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Government Tax Policy in the Digital Economy

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Abstract

The article considers the peculiarities of the formation and implementation of tax policy in the development of the digital economy, reveals current problems, and substantiates the need to change the tax system. The directions of compensation of the reduction of income from the labor tax through automation and introduction of artificial intelligence in technological processes are defined and the forms of taxation of digital commerce are offered. The research methods were scientific abstraction, logic, graphics, visual reflection, analytics. It has been proven that the process of digitalization of the economy in combination with the crisis caused by COVID-19 causes many risks that must be considered when developing tax policy. Emphasis is placed on the implementation of a tax policy based on digital transformation, which stimulates innovation, ensures efficiency, and improves the quality of tax services. Increasing the use of digital technologies has been shown to create challenges in many areas of public administration, including taxation. It concludes that there is a need for broad international cooperation to prevent tax evasion, ensure tax transparency and develop new tax approaches and software.

Keywords: tax policy; digital economy; digitalization; taxes; digital platforms.

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Política Fiscal Estatal en la Economía Digital

Resumen

El artículo considera las peculiaridades de la formación e implementación de la política tributaria en el desarrollo de la economía digital, revela los problemas actuales y fundamenta la necesidad de cambiar el sistema tributario. Se definen las direcciones de compensación de la reducción de ingresos del impuesto al trabajo a través de la automatización e introducción de inteligencia artificial en los procesos tecnológicos y se ofrecen las formas de tributación del comercio digital. Los métodos de investigación fueron: abstracción científica, lógica, gráfica, reflexión visual, analítica. Se ha comprobado que el proceso de digitalización de la economía en combinación con la crisis provocada por el COVID-19 provoca muchos riesgos que deben ser tomados en cuenta al momento de desarrollar la política tributaria. Se pone énfasis en la implantación de una política tributaria basada en la transformación digital, que estimule la innovación, asegure la eficiencia y mejore la calidad de los servicios tributarios. Se ha demostrado que aumentar el uso de tecnologías digitales crea desafíos en muchas áreas de la administración pública, incluida la fiscalidad. Se concluye que existe la necesidad de una amplia cooperación internacional para prevenir la evasión fiscal, garantizar la transparencia fiscal y desarrollar nuevos enfoques y software fiscales.

Palabras clave: política fiscal; economía digital; digitalización; impuestos; plataformas digitales.

Introduction

The crisis caused by the COVID-19 pandemic has led to the need to accelerate the economy's business and the changes in tax policies that arise from its digitization. Modern crisis phenomena also lead to increased pressure on public finances and public dissatisfaction with the existing tax planning. Now the government and business have realized the need to develop measures to adapt to new realities. The development of modern technologies puts several complex issues for domestic tax policy.

This is regarding taxation of transnational business; compensation of possible decrease of income from labor tax because of automation of a significant part of processes and introduction of artificial intelligence i.e., developing general approaches to taxation in the digital economy. The main issue of foreign tax policy is to change its priorities to address the new challenges arising from the development of the digital economy. Due to long-term economic uncertainty, many countries consider cautious

measures to adapt their tax policies to new requirements (McKinsey and Company, 2020).

1. Materials and methods

The aim of the article is to give an overview of the main features of the digital economy and how its effect on development future tax policy.

The main research methods were scientific abstraction, logical generalization of changes in tax policy in a digital economy, graphical method for visual reflection of trends in government consolidated gross debt and its share in GDP, analytical method for determining the share of total general government expenditure in GDP, visual reflection the system of government tax policy in modern conditions.

2. Results and discussion

One of the main modern tools for returning to sustainable economic development is a well-balanced state tax policy, which in the context of digital transformation should stimulate innovative activity, ensure efficiency, and improve the quality of services. Digitalization also gives society more inclusiveness and improves the welfare of the population when properly implemented. At the same time, the increasing use of digital technologies poses challenges in many areas of public administration, including taxation. Moreover, the reform of the international tax system during the digital transformation is currently a priority of the international economic community.

