



TAXATION OF E-COMMERCE AS ONE OF THE PHENOMENA OF SOCIETY DEVELOPMENT

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ABSTRACT

The relevance of the study is due to transformational changes in the economy and the rapid development of e-commerce, which from year to year shows consistently high growth rates and arouses the interest of regulatory authorities in terms of taxation. Governments around the world have long recognized the phenomenal features of this area of management, as well as the fact that revenues from taxation of business transactions in this area can be a significant source of filling the state budget. Thus, this issue is relevant and requires in-depth scientific research. The purpose of the article is to monitor the state of e-commerce as a phenomenon of modern society, as well as to develop proposals to improve certain aspects of taxation of entities in Ukraine taking into account the positive world practice, and minimize the risk of fraud in the sale of goods (services) on the Internet. The leading methods to the study of this problem is the use of general theoretical and economic-mathematical methods of scientific knowledge, namely: historical and abstract-logical, which allowed to explore the prerequisites for the formation and development of e-commerce; theoretical generalization, analysis and synthesis, comparison and grouping, observation, which allowed to generalize the theoretical





principles and practical approaches to e-commerce taxation in Ukraine and the world; analogies and extrapolations - in the development of areas for improving the taxation of e-commerce. The article presents the results of the study of the development and spread of e-commerce in Ukraine; the influence of e-commerce on the national economy and problematic issues of taxation of the subjects of this activity in modern conditions are revealed; the problem of protection of e-commerce entities from fraud on the Internet is analyzed; measures are proposed to improve the taxation of e-commerce, as well as to minimize the risks of fraud in the purchase and sale of goods (services) on the Internet. The materials of the article are of practical value for scientists and practitioners dealing with e-commerce, for planning and forecasting further research, improving the methodology of e-commerce taxation, for teachers of higher education institutions in training highly qualified personnel, and for other stakeholders.

Keywords: e-commerce; e-business; digital economy; taxation; information society; business entities.

1 INTRODUCTION

In the second half of the twentieth century there was a technological revolution, which marked the transition from industrial to post-industrial (information) society. A post-industrial society is a society in whose economy the priority has shifted from the predominant production of goods to the production of services, research, education and quality of life, in which the class of technicians has become the main professional group and, most importantly, in which the introduction of innovations increasingly depends on the achievements of theoretical knowledge (Bazylevych & Ilyin, 2008).

With the development of the information society and information and communication technologies, social relations have been modified, as informatization has helped to shift the emphasis in doing business, increase the efficiency of all spheres of society. The rapid development of information technologies and their penetration into the economy have changed the ratio of traditional industries, and the introduction of the Internet has contributed to the creation of a single information space (Boreyko et al., 2017). There was a transformation of economic relations and their transfer to cyberspace. In such an environment, the production of information (intellectual) products (goods, works and services), as well as the speed of information transfer have become important.

For the information society is characterized by the fact that information values have become more significant than material, and capital embodied in knowledge, in the





economic plane began to be valued higher than capital embodied in material form. V. Pleskach (2006) defines the information society as a new form of organization of society, in which the main resources of production are information and knowledge, which is characterized by increasing role of information and knowledge in society, increasing share of information products and services in gross domestic product (hereinafter – GDP) and the creation of a single information space.

In turn, the informatization of all spheres of society contributed to the formation of new ways of carrying out traditional economic activities. One of the key factors was the rapid spread of the global Internet. Businesses began to actively participate in the introduction of information and communication technologies and the Internet in their activities, which contributed to improving the efficiency of economic activity and the development of e-business (Malitska & Melnik, 2018). In recent decades, the world is booming in e-business and its component – e-commerce. The introduction of e-commerce allows businesses to gain a number of competitive advantages, including:

- 1) accelerating the development of virtually any type of business;
- 2) convenience of concluding contracts (without obligatory physical exchange of documents or direct contact of the parties) by electronic means of interaction;
- 3) search for business partners, not caring about their geographical location and territorial remoteness;
- 4) entering the global market and promoting their products and services;
- 5) instant real-time operations from any part of the world;
- 6) full or partial automation of business processes;
- 7) equality of market opportunities for both large enterprises and small or micro-businesses, etc (Garkushenko, 2018).

We should also mention the significant advantages of the introduction of e-commerce for the state and society, including:

- 1) the ability to choose and buy goods online;
- 2) access to a wide range of goods in different parts of the world in real time;
- 3) creation of new jobs;





4)the possibility of employment of persons with disabilities and their involvement in active social life;

5)the emergence of new specialties, which did not exist until recently (for example, business consulting in the field of e-commerce, specialists in modern electronic business strategies of the enterprise; Internet marketing, etc.);

6)development of new market segments and attraction of investments into the national economy, etc.

Thus, we can state the significant impact of transformation processes on modern society, one of which is the development of e-business and its component – e-commerce. It is obvious that the development of e-commerce is so rapid that there is a need for a detailed study of its impact not only on society but also on the national economy as a whole. Because e-business and its e-commerce were initially conducted without government intervention, and businesses used its opportunities to expand ordinary "non-virtual" business, most governments around the world have faced taxation over time. Therefore, the issue of e-commerce taxation as one of the phenomena of society development needs to be studied.

