



Customs taxation in Ukraine: Efficiency of administration and directions for improvement

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Abstract. Ukraine's current state of customs payments administration is undergoing transformations influenced by internal and external factors. However, customs taxation remains a significant fiscal tool that contributes to the accumulation of funds in national and local budgets. This study aimed to substantiate theoretical and practical recommendations for improving the mechanism of taxing goods crossing the national customs border. This was achieved through the analysis and evaluation of collected customs payments, the share of customs payments in budget structures, and their dynamics during the period of 2017-2022. The article examined the theoretical foundations of customs payments administration for goods crossing the national customs border. It explored the procedures, conditions, characteristics, methods, and types of border crossings, and presented a procedural framework for customs clearance of goods at the national customs border. An analysis of the share of customs payments in the State Budget of Ukraine from 2019 to 2022 revealed that the highest accumulation was observed in 2019. The structure and dynamics of import and export duties were identified, with the volume of import duties amounting to 36854.9 million UAH and export duties to 1322.3 million UAH in 2021. The contribution of value-added tax and excise fees to the State Budget of Ukraine was assessed. Between 2017 and 2022, the share of value-added

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tax in the State Budget fluctuated between 26.3% and 41.7%. The share of excise tax in Ukraine's revenues ranged from 13.85% to 15.42% during 2017-2021. However, in 2022, a record low of -5.3% was recorded for excise tax contributions to state revenue. This decline resulted from the temporary suspension of customs and tax payments on imported vehicles, implemented from April to June 2022. Typical violations of the rules for crossing goods through the national customs border were outlined, and priority areas for improving the taxation mechanism for goods crossing the customs border were identified

Keywords: customs payments; customs border crossing; tax administration; value-added tax; excise tax; customs clearance; export and import

Introduction

One of the primary financial levers influencing foreign economic activity and a key source of revenue for the State Budget of Ukraine (SBU) is customs payments made during the crossing of goods through the national customs border. However, due to constant geo-economic changes, efforts to combat smuggling, income concealment, and corruption, new taxation rules are regularly introduced. These measures aim to identify alternative methods and approaches to replenishing the budget. Consequently, Ukraine's tax and customs legislation undergoes continuous amendments. The taxation mechanism for goods at the national customs border is complex and lengthy, as it involves the procedural activities of customs and tax authorities in at least two countries.

For goods to enter the global market and circulate internationally, they must be physically transported beyond the borders of their country of origin. Such transportation can be conducted by businesses engaged in international trade, exporters, state enterprises, or individuals. The movement of goods across the national customs border constitutes export, if the crossing occurs out of the country and import, if the crossing occurs into the country. These processes of border crossing and clearance (export and import) are accompanied by customs relationships. At the core of these relationships lies an economically calculated principle – calculation and payment of customs payments.

The study of the taxation mechanism for goods at Ukraine's customs border is essential for identifying and addressing challenges and opportunities that arise during the crossing and clearance of goods. This includes the evaluation and analysis of levying of duties, value-added tax (VAT), excise taxes, and other related charges. Such a focus highlights the need to refine the taxation mechanism for goods crossing the national customs border and sets new objectives for this domain.

Worthy of note is the publication by A.V. Mazur & Y.D. Kunev (2023) on methods of nontariff regulation, when moving goods across the state customs border, where the authors classified non-tariff methods that directly affect the quantitative and value parameters of foreign economic activity. Yu.V. Onishchuk (2022) investigated the essence of the category of "customs payments" in the legislation of Ukraine and the European Union, in particular, the author proposed to include in

customs all payments levied, when moving goods and vehicles across the customs border, and not just some of them. M.-M.P. Matviyishyn & O.V. Mykulyak (2022) explored customs procedures for ensuring foreign economic activity in wartime. The authors presented irrefutable arguments that the main advantage of the customs warehouse regime is the creation of conditions for preparing goods for their use on the territory of the state, thus, business entities receive a deferral of costs associated with the movement of goods. N. Reznik & A. Boshtan (2022) dedicated their research to identifying the main directions for simplifying customs control in Ukraine, which was carried out after the Russian military invasion and the introduction of martial law in the country. The authors proposed adopting the Convention "On a Common Transit Procedure" No. 994_001-87 (2022) and the Convention "On the Simplification of Formalities in Trade in Goods" No. 987_012 (2022), which would allow Ukraine to simplify the customs clearance of goods to EU countries and increase Ukraine's trade, accelerating European integration into the EU's trade networks.

The efficiency of customs payments administration has undergone changes caused by various external objective circumstances. Ukrainian researcher L.R. Prus (2020) investigated the transformation of state customs activities in the context of the anti-crisis response to the COVID-19 pandemic. The author identified key areas of reengineering customs authorities' activities, which must function continuously and under time constraints. These areas include developing organisational measures, ensuring epidemiological protection for officials, digitising customs procedures and regulations, and implementing measures to facilitate trade.

Since 24 February 2022, customs payment administration has changed, and these processes have also been reflected in scientific publications. Researcher O. Fedotov & A. Nazarko (2023) dedicated their research to studying the impact of Russia's invasion of Ukraine on the activities of the State Customs Service of Ukraine and its territorial bodies (customs offices). Their study assessed the advantages and shortcomings of the crisis measures introduced by the Customs Service to mitigate the adverse effects of the ongoing armed aggression. Authors S.G. Saydam & M.E. Civelek (2022) directed their research towards identifying the problems faced by cross-border

e-commerce companies and developing a scale for the effectiveness of cross-border e-commerce.