Digitalization and the crisis caused by COVID-19 have led to many potential risks e.g., analysts predict a reduction in the number of jobs in Europe to 26 percent of the total (Enache, 2021). Technological progress has contributed to the expansion of the sharing economy and the gig economy, which has significantly changed the employment pattern and necessitated changes to traditional tax systems designed primarily for permanent full-time employees (Bulba et al., 2021).

In addition, the increase in online transactions and trade on the Internet complicates accounting and collection of consumption taxes, particularly the value-added tax. The main preconditions for revising tax policy in the world are the crisis state of public finances in most countries. Due to the COVID-19 pandemic, government spending has increased significantly in almost all countries. In 2020, compared to 2019, government spending in the EU increased by 3% which amounted to on average 53.4% of GDP. The most expenditures per year increased in Greece (by 6.6% and made up 60.7% of GDP), Belgium (by 5.3%) and Croatia (by 6.1%) (see Figure 1).

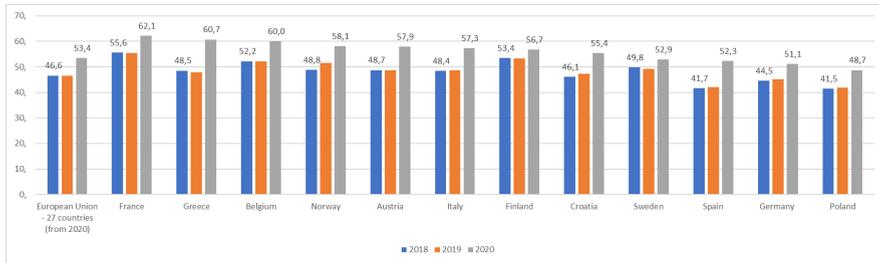


Figure 1. Total general government expenditure (Percentage of gross domestic product (GDP)).

Source: (Eurostat, 2021c).

Due to rising government spending and declining tax revenues, public debt and its share in GDP have grown significantly in almost all countries. In the EU, the average public debt-to-GDP ratio has risen from 66.3% to 90.7% over the last 20 years (see Figure 2).

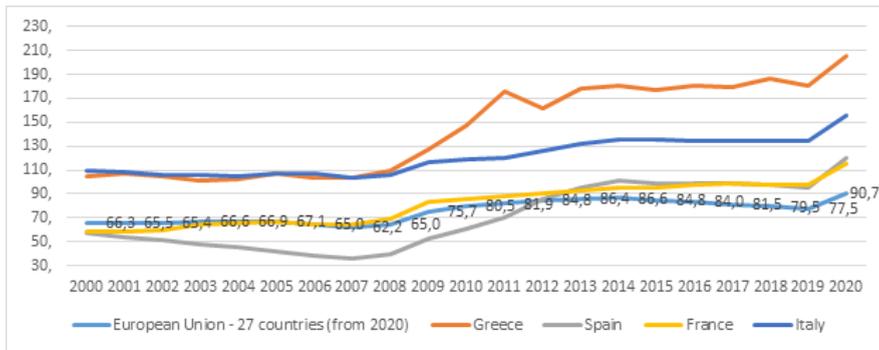


Figure 2. Government consolidated gross debt Percentage of gross domestic product (GDP).

Source: (Eurostat, 2021a).

Then considering the factors that cause a significant change in tax policies both at the global level and at the level of individual countries, due consideration when implementing tax policy and mitigating negative consequences through digital decisions. The main current trends in taxation are:

1. Businesses are becoming more mobile and global.
2. The age structure of the population is changing.
3. The importance of energy and environmental factors is growing.
4. The economy is becoming more virtual and less material.
5. Employment is becoming more flexible.
6. Inequality of households' income is growing (Enache, 2021: 3).