2 LITERATURE REVIEW

A review of the scientific literature on research on the development of e-commerce and its taxation, as well as the impact of the latter on the transformation of society should begin with the work of M. Castells (1996-1998), a famous researcher of postindustrialism, developing and complementing the scientific ideas on the transformation of society under the influence of scientific and technological progress, identified three stages of human history, namely: agrarian, industrial, information (post-industrial) and stated the crucial role of the state in shaping a new society by restraining the development of new technologies.

Because at the initial stage of development of the information society most countries adhered to the position of non-interference in new areas of business, which





arose due to the widespread introduction of information and communication technologies, e-commerce has become so widespread that it is difficult to compare it with something like that. Thus, E. Evod (2002), studying the impact of e-commerce on society, concluded that the latter exceeded the prevalence of radio in the 20's, television in the 50's and personal computers in the 80's. of the last century. Therefore, e-commerce is an extremely promising type of economic activity.

The authors of the first basic classification of types (business systems) of e-commerce are R. Kalakota and E. Winston (1997), who grouped them into three main classes: a) business-to-business (B2B, "business for business") – interfirm a class that covers intercorporate business processes on the Internet; b) business-to-consumer (B2C, "business for the consumer") – a consumer class that provides retail trade on the Internet and is aimed at the end consumer; c) intranets - intra-firm class (corporate network of collective use) – covers business processes that take place in internal networks and allows e-commerce between a large number of entities (manufacturers, suppliers, contractors, consumers, etc.) (Mishchenko et al., 2003).

Currently, scientists have concluded that this classification needs to be clarified and supplemented, so at the present stage it is customary to take into account such types (business systems) of e-commerce as:

1)business-to-business (B2B, "business-business") – interaction of one business with another, which attracts all levels of interaction between companies in the intercorporate market (Internet exchanges, manufacturers and sellers of goods and services);

2)business-to-consumer (B2C, "business-consumer") – the interaction of seller and consumer;

3)business-to-government (B2G, "business-government") – the interaction of commercial companies with government agencies;

4)government-to-business (G2B, "government-business") – the interaction of government agencies with commercial companies;





5)government-to-citizens (G2C, "government-citizens") – the interaction of government agencies and citizens with the use of information and communication networks;

6)government-to-government (G2G, "government agency-government agency") – the interaction of government agencies with each other online;

7)consumer-to-consumer (C2C, "consumer-consumer") – the interaction of consumers with each other;

8)consumer-to-government (C2G, "consumer-government agency") – the interaction of consumers with government agencies;

9)consumer-to-business (C2B, "consumer-business") – the interaction of consumers and sellers;

10)business-to-employee (B2E, "company-employee") – intra-corporate business system (Boreyko et al., 2017).

Thus, the entire system of relationships between business partners and consumers can be implemented online, which will further contribute to the further spread of e-commerce. The issue of e-commerce taxation as a new type of economic activity is given in their research by many scientists, including L.V. Frolova (2009), who argues that the best option for e-commerce taxation may be the introduction of a special tax regime based on the theory of a single tax. That is, the scientist proposes to replace the payment of the set of taxes and fees established by the tax system with the payment of one tax, the mechanism of which should take into account the specifics of business transactions in the field of e-commerce.

At the same time, A.V. Koren (2010), studying the problems and prospects of e-commerce taxation, suggests ways to increase the efficiency of taxation in this area by introducing a tax mechanism based on indirect assessment of business income, which consists in applying such criteria as: average level of income in certain segments of e-commerce (basic income); the conversion rate of the website of the online store or marketplace; citation index (indicator of website popularity); range of goods (works, services), etc. These and many other scholars agree that there is no need to introduce certain types of taxes for e-commerce taxation and argue that it is rational to adapt existing





tax mechanisms. At the same time, a unified mechanism of taxation of e-commerce entities should be developed in the world in order to avoid abuses related to the virtual nature of transactions.

Research of normative and methodological bases of ordering of information relations in the field of e-commerce was made by V.M. Bryzhko and M. Ya. Shvets (2009) having analyzed the basic problems of normative-legal regulation of operations in this sphere, protection of personal data of participants of electronic transactions and emphasizing the role of small and medium-sized businesses in its development, as well as in ensuring the competitiveness of the national economy.

O.M. Garkushenko (2018), exploring the conceptual basis of sales taxation in the digital economy, as well as the recommendations of the Organization for Economic Cooperation and Development (hereinafter - the OECD) concluded that international organizations and associations, as well as individual governments developed economies confirm that, despite significant progress in the legal framework for the taxation of e-commerce transactions, issues related to the application of sales taxes and VAT still remain unresolved. In addition, the development of e-commerce systems remains relevant for developing countries. The scientist emphasizes the need for a more detailed study of this issue. Thus, we can conclude that e-commerce for a very short, historically, period of time demonstrates extremely rapid growth, leaving behind other areas of management and influencing the transformation of society. Therefore, this issue is relevant and requires in-depth scientific research.

