the tax sector.

The implementation of the EU administrative cooperation system will require significant amendments to the legislation, including the imposition of certain obligations on business to collect and provide data for further exchange between the competent authorities of the Member States. Such data may refer, for example, to information from state registers, about wages and incomes of residents of other Member States, data about transactions provided by payment companies, information from electronic platforms about the income of sellers, etc.

Besides, the State Tax Service of Ukraine will be required to implement certain IT solutions for connecting to information platforms, including single IT platform for the exchange of tax information by competent EU authorities (Special protected network CCN/CSI); IT systems for automatic collection and exchange of tax information (data from state registers about wages and incomes of residents of other Member States, information from electronic platforms about incomes of sellers, etc.); VAT information exchange systems (for confirmation of identification numbers of VAT payers of economic operators registered in the EU for cross-border transactions); E-commerce and One-Stop Shop (allows cross-border online sellers to register as a VAT payer in electronic form in one of the Member States); VAT refund system; Systems for monitoring the excise goods transfer (alcohol, tobacco and energy sources) (Tax Changes, Which Are Necessary for Ukraine to Join the EU 2022).

In view of the above, it is obvious that only the adaptation of Ukrainian tax legislation to EU laws is not enough. Therefore, it is necessary to build the administrative potential of the tax administration for the application of such norms. Of course, this process is comprehensive and cumbersome, complicated by the war and almost 50% destroyed economy. However, it is extremely necessary both during the war and after its termination. It is quite clear that only the harmonization of domestic tax legislation and an effective tax policy in a complex will make it possible to attract investments, restore and modernize the economy and restore the country as a whole.

4. Conclusions

Summing up, we note that effective tax policy makes it possible to determine the development priorities of the country and society, stimulates economic processes, and promotes investment attraction and modernization of the economy in general. Tax policy, being the key tool of the whole state policy, primarily deals with such important issues as the formation of the tax system and the development of strategies that will promote investment and create a favourable environment for business. A complex and non-transparent tax policy can lead to the decline of the country's financial system as a whole, since this area of public policy is a powerful lever for developing and attracting investment and innovative renewal of production sphere, especially in periods of turbulence, political and economic instability.

Dynamism is an important characteristic of the state tax policy. Therefore, the methods and means of its implementation are constantly evaluated, reviewed and changed, which makes it possible to use the necessary legal tools in view of the current challenges. The war affected all the processes taking place in the state. However, it is the tax policy that can contribute both to economic growth and to preserve the economy in general.

Besides, it is important for Ukraine to harmonize domestic tax legislation with the EU acts even during the war, since such actions have a significant potential for attracting foreign investments, restoring and modernizing the economy in the post-war period. At the same time, it is necessary to use the positive experience of those countries that occupy leading positions in the implementation of investments and innovations into production processes. Therefore, special attention should be paid to the improvement of domestic legislation, especially considering the real state of the economy and the political, social and technological processes taking place in Ukraine.

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