Prepotent to note that the world is experiencing a trend toward ageing populations. This equates to fewer people being in the workforce who will be subject to taxation than those who expect pension benefits. In 1950 the average age of the population in the world was 23.6 years (in Europe - 28.9 years) and compare to the average age is 30.9 in 2020 (42.5 - in Europe) (United Nations, 2021). In the EU, the share of the population over 65 has increased over the last 10 years by 3%, in particular: Finland (5.3%), Poland (4.6%), the Czech Republic (4.6%) and Slovakia (4.2%) (Eurostat, 2021b).

The growth rate of the population aged 65+ per 100 population 15-64 has a threatening trend, by 2025 this indicator will increase almost twice, up to 16%. In Europe, almost 30% of the population is now over 65 years of age from the population aged 15-64, and by 2100 this figure will increase to 55%, especially significant this figure is projected to be in countries such as: Albania (104.1%), Italy (70.3%), Greece (67.8%). Already, these countries face significant increases in pension payments and labor market crises, and their governments are forced to revise public pension systems and raise the retirement age (United Nations, 2019).

Population ageing is a global trend, so it is important to change educational policy, implement adult education and implement lifelong learning programs e.g. in Austria, adult learning is encouraged by significant tax benefits, tax credits, and reduced working hours, or by receiving 55% of salary leave (CEDEFOP, 2021).

The ageing of the population is a global trend, so it is important to change educational policy now, to introduce education for adults and to implement lifelong learning programs e.g. in Austria, adult education is stimulated by significant tax benefits, tax credits, reimbursement programs and reduced working hours or obtaining study leave with the preservation of 55% of salary (CEDEFOP, 2021).

The growth of income inequality also has a negative impact on the economy. As such in the future capital and not labour, should become the basis of taxation. Today, income inequality is growing every year: 1% of the population receives 11.7% of total income (in Eastern Europe this percentage is 13.4%) (WIID, 2021). Within the top percentile, the world's

richest eight people have as much wealth as 3.6 billion people. This uneven distribution of wealth raises concerns about income tax policies.

Most developed countries are already aware of this problem and are now adopting legislation to reduce the offshoring of income and make it impossible to avoid taxation, particularly by large corporations. It is estimated that almost 8% or 7.6 trillion dollars of global financial wealth are in offshore centers, and the fight against such practices has already begun in most countries. However, it should be remembered that in a globalized world, the unilateral introduction of capital taxes can lead to capital flight from the country (McKinsey and Company, 2020). Therefore, facilitating the control of financial flows through digitalization may be a reason to rethink the policy on taxation of capital sources.

Most OECD countries collect most taxes from their labour and capital taxes back in 2019. If we compare the average sources of tax revenues in 2019 and 1990, the biggest changes in the structure took place in personal taxes (decrease from 29.9% to 24%), with a simultaneous increase in the share of corporate taxes and social insurance (see Figure 3). Tax policy differs significantly from OECD countries, and it would be fair to say that there is no universal effective tax system in the world that would suit all. The largest share of tax revenues in % terms regarding GDP is in Denmark (46.6%), France (44.9%) and Sweden (42.8%) (Compare your country, 2021).

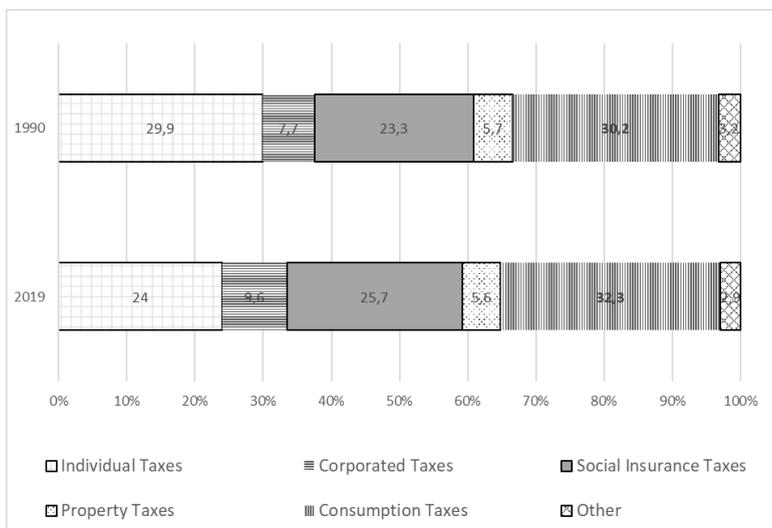


Figure 3. OECD Tax Revenue Sources, 2019 and 1990.

