



University of Security Management in Košice

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ACCOUNTING ENSURE OF BUSINESS MANAGEMENT IN
THE CONDITIONS OF MARTIAL LAW AND UKRAINE'S
NATIONAL ECONOMIC RECOVERY

Collective monograph

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In this monograph, the authors summarized and supplemented the results of many scientific justifications and developments. Considerable attention is paid to the study of accounting and taxation issues in the context of modern management concepts and risks of martial law in Ukraine.

The materials of the monograph reflect the results of research carried out as part of the research work “Improvement of accounting and taxation of business entities in the conditions of modern concepts of management and global challenges” (state registration number: 0122U201989).

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SECTION 4⁴

TAXATION OF INCOME IN CONDITIONS OF MARTIAL LAW

4.1. Profit as a form of financial result of the enterprise

The most important financial category that reflects the positive financial result of the enterprise's economic activity, characterizes the efficiency of production, the volume and quality of manufactured products, the state of labor productivity, is profit. At the current stage of development of the market business environment, business owners are interested not only in profit, but in its maximization. In order to achieve this goal, issues regarding effective profit management come to the fore, as the size of the profit obtained is quite important in the company's activities.

The size of the company's profit affects the formation of the company's financial resources, the increase in the market value of the company, the efficiency of the production activity of the company, the economic development of the state by replenishing the state budget with the payment of taxes, fees, and mandatory payments. Therefore, the significant role of profit in the development of the enterprise, as well as the state, determine the need to study the issues of effective management of enterprise profit.

The Tax Code of Ukraine provides a complete and clear definition of the concepts of the corporate income tax system, all its elements (payers, object, base, rate, calculation procedure, tax period, term and procedure for payment, term and procedure for submitting reports) and discloses the tax the mechanism of its enforcement (Tax Code of Ukraine).

At the same time, significant instability and frequent changes in tax legislation often lead to errors and inaccuracies in the calculation and payment of tax liabilities, as well as accounting for income tax, which most often occur during the transition period of the application of previously valid and new legislative acts that are just gaining momentum validity the term and procedure for submitting reports) and discloses the tax mechanism for its implementation (Tax Code of Ukraine)

⁴ Pravdiuk M.V.

Analyzing the profit, the managers of the enterprise determine the efficiency of their activities, evaluate the possibilities of business development or, on the contrary, the necessity of curtailment. In today's changing conditions, the profit indicator is important, because it is the object of attention not only of the management of the economic entity, but also of the control bodies. After all, profit, as a financial indicator in the field of business entities, is subject to taxation, and its part, in the form of income tax, is a component of tax revenues to the budget.

Therefore, profit is not only a positive result of the company's activity, but also a source for filling the country's budget. Businesses operate in conditions of a significant tax burden, complex mechanisms of tax administration, including income tax, as a result of which they seek to reduce tax payments through legal and illegal ways. All this leads to the development of the "shadow economy" and restrains incentives for honesty in business. Improving tax administration, taking into account national interests, can have a significant positive impact on the country's economy (Podolyanchuk, 2022).

Taking into account the market conditions of business, enterprises are forced to form such a structure of financial resources that would ensure the growth of the efficiency of their economic activity, solvency, financial stability, and minimization of possible financial risks. Therefore, in modern business conditions, the value of profit, depreciation deductions and borrowed funds increases when forming financial resources of enterprises (Kostetskyi, 2010).

According to the Economic Code of Ukraine, profit is an indicator of the financial results of its economic activity, which is determined by reducing the amount of gross income of a business entity for a certain period by the amount of gross expenses and the amount of depreciation deductions (Economic Code of Ukraine).

American economist F. Knight notes that no economic term or concept is used in such a huge number of meanings as "profit", this applies to the category of "income" (Knight, 2016). L. I. Schwab defines profit as a generalizing financial indicator of the enterprise's activity, which is defined as a part of the revenue that remains after reimbursement of all costs for its production and commercial activities (Schwab, 2007).

Even in the IV-III centuries. B.C. (China) in the treatise "Guan

Tzu” one of the first attempts was made to interpret profit as a part of money (gold), which is formed as a result of unequal exchange, i.e. gold plays the role of money and is declared a commodity, if it is used to measure the state’s resources (Yukhimenko, 2002). An interesting observation in Kautilya’s work “Arthashastra” is that “a competing seller increases the price of a product, making it higher than its true value”. That is, the profit is defined as the difference between the cost of the product and its market (sale) price. The author notes that the price of goods on the market consists not only of production costs, but also of trade costs, that is, it is necessary to determine the share of the trader’s profit in the price of local goods at a lower rate, and imported goods at a higher rate (Yukhimenko, 2002).

Aristotle (384-322 BC) in his works “Nicomachean Ethics” and “Politics” indicated that all types of economic activity of people belong either to the natural sphere – economics, or to the unnatural – chremastics (the art of gaining wealth with the help of large trade deals for resale and usury deals). At the same time, “there are never any limits in achieving the goal, because it is the achievement of unlimited wealth and possession of money... Everyone involved in money circulation tries to increase their capital to infinity” (Bazilevich, 2005). That is, exchange can be regarded as an act of satisfying needs and allows determining the consumption value of goods as a category of the economic sphere, and symbolizes acts of profit, while the exchange value is considered a category of the sphere of chremastics. In the XII-XIV centuries. Thomas Aquinas in the treatise “The Sum of Teleology” held the opinion that that profits should not be an end in themselves, but a well-deserved fee and reward for the fact that labor, transport and other material costs and even risk are present in trade and loan operations.