The issue of interpreting the essence and content of the definitions of the terms “movement/crossing of goods across the state customs border” and “customs payments”, as well as the procedural issues arising from them, remains insufficiently studied due to the complexity of the processes. The study aimed to examine the procedure for administering customs payments, assess and analyse the levying of duties, VAT and excise tax, and identify trends in changes in the size of taxation of goods at the customs border of Ukraine. It also sought to develop recommendations for improving the taxation mechanism for goods crossing the customs border, thereby enhancing Ukraine's competitiveness in international trade policy.

Materials and Methods

A range of general and specialised scientific methods were employed in the study, enabling the formulation of well-founded conclusions and the identification of relevant trends in the taxation system for goods crossing the state customs border. The application of logical analysis to scientific research on the taxation of goods at the state customs border allowed for the systematisation of existing studies and a deeper analysis of their theoretical and substantive content. Additionally, through analysis, researchers were grouped, who identified key points regarding the nature and content of the process of moving/crossing goods across the state customs border; the formation, collection and accumulation of customs payments into the State Budget of Ukraine; and the study of instruments for regulating the state's foreign trade and customs policy. Methods of analysis and synthesis enabled the study of the dynamics of customs payments: VAT, excise tax, import and export duties into the State Budget of Ukraine, and their share. Grouping and generalising data, systematising it from the standpoint of assessing the state of customs payments administration in terms of the State and local budgets, made it possible to determine that the largest share in the structure of forming the revenue side of the State Budget of Ukraine is formed by VAT (from 30% to 45%), while at the local budget level, a significant share is accounted for by excise tax (from 10% to 11%). To identify ways to improve the mechanism for administering taxes on goods moving across the state customs border, a sampling survey and grouping method were used. Tabular and graphical methods made it possible to visually display the research results, compare existing mechanisms for taxing goods, when crossing the state customs border and the possibility of implementing existing experience in Ukrainian tax and customs legislation, which will contribute to increased revenue to the State Budget of Ukraine, ensure economic security of society and protect the national interests of the state.

The research drew upon a range of theoretical and analytical publications by Ukrainian and international

scholars. The foundation for the analytical calculations was publicly available statistical data from government institutions in the fields of customs and tax policy. Specifically: the Official Website of the State Statistics Service of Ukraine (2024) was utilised to examine the dynamics of changes in the share of VAT and excise tax within the State Budget of Ukraine; the Official Website of the Ministry of Economy of Ukraine (2024) provided data for analysing customs payment inflows to the State Budget; the Official Website of the State Customs Service of Ukraine (2024) was used to investigate the structure of duties in the state and local budgets; the Official Website of the State Tax Service of Ukraine (2024) served as a source for studying the types of taxes administered for goods crossing the national customs border; the Official Website of the Ministry of Finance of Ukraine (2024) supported the analysis of the share of the structure of duties in tax payments. The publication of the Institute of Economic Research and Policy Consulting “Ukrainian and Foreign Experience in Building Customs Bodies” (2024) was referenced for examining tax rates in European countries. However, the evaluation was constrained by the availability of data up to 2022 due to the full-scale invasion of Ukraine by the RF, which imposed restrictions on the publication of information in open sources.

Results and Discussion

The procedure for goods to cross a state customs border is accompanied by customs control and customs clearance operations. These operations are standardised, meaning they are generally the same for most goods, except transport vehicles used to move goods. Additionally, customs control and clearance operations are identical in terms of content in different countries and do not depend on the exporting or importing country. The procedure and conditions for goods to cross a state customs border involve a specific sequence of actions that must be performed by individuals and legal entities. Such actions can be defined by the following characteristics and procedures:

- ▣ the presence of intentional actions by individuals and legal entities;
- ▣ the execution of intentional actions aimed at achieving a specific outcome;
- ▣ adherence to legislative requirements regarding the procedures and conditions for goods crossing a national customs border;
- ▣ the implementation of intentional actions regarding the procedure and conditions for goods to cross the state customs border following the established legal methods;
- ▣ conducting intentional actions by the legislatively approved procedures and conditions for goods that are permitted by law;
- ▣ the actual crossing of the state customs border by goods (Pavlovych-Seneta, 2019).

All procedures, terms and concepts related to the crossing, movement and passage of goods across the state customs border are regulated by Ukrainian legislation. The Customs Code of Ukraine No. 4495-VI (2024) (Clause 4, Part 1, Article 4) stipulates that “the importation of goods, vehicles into the customs territory of Ukraine, and the exportation of goods and vehicles beyond the customs territory of Ukraine, constitute a set of actions associated with the movement of goods and vehicles across the customs border of Ukraine in any manner and direction”. The process of crossing, transporting and passing goods across the state customs border is carried out by various modes of transport. The main types of goods crossing include air, water, road, rail, pipeline, power grid, and combined methods. To cross

the state customs border with goods, the presence of at least three parties is necessary: the sender, the recipient, and the carrier, who act based on agreements. There are also several ways to cross the state customs border with goods: cargo shipments, accompanying baggage, unaccompanied baggage, hand luggage, international postal consignments, and international express shipments (The Customs Code of Ukraine No. 4495-VI, 2024).