Source: (Compare your country, 2021).

It is also possible to note an increase in the share of taxes collected at the national level in OECD federal countries i.e., from 50.6% in 1975 to 53.4% in 2019. This compared to unitary countries the opposite applies i.e., a decrease in the share of local taxes and an increase shares of social insurance funds. This indicates the formation of a universal tax policy, which is no longer tied to the budget system of the country (OECD, 2020).

Another important challenge today is global climate change, which demands carbon emissions reduction and incentives through tax policy for environmental business. Increasing environmental taxes encourages citizens and businesses to consider the environmental consequences of their activities. As a result, less carbon goods and services will be consumed, and businesses will move to low- or zero-carbon production.

Without an emissions tax, producers and consumers will not properly consider the harmful effects of CO₂ emissions. In addition, social and tax pressures will push businesses to develop clean technologies and create a negative attitude towards polluting enterprises. It is pertinent to note that all Member States of the European Union has been in the Emissions Trading System (EU ETS) since 2005.

During 1990, Finland became the first country in the world to introduce a carbon tax. But CO₂ taxation is most effective if it is implemented at the international level. The introduction of a tax only at the national level can significantly undermine the country's economy. Today's relatively low prices and the level of taxation in the initial period are intended to give companies time to reduce emissions to implement green technologies. Carbon tax initiatives are now being implemented in 64 countries and covering 21.5% of global emissions (OECD, 2019).

Such global trends have led to a fundamental review of tax policies, particularly tax sources e.g., new taxes, such as automation taxes, replacing workers, or global wealth taxes, can be introduced.

The tax on automation is becoming a popular subject of public discussion. Many countries have stimulated innovation through tax credits, accelerated automation, and preferential taxation. However, only now they are beginning to realize the link between innovation, social protection, plus jobs and automation. Nobel laureate in economics Robert Schiller also noted that the automation tax may be a more politically acceptable type of taxation for those who earn high incomes and are a natural part of government policy to overcome inequality (KPMG, 2021a).

There are several options for introducing an automation tax and some countries already use this tax. One option is to reduce tax benefits for capital investments or increase VAT on the purchase of robotic technologies. Also, interestingly is the idea of tracking the number of jobs in the company and then correlating them with the results of the activity. In Spain, this

resulted in the trade union offering companies to make social insurance contributions on behalf of employees who are replaced by automation (KPMG, 2021b).

For capital taxation, it is possible to introduce a national tax on global wealth, which would be calculated considering all assets both inside and outside the country. A successful example of tracking all foreign accounts of U.S. residents is The Foreign Account Tax Compliance Act (FATCA), which has been applied since July 1, 2014. It is also proposed in the United States to increase funding for the US Internal Revenue Service and to conduct mandatory inspections of a certain population of highly paid individuals (PWC & WBG, 2020).

Also requires changes in the taxation policy under conditions of digitalization and automation of labor, which is projected to reduce the number of jobs and significantly change the structure of the labor market. Automation can reduce the demand for low- and middle-skilled workers and at the same time increase the demand for highly skilled workers and their wages. Therefore, it is already necessary to prepare society as a psychologically and infrastructure for education throughout life and activity in conditions of flexible employment (KPMG, 2021a).

In the future, we can predict an increase in self-employment, the conclusion of employment agreements for short periods, remote work of employees. And if we do not change our approaches to determining income and taxation now, most countries will be forced to raise taxes and increase requirements for state aid recipients very soon.