The concept of profit, as an economic category, has undergone significant changes in its development. Based on this, in the opinion of L.M. Pronskyi, the following theoretical concepts can be distinguished, which do not exclude, but complement each other: – the theory that defines profit as a result of market imbalance; – the theory that defines profit as a manifestation of monopoly power; – the theory that defines profit as the result of the fourth factor of production – “entrepreneurial talent”, and according to the presence of income of the owner of this factor – entrepreneurial profit; – the theory of profit

as a result of innovations (Pronsky, 1995). Today, modern researchers mostly develop the profit theories of economists of the 19th and early 20th centuries, adapting them to new conditions.

Profit is the part of added value, produced and realized, ready for distribution. The company receives a profit after the value embodied in the created product is realized and takes a monetary form (Mocherny, 2001). Therefore, the objective basis for the existence of profit is connected with the need for the primary distribution of the additional product. Profit is a form of manifestation of the value of an additional product. Its economic nature has different interpretations.

It is the financial result that is the defining economic category, as well as the main measure of the company's performance. The objective and correct definition of financial results, especially in the field of agriculture, has always been the subject of scientific discussions both among scientists and practitioners. Among the many authors in the field accounting, economic analysis, there is no single approach to defining this concept. Their understanding of the essence of financial results is far from ambiguous, the authors highlight the economic meaning of this concept "financial result" in different aspects and with different degrees of detail.

Since profit is considered one of the most ambiguous economic categories, the complexity of its definition is due to the variety of interests it reflects. Having conducted an analysis of the existing approaches of scientists to the definition of the concept of profit in the economic literature, it was found that currently there is no single point of view in the scientific literature regarding the definition of the specified economic category.

In the field of accounting, profit as a scientific category has much fewer differences in clarifying its essence, mechanism of formation. This is related to the normative regulation of the order of formation of activity results, their reflection in the accounting system and financial reporting of the enterprise. Despite the differences in the interpretation of the term "profit", common opinions are followed in each of its interpretations – the positive result of the enterprise's activity depends on the amount of income received and expenses incurred, and the form of its expression is profit, which increases the equity capital of the business entity.

As the results of the research show, profit is both a simple and a

complex category. Its simplicity is expressed in the fact that it acts as a motivator of entrepreneurial activity, and its complexity is the presence of a large number of factors (external and internal) that directly or indirectly affect its value. External factors of influence are: economic instability in the state and the world; price policy for fuel, energy; taxation system; untimely fulfillment of contractual obligations by counterparties; investment and credit policy.

The internal factors include: 1) accounting policy of the enterprise in terms of recognition, assessment of income and expenses as components of the financial result – the form of expression of which is profit (or loss, or zero result); 2) volume and quality of sold finished products (goods, works, services) as the basis of net income from sales, their level of cost price; 3) pricing system, marketing activity, quality of enterprise management.

Thus, the review and analysis of the sources of economic literature indicates the heterogeneity of the currently formed ideas about the essence of financial results. The authors in their scientific works define the economic meaning of this concept from different points of view and with different degrees of concretization. However, in summary, we can name the most general approach to understanding the category “financial result”. The financial result is a general indicator of the efficiency of the business entity for a certain period of time, which is defined as the difference between the company’s income and expenses.

Calculation of financial results based on the results of financial and economic activity of the reporting period leads to an increase or decrease in the capital of the business entity. The financial result is not only the amount of profit remaining at the disposal of the business entity, or the loss received, based on the results of the reporting period, it is also the basis for calculating various derived indicators characterizing the effectiveness of the entity’s work, such as sales profitability, profitability assets and financial sources of capital.

So, the category “financial results” is one of the central concepts not only of accounting, but also of economic analysis and management, which connects accounting processes with the mechanism of making managerial decisions aimed at increasing business profitability in terms of calculation, analysis and forecasting of various economic indicators.

The procedure for forming and displaying income and expenses of economic entities in the financial statements is determined by the norms of P(S)BO 1 “General requirements for financial reporting”. Incomes and expenses are reflected in accounting at the time of their occurrence, in the conditions of the first event. Methodological approaches to accounting for expenses, income and results of activity are disclosed in P(S)BO 15 “Income” (Accounting Regulation (standard) 15 “Income”: Order of the Ministry of Finance of Ukraine dated November 29, 1999 No. 290) and P(S)BO 16 “Expenses (Accounting Regulation (standard) 16 “Expenses”): Order of the Ministry of Finance of Ukraine dated December 31, 1999 No. 318). In accordance with the Instruction on the Application of the Plan of Accounts for the Accounting of Assets, Capital, Liabilities and Business Operations of Enterprises and Organizations No. 291 (Instructions on the Application of the Plan of Accounts for the Accounting of Assets, Capital, Liabilities and Business Operations of Enterprises and Organizations: Order of the Ministry of Finance of Ukraine dated November 30, 1999 No. 291), account 79 “Financial results” shows a summary of information on the financial results of the enterprise. The credit of the account shows the amounts in the order of closing the income accounting accounts, the debit – the amounts in the order of closing the expense accounting accounts, as well as the due amount of accrued income tax. Account 79 “Financial results” has the following sub-accounts: 791 “Result of operating activities”, 792 “Result of financial operations”, 793 “Result of other ordinary activities”.