3 METHODOLOGICAL FRAMEWORK

In the process of research the general-theoretical and economic-mathematical methods of scientific cognition are used, namely: historical and abstract-logical - for research of preconditions of formation and development of e-commerce in the conditions of transformational transformations; theoretical generalization, comparison and grouping, observation – to generalize the theoretical foundations and practices of e-commerce taxation in Ukraine and the world; analysis and synthesis – to analyze statistics on the





dynamics of e-commerce in 2014-2021 in Ukraine and the world, as well as to establish a causal link between the state of the Internet, the number of consumers in the regions and the purchase (sale) of goods (services in the field of e-commerce) in the domestic segment of the Internet, analogies and extrapolations – in the development of areas for improving the taxation of e-commerce, as well as combating fraud on the Internet.

For a clear presentation of statistical material on the dynamics of consumer demand by various product categories in 2018-2020, indicators of regional distribution of online consumers in Ukraine in 2020, as well as on the dynamics of global sales in e-commerce in 2014-2021 used a graphical representation of data. The article analyzes the indicators:

- Euromonitor International – the share of e-commerce in annual retail sales in 2020 and forecast data for 2021;

- Consumer and Business Research (CBR) and OLX – marketing research on the regional distribution of online consumers in Ukraine and the age range of online consumers of goods and services in 2020;

- E-commerceStatisticsfor 2021 – expert study of the dynamics of sales in the field of e-commerce in the world in 2014-2021;

- NGO "Union of Consumers of Ukraine"(2020) – Research on the situation in the e-commerce market in Ukraine;

- Statistics – sales of goods and services in the field of e-commerce in 2016-2021;

- Regarding the state of introduction of e-commerce taxation in some countries of the world.

The study of the issue was conducted in three stages. At the first stage the theoretical generalization of existing methodological approaches in philosophical, economic and legal scientific literature, dissertation and monographic researches of domestic and foreign scientists on the researched problems was carried out. At the second stage, a set of conditions was identified and structured, which with the development of e-commerce contributed to the transformational transformation in society. The impact of e-commerce on the national economy is analyzed, as well as the





problematic issues of taxation of the subjects of this activity in modern conditions are studied. The issue of combating fraud in the field of e-commerce as an important component of ensuring the effective development of this segment of the economy has been studied. It was found that the effective use of e-commerce opportunities and providing conditions for its stable growth will help strengthen the competitiveness of the domestic economy. At the third stage the results of the conducted research are summed up, conclusions are formed, the received results are generalized and systematized.

4 RESULTS AND DISCUSSION

4.1 DEVELOPMENT AND DISSEMINATION OF E-COMMERCE IN THE DOMESTIC SEGMENT OF THE INTERNET

In the Ukrainian legislation, namely, the Law of Ukraine "On E-commerce" of 03.09.2015 No. 675-VII (Verkhovna Rada of Ukraine, 2015) distinguishes between the concepts of e-commerce and e-commerce, while e-commerce is interpreted as, arising during the commission of transactions for the acquisition, modification or termination of civil rights and obligations, carried out remotely using information and telecommunications systems, as a result of which the participants of such relations have rights and obligations of a property nature. E-commerce is defined as "economic activity in the field of electronic sales, sale of goods remotely to the buyer by making electronic transactions using information and telecommunications systems".

In our opinion, such an interpretation and distinction is not entirely logical, because the semantic analysis of the origin of the concepts of "commerce" and "trade" shows that these concepts are identical. Therefore, we consider it appropriate to define e-commerce (trade) as a type of economic activity for the purchase and sale of goods (works, services), in which the entire cycle of a commercial transaction or part of it occurs through information and communication systems. Thus, we suggest to distinguish:

1) remote (remote) trade in traditional goods (works, services) at which sale and advertising of the goods (works, services) occurs both in usual trading platforms, and by





means of information and communication systems and is characterized by real movement of inventory;

2) business transactions for the purchase and sale of goods (works, services) that have an electronic (digital) form and are carried out exclusively in electronic form, the interaction between supplier and consumer is through the exchange of electronic documents of a commercial nature, and payment for goods received (work, service) is carried out by electronic means of payment (Boreyko, 2015).

Every year, e-commerce in the global dimension is becoming more widespread and affects more and more areas of society. In this regard, it should be understood that the potential of e-commerce can be successfully used for sustainable development and increasing the competitiveness of the domestic economy. For example, the use of e-commerce opportunities is extremely common among small and medium-sized businesses, and allows the latter to gain significant competitive advantages. Representatives of big business are also actively using the possibilities of e-commerce to find new markets for their products and get the maximum profit from business activities. It is small and medium-sized businesses that make up the bulk of the players in the B2B e-commerce market (Bryzhko & Shvets, 2009).

The virtual nature of the transactions allows you to join the field of e-commerce with a relatively small amount of initial capital, which in turn helps reduce the number of unemployed and create new jobs. The above became especially relevant in the context of the coronary crisis, as a significant part of businesses had to reorient their business online. Traditionally, offline niches have begun to develop in the e-commerce market, in particular, the purchase and sale of online food (increased demand for delivery from stores, cafes and restaurants), medicines, care items, household goods, appliances and electronics. etc. (see Fig. 1).