In this regard, it is advisable to develop requirements for accounting for income from non-standard employment of workers. This would apply when paying their due taxes to guarantee them social protection and shift the focus from labour taxation to taxation of capital sources (Karthik et al., 2019).

Due to the COVID-19 pandemic, the volume of cross-border electronic commerce associated with Internet trade has increased considerably. This has made it much more difficult to identify and tax such transactions, and as such in the traditional model of taxation they are very difficult to trace. As national tax systems have hardly changed to meet the requirements of the new digitalized world. A global approach and close cooperation between countries is needed to develop common approaches to e-commerce taxation (OECD, 2021).

The main problems of e-commerce taxation in Ukraine have similar problems regarding taxation of this market segment in the USA and the EU:

1. Taxation of digital (intangible) products and online services in the B2C and C2C segments. The existing VAT tax instruments of non-

residents do not work for the digital economy e.g., payments for Facebook and Google advertising services are made through card accounts of individuals, i.e., such transactions are not subject to control and as such the loss of VAT revenues to the budget is quite significant.

Electronic trading is difficult to control because the identity and location of the buyer can be established only according to the bank card. Additionally, if the payment is made through an electronic payment system, such as Web-money this makes it even more difficult. As such, there is a need for new tools that would allow tax authorities to identify and track transactions on the Internet.

2. Imperfection of Ukrainian legislation on tax regulation of e-commerce. Currently, the legislation does not clearly define electronic commerce, Internet trade and other terms, even though they are widely used in official documents. At the legislative level, there is no classification of digital products, i.e., it is not defined whether to classify them as goods or services. To regulate the taxation of digital goods, it is necessary to amend the relevant articles of the Tax Code, which concern the objects of taxation in general and the objects for VAT collection (Bodrov, 2018).

In addition, the main areas for increasing tax revenues may be improving the administration of taxes, their diagnosis, the use of big data technology to assess revenues. The use of the basics of behavioral economics in tax policy, considering economic, social, and environmental impacts, also hides great opportunities (Sentance Andrew, 2020).

Currently, the issue of developing methods of taxation of the digital economy is acute at the global level, so it is important to cooperate between countries to expand the tax base and develop international tax legislation. For the first time, tax challenges in the digital age have been identified as one of the main ones in the OECD / G20 Project on “Base erosion and profit shifting” (BEPS) in 2015.

In March 2018, the Taskforce on the digital economy (TFDE) identified the tax challenges posed by digitalization and highlighted the need for a global solution. BEPS introduced new rules that include minimum country reporting standards, giving tax authorities a more comprehensive view of enterprise operations at the global level. The BEPS also presents recommendations for changes in the tax collection for consumption in cross-border transactions.

The First and Second Pillars of BEPS will support global investment. More notably, their proposals are aimed at increasing tax certainty and the efficiency of global capital allocation by increasing the importance of non-tax factors (infrastructure, level of education, wage costs). Pillar One aims

to adapt the international tax system to the digital environment through significant changes to the rules that apply to the taxation of business profits.

The estimated effect of the implementation of BEPS is for: Pillar One - 0.2-0.5% of global tax revenues (or 5-12 billion dollars); Pillar Two 1.9-3.2% (or \$ 47-81 billion). Developed countries receive the most revenue from the implementation of BEPS, as they have the major share of large corporations that erode their income and remove it from taxation (OECD, 2021). The EU Commission plans to introduce a digital fee no later than January 1, 2023 and has already developed a road map for the implementation of this fee.

Ukraine has joined the world trends and today is at the stage of implementing the minimum standard of the BEPS plan. Several bills are being drafted and are currently to be considered by parliament (Ministry of Finance of Ukraine, 2017).

Using the capabilities of digital platforms for doing business has contributed to the spread of the so-called sharing economy (Sharing Economy), in which entities gain access to something in the markets on a peer-to-peer (P2P) basis. One of the defining characteristics of the P2P economy is that the interaction occurs among many indivisible, disparate and independent economic units.