With regard to sub-account 792 “Result of financial operations”, the credit of the sub-account at the end of the reporting period shows the amounts in the order of closing accounts 72 “Income from equity participation” and 73 “Other financial income”. The debit of sub-account 792 “Result of financial operations” at the end of the reporting period shows the amounts in the order of closing accounts 95 “Financial expenses” and 96 “Loss from equity participation”. Subaccount 793 “Result of other ordinary activity” is intended to determine the financial results of other ordinary activity.

According to the credit of sub-account 793 “Result of other ordinary activities” in correspondence with the debit of account 74 “Other income”, income from the realization of financial investments,

non-current assets, property complexes, from non-operating rational exchange rate difference and from other ordinary activities. According to the debit of sub-account 793 “Result of other ordinary activities” in correspondence with the credit of account 97 “Other expenses”, expenses incurred in the course of ordinary activities, but which are not related to the production or sale of the main products and services, are debited.

As for the income tax, it is a mandatory payment to the budget that all enterprises, regardless of the form of ownership, pay from the profit from the economic activity of the enterprise. The object of taxation in the Tax Code of Ukraine at the basic rate of 18% (clause 136.1 of the PKU) is profit, which is determined by adjusting the financial result before taxation, determined in the financial statements of the enterprise in accordance with national P(S)BO or IFRS, by the difference, which arise in accordance with the provisions of clauses 134.1.1–134.1.5 of the PKU (Tax Code of Ukraine).

In accounting, income tax is regulated in accordance with P(S)BO 17 “Income Tax” (Provisions (standard) of accounting 17 “Income Tax”: Order of the Ministry of Finance of Ukraine: dated December 28, 2000 No. 353) and IAS 12 “Income Taxes” (International Accounting Standard 12 “Income Taxes”). P(S)BO 17 “Income Tax” defines the methodological principles of forming information on expenses, income, assets and liabilities from income tax and its disclosure in financial statements. In P(S)BO 17 “Income Tax” and the Instructions to the chart of accounts No. 291, it is envisaged to apply temporary tax differences from income tax, which arise as a result of the fact that the determination of some income and expenses in accounting and tax accounting takes place in different reporting periods, Paragraph 3 of P(S)BO 17 “Income Tax” stipulates that temporary tax differences have two types: those that are subject to deduction, and those subject to taxation. If such differences are deductible, then they lead to a reduction in taxable profit, and those that are subject to tax are included in taxable profit in future periods. If temporary tax differences arise in the company’s accounting during the formation of current income tax, it is necessary to determine deferred tax liabilities and deferred tax assets.

They are recognized as expenses or income in the statement of financial results, except for income tax accrued as a result of

revaluation of assets and other economic transactions, which are reflected in the increase of equity capital (clause 4 of P(S)BO 17 “Tax profit”). As a result, expenses (income) from income tax is the total amount of expenses (income), In connection with the introduction of new requirements for income tax accounting and the transition of enterprises to international accounting standards, the question of comparing them with national ones regarding the method of accounting for enterprise profits and its reflection in financial statements is relevant.

Based on the results of the comparison, it can be concluded that there are no significant differences in general, there is a more specific detail regarding the accounting of the profits of enterprises in IAS 12 “Income Taxes”. IAS 12 “Income Taxes” defines the procedure for recognizing tax differences in atypical situations, which are not mentioned in P(S)BO 17 “Income Taxes”: the effect of goodwill on the tax base in the event of a business combination (clause 19 of IAS 12 “Income taxes”); tax consequences of recognition of foreign financial investments with another functional currency (clause 41 of IAS 12 “Income Taxes”); the impact of revaluation of investment real estate (clause 51 of IAS 12 “Income taxes”), etc.

According to accounting data, income tax amounts are shown on account 98 “Income tax”. Tax on the amount calculated in tax accounting and payable to the budget is reflected as a credit to sub-account 641 “Tax settlements” in correspondence with the debit of accounts 98 “Income tax”, 17 “Deferred tax assets” and 54 “Deferred tax liabilities”. Payment of income tax to the budget is reflected as a debit to subaccount 641 “Tax settlements” in correspondence with a credit to account 311 “Current accounts in national currency”. The accrued amount of income tax is reflected in the debit of account 98 “Income tax”, and in the credit – its inclusion in the financial results.

If the business entity has deferred tax assets and liabilities in its accounting, it is necessary to determine accounting expenses (income) for income tax, which are determined according to the following algorithm: deferred tax liabilities should be added to the current income tax and deduct deferred tax assets.

The amounts of deferred tax liabilities are defined as the balance under the credit of account 54 “Deferred tax liabilities” at the end of the year minus the balance under the credit of account 54 “Deferred

tax liabilities” at the beginning of the year. But it should be noted that deferred tax liabilities are not always taken into account when calculating income tax expenses (income), but only during revaluation of non-current assets, therefore the accrual of deferred tax liabilities due to capital reduction in revaluations is reflected in accounting according to such holding: D-t 41 “Capital in revaluations”, K-t 54 “Deferred tax liabilities”.

Deferred tax assets for the reporting period are defined as the debit balance of account 17 “Deferred tax assets” at the end of the reporting period minus the debit balance of account 17 “Deferred tax assets” at the beginning of the reporting period.