The procedures for the crossing, movement, and clearance of goods (both exports and imports) across a state customs border give rise to customs legal relations, which are based on the economic principle of calculating and paying customs payments. Accordingly, all customs clearance procedures and operations can be systematised in the following steps (Fig. 1):

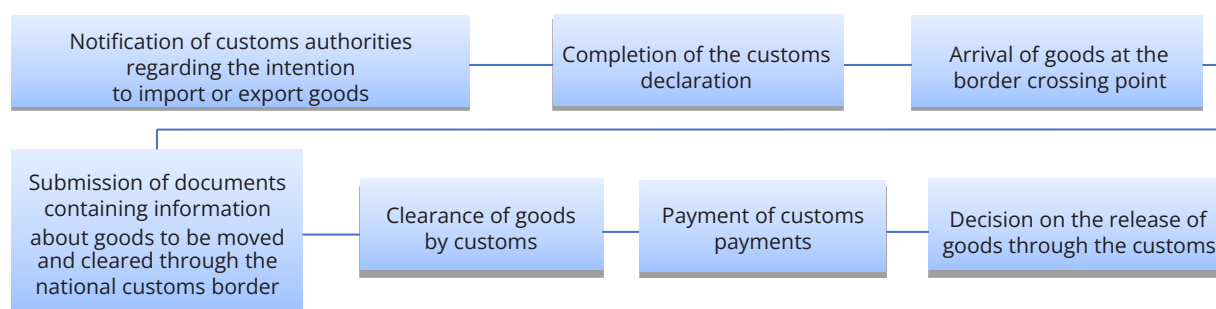


Figure 1. Customs clearance procedure for goods crossing the national customs border

Source: compiled by the authors based on the Customs Code of Ukraine No. 4495-VI (2024)

It is worth characterising the most significant stage for the Ukrainian economy, and in particular for its budget – the payment of customs payments. Customs payments are the basis of economic methods of regulating customs policy. They also play a key role in regulating the country's foreign economic activity. The entire system of payments, particularly those related to customs operations and foreign trade activities, is included in the list of indirect taxes. Indirect taxes are added to the price of goods and services as a surcharge. The amount of indirect taxes does not depend directly on the income of an individual taxpayer. In Ukraine, indirect taxes include VAT, excise tax, and duty.

The essence and scope of customs payments are most effectively revealed through an examination of their functions, which are derivative of tax functions. The fiscal, distributive, regulatory, and control functions carry a similar burden. Customs payments and fees are used to fill the State Budget of Ukraine. The revenue from customs payments to the State Budget of Ukraine is determined by the accuracy of their calculation and assessment, which is ensured by the state customs authorities. When goods cross the state customs border, the functions of customs authorities are performed by the Official website of the State Customs Service of Ukraine (2024).

When customs payments are viewed as an instrument of state customs policy, their role in implementing

tax system provisions becomes evident, as reflected in the following functions:

- ▣ ensuring the accumulation of payments from customs operations;
- ▣ resolving organisational issues to improve the efficiency of customs authorities;
- ▣ establishing the powers of government bodies at various levels;
- ▣ regulating relations arising from customs payments.

When considered as an instrument of the state's foreign trade policy, customs payments support the implementation of external economic activity provisions. This is manifested in the following functions:

- ▣ determining the rights and obligations of entities engaged in foreign economic activity;
- ▣ determining the rights and obligations of customs authorities;
- ▣ organising customs clearance of goods;
- ▣ organising customs control of goods;
- ▣ determining the procedure for appealing decisions of customs authorities.

The fiscal mechanism of the state determines the planned volumes and size of revenues to the State Budget of Ukraine. The fulfilment of planned indicators is ensured through constant monitoring and control carried out by customs and tax authorities. Also, thanks to

the fiscal mechanism, customs control over payments made is carried out, acting as a tool for regulating trade and conducting the state's foreign economic policy. An analysis of the revenues and expenditures of the State

Budget of Ukraine for 2019-2022 provides data on the volume of accumulated customs payments and the share of import and export duties in the structure of the revenues of the State Budget of Ukraine (Table 1).

Table 1. Accumulation of customs payments to the State Budget of Ukraine and their share in 2019-2022, million UAH

No.	Indicator	Year			
		2019	2020	2021	2022
1	Total state budget revenue excluding inter-budgetary transfers	989619.9	1065368.9	1284320.3	1778245.4
2	Tax revenue:	1070321.8	1136687.2	1453804.1	1343225.0
2.1.	Customs payments	319849.4	304574.0	301233.0	300800.0
	Share of customs payments in tax revenue, %	29.9	29.8	20.7	22.4
2.2.	Import duty	29855.4	30203.2	36854.9	20200.0
	Share of import duty in tax revenue, %	2.8	2.7	12.2	1.5
2.3.	Export duty	230.6	257.3	1322.3	800.0
	Share of export duty in tax revenue, %	0.02	0.02	0.09	0.06
2.4.	Excise tax on imported excisable goods	53460.8	57846.8	79592.8	78900.0
	Share of excise tax in tax revenue, %	5.0	5.1	5.5	5.9
2.5.	VAT on imported into the territory of Ukraine excisable goods	289760.4	274113.5	380714.4	204000.0
	Share of VAT on imported excisable goods in tax revenue, %	27.1	24.1	26.2	15.2