This contributes to the fact that activities through the platforms are virtually unregulated by the state and are difficult to monitor by the tax authorities. Such economic relations are taxed less than other types of business due to the use of preferential rates or regimes, or simply because entities do not show their profits (Tochylyna, 2019).

At the same time, three-quarters of employees of digital platforms are not registered as self-employed and do not pay taxes. In the online sector, this figure is higher than in other areas of the economy. Most employees who perform tasks on digital platforms qualify as “freelancers” or “independent contractors” on digital platforms, which means that they go beyond labour law. Almost half (45%) of them is convinced that they do not need to officially register their activities with government agencies (tax and others) in order to work on Internet platforms. Only 14% are sure that it is necessary to register, another 8% believe that it is most likely necessary to register (Aleksynska et al., 2018).

Thus, within the framework of legal regulation, there should be legalization of digital labor relations, the status of all participants of social and labor relations should be equalized: both those who work on permanent or temporary employment, and those who are involved in remote forms of employment (freelance exchanges), crowdfunding platforms, professional social networks, groups and pages in social networks, career sites or sections of companies and organizations, outsourcing, etc.) (Kokhan, 2021).

From January 1, 2019, the EU introduced changes to the VAT on digital services. The OECD has also introduced new global tax reporting and developed Model Reporting Rules. Under the new proposed procedure, digital platforms (MRDP) should collect information on the income of entities that offer housing, transport and personal services through online platforms and transmit information to fiscal authorities (KPMG, 2021b). In 2021, 36 countries have agreed to introduce a corporate tax rate of at least 15% for international corporations from 2023; 136 countries and jurisdictions, which account for more than 90% of world GDP, have agreed to this reform. These innovations will allow you to pay fair shares of taxes, regardless of the location of the business and the place of profit (PWC & WBG, 2020).

The UN is also developing recommendations for global taxation. Thus, the UN Tax Committee published a draft proposal for the taxation of automated digital services, namely: online advertising services; internet intermediary platform services; social media; digital content; cloud computing; sale or other alienation of user data; standardized online teaching services. UN continues to work to improve the provisions of the digital tax treaty (KPMG, 2021b).

With the emergence of new technologies resulting from the development of the digital economy, new tax problems arise, which should also be addressed. One of the main modern challenges is the regulation of the circulation and accounting of cryptocurrencies, taxation, and payments in digital currencies (cryptocurrencies). In this regard, the OECD / G20 Inclusive System adopted in October 2020 the Report "Taxation of Virtual Currencies: A Review of the Tax Regime and New Tax Policy Issues". Implementing OECD standards for the effective collection of VAT on online sales of goods, services and digital goods and abandoning its plans for a digital service tax (DST) based on turnover (OECD, 2021).

Ukraine is currently also focusing on cryptocurrency taxation issues. According to experts, it is more appropriate to talk not about cryptocurrency, but about cryptocurrency as a type of virtual asset that exists exclusively in the system of digital data accounting in the form of a record with an identifier of information. Accordingly, a draft Law of Ukraine "On Virtual Assets" has been developed, according to which virtual assets and their turnover are not subject to VAT, taxation is carried out at 5% of the difference between the purchase and sale of a virtual asset.

Given the global trends in the transition from a raw materials economy to high-tech production and the introduction of Industry 4.0, the study of the digital economy in Ukraine is extremely relevant. The rapid development of new technologies, global informatization intensifies the process of digitalization of Ukraine's economy, considering the focus on international, European and regional cooperation in order to integrate Ukraine into the EU, access to European and world markets.

Institutional and legal registration of the development of the digital economy in Ukraine began in 2013, when the Cabinet of Ministers issued an Order “On approval of the strategy for the development of the information society in Ukraine.” In 2015, Ukraine joined the Declaration of the First EU Eastern Partnership Ministerial Meeting on the Digital Economy, in which the digital economy was recognized as an area of untapped potential for both the EU and partner countries. The need to integrate the digital markets of the Eastern Partnership countries into the single European space is caused by the emergence of the initiative “Harmonization of Digital Markets (HDM)”, in the implementation of which Ukraine is also involved.