Thus, in 2020 in the domestic segment of e-commerce sales of physical goods and services amounted to more than 107 billion UAH, which is 41% more than in 2019, in 2018 - about 65 billion UAH. Forecast indicators for 2021 are expected at the level of UAH 137 billion (+28%) (Yarova, 2020). It should be noted that if previously most buyers used personal computers to order goods and services, now the trend has shifted in favor of mobile phones (about 70% of consumers who shop online went to online stores and





marketplaces with mobile phones and only 30% - using personal computers). Globally, the trends are similar and the share of retail sales made using mobile phones (m-commerce) in 2020 was 70.4%, an increase of 18% compared to 2016 (52.4%). In 2021, m-commerce is expected to account for about 73% of global e-commerce retail (Yudin, 2020).

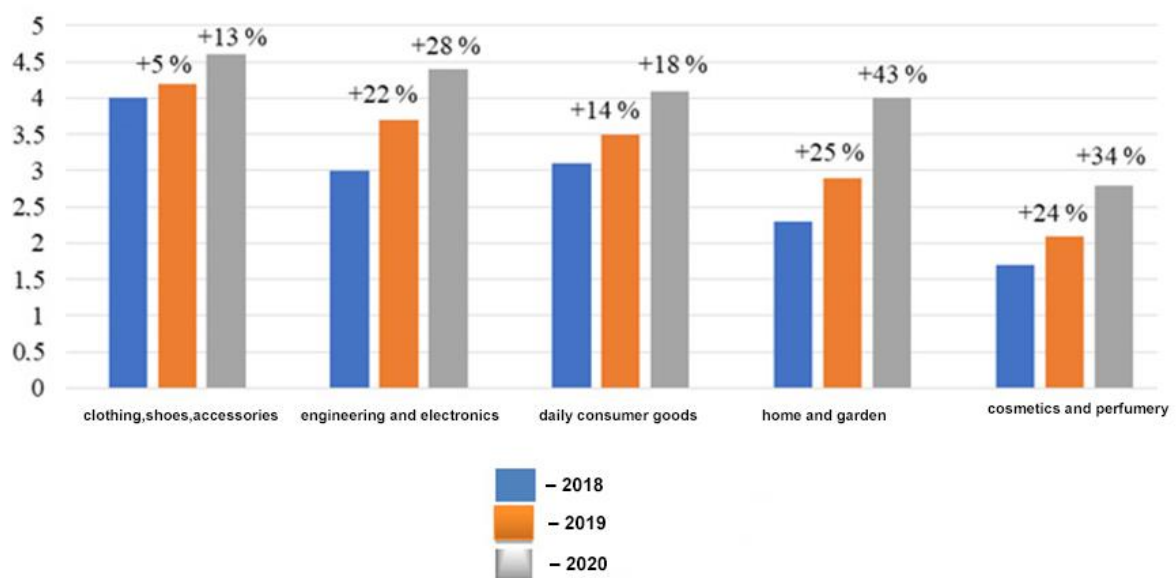


Figure 1. Commodity categories that were most in demand on the Internet in Ukraine in 2018–2020, mln.

Source: compiled for (Panchenko, 2019; Tkachuk, 2018; Yarova, 2020)

Despite the coronavirus, in 2020 e-commerce has picked up quite a bit. Growth was achieved due to the activation of consumers, who due to the forced closure of outlets, refocused on online shopping. The winners were those online stores and marketplaces (about 40% of them) that are present on social networks, in total this allows you to increase sales by more than 32% (Yudin, 2020). According to Euromonitor International estimates, in Ukraine in 2020 the share of e-commerce was about 8% of annual retail sales (+ 45% yoy), and in 2021 should grow by another third (Melnytska, 2021). There has been a





reorientation in the provision of online services, which has also contributed to the growth of e-commerce during the pandemic, as online education services, online counseling in law, medicine, psychology, career advancement, etc. have become quite popular. This has had a corresponding effect on society, as by staying at home, citizens have been able not only to shop online, but also to earn extra money.

In general, there are more opportunities for the development of e-commerce in large settlements. According to analytical studies, it is in large cities that residents make more purchases on the Internet. At the same time, the quality of connection of the regions of Ukraine to the Internet, the availability of online stores, speed and cost of delivery, the ability to track the parcel, the availability of different payment options (cash on delivery, bank card on the website of the online store, cash courier etc). Usually in large cities the above components are most accessible to consumers, and regional remoteness affects the cost of delivery of goods. In the regional context, the distribution of online consumers in Ukraine is presented in Fig. 2.