Source: calculated by the authors based on data from the Statistical collection: "Budget of Ukraine 2021" (2022), Official website of the State Statistics Service of Ukraine (2024)

An analysis of the accumulation of customs payments to the State Budget of Ukraine for 2019-2022 has provided data on their significance in the structure of tax revenues to the State Budget of Ukraine. The share of customs payments in tax revenues to the State Budget of Ukraine in 2019 was set at a record level of 29.9%, and in 2021 it decreased to an abysmal record of 20.7%, in 2022 the situation improved and amounted to 22.4%. Analysing the accumulation of customs

payments over 2019-2022, it is worth noting a decrease in their share in the overall budget structure by 7.5%. An assessment of the administration of customs payments in monetary terms shows that revenues decreased from 319849.4 million UAH in 2019 to 300800.0 million UAH in 2022.

Beyond the statistical data presented in Table 1, it is important to evaluate the structure of levying duties to the State Budget of Ukraine during 2019-2021 (Table 2).

Table 2. Structure and dynamics of duties for 2019-2021, million UAH

Indicator	2019	Change from 2018	2020	Change from 2019	2021	Change from 2020
Import duty	29855.4	+12.4	30203.2	+1.2	36854.9	+22.0
to state budget	29855.4	+12.4	30203.2	+1.2	36854.9	+22.0
to local budgets	-		-		-	
Export duty	230.6	+44.7	257.3	+11.6	1322.3	+514.5
to state budget	230.6	+44.7	257.3	+11.6	1322.3	+514.5
to local budgets	-		-		-	

Source: calculated by the authors based on data from the Official website of the State Customs Service of Ukraine (2022), Statistical collection: "Budget of Ukraine 2021" (2022)

It should be noted that during the period under review, there was an increase in the volume of customs payments to the State Budget of Ukraine. Between 2019 and 2021, import duty increased by 9.6%. Assessing the levying of import duty in monetary terms, it is necessary to note an increase of 6999.5 million UAH (from 29855.4 million UAH in 2019 to 36854.9 million UAH in 2021). Over the period 2019-2021, export duty increased by more than 2.5 times, in percentage terms – by 257.2%. Assessing the levying of export duty

in monetary terms, it is necessary to note an increase over the period under review of 1091.7 million UAH, that is, from 230.6 million UAH in 2019 to 1322.3 million UAH in 2021. It should also be noted that all revenues from import and export duties are fully directed to the State Budget of Ukraine.

Since duties are administered in the course of international trade and foreign operations, it is necessary to examine the share of tax revenues from import and export duties for 2019-2021 (Table 3).

Table 3. Share of the structure of duties in tax payments and its dynamics for 2019-2021

Indicator	million UAH			% to 2019			% to 2020	
	2019	2020	2021	2019	2020	2021	2020	2021
Taxes on international trade and external operations, including:	30086.00	30460.50	38177.20	100	101.3	126.9	100	125.3
Import duty	29855.40	30203.20	36854.90	100	101.2	123.4	100	122.0
Export duty	30.6	257.3	1322.30	100	840.9	513.9	100	513.9

Source: calculated by the authors based on data from the Official website of the Ministry of Finance of Ukraine (2022), Statistical collection: "Budget of Ukraine 2021" (2022)

An analysis of the dynamics of import and export duties between 2019 and 2021 reveals an increase in their share in the structure of administered taxes. In 2020, the share of import duty increased by 1.2% compared to the base year of 2019 and by 23.4% in 2021. The share of export duty in 2020 increased almost 8.5 times, i.e., by 840.9% compared to 2019, and almost 5.1 times in 2021, thus shifting by 513.9%. The growth is due to Ukraine's active foreign trade policy. Among the goods that Ukrainian enterprises exported and on which duties are paid are: petroleum products, gas-oil derivatives, coal, nitrogen fertilisers, coke, and steel-rolled products.

Ukraine's active trade policy in foreign markets has contributed to filling the State Budget of Ukraine. Ukraine faces the urgent and complex task of modernising and improving the tools and mechanisms for administering not only customs payments, but also VAT and excise tax. The effective functioning of the national economy, the development of foreign economic relations and the acceleration of Ukraine's integration into the European space largely depend on the improvement of VAT and excise tax administration, the optimisation of

calculations and procedures, and the achievement of a balance of interests of all stakeholders. The taxation of operations involving the crossing, movement, and clearance of goods through the state customs border is regulated by the Tax Code of Ukraine No. 2755-VI (2024). Article 1, Clause 1.2 of the Tax Code of Ukraine No. 2755-VI (2024) establishes the procedure and mechanism for administering taxes on goods or services, and Article 180 of the Tax Code of Ukraine No. 2755-VI (2024) defines taxpayers and other persons who pay customs payments, when carrying out export and import operations.

