

*Hanna Kostovyat, PhD in Economics, Associate Professor of the Department of Finance and Banking, Uzhhorod National University, Uzhgorod*  
*Viacheslav Rogov, PhD in Economics*  
*Admiral Makarov National University of Shipbuilding, Mykolaiv*

## **DIGITAL TRANSFORMATION OF THE STATE CUSTOMS AND TAX SERVICES OF UKRAINE**

Since 24 February 2022 martial law has been introduced in Ukraine because of the military aggression of the Russian Federation, which requires urgent actions of state bodies, institutions, enterprises, organizations of all ownership forms, in order to bring the unified state security system into readiness to perform tasks as assigned in the special period. Against this background, the issues of digital transformation of the state customs and tax services took on a new colour.

Paying attention to the digital transformation of customs (e-Customs), it is worth noting the EU Program for the Support of Public Finance Management in Ukraine (EU4PFM), aimed at financial, technical and expert assistance. The project provides: the information system creation for the customs authorities work automation; the introduction of electronic services related to customs clearance for subjects of foreign economic activity; automation and simplification of customs control and customs clearance processes; analytical and public reporting tools; the automation of checkpoints and customs clearance points [1]. Thanks to the support of this program, on 1 October 2022, the Convention on the Common Transit Procedure (CCTP), or the so-called "customs visa-free" [2], became operational in Ukraine. It envisages the use of the new computerized transit system NCTS with the aim of strengthening the security of customs transportation and revitalizing international trade. This system allows the Convention member states customs services to exchange data and to monitor the international movement of goods, which will make it possible to prevent illegal transit and will contribute to the growth of customs revenues to the state budget.

The NCTS system automatically exchanges tax information according to Country-by-Country reporting (CbC) and Common Reporting Standard (CRS) [3]. Currently, this information is shared through Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (CRS MCAA) and Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports (CbC MCAA) [4].

Ukraine's accession on 3 November 2022 to the CbC Multilateral Agreement contributes to the implementation of the Base Erosion and Profit Shifting (BEPS) Action Plan, in particular, the introduction of additional transfer pricing reporting for international groups of companies [5].

Also the State Tax Service of Ukraine has joined CRS MCAA. As a consequence, the rules of the Standard for Automatic Exchange of Financial Account Information should be implemented into the national legislation according to the following principles: transposing the reporting and due diligence rules into national law, including rules to ensure their effective implementation; selection of the legal basis for the automatic information exchange; putting in place IT and administrative infrastructure and resources; privacy and data protection [6].

According to CRS MCAA, banks have to collect information about economic activity of entities or individuals and to transfer it to the state tax authorities, which forward the information to the other members of the Multilateral Agreement. However, the information exchange between the State Tax Service of Ukraine and other participants may be possible only if additional legislation concerning exchange regulation is adopted, including the interaction procedures, reports submission, inspections [7]. In order to implement the Standard, the Cabinet of Ministers of Ukraine approved the draft Law of Ukraine "On Amendments to the Tax Code of Ukraine regarding the implementation of the International standard of automatic exchange of information on financial accounts".

Thus, digital transformation of the State Customs and tax Services of Ukraine contributes to the harmonization of Ukrainian legislation with the International law and to the recovery of social and economic development.

#### **References:**

1. State Customs Service of Ukraine. Ukraine handed over to the European side the necessary ratification documents for joining the "customs visa-free" system. URL: <https://customs.gov.ua/news/ncts-26/post/ukrayina-peredala-ievropeiskii-storoni-neobkhdni-ratifikatsiini-dokumenty-dlia-priiednannia-do-mitnogo-bezvizu-933> (Last accessed: 08.11.2022).
2. On the accession of Ukraine to the Convention on the common transit procedure: Law of Ukraine dated August 30, 2022 No. 2555-IX. URL: <https://zakon.rada.gov.ua/laws/show/2555-20#Text> (Last accessed: 08.11.2022).
3. Koit Puusag. Customs and tax: how digitalization improves service. URL: <https://www.epravda.com.ua/columns/2021/08/31/677366> (Last accessed: 08.11.2022).
4. Slobodenyuk A. Automatic exchange of financial and tax information. URL: <https://yur-gazeta.com/publications/practice/inshe/avtomatichnij-obmin-finansovoyu-ta-podatkovoyu-informaciyeyu.html> (Last accessed: 08.11.2022).
5. Пресслужба Державної податкової служби України. Україна приєдналася до Багатосторонньої угоди компетентних органів про автоматичний обмін звітами в розрізі країн URL: <https://tax.gov.ua/media-tsentr/novini/629223.html> (Last accessed: 08.11.2022).
6. OECD. Standard for Automatic Exchange of Financial Information in Tax Matters – Implementation Handbook – Second Edition, OECD Publishing, Paris, 2018. URL: <https://www.oecd.org/tax/exchange-of-tax-information/implementation-handbook-standard-for-automatic-exchange-of-financial-information-in-tax-matters.pdf> (Last accessed: 08.11.2022).
7. Tetiana Fedorenko. Ukraine has become a member of the multilateral competent authority agreement on the automatic exchange of financial account information (CRS). URL: <https://golaw.ua/insights/publication/ukrayina-stala-uchasniczeyu-bagatostoronnoyi-ugodi-kompetentnih-organiv-pro-avtomatichnij-obmin-informaciyeyu-pro-finansovi-rahunki-crs> (Last accessed: 08.11.2022).