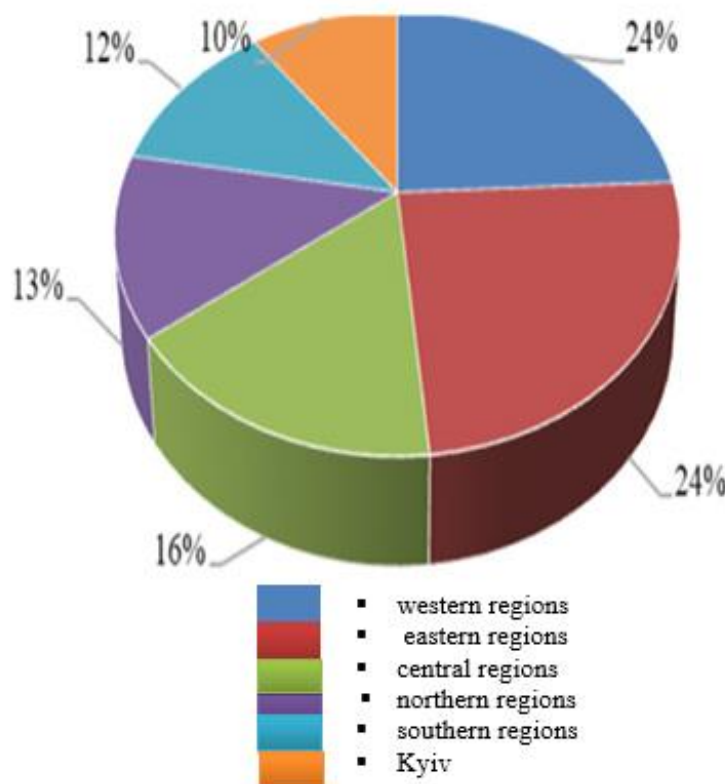


Figure 2. Regional distribution of online consumers in Ukraine in 2020





Source: compiled according to marketing research in Ukraine conducted by CBR (Consumer and Business Research) and OLX (Delo.ua, 2020)

The age range of online consumers of goods and services varies from year to year. Thus, if at the initial stage of e-commerce development the age group of online consumers was mostly 16-25 years, now – 16-45 years, while the older generation also joins the shopping in online stores. In general, in Ukraine about 80% of the population over 16 years of age regularly use the Internet, of which about 36% make purchases of goods and services online. Among customers, the greatest demand is for the delivery of ordered goods by courier address delivery service – about 35% of orders, online store delivery service – 18% of orders, as well as receipt of goods at the point of delivery of the store – 10% respectively (Delo.ua, 2020). However, it should be noted that recently there has been a tendency to increase the cost of delivery of orders, so we can assume that in the future the share of orders received by targeted delivery by courier services may decrease in favor of self-pickup from outlets.

4.2 THE IMPACT OF E-COMMERCE ON THE NATIONAL ECONOMY AND THE PROBLEMATIC ISSUES OF TAXATION OF THE SUBJECTS OF THIS ACTIVITY IN MODERN CONDITIONS

The tax systems of the world began to take shape long before the emergence of e-commerce and at the initial stage of its development were not adapted to a new type of economic activity. On the one hand, e-commerce marked a new era in the implementation of economic activities carried out using information and communication technologies and the Internet and helped to attract more businesses, blurring the borders between states, and on the other - encouraged governments world to improve national tax systems that would take into account the globalization processes taking place in the economy. After all, such a rapid spread of e-commerce worldwide contributed not only to the development of information and communication technologies and the Internet, but also gaps in tax legislation, which at that time did not take into account the specifics of this type of economic activity.





Therefore, for several decades, governments around the world have been working to develop tax mechanisms for e-commerce that take into account the specifics of this activity, are not discriminatory and do not encourage its subjects to evade taxation, and transfer their business activities to the so-called tax havens. At various times in the world practice there have been various proposals for the taxation of e-commerce, in particular:

1) a moratorium on the introduction of new taxes for the taxation of e-commerce (USA in 1998-2014), which stimulated its rapid development, but shortfall of funds to the state budget);

2) taxation of e-commerce entities according to the rules applicable to traditional types of economic activity;

3) introduction of a fixed tax on each megabyte of information transmitted by the e-commerce entity;

4) the introduction of a "bit tax";

5) tax on the use of the Internet for business;

6) the concept of permanent establishment (depending on the tax jurisdiction (location or residence) in which the server of the company - the subject of e-commerce is registered);

7) tax on digital services (DST, Digital Services Tax) (taxation of income from the provision of digital services) and others.

According to expert research, the dynamics of sales in the field of e-commerce in the world is growing steadily (Fig. 3), and this, in turn, contributes to an increase in tax revenues. So, if in 2014 the volume of e-commerce in the world amounted to about 1.3 trillion dollars. US, in 2020 – already 3.9 trillion dollars. US, and in 2021, according to forecasts, they should reach 4.5 trillion dollars. USA. As of 2021, the top ten countries with the largest e-commerce market in the world include the following: China (\$ 672 billion); United States of America (\$ 340 billion); Great Britain (\$ 99 billion); Japan (\$ 79 billion); Germany (\$ 73 billion); France (\$ 43 billion); South Korea (\$ 37 billion); Canada (\$ 30 billion); Russia (\$ 20 billion); Brazil (\$ 19 billion) (Maddy, 2021). In Ukraine, the turnover of e-commerce in 2020 amounted to about 4 billion dollars. USA, and the average





annual growth rate was about 17% (Union of Consumers of Ukraine, 2020). Subject to the formation of a balanced taxation policy for e-commerce entities, tax revenues from business entities in this area will be a reliable source of replenishment of the state budget.