The primary indirect tax contributing to the state budget is VAT. For example, in 2015, according to K. Bezverkhyi (2015), VAT accounted for approximately 50% of the State Budget of Ukraine. The data in Table 4 confirms a rather significant share of VAT in filling the State Budget of Ukraine, although not 50%. In particular, during 2017-2022, the share of VAT in the State Budget of Ukraine fluctuated between 26.3% and 41.7%. The amounts and volumes of VAT payments from foreign economic activity are quite significant; they provide financial support for the national interests of the state (Table 4).

Table 4. Share of VAT in the State Budget of Ukraine in 2017-2022

No.	Indicator	Share, %					
		2017	2018	2019	2020	2021	2022
1	Revenue to the State Budget, million UAH	787474.1	920808.7	989619.9	1065368.9	1284320.3	1778245.4
2	VAT, million UAH	313980.6	374508.2	378690.2	400600.1	536489.1	467000.9
3	Share of VAT, %	39.87	40.67	38.26	37.6	41.7	26.3

Source: calculated by the authors based on data from the Official website of the Ministry of Finance of Ukraine (2022), Statistical collection: "Budget of Ukraine 2021" (2022)

One source of revenue for the State Budget of Ukraine is the customs payments in the form of excise tax on excisable goods. This tax is levied on goods subject to excise taxation that are imported into the territory of Ukraine. In general, the excise tax is an indirect tax on the consumption of certain types of goods, defined as excisable goods by the Tax Code of Ukraine No. 2755-VI (2024), and is added to the price of the goods. Goods imported into Ukraine are subject to excise tax in accordance with the rules established by Articles 212-230 of the Tax Code of Ukraine No. 2755-VI (2024). Excise tax is paid to the State Budget of Ukraine in connection with

the crossing of goods across the state customs border. According to Ukrainian law, excise tax rates are uniform throughout Ukraine, and administration is carried out by customs authorities. Under Ukrainian law, excise taxation occurs, when the following operations are carried out:

- ▣ import of excisable goods;
- ▣ sale of confiscated excisable goods;
- ▣ sale of ownerless excisable goods;
- ▣ sale of excisable goods for which the owner has not claimed possession by the end of the storage period;
- ▣ sale of excisable goods that pass into state ownership by inheritance;

▣ sale of excisable goods that come into state ownership on other grounds;

▣ sale or transfer of excisable goods that have been imported with tax exemption, as regulated by Clause 213.3 of Article 213 of Section VI of the Tax Code of Ukraine No. 2755-VI (2024).

Goods subject to excise tax include: ethyl alcohol; alcohol distillates; alcoholic beverages; beer; tobacco and tobacco-containing products; industrial substitutes

for tobacco; petroleum products; liquefied gas; passenger cars and car bodies; trailers for motor vehicles; semi-trailers for motor vehicles; motorcycles (Tax Code of Ukraine, 2024). An analysis of excise tax administration reveals the distribution of excise tax revenues between different levels of budgets in 2017-2022. It is worth noting that the funds received from excise taxes were directed both to the State Budget of Ukraine and to local budgets (Table 5).

Table 5. Distribution of revenues and excise tax by budget levels in 2017-2022

No.	Indicator	Total, million UAH					
		2017	2018	2019	2020	2021	2022
1	Revenues	1016969.5	1184290.8	1289849.2	1376673.8	1662333.6	2196634.6
1.1.	to the state budget	787474.1	920808.7	989619.9	1065368.9	1284320.3	1778245.4
1.2.	to local budgets	229495.4	263482.1	300229.3	311304.8	378013.3	418389.2
2	Excise tax	121449.4	132649.8	137076.4	153850.3	180300.4	115434.4
2.1.	to the state budget	108293.5	118852.4	123357.9	138296.1	162451.2	102352.9
2.2.	to local budgets	13156.0	13797.4	13718.5	15554.2	17849.1	13081.5
3.	Share of excise tax in Ukraine's revenues, %	15.42	14.4	13.85	14.4	14.0	5.3

Source: calculated by the authors based on data from the Official website of the Ministry of Finance of Ukraine (2022), Statistical collection: "Budget of Ukraine 2021" (2022)

An analysis of the data in Table 5 reveals a relatively high share of excise tax in the revenue side of the State Budget of Ukraine. Excise tax contributed more than 10% of the total revenue to the State Budget of Ukraine. However, between 2017 and 2022, the share of excise tax decreased significantly from 15.42% in 2017 to 5.3% in 2022. Assessing the administration of excise tax over the period 2017-2022, it is worth noting that its share in the overall structure of budget revenues decreased to 5.3% in 2022. The highest indicator of excise tax administration was recorded in 2017 at 15.42%. The sharp decline is explained by the abolition of customs and tax payments on the import of vehicles, which was introduced during April-June 2022 (Law of Ukraine No. 2142, 2022). The introduction of preferential customs clearance led to an increase in the volume of vehicle imports by citizens to Ukraine. During April-June 2022, Ukrainian citizens imported 236800 vehicles, which represents a 44% increase in imports. In monetary terms, over the

three experimental months of 2022, imported vehicles amounted to 1.117 billion USD, which could have brought 26.1 billion UAH to the State Budget of Ukraine, according to estimates (Customs clearance of cars during martial law: How many cars..., 2022). However, as soon as the preferential period ended, the volume of vehicle imports into Ukraine decreased tenfold. In July 2022, the number of vehicles imported into Ukraine amounted to only 13.6 units, which generated 1.7 billion UAH in budget revenue. In August-September, the number of vehicles imported into Ukraine amounted to 36.3 and 31.8 units, respectively, which generated 3.6 billion UAH in revenue for the State Budget of Ukraine each month.