If income was received after determining expenses (income) for income tax, it should be shown as a credit to account 98 “Income tax”, if it is an expense – it should be shown as a debit to account 98 “Income tax”. In the Instructions for the Application of the Chart of Accounts, the financial result of the company’s activity is determined by closing sub-accounts for certain types of activity of account 79 “Financial results”, determining the final balance, which is debited to account 44 “Retained earnings (uncovered losses)”, which has the following sub-accounts: 441 “Undistributed profit”, 442 “Uncovered losses”, 443 “Used profit than in the reporting period”. Account 44 “Undistributed profits (uncovered losses)” records undistributed profits or uncovered losses of the current and previous years, as well as the profit used in the current year. The credit of the account shows the increase in profit from all types of activities, the debit shows losses and the use of profit (Instructions on the application of the Plan of accounts for the accounting of assets, capital, liabilities and economic operations of enterprises and organizations: Order of the Ministry of Finance of Ukraine dated November 30, 1999 No. 291)

In Part 3 of Art. 142 of the Commercial Code states that the procedure for distributing the profit received by the business entity is established by the owner (owners) or the body authorized by him in accordance with the legislation and statutory documents, therefore the procedure for distributing the profit must be fixed in the statutory documents of the business company.

The main directions of profit distribution are: the formation of reserve capital, covering losses of past periods, paying dividends, increasing the amount of registered (equity) capital, authorized capital,

incentive funds, other funds (Gaidarzhyska., Bondarenko, Ivchenko, 2018).

In joint stock companies, in accordance with Art. 19 of the Law of Ukraine “On Joint Stock Companies”, the reserve capital is formed in the amount of not less than 15% of the charter capital of the company through annual deductions from the company’s net profit or at the expense of retained earnings. Reserve capital is created to cover losses of the company, as well as to pay dividends on preferred shares, other areas of use of reserve capital can also be additionally provided for.

The formation of reserve capital from the company’s profit will be reflected in the following way: D-t 443 “Profit used in the reporting period” and K-t 43 “Reserve capital”.

If the enterprise received a loss in the past reporting periods, then retained earnings are used to repay it:

D-t 441 ‘Retained earnings’, K-t 442 “Uncovered losses”.

In accordance with the Tax Code of Ukraine, the Law of Ukraine “On Joint-Stock Companies” and P(S)BO 15 “Income”, when making a profit, the company must calculate and pay dividends. Different definitions of the concept of “dividends” are given in the normative legal acts. According to Clause 4 of P(S)BO 15 “Income”, dividends are interpreted as a part of net profit, distributed among participants (owners) in accordance with the share of their participation in the company’s equity capital.

Dividends accrued to owners of ordinary and preferred shares are recorded under sub-account 671 “Calculations for accrued dividends”, the credit of which reflects an increase in the company’s debt to the founders and members of the company, and the debit – a decrease (repayment) of debt. When calculating dividends and displaying them in accounting, it is necessary to take into account the peculiarities of their taxation. Dividends to individuals on preferred shares are subject to personal income tax (18%) and a military levy is withheld on a general basis (1.5%).

Regarding the calculation of dividends to the owners of legal entities, the issuer of corporate rights calculates and contributes to the budget an advance payment from the tax in the amount of the rate, of the amended Art. 136 of the Tax Code of Ukraine (18%). During taxation of dividends, taxes must be paid before/or simultaneously with the payment of dividends (Tax Code of Ukraine).

Therefore, retained earnings are defined as the balance of net profit after accrual of dividends, deductions to the reserve fund and other funds provided for by the company's charter. During the preparation of annual financial statements, the profit used during the year is written off to reduce retained earnings by debiting sub-account 441 "Retained earnings" and crediting sub-account 443 "Profit used in the reporting period". As a result, subaccounts 441 "Retained earnings" and 443 "Profit used in the reporting period" are closed.

In modern conditions, managing the distribution and use of enterprise profits is very important, since the effectiveness of this process depends on the efficiency of the enterprise and its financial independence, which directly affects the cost of capital and the market value of the enterprise.

Therefore, the profit is the main source of financing the development of the business entity. Today, there is no single definition of the "profit" category. Having analyzed various approaches, it is possible to generalize that profit is the final result of the activity of a business entity, which characterizes the efficiency of its functioning, is determined by a consistent comparison of income and expenses, and includes the determination of the financial result from operational, financial and investment activities. The profit of the enterprise is used for the development of the enterprise itself, is its own source of investment, and is also considered as the income of the owners and directed to the payment of dividends. Compliance with all the methodological principles of keeping records of the company's income and expenses will make it possible to obtain information about the real value of the company's profit.

4.2. Tax control, accounting for the formation and use of profit

Control over compliance with tax legislation in modern conditions faces a number of problems caused by globalization and digitalization. And if until recently the problem of underpayment of tax revenues was the subject of discussions within countries, with the development of digitalization and strengthening of international information exchange, it has reached the global level. Since one of the indicators of the efficiency of the tax system is the tax gap, its assessment is important for making decisions on tax regulation and reform. Unlike VAT, the assessment of corporate income tax is less common, but

income tax has a significant fiscal potential, and therefore control over its timely and full payment by payers is important for filling state budgets (Kuvaldina, 2022).

Article 61.1 of the Tax Code defines tax control as a system of measures taken by controlling bodies by us and coordinated by the central body of executive power, which ensures the formation and implementation of state financial policy, in order to control the correctness of accrual, completeness and timeliness of payment of taxes and fees, as well as compliance with legislation on the regulation of cash circulation, settlement and cash operations, patenting, licensing and other legislation, the control of compliance of which is entrusted to the controlling authorities (Tax Code of Ukraine).

Tax control as an integral part of the state management of the economy has a certain specificity of the practice of application and target orientation, which distinguishes it from other types of control. It is carried out by applying scientifically based methods of establishing the degree of compliance of taxation practices with the provisions of the developed tax policy.