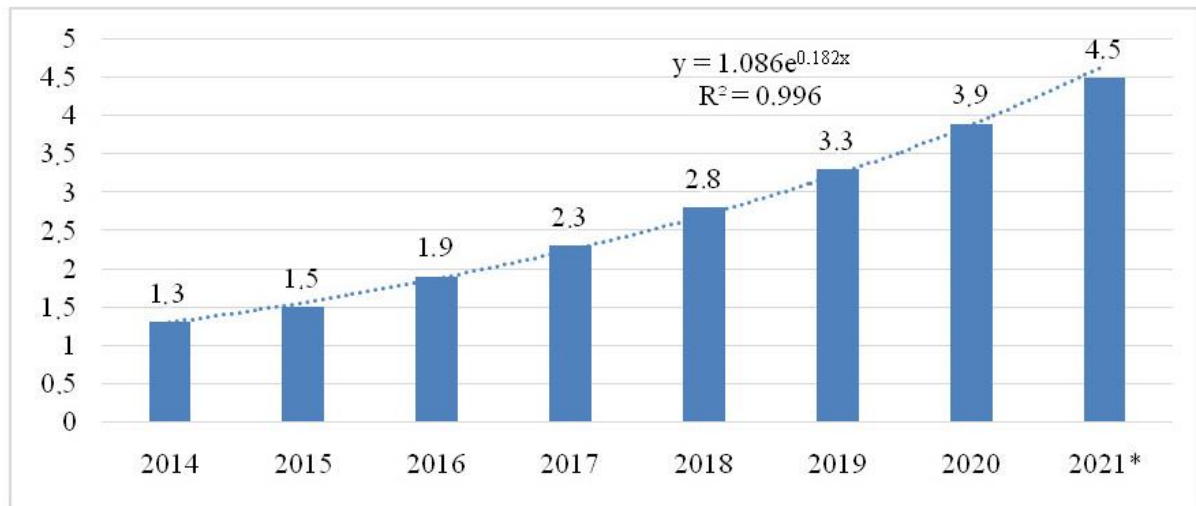


Figure 3. Dynamics of global sales in the field of e-commerce in 2014–2021 *, trillion dollars USA (2021 * - forecast data)

Source: Compiled for (Maddy, 2021)

At the present stage, the concept of permanent representation is used in international practice, ie depending on which country's tax resident is a company operating in the field of e-commerce, it is determined in which country it must pay taxes. At the same time, in accordance with the recommendations of the Organization for Economic Cooperation and Development (hereinafter – the OECD), for digital companies it is proposed to use such a concept as "substantial economic presence" (OECD, 2018). This approach takes into account the cross-border nature of the transactions in the study area and allows you to determine in which country the company is required to pay taxes. Accordingly, there are many criteria that allow to establish the "significant economic presence" of the e-commerce entity in a particular tax jurisdiction, in particular, the following:





- 1)invoicing for services provided in national currency or using the national payment system;
- 2)availability and maintenance of the website in the language of the country of presence;
- 3)delivery of orders to customers directly or the provision of support services (after-sales warranty service, repairs, etc.);
- 4)marketing activities to attract customers, etc. (Blagodir & Filatova, 2020).

Governments around the world have realized that discriminatory taxes will increase tax competition between countries and encourage e-commerce to streamline tax liabilities by shifting their operations to more loyal tax jurisdictions. In the context of globalization and cross-border economic activity, special attention is paid to the development of a mechanism for taxation of digital services in the field of e-commerce. Therefore, Ukraine is no exception and is also making efforts to resolve this issue in the best possible way. Back in 2013, the OECD published the Action Plan on Erosion and Profit Shifting (BEPS), which consists of 15 areas (actions), the first of which identifies issues to address the problems of digital taxation. economy. According to BEPS, the development of measures should take into account the specifics of national economies.

To date, more than sixty countries have joined in resolving this issue and already have some experience. In particular, we should highlight the experience of countries such as: France – introduced a "tax on Google" better known as GAFA (Google, Apple, Facebook, Amazon), paid by companies at a rate of 3% of income; United Kingdom - "Google tax" at a rate of 2%; In the USA, a digital tax has been introduced, the rate of this tax is in the range of 1-7%, depending on the state, and in Canada, the rate varies in the range of 6-9%, depending on the province. In Poland, it is planned to introduce a tax (contribution) on online advertising (składek z tytułu reklamy), the rate of which is proposed at 5%, and the proceeds from the latter are proposed to be used for health care, cultural development and support of national heritage (Yuzhanina, 2021).

E-commerce, like any other type of business, is taxable. According to the current tax legislation, in Ukraine, business entities – legal entities and individuals – entrepreneurs have the right to choose the taxation system: general or simplified. The simplified taxation





system, in accordance with the current Tax Code of Ukraine, provides for the replacement of the payment of certain taxes and fees by a single tax, subject to compliance with certain requirements. E-commerce entities in accordance with the Classifier of Economic Activities DK 009: 2010 (hereinafter - NACE) must choose section G "Wholesale and retail trade; trade in vehicles; repair services", in which Internet trade is classified in class G 47.91 "Retail trade carried out by mail order firms or via the Internet" (Official site of Derzhkomstat, 2021). In this case, if a business entity plans to become a single tax payer, the type of activity of such entity should be allowed for a simplified system of accounting and reporting (the list is set out in paragraph 291.5 of Chapter 1, Section 14 of the Tax Code of Ukraine).