The dynamics of changes in the share of VAT and excise tax in the State Budget of Ukraine for 2017-2022 are presented in Figure 2. An evaluation of the current state of excise tax administration necessitates an analysis of its distribution between state and local budgets during 2017-2022 (Table 6).

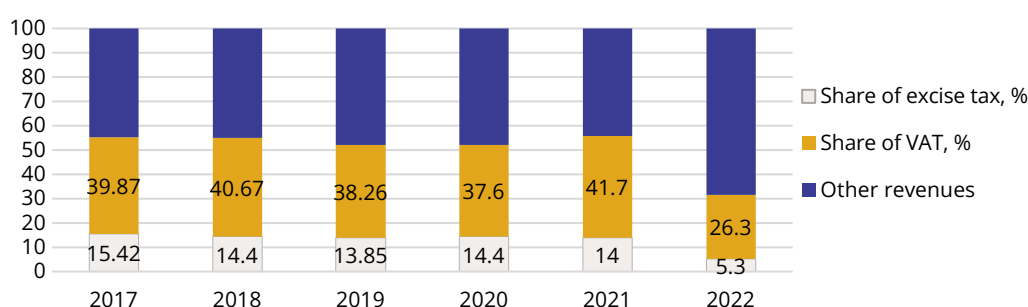


Figure 2. Changes in the share of VAT and excise tax in the State Budget of Ukraine during 2017-2022

Source: compiled based on the Official website of the State Statistics Service of Ukraine (2024)

Table 6. Dynamics of the share of excise tax administered to the state and local budgets during 2017-2022, %

No.	Year	Administration of excise tax	
		to State Budget of Ukraine, %	to local budgets, %
1	2017	89.2	10.8
2	2018	89.6	10.4
3	2019	96.0	10.0
4	2020	89.9	10.1
5	2021	90.1	9.9
6	2022	88.7	11.3

Source: compiled based on the Official website of the State Statistics Service of Ukraine (2024)

Table 6 shows that the administration of excise tax to the state and local budgets changed insignificantly during 2017-2022. Approximately 90% of payments are directed to the State Budget of Ukraine, while on average 10% go to local budgets. Characterising the structure of excise tax, it should be noted that the largest share is occupied by excise tax on goods manufactured in Ukraine. This type of tax leads to the structure of customs payments, as it accounts for 50% or more of deductions. In second place is the excise tax on goods imported into Ukraine. The share of this tax in the structure of excise payments is 40% or more. Completing the list of leaders is the excise tax on the retail sale of excisable goods. Its share in the structure of excise deductions is 4.5%.

However, due to the significant demand for excisable goods on the internal market, cases of deliberate violations of customs regulations, when goods cross the state border are quite common. Typical examples of violations include non-compliance with customs legislation in several ways:

- ▣ transporting goods outside customs checkpoints;
- ▣ concealing excisable goods from customs authorities;
- ▣ manufacturing counterfeit stamps for excisable goods (tobacco products and alcoholic beverages);
- ▣ carrying out "pseudo-export" operations with excisable goods (tobacco products and alcoholic beverages). This method is often employed to facilitate the "shadow" sale of goods manufactured in Ukraine, but marketed as excisable.

Customs authorities not only perform the functions of processing, calculating and collecting customs payments, but also carry out control over the crossing of goods across the state customs border and ensure the completeness and timeliness of the administration of customs payments on these goods. Ukraine's active position and recognition in the world require the protection of the rights and interests of producers, and the mechanisms for the movement of goods across borders between countries must also be regulated.

Ensuring the protection of Ukraine's economic interests is one of the main tasks implemented by the state fiscal service, therefore, when improving the mechanism for taxing goods, when crossing the state border, the following issues are checked:

- ▣ correctness of calculating customs payments;
- ▣ timeliness of customs payments administration;
- ▣ completeness of customs payments;
- ▣ legality of measures taken to enforce the administration and collection of payments on goods crossing the state border.

Among the list of key issues, a priority should be given to improving the procedures and mechanisms for taxing goods, when they cross the state customs border, as the Ukrainian system of customs payments administration differs from the European one. European legislation practices two opposing mechanisms for levying customs payments. These payments in foreign trade operations are based on two approaches: the destination principle and the origin principle. The destination principle means that goods crossing the border are taxed, where they will be consumed. That is, the customs payment rate in EU countries does not exceed the internal customs payment rate, when goods are sold. The origin principle means that goods are taxed at the place of their manufacture. Indeed, if a country exporting a good is its monopolist, then using the mechanism of calculating VAT based on the origin principle makes it possible to accumulate additional deductions to the budget from payments by consumers of the country that imported the goods (Law of Ukraine No. 2142, 2022).

Ukraine's integration into the European Union requires an urgent solution to the existing "gaps" in the mechanism for taxing goods, when they cross the state customs border. Key areas in this context are: the abolition of the possibility of deferring VAT, changing the amount of VAT charged, VAT refunds, the legitimacy of VAT administration for goods under temporary import regimes, and the procedure for calculating VAT rates. Table 7 proposes directions for improving the mechanism for taxing goods, when crossing the state customs border.