It should also be noted that starting from 2015; a legal framework is being formed that reflects certain aspects of digitalization processes in Ukraine. These are the Law of Ukraine “On Electronic Commerce”, the Law of Ukraine “On Electronic Trust Services”, the Law “On Electronic Digital Signature” and other bylaws, incl. about e-money, e-government, etc.

Recently, the number of services provided online in Ukraine has increased significantly, including in the field of taxation. Thus, an electronic office of the taxpayer has been created, which allows the taxpayer to work with the tax authorities in real-time. Such provision of administrative services to taxpayers while removing them from direct contact with civil servants is a means of preventing corruption in the tax authorities.

In Ukraine, the number of citizens who prefer the electronic submission of declarations of property and income is gradually growing. Submission of electronic reporting significantly simplifies the work and has many benefits for taxpayers, including savings in working time, financial costs, the efficiency of processing and confidentiality of information, notification of existing budget and tax arrears (Bodrov, 2018:34).

Since 2015, electronic administration of value-added tax has been introduced at all levels. Thus, it is now possible to automatically control the value chain. By analyzing electronic VAT returns, it is possible to determine the tax risks of taxpayers and prevent illegal deductions and refunds for this tax. The introduction of remote digital control tools will improve the quality of administration of taxes, fees, payments (Dmytryk, 2021).

To promote digitalization in Ukraine, a number of digital information platforms aimed at providing public services online have been created and are successfully operating. Platforms for the provision of state and municipal services are operating successfully. More than 100 electronic services are currently available for citizens and businesses on the Government portal. In February 2020. The public digital application “Action” has appeared in the public domain, which provides transparency, simplicity, the convenience of providing public services to citizens and businesses online (Leheza *et al.*, 2021)

The Action service provides an electronic display of the information contained in digital documents during registration procedures, making changes or obtaining information from the State Register of Individuals (E-baby - state registration of childbirth, ID14 - obtaining a passport of a citizen of Ukraine for the first time). Also, among the services are those related to taxation: digital registration number of the taxpayer, registration of an individual entrepreneur, one-time assistance, income statements and much more.

According to experts, the share of the digital economy in the GDP of the world's largest countries by 2030 will be 50-60%. In Ukraine, this figure can reach 65% of GDP (subject to the implementation of the forced scenario of the digital economy in Ukraine) (Cabinet of Ministers of Ukraine, 2021).

The need to form the digital economy in Ukraine is declared in the Order of the Cabinet of Ministers "On approval of the Concept of development of the digital economy and society of Ukraine for 2018-2020 and approval of the action plan for its implementation" N^o67 of January 17, 2018. (Cabinet of Ministers of Ukraine, 2018). Sustainable development, as well as a tool to increase the efficiency, productivity, and competitiveness of the economy. In 2019, the Verkhovna Rada Committee on Digital Transformation was established, as well as the Ministry of Digital Transformation of Ukraine.

The draft Law "On Amendments to the Tax Code of Ukraine to Stimulate the Development of the Digital Economy in Ukraine" was also adopted as a basis. Adoption of the bill will stimulate the development of the information technology industry, increase its competitiveness, as well as increase the revenue side of local budgets and social funds through a fiscal maneuver to introduce a special tax regime for the payroll.

It is proposed to install for IT companies for the period from January 1, 2021, until December 31, 2030. features of taxation: tax burden on salaries of employees at the level of 10% (5% of personal income tax (instead of 18%) + 5% of the single social contribution (instead of 22%) + exemption from military duty); the income of the industrial entity is subject to the rate of income tax with a coefficient of 0.5, which is 9% (Verkhovna Rada of Ukraine, 2021).

The digital economy also allows for improved administration and tax collection. A single information system for transactions and invoices will allow for electronic audits and automate the process of paying taxes. Close cooperation between taxpayers and tax administrations in the real-time system can provide significant benefits, including increased control over taxpayers' data and the prevention of fraud. Some countries already use blockchain technology for tax administration and customs control.