According to chap. 14 of the Tax Code of Ukraine, business entities in the field of e-commerce, choosing a simplified system of taxation, may be payers of the second group of the single tax (individuals – entrepreneurs whose annual income does not exceed 834 minimum wages, employees not more than 10, the tax rate is 20% of the minimum wage) or group III of the single tax (individuals – entrepreneurs and legal entities – businesses whose annual income does not exceed 1167 minimum wages, the tax rate – 3% or 5% of income, and in the cases provided for in paragraph 293.5 of the Tax Code of Ukraine – 6% - with payment of value added tax (hereinafter – VAT) and 10% – without payment of VAT) (Verkhovna Rada of Ukraine, 2021). If business entities in the field of e-commerce choose the general system of taxation, in this case they must pay: corporate income tax; VAT – rate 20%; personal income tax – rate 18%; military tax – a rate of 1.5% and other taxes, depending on which purchase and sale of goods (services) are carried out.

In Ukraine, the taxation of e-commerce entities is in accordance with the Tax Code of Ukraine and does not provide for any discriminatory approaches. However, the domestic realities of tax legislation are such that they do not fully take into account the specifics of e-commerce. Thus, if there are almost no problems with the payment of taxes by domestic businesses, then in terms of taxation of transnational giants (in particular, such as Amazon, Google, Facebook and others) that sell digital services, need additional regulation of the taxation of such services provided by non-residents to individuals, VAT payers. In 2019, as part of the discussion and implementation of the new stage of global tax reform – the "Action Plan BEPS 2.0", a decision was made to intensify work on





addressing the tax challenges of the digital economy. Ukraine is one of the 135 countries included in the Inclusive Framework Group and takes an active part in the discussion of this issue within the Extended Cooperation Program of the BEPS OECD / G20 Action Plan (Priymakova, 2020).

Therefore, in 2020 the Verkhovna Rada of Ukraine adopted a draft law regulating the mechanism of VAT taxation of electronic services provided by non-residents to individuals (the so-called "Google tax"). The mentioned draft law, subject to its approval, will amend the Tax Code of Ukraine to abolish taxation of income received by nonresidents in the form of payment for production and / or distribution of advertising and improve the procedure for value added tax on transactions for the supply of electronic services to individuals. No. 4184 (Verkhovna Rada of Ukraine, 2020). On the one hand, the approval of this bill will introduce equal VAT conditions for digital services for all participants in the e-commerce market and resolve the issue of simplifying the VAT payment mechanism by providing remote registration in the taxpayer's e-office, as well as payment of this tax in foreign currency. without actual presence in Ukraine. On the other hand, it has a number of disadvantages, which are as follows:

- 1)the probability of rising prices for digital services by 20% (the amount of the VAT rate, which will be included in the price of electronic services);
- 2)the lack of an effective mechanism for controlling the payment of taxes by e-commerce entities;
- 3)how to set the country of consumption of the digital service in case of "masking" the IP address by consumers using a VPN, etc.

According to expert estimates, subject to the approval of the so-called "Google tax", the state budget will be replenished annually by about 3 billion UAH by paying this tax by such transnational giants as Google, Facebook, Microsoft and others. However, it should be noted that the so-called "Google tax" has existed for a long time in many European countries and from time to time causes dissatisfaction with the suspicion of tax evasion by some transnational giants (for example, the scandals with Facebook in 2013 in Ireland and in 2020 in the USA, with Google in 2011 in the UK, etc.) (Nekrasov, 2021).

With the adoption of the above-mentioned bill in Ukraine, for the first time at the legislative level, the concept of "electronic services" will be defined. Taxpayers will be





considered non-resident business entities that do not have a permanent establishment and supply electronic services in the customs territory of Ukraine to individuals and individuals - entrepreneurs, taking into account certain features defined by this bill. The place of supply of electronic services is proposed to establish the location of their recipient. The list of electronic services that will be subject to taxation includes, in particular, the following:

- "supply of images or texts, including photographs, e-books and magazines;
- supply of audiovisual works, video to order, games, gambling, including the supply of services for participation in such games;
- providing access to information, commercial, educational and entertainment electronic resources and other similar resources;
- provision of cloud technologies for data placement;
- supply (transfer of rights to use) software and updates to it, as well as remote maintenance of software and electronic equipment;
- provision of advertising services on the Internet, mobile applications and other electronic resources" (Verkhovna Rada of Ukraine, 2020).

Non-resident companies that supply electronic services in the customs territory of Ukraine and do not have a permanent representative office will have to register as VAT payers in a special online service for non-residents. In the absence of such registration, a fine of 100% of the cost of services provided is proposed (Verkhovna Rada of Ukraine, 2020). However, it should be noted that such a special online service for registration of non-resident VAT payers has not yet been introduced in the activities of tax authorities, so its development and implementation requires certain financial and time costs. In connection with the above, as well as with the unequivocal experience of the so-called "Google tax" in developed economies, the introduction of such innovations in Ukraine at the initial stage should take place in a test mode and only if positive results to widespread introduction.

However, it should be noted that in the European Union since 2015 successfully used the system Mini-One Stop Shop (hereinafter – MOSS), regulated by Directive





2006/112 / EC (The Council of the European Union, 2006) and the Council of the EU No. 967/2012 (The Council of the European Union, 2012). As O. Garkushenko (2018) notes, "The essence of MOSS is that the enterprise-supplier of goods (services) once a quarter transmits via electronic means of communication to MOSS reports on transactions with non-VAT customers from EU member states and the accumulated amounts of tax obligations". MOSS operates in each EU member state and is, in a way, an intermediary between these countries in terms of cooperation of tax authorities on VAT payment, ensures the transfer of each of them the appropriate amount of tax revenue from VAT, as well as the refund of overpaid amounts of this tax. Therefore, in our opinion, it would be worth considering the possibility of Ukraine joining the Mini-One Stop Shop system, or adapting certain elements in domestic practice, especially given the European integration intentions of our country.