Table 7. Directions for improving the mechanism of taxation of goods crossing the state customs border

	Directions for improving				
	Cancellation of the possibility of deferring VAT	Change in the amount of VAT charged	VAT refund	Legitimacy of VAT administration for goods under temporary import regimes	Procedure for calculating VAT rates
Risks	Corruption risks – granting individual importers the right to defer the payment of VAT	Fraud – importing subsequent batches of similar goods under the guise of deferred VAT	Fraud – manipulation of the total tax amount payable to the state budget	Violation of international law, as such goods, do not create additional value; do not change ownership; the goods will be returned to the country of origin; VAT amounts on such goods are prohibited from being included in the tax credit	Deficit – a single tax rate for “luxury” goods and socially important and necessary goods leads to an increase in the cost of the latter
Solutions	The impossibility of accumulating unpaid VAT bills for transactions involving the crossing of goods across the state customs border	Regulation and strict control over the quantity, batches, and volumes of taxable goods	Adoption of a unified differentiated formula for calculating the amount of VAT refund	Refusal to charge and pay VAT if goods crossing the state border are under a temporary import regime	Introduction of differentiated VAT rates depending on the goods crossing Ukraine's customs border

Source: compiled based on H.Yu. Razumey (2019), *Customs regimes and their features* (2021), *Law of Ukraine No. 2142* (2022)

Addressing some of these issues will help to avoid the shortcomings that exist in the taxation of goods, when they cross the state customs border. It should be noted that some of the proposed directions are actively used by European countries. For example, Belgium, Lithuania, Greece, Sweden, Slovakia, and other countries use, to varying degrees, a tool such as granting licenses for VAT deferral, which is a positive practice. In European Union countries, differentiated VAT rates apply depending on the goods crossing the state customs border. For example, the lowest VAT rate in Luxembourg is 15%, and a rate of 5% is applied to goods and services that have a social or cultural purpose. In Denmark and Sweden, the VAT rate is 25%, while a VAT rate of 5% is applied to food products, pharmaceuticals, hotel services (“Ukrainian and foreign experience...”, 2024). The proposed directions for improving the mechanism for taxing goods, when crossing the state customs border will contribute to increasing revenues from customs payments to the State Budget of Ukraine, ensure the economic security of society and protect the national interests of the state.

A significant number of Ukrainian and foreign researchers have studied the content and essence of the taxation of goods at the state customs border. They can be conditionally divided into two groups: the first group includes researchers, who in their studies focused on studying the nature and content of the process of moving/crossing goods across the state customs border. O.S. Ivanchenko (2007) emphasised that the movement of goods across the customs border is the carrying out of actions to import or export goods to/from the customs territory of Ukraine by any means, including transit. Researcher S.Yu. Dyomina (2010) emphasised that the movement of goods across the customs border is

the customs procedure to which goods and vehicles moving across the customs border of Ukraine are subject. V.V. Chentsov (2013) argued that the movement of goods across the customs border is a set of actions related to the import into the customs territory of Ukraine, export from this territory, or transit through the territory of Ukraine of goods, vehicles, and other items in any way, by any means and modes of transport. The second group of researchers focused on customs payments, which are one of the tools for regulating the foreign trade and customs policy of the state. Scientist N.P. Kucheryavenko (2014) defined customs payments as a type of fees, deductions, and payments in the case of crossing the customs border of Ukraine. A.I. Krysovaty & V.P. Martynyuk (2009) defined customs payments as a fee for the performance of customs responsibilities and services, which is used to develop the customs authorities system. S.V. Volosovych & T.D. Lipikhina (2009) characterised them as a system of taxes and fees levied on goods and other items crossing the customs border. Characterising the developments in this area, the research of O.P. Hrebelnyk (2003) should be highlighted, in which it was proved that, firstly, the object of taxation is not only goods, but also other items that are not goods. Secondly, some customs payments are not related to the crossing of goods across the state customs border, but are paid for the provision of certain services by customs authorities in the field of customs tariff relations.

Researcher A. Barbosa (2023) dedicated a significant portion of their publications to studying the issue of dematerialising cross-border goods transactions, particularly between economic operators in EU member states and third countries. The author emphasised the importance of transparency in the taxation of international

trade given the proportionally increasing complexities of the conditions under which cross-border trade in goods takes place. A. Fruscione (2022) examined the practice of the Court of Justice of the European Union regarding the relationship between the customs value and the cost of delivering goods. The author explored the determination of the customs value of imported goods and the costs actually incurred by the producer for their transportation to the place, where they were imported into the customs territory of the European Union and, relying on the decisions of the CJEU, argued that such costs are not added to the value of the goods deal, when, according to the agreed terms of delivery, the obligation to cover these costs lies with the producer, even if these costs exceed the price actually paid by the importer, provided that this price corresponds to the actual value of the goods.

The research of P. Saint-Amans (2024) deserves attention, as the author explored the EU's potential to create its own resources based on a common tax policy. According to the researcher, the EU suffers from a "tax leakage", where profits are shifted from EU countries with high tax rates to EU countries with low tax rates, and from there to jurisdictions outside the EU or with low taxes, often without the application of withholding taxes. To address this situation, the author proposes the introduction of a quasi-tax reflecting the rule of low-profit taxation, agreed upon within the framework of an international agreement on a corporate minimum tax.