Governments have already begun to introduce several new types of taxes: taxes on technology, taxes on data, taxes on carbon emissions, and

others. The introduction of new taxes requires tax authorities to create and integrate databases and their analysis. Already, global cloud data is growing by 15% every year. Virtually all economies reduce the use of cash, and non-cash transactions are easy to administer and verify for tax purposes. In the digital economy, new tools, and new ways of working need to be developed (Trusova *et al.*, 2021).

Support and development by the tax authorities of advanced analytics, machine learning, and artificial intelligence should be built into all operations. Data is changing constantly and rapidly, so tax authorities must constantly update their approaches, introduce new technologies.

Tax policy and appropriate responses of states should be aimed at supporting the income of individuals and enterprises through measures such as deferred payments and temporary reduction of rates. There is a need for broad international cooperation to overcome the crisis, including through rising debts from developing countries, and international cooperation to prevent tax evasion and promote tax transparency. There is a clear role for taxation in securing equity and promoting the macroeconomic incentives needed to sustain growth.

The tax authority itself, which may become invisible in the future, also needs to be changed. This is one possible scenario that could develop from the support and day-to-day implementation of cashless payments, electronic cash registers and digital invoicing tools, which will be linked directly to accounting software and digital tax records.

In the future, companies will be able to replace accountants with cloud accounting software with an automatic function of accrual and payment of taxes. In the future, almost all business operations will involve advanced analytics and artificial intelligence. Moreover, because data will change rapidly and constantly, tax authorities will need to have high-quality hardware, software, and increase the number of programmers and introduce new technologies faster than ever before.

The structure of employees in the tax authorities must also undergo significant changes, data analysis experts may occupy more than 50% of the total number of employees, which already requires a review of personnel policy. Usually, highly qualified fintech specialists are reluctant to go to the public sector of the economy, which is now characterized by inflexibility of working hours and low wages.

Tax policy in the digital age must be based on transparency, accountability, and the main factor in implementation is trust, which is low in Eastern Europe. Business and public confidence in the state can be increased by developing online platforms for open state databases, increasing their transparency, and guaranteeing the protection of personal data. The formation of databases allows for segmentation of payers and the

degree of risk; to detect fraud, increase confidence in the country, increase its investment attractiveness.

Conclusion

It is already clear that almost all countries need to change their tax policies in line with the new requirements of the digital economy. The main key adaptation measures are:

1. Increasing communication, support, and information activities. During the period of remote work, the tax authorities should spend more time on information work on innovations in tax policy, consultations for different groups of taxpayers.
2. Development of measures to reduce shadow incomes and introduce new approaches to determining the real amount of income. This could be an increase in taxes on expenses, the introduction of new environmental taxes or additional property taxes. At the same time, providing a system that fairly and efficiently redistributes income.
3. Digitization of tax authorities. Expansion of digital services by tax authorities. Stimulating the digitalization of enterprises through taxation (KPMG, 2021a: 2).
4. The new tax rules should be based on net taxation, avoid double taxation and be understandable. It is necessary to adapt the international income tax system to new business models by changing the rules of profit distribution and relationships.

The digital transformation of tax authorities requires governments to consider many factors: the maturity of the financial and digital markets, the security of transactions and the banking system, infrastructure, security, and data protection. Moreover, especially a high level of trust and willingness to pay taxes by businesses and individuals.

It is also possible to enter business contracts with online platforms, which would integrate all transactions and payment data using special accounting software with automatic generation of tax reporting and submission of applications and payments. This approach automates the payment of taxes, makes it impossible to evade them and provides an opportunity to conduct all inspections online.

Thus, the realities of the digital economy determine the need for broad international cooperation to prevent tax evasion, promote tax transparency and develop new approaches and software. The digital economy offers new opportunities, but at the same time causes some problems in the field of taxation.

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