4.3 ANTI-FRAUD IN THE FIELD OF E-COMMERCE

With the adoption of the Law of Ukraine "On E-commerce" dated 03.09.2015 No. 675-VIII in the state was actually legalized activities in the field of e-commerce. This law regulates the procedure for conducting transactions in the field of e-commerce, concluding electronic agreements, as well as the duties and responsibilities of the parties for committing abuses in this area of economic activity. However, the protection of e-commerce entities against Internet fraud remains a significant challenge. Among the most common violations are:

- 1)lack of delivery of goods after prepayment for it;
- 2)sending goods of improper quality;
- 3)fraudulent actions using personal data of consumers;
- 4)illegal use of payment cards of clients, etc.

The risks of Internet fraud negatively affect the development of e-commerce, cause consumer distrust to shop in online stores and marketplaces. Yes, in case of receipt of goods of improper quality, the consumer has the opportunity not to pay for it in the delivery





service (or courier) and return to the seller's address. However, if a prepayment has been made for the ordered product (service), then in this case, the consumer risks twice, namely: to receive the product (service) of improper quality and lose money. With the spread of the COVID-19 pandemic, the use of fraudulent prepaid schemes for goods (services) has become more frequent.

According to research, cash on delivery for the ordered goods is chosen by about 63% of buyers, payment using electronic payment systems connected to online platforms of online stores and marketplaces - about 50%, transfer funds to the seller's card after receiving the ordered goods - about 40% respectively (Delo.ua, 2020). Pseudo-sellers create fictitious websites of well-known brands and, misleading consumers, seize their money. Searching for fraudsters in such cases is quite difficult, because the latter, creating one-day websites, indicate inaccurate company details (name of the legal entity; legal and actual addresses of the company; unregistered, linked to passport data or legal address of the company, phone numbers, etc.). It is considered possible to minimize the risks of loss of funds due to prepayment for the ordered goods (services) by legislative settlement of this issue with the introduction of positive practices of developed countries.

For example, in the United States and the European Union, it is mandatory for online retailers to indicate officially registered phone numbers on the websites of online stores. If this is not done, such an entity is considered risky and may be held liable for fraud. A mechanism for depositing consumer money in an online store by marketplaces or banking institutions (USA, China) has also been introduced. The deposited funds are credited to the seller's account only after the consumer confirms receipt of the goods of proper quality. An additional means of consumer protection when making purchases on the Internet could be the introduction of the practice of placing a special barcode on the official website of online stores, bouncing which, you could check the legality of such a store. Placement of such a bar code only after the official registration of the business entity with the supervisory authorities and after verification of the authenticity of the specified registration data.

In practice, the existing legislation in the field of e-commerce in Ukraine does not fully protect its subjects from fraud on the Internet. Therefore, in our opinion, the Law of Ukraine No. 1023-XII "On Consumer Protection" (Verkhovna Rada of Ukraine, 1991)





should be supplemented with a section that will provide legal protection of e-commerce entities, including consumers online stores and marketplaces. It is also necessary to regulate at the state level the issue of proper legal regulation of e-banking in Ukraine, as some unscrupulous employees of banking institutions illegally transfer customer information to interested parties, which further causes fraud with customer accounts and increases consumer distrust of online payments (Tykhonova et al., 2019).

Undoubtedly, one of the components of successful counteraction to fraud on the Internet is the formation of a balanced information policy in the state. After all, the state information policy, subject to rational formation and implementation, will ensure the solution of such a fundamental task of society as guaranteeing information security in terms of protection of information received and used on the Internet (Lytvyn & Lytvyn, 2015).

5 CONCLUSION AND RECOMMENDATIONS

According to the study, the phenomenon of e-commerce as an important component of modern society is extremely multifaceted. This area, as well as the businesses involved, need government support. The development of e-commerce taxation is still going on not only in Ukraine, but also at the international level, as this area is still relatively new, little researched and shows consistently high growth rates every year. Due to the specific features of e-commerce, issues of its development and taxation, all countries of the world are concerned. After all, the global nature of transactions in the field of e-commerce does not allow a single country to develop its own rules governing this activity. Legislative regulation of e-commerce taxation at the international and regional levels should be unified in order to avoid conflicts and minimize the risks of tax avoidance or evasion by entities in this area. Ukraine, having announced its intention for European integration, is making every effort to harmonize domestic tax legislation, including in the regulation of e-commerce taxation.

Given the above, it is obvious that for the successful development of e-commerce and its effective taxation, Ukraine still needs to resolve many pressing issues, including:





protection of consumers from fraud when buying (selling) goods on the Internet; minimizing the risks of using electronic banking; development of measures to regulate VAT taxation of non-residents supplying digital goods to the customs territory of Ukraine; creation of a control system for business entities in the field of e-commerce; formation of a balanced information policy in the state, etc. European integration processes in Ukraine encourage the need to improve the elements of tax and legal regulation of e-commerce.

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