Common to the first group of researchers, in the definitions given, were the emphasis on the complex process of movement, which included the import, export, and transit of goods across the state customs border, and includes regulation by customs procedures regardless of the mode of transport. For the second group of researchers, common aspects were the emphasis on payments as fees associated with crossing the state customs border, as well as the multifunctional role of customs payments in regulating customs processes and financing customs authorities. However, such several different interpretations of the same issue require a more detailed consideration.

Conclusions

Taxation of goods, when crossing the state customs border is a key mechanism that helps not only to ensure revenues for the State Budget of Ukraine, but also to support national interests, regulate competition, and protect the internal market. As a result of the research, a list of legal relations arising when crossing, movement, and clearance goods across the state customs border has been identified and structured.

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An analysis of customs payments to the State Budget of Ukraine in 2019-2022 has established that their share in the overall budget structure has decreased by 7.5%. Assessing the levying of duties, it is necessary to emphasise the increase in import duties by 9.6% and the increase in export duties by 257.2%. Tracking the dynamics of import and export duties for 2019-2021, it is worth noting the increase in their share in the structure of taxes: import duties in 2021 grew by 23.4%, while export duties grew by 513.9%. It is proven that positive shifts are due to Ukraine's active foreign trade policy. As for the share of VAT in the State Budget of Ukraine, a downward trend was established in 2019-2022. In particular, over the past 5 years, the share of VAT in the State Budget of Ukraine has increased by 15.4%. Namely, 39.87% in 2017, 40.67% in 2018, 38.26% in 2019, 37.6% in 2020, 41.7% in 2021, and 26.3% in 2022. A decrease in the share of excise tax in the revenue part of the State Budget of Ukraine has also been observed over the period 2017-2022. In particular, over the period 2017-2022, the share of excise tax was 15.42% in 2017, 14.4% in 2018, 13.85% in 2019, 14.4% in 2020, 14% in 2021 and 5.3% in 2022.

It is crucial to understand the fundamentals of the current taxation mechanism at the Ukrainian customs border, its key elements, and its specific functioning. Adherence to the procedures and conditions for crossing goods across the state customs border allows for the control of revenues to the State Budget of Ukraine, as well as the order of actions that must be carried out by customs and tax authorities. The mechanism for taxing goods, when crossing the state customs border is a complex system that includes various types of taxes and methods of calculating them. The correct, uninterrupted, and well-established functioning of this system contributes to economic growth, a balanced state budget, the protection of the national market, and the stimulation of the development of Ukrainian production.

Further research into the mechanism for taxing goods, when crossing the state customs border should focus on unifying national legislation in the field of customs policy, procedures for crossing, moving, and passing goods, and the rates of customs payments with the European customs and tax systems. This will contribute to simplifying the trade process, increasing the competitiveness of Ukrainian goods on the European market, reducing costs for businesses, and increasing the country's investment attractiveness.

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Conflict of Interest

None.

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Митне оподаткування в Україні: ефективність адміністрування та напрямки удосконалення

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Анотація. Сучасний стан адміністрування митних платежів трансформується під впливом внутрішніх і зовнішніх екстерналій, проте митне оподаткування залишається важливим фіскальним інструментом, який сприяє акумулюванню коштів до державного та місцевих бюджетів. Метою статті було обґрунтування теоретико-практичних рекомендацій щодо удосконалення механізму оподаткування товарів при перетині державного митного кордону на основі аналізу та оцінювання здійснених митних платежів, питомої ваги митних платежів у структурі бюджетів та їх динаміки протягом 2017-2022 років. У статті досліджено теоретичні основи адміністрування митних платежів при перетині товарами державного митного кордону. Розглянуто порядок, умови, ознаки, способи та різновиди перетину товарів через державний митний кордон, побудовано схему процедур митного оформлення товарів при перетині ними державного митного кордону. На підставі аналізу питомої ваги митних платежів у Державному бюджеті України протягом 2019-2022 років встановлено, що найбільше значення акумулювання спостерігалось у 2019 році. Визначено структуру та динаміку ввізного та вивізного мита, зокрема у 2021 році обсяг ввізного мита становив 36854,9 млн.грн., а вивізного мита – 1322,3 млн.грн. Оцінено питому вагу податку на додану вартість та акцизного збору у наповненні Державного бюджету України. Визначено, що протягом 2017-2022 років питома вага податку на додану вартість у Державному бюджеті України коливалась від 26,3 % до 41,7 %. Питома вага акцизного податку у доходах України у 2017-2021 роках становила від 13,85 % до 15,42 %. У 2022 році зафіксовано «антирекорд» -5,3 % відрахувань акцизного податку у доходах держави, що спричинено відміною митних та податкових платежів на імпорт транспортних засобів, що був запроваджений протягом квітня-червня 2022 року. Представлено типові порушення правил перетину товарів через державний митний кордон та визначено першочергові питання щодо удосконалення механізму оподаткування товарів при перетині державного митного кордону

Ключові слова: митні платежі; перетин митного кордону; адміністрування податків; податок на додану вартість; акцизний податок; митне оформлення; експорт та імпорт