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**SIMPLIFIED TAXATION SYSTEM FOR SMALL BUSINESS ENTITIES**

The simplified taxation system plays a significant role in ensuring financial transparency for small businesses, reducing the risks of financial crimes, and combating the shadow economy. It contributes to stable budget revenues and supports economic development by encouraging the creation of businesses and jobs.

The purpose of this research is to investigate modern approaches to the problem of taxation of small business entities in Ukraine, identify shortcomings, and propose directions for the improvement in the future.

Key aspects of the simplified taxation system include first of all, the replacement of multiple taxes. Namely, the single tax is paid under the conditions of Chapter XIV of the Tax Code of Ukraine. Secondly, the simplified accounting and reporting of income and expenses is applied in accordance to the provisions of the article 44 of the Tax Code of Ukraine.

Main criteria and tax rates for the single tax are different for different groups (namely group 1, 2, 3 or 4). Thus, in 2024 the tax rate for the group 1 is up to 10% of the subsistence minimum (302.80 UAH/month); maximum annual revenue is 1,185,700 UAH/year; no employees are allowed; as for the types of activities, only retail sales at markets and/or provision of household services to the population (list of household services - paragraph 291.7 of the Tax Code of Ukraine).

As for the group 2, the tax rate in 2024 is up to 20% of the minimum wage (1,420 UAH/month); maximum annual revenue is 5,921,400 UAH/year; maximum number of employees allowed is equal to 10; allowed such types of activity as provision of services, including household services, only to single tax payers and/or the population; production and/or sale of goods; activity in the restaurant industry sector.

In 2024 the tax rate for the group 3 for individuals can be 3% (with VAT) or 5% (without VAT); maximum annual revenue is equal to 8,285,700 UAH/year; there are no restrictions for the number of employees; accounting records are done in the form of simplified accounting of income and expenses. As for legal entities, the tax rate for the group 3 can be 3% (with VAT) or 5% (without VAT) as well; maximum annual revenue is equal to 8,285,700 UAH/year; there are no restrictions for the number of employees. It must be noted that all types of activities are allowed (except those prohibited in paragraph 291.5 of the Tax Code of Ukraine).

As for the group 4, the annual tax amount is divided into 4 quarters (p. 295.9.2 of the Tax Code of Ukraine): І – 10%, ІІ – 10%, ІІІ – 50%, IV – 30%; the amount of revenue is unlimited, but the share of agricultural production for the previous tax (reporting) year must be ≥ 75% (subparagraph 298.8.4 of the Tax Code of Ukraine, subparagraph 4 of paragraph 291.4 of the Tax Code of Ukraine); accounting records are simplified and done under provisions of National Accounting Standard 25 “Simplified Financial Reporting”.

It must be noted that simplified taxation system remains a crucial element of Ukraine's economy, supporting small businesses. Thus, according to the results of the conducted research it has been established that the current system of taxation of small business entities in Ukraine and accounting, as its informational basis, ensure the functioning of the state`s tax mechanisms. Further improvement of the taxation system for small business entities will require a review of methodological approaches to the use of accounting information in accordance with new taxation mechanisms. At the same time, a number of accounting problems faced by taxpayers under the simplified taxation system can be identified. In particular, taxpayers as legal entities are obliged to keep accounting records according to the principles of National Provisions (Standards) of Accounting (paragraph 296.1 of the Tax Code). Moreover, accounting registers and financial statements serve as supporting documents for tax accounting and data in the Declaration of the taxpayer under the simplified taxation system (paragraph 44.1 of the Tax Code). However, accounting is based on the accrual rule (Article 4 of the Law of Ukraine “On Accounting and Financial Reporting in Ukraine”), while the taxation object under the simplified taxation system is based on the cash method (subparagraph 2 of paragraph 292.1 of the Tax Code of Ukraine). Therefore, accounting data cannot be the sole basis for the formation of the declaration.

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