Tax control is a multi-faceted interdisciplinary system of monitoring of the financial and economic activities of taxpayers by state control bodies with the aim of objectively ensuring a given level of budget revenues in accordance with the requirements of current legislation. Tax control has its own characteristics, because it not only provides information support to state administration bodies, but also performs such special functions as calculating the amounts of taxes and fees, fines during control actions by tax authorities and their collection (Vasyuk, 2012).

For a long time, the main direction of tax control was the development of new methods of checks for the correctness and completeness of payment of tax obligations by taxpayers to the budget and prosecution of tax evaders. In the context of changes in tax legislation, the list of areas of tax control has been significantly expanded, in particular, for:

- proper accounting of organizations and individuals;
- timely payment of taxes and fees;
- the correctness of the calculation and the completeness of the payment;
- the legality of the use of tax benefits;

- timeliness and correctness of withholding tax amounts by tax agents;
- legality of reimbursement of indirect taxes from the budget;
- timeliness of remittance of tax payments and execution of payment orders and collection orders;
- compliance with tax regimes (Melnyk, 2015).

The following main tasks of tax control can be distinguished:

1. Checking the completeness and timeliness of payment of taxes and fees to the budget and state trust funds.
2. Control of the correctness of the determination of the tax base.
3. Verification of the legality of the application of tax benefits for taxes and fees.
4. Control over the timeliness of submission of tax reporting on taxes and fees to the bodies of the State Tax Service.
5. Analysis of tax revenues.
6. Detection, elimination and prevention of violations of current legislation. (Tax Code of Ukraine)

One of the important aspects from the point of view of the company's profit formation is control over the volume and quality of production. In order to control the actual profit at the enterprise, first of all, the correctness of the actual revenue from the sale of products is checked, shown in the financial statements, using such informative sources as F. 2 "Report on financial results", primary documents, statements from bank accounts, cash documents for posting cash for paid products, payment orders for payment of shipped products. Control of profit distribution takes place in two stages. At the first stage, the control of the distribution of the total profit is carried out, the participants of which are the investigated enterprise and the state.

It is about paying taxes at the expense of profit. The proportion of profit distribution between the state and enterprises is formed under the influence of a number of factors and is of great importance for ensuring state needs and the needs of enterprises (Napialidi, 2016).

At the second stage, the control of the distribution of the net profit, which remained at the disposal of the enterprise after the payment of all mandatory payments, takes place. As you know, the balance in the ratio of accumulation fund and consumption fund plays an important role in the process of distribution of net profit. The enterprise usually uses the net profit by directing one part of the funds to the formation

of special funds, and the other part to the financing of necessary expenses. The main document that is subject to verification when calculating income tax is the tax declaration, which is formed on the basis of the Report on financial results, primary and consolidated accounting documents. Taxpayers are recommended to report according to the declaration form approved by the order of the Ministry of Finance dated 10/20/2015 No. 897, taking into account the changes introduced by the order No. 481 dated 11/14/2019, which entered into force on 12/20/2019.

A necessary condition for ensuring an effective tax audit is a scientifically based organization of its implementation according to the directions of control measures at each of the stages of control (Table 4.1).

The tax audit process is quite time-consuming, since a large number of accounting objects are involved in the formation of the income tax base, and the larger the enterprise's activity, the more complicated the audit process will be. S. V. Kucher notes that the tax audit is carried out using only documentary methods of control, since the income tax and its tax base is a purely calculated amount that is confirmed only by documents. In addition, the inspectors can independently determine how to carry out the inspection in a continuous or selective way, however, to obtain more reliable data, it is better to carry out the inspection in a continuous way, but it is always necessary to remember the effectiveness of such inspection. During the audit, the tax authorities do not have the right to demand all accounting documents, but only those that confirm operations related to the calculation of such a tax (Kucher, 2011).

The following issues are subject to verification: does the annual income, determined according to accounting rules for the last reporting period, exceed UAH 20 million; whether the financial result is adjusted for tax differences according to the PKU; by what differences does the financial result decrease or increase according to the PKU; what tax rate is charged at the enterprise; which account accounts for accrual and payment of income tax, deferred tax assets; what is the frequency of income tax reconciliation, etc.

In today's conditions, domestic enterprises mostly show the amount of undistributed profit, that is, such a distribution of net profit does not occur. Usually, the management of the enterprise tries to

Table 4.1

Stages of conducting a tax audit of income tax

Stages of control	Directions of control measures
Preparatory	<ul style="list-style-type: none"> ◆ Selection of taxpayers; ◆ Determination of the type of inspection and the officials responsible for the inspection; ◆ Collection of information about the business entity; ◆ Tax information processing; ◆ Pre-audit analysis of accumulated information about the taxpayer; ◆ Preparation of a list of issues subject to documentary verification; ◆ Preparation of documents for admission to inspection; ◆ Acquaintance with the order on accounting and tax policy
Pilot	<ul style="list-style-type: none"> ◆ Verification of primary documents, which reflect operations related to the received income and expenses of the enterprise; ◆ Checking the correctness of the display of income tax in synthetic and analytical accounting (accounts 64 “Calculations for taxes and payments”, 98 “Income tax”, 17 “Deferred tax assets”, 54 “Deferred tax liabilities”, accounts of class 7 “Revenues”, 8 “Costs by elements”, 9 “Activity costs”; ◆ Verification of the compliance of the display of turnover and balance information data and General Ledger data of the Report on financial results and the Tax Declaration on income tax; ◆ Checking the correctness of the determination of the amount of income tax for the reporting period; ◆ Verification of the correctness of the preparation of the Report on financial results; ◆ Checking the correctness of the adjustment of the financial result for tax differences according to the PKU; ◆ Verification of the correctness of the preparation of the Income Tax Declaration; ◆ Verification of payment and timeliness of payment of income tax by the taxpayer.
Final	<ul style="list-style-type: none"> ◆ Generalization of detected deviations; ◆ Formation of additional and intermediate acts, conclusions; ◆ Receiving written explanations from officials regarding violations of tax legislation; ◆ Compilation of an act on document verification; ◆ Review and coordination of tax audit results; ◆ Drafting taxdecision message controlling bodies byadditional tax and financial sanctions.

Source: compiled by the author

leave as much of the profit as possible undistributed as a reserve, which makes it possible to strengthen the foundations of self-financing. This has a negative impact on the management of the company's resources, because the founder of the business entity does not fully control the distribution of the created good.

Retained earnings are used to increase the authorized capital, create or replenish the reserve fund, and eliminate problematic issues. In the conditions of market management, in the process of distributing the company's profit, it is necessary to adhere to the priority vectors proposed in Table 4.2.

Table 4.2

Priority vectors of the enterprise in the process of profit distribution

Enterprise vectors in the process of profit distribution
implementation of profit distribution in accordance with the company's development strategy
increasing the level of well-being of the company's owners through the implementation of the dividend policy
ensuring an increase in the market value of the business entity in the short and long term
increasing the investment attractiveness of the enterprise
ensuring an effective influence on the labor activity of employees, which is carried out through the participation of employees in the distribution of profits
implementation of social development of the enterprise
replenishment of financial resources of the enterprise
development of the material and technical base as a result of the capitalized part of the profit
increasing the level of solvency of the enterprise due to the transfer of capitalized profit to working capital
reduction of activity risks due to the formation and replenishment of the reserve fund, reserve fund for dividend payments, other special purpose funds

Source: compiled by the author

In the course of the control, the directions of the use of profit are checked. At the same time, the net profit indicators and the elements of its formation are evaluated by comparing the relevant indicators of the previous reporting periods, the factors affecting the dynamics of changes in the company's profit are studied.

The subject of tax control is the accuracy of tax assessment, the completeness and timeliness of payment, the assessment of financial sanctions, the reliability, completeness and timeliness of submitting

tax reports. The task of tax control is to achieve the specified results, which is carried out through the collection and use of information necessary for tax control, prevention of violations of tax legislation, verification of compliance with legislation, etc. (Pravdiuk, 2022).

Thus, tax control is an independent direction of state financial and economic control, which has a clearly defined goal, subject, task, object, subject and is implemented by keeping records of taxpayers, information and analytical support, inspections and examinations. The main purpose of tax control is control over compliance with the norms of tax legislation regarding the payment of taxes.

In modern conditions, any enterprise faces the task of obtaining the maximum profit from its activity, however, such an effect is possible only as a result of the correct distribution, formation and management of the result of its activity. Algorithms for the formation of the company's profit are prescribed in accounting and economic approaches.

The forming factors include revenue, including from sales, which includes the main specific weight, as well as revenue from the sale (sale) of other assets and fixed assets. Income from shares (activities) in other enterprises, including subsidiaries, and income from securities, free financial assistance, balance from fines received or paid should be a significant component of the forming factors. Factors of mutual influence are divided into external factors of distribution characterized by the financial and credit policy of the state, including such as taxes and tax rates, tariffs and fees, cost and labor productivity, return on capital, capital adequacy and asset turnover (Krush, 2013). However, they cannot determine the degree of management efficiency. All other things being equal, an enterprise that owns more capital, uses more live and materialized labor, produces and sells more products or services will have a more significant amount of profit. I. Blank gives a more complete and accurate definition of profit as a part of the enterprise's net income received on the capital employed, and this adapts its received compensation for the versatile risks of entrepreneurial activity. In order to make a conclusion about the level of efficiency of the enterprise's functioning, the received profit must be compared with the received expenses (Lobacheva, Kotsyubynska, Vasylenko, 2011).

Existing profitability indicators appear as relative characteristics

regarding the financial results and prospects of the effective operation of the enterprise.

They determine the profitability of the enterprise and are grouped according to the relationship with the interests of the involved participants in the economic process or market exchange. Taking into account profitability indicators is necessary, because they are important characteristics of the factor environment that forms the company's profit. From this point of view, they should be mandatory components of the comparative analysis and assessment of the economic and financial condition of the enterprise (Epifanova, Humenyuk, 2016).

Profit acts as an evaluation indicator, is the main source of equity capital of enterprises, namely, a source of expanding production and providing for other needs of the enterprise. The current order of profit distribution corresponds to the current stage of the formation of market relations, that is, the company must participate with its profit in the formation of the state budget, and the remaining part of the profit must be distributed between the owner of the company and the owner of loan capital and other financial resources in accordance with the concluded contracts.

The successful operation of an enterprise on the market of a particular product is determined by its ability to generate sufficient income to reimburse costs and generate profit. Therefore, profit, being the financial result of an enterprise, characterizes the absolute efficiency of its activity (Dembovsky, 2018). O. Starynets defines the peculiarities of the formation of profits of enterprises in his work, namely: "the formation and distribution of profits consists in the fact that there are many influencing factors. It is impossible to take into account and evaluate all the factors, so some systematization of them is necessary" (Starynets, 2018).

V. Ovcharyk notes that "profit formation is influenced by the goal setting of the enterprise, production and financial factors, as well as the accounting policy in the field of bookkeeping and taxation" (Khomenko, Ovcharyk, 2018).

At the same time, the indicators of the financial results of the enterprise reflect the competence of the management and the quality of management decisions. Zhadko K.S.: "the main elements in the structure of the profit management mechanism are: state legal and

normative regulation of issues of formation and distribution of the company's profit; the market mechanism for regulating the formation and use of the company's profit; the internal mechanism for regulating certain aspects of the formation, distribution and use of the company's profit; a system of specific methods and techniques for profit management" (Zhadko, 2018).

The profit of the enterprise is a component of the income that remains after reimbursement of all expenses for ensuring the economic activity of the enterprise and payment of taxes. It characterizes the excess of income over expenses and is considered one of the main indicators of the enterprise's performance.

Only after the sale of products, the net income takes the form of profit. From the profit received, enterprises pay income tax to the budget and renew their own capital, create reserve capital, pay income to participants and carry out other measures provided for by legislation and founding documents. The directions of distribution of retained earnings are determined by the owners of the enterprise or their authorized bodies in accordance with the founding documents (Svyrida, Markovska, 2018).

There are a number of factors that directly affect the formation of profit. First, the unstable situation in Ukraine and other factors have a negative impact on the economy of our country, which leads to high inflation, lack of confidence of investors (especially foreign ones), as well as low purchasing power of the population and high cost of production. Secondly, the tax burden is high, so companies lose the sense of making a profit. Thirdly, part of the profit that remains at the enterprise after paying taxes, other mandatory payments, and paying dividends is directed to the material encouragement of employees, the provision of social benefits, and the maintenance of social facilities. Fourthly, at the expense of profit, incomes of budgets of different levels are formed, the firm's obligations to banks, other creditors and investors are repaid.

In the conditions of a market economy, the main goal of the operation of any enterprise is profit, which is an indicator of work efficiency of the managing entity. The profit of the enterprise in accounting is considered as a net (minus corporate income tax) financial result of the reporting period with its subsequent allocation to certain needs of the enterprise, which are specified in the founding

documents of the enterprise. The formation of profit as a financial indicator of the enterprise's work, which is reflected in the official reporting of economic entities, is influenced by:

- established procedure for determining financial results of activity;
- calculation of the cost of production (works, services); general economic expenses;
- determination of profits (losses) from financial transactions and other activities.

Therefore, profit is an important indicator that characterizes the financial result of the enterprise.

The profit formation mechanism has the following components:

- proceeds from the sale of goods; revenue from the implementation of works and services;
- cost of sold products;
- gross profit;
- administrative expenses, sales expenses;
- other operating expenses and income;
- profit (loss) from operating activities;
- other income (expenses);
- income before paying interest and taxes;
- financial expenses;
- income tax;
- net profit.

The formation of the absolute amount of the company's profit is influenced by:

- results, that is, the efficiency of its financial and economic activity;
- sphere of activity;
- branch of economy;
- conditions for accounting of financial results established by legislation.

Approaches to the formation of the company's profit:

- accounting approach;
- an economic approach.

The accounting approach assumes that profit is formed as the difference between revenue from the sale of products (goods, services) and current production costs. The economic approach assumes that

profit is formed as the difference between sales revenue and current costs of production (sales), as well as costs of lost opportunities, the basis of which is alternative interest income on capital.

Taking into account the specificity and significance of certain types of financial and economic activity of the enterprise, as well as with the aim of studying the mechanism of profit formation and management of its individual components, it is appropriate to consider the following components of income and expenses:

1) income – proceeds from the sale of products, works and services, other income;

2) expenses – production cost of sold products, administrative expenses, sales expenses, financial expenses, other expenses.

The formation of the company's profit is connected with the implementation of operational, financial and investment activities. Profit from operating activities is formed as a result of operations related to the production or sale of products (goods, works, services), which is the main purpose of creating an enterprise and provides the main share of its income. The results of financial and investment activities also influence the amount of the company's profit. The financial activity includes activities that lead to changes in the size and composition of the company's equity and loan capital, and the investment activity includes activities related to the acquisition and sale of those non-current assets, as well as those financial investments that are not part of cash equivalents.

The sources of formation of the total profit of the enterprise are:

– profit from the sale of the main products of the enterprise, which is the main component of the total profit;

– profit from the sale of property not used by the enterprise.

In the process of formation and use of profit, the following are distinguished:

– gross profit (loss);

– financial result from operational activity;

– financial result before taxation;

– net financial result;

– other comprehensive income before taxation;

– other comprehensive income after taxation;

– comprehensive income.

According to the instruction “On the application of the Plan of

accounts for the accounting of assets, capital, liabilities and economic transactions of enterprises and organizations” dated November 30, 1999 No. 291 (hereinafter – Instruction No. 291), account 44 is used to reflect the accounting profit of enterprises Retained earnings (uncovered losses), which has the following sub-accounts:

- 441 “Retained earnings”;
- 442 “Uncovered losses”;
- 443 “Profit used in the reporting period”.

It should be noted that account 44 “Retained earnings (uncovered losses)” is not intended to reflect the order of formation of income before taxation. As a result, account 79 “Financial results” is added to the chart of accounts for the accounting of assets, capital, liabilities and business operations of enterprises and organizations, on which the income and expenses of the enterprise of the reporting period are formed for the subsequent calculation of tax on the enterprise’s income or automatic loss write-off enterprises of the reporting period to account 442 “Uncovered losses”.

As indicated in the instructions No. 291, the company’s expenses are formed under the debit of account 79 “Financial results”, and its income under the credit. Information on the formation of income and expenses in accounting and their reflection in the company’s financial statements is approved by accounting standards. If enterprises keep accounting according to national standards, they apply the norms of P(S)BO 15 “Income” and P(S)BO 16 “Expenses”. The financial result is determined for each type of enterprise activity (for example, operational, financial) with the periodicity established in the accounting policy (month, quarter, year). So, at the end of the reporting period, account 79 “Financial results” is closed (zeroed) as follows.

- 1) When making a profit:
 - Dt 98 Kt 641 – income tax is charged;
 - Dt 79 Kt 98 – income tax is assigned to the reduction of pre-tax profit;
 - Dt 79 of the Code of Civil Procedure 441 – the net financial result of the enterprise (retained earnings) is determined.
- 2) When receiving a loss:
 - Dt 442 Ct 79 – the net financial result of the enterprise (retained earnings) is determined.

As stated in Art. 44 of the Economic Code of Ukraine and Art. 15 of the Law of Ukraine “On Economic Partnerships”, the net profit received after payment of interest on bank loans and bonds, recalculation of taxes and other payments to the budget provided for by the legislation of Ukraine, as well as payment of dividends, remains at the full disposal of the partnership, which, in accordance with the articles of incorporation documents, determines the direction of its use. Thus, during the creation of the enterprise in the founding documents, the founders have the right to indicate the directions in which the profit will be distributed (Economic Code of Ukraine).

During the conducted research, we established that during the operation of the enterprise, the founders have the right to change the list of directions for profit distribution. First of all, it is related to:

- internal policy of the enterprise;
- change of founders of the enterprise;
- effective or ineffective management, financial and tax accounting;
- changes in the market of goods (works, services);
- the desire of the founders to increase the turnover of the production of goods (works, services).

Note that if the owners of the enterprise include a clause in the founding documents stating that the distribution of profit will be carried out based on the decision of the meeting of founders (participants), then the protocol of the meeting of founders will determine the direction and size of the profit that will be distributed. Thus, the main documents that give the right to change the accounting of profit distribution operations can be either the founding documents or the minutes of the meetings of the founders (participants).

Based on the analysis of the directions of distribution of net profit of enterprises, we determined that the main directions of profit distribution are:

- formation of reserve capital;
- coverage of losses of past periods;
- payment of dividends;
- increase in the amount of registered (share) capital;
- incentive funds;
- other funds.

Article 15 of the Law of Ukraine “On Business Societies” states

that enterprises carry out the annual formation of reserve capital (at least 5% of the amount of net profit) up to the amount, which should be the same as in the established founding documents, but not less than 25% of the amount of the statutory capital

In accounting, the entry regarding the formation of reserve capital from the company's profit is reflected in the following posting: Dt 443 Kt 43. If the company received a loss in the past accounting periods, then retained earnings are used to repay it and the following entry is made: Dt 441 Kt 442.

We note that regardless of whether there is taxable income (calculated according to the rules defined by Article 137 of the Tax Code of Ukraine (hereinafter – the Tax Code of Ukraine), paragraph 57.11.1 of the Tax Code of Ukraine, it is established that in the event of a decision on the payment of dividends, the payer of income tax, i.e. the issuer of corporate rights, on which dividends are accrued, makes the specified payments to the owner of such corporate rights. However, during the earning of profits, the enterprise must carry out the accrual and payment of dividends, which are confirmed by the following regulatory and legislative acts:

1) para. 14.1.49 of the PKU notes that dividends are payments made by a legal entity, in particular the issuer of corporate rights, investment certificates or other securities, to the benefit of the owner of such corporate rights, investment certificates and other securities certifying the investor's ownership of a share (share) in the property (assets) of the issuer, in connection with the distribution of part of its profit, calculated according to accounting rules; in addition, from January 1, 2017, for tax purposes, a payment in cash made by a legal entity in favor of its founder and/or participant(s) in connection with the distribution of net profit (part thereof) is also equated to dividends;

2) Clause 4 of PSBO 15 "Income" states that dividends are part of the profit distributed among participants (owners) in accordance with their share in the company's equity;

3) Clause 1 of Art. 30 of Law No. 514 states that dividends are part of the net profit of a joint-stock company, which is paid to a shareholder on the basis of one share of a certain type and/or class; that is, in these companies, dividends are calculated from the profit determined according to accounting rules.

Thus, the accounting of the distribution of profit due to accrued

dividends (both to individuals and legal entities) is carried out according to the following entry: Dt 443 Kt 671.

Sometimes the founders of the enterprise make a decision on increasing the size of the registered (share) capital of their own accord. Under the condition of change and re-approval of the founding documents, the following entry is made in the accounting:

1) Dt 46 Kt 40 – for the amount of increased registered (share) capital;

2) Dt 443 Ct 46 – directing part of the profit to the formation of increased registered (share) capital.

During the conducted research, we found out that some enterprises of Ukraine create incentive funds from profit to encourage their employees. At the expense of such a fund, the enterprise can make the following charges:

– payment of rewards (bonuses) based on the results of work for the year;

– gifts for holidays and anniversaries;

– vacation tickets or sanatorium-resort treatment for employees;

– food for employees at the enterprise;

– provision of allowances and additional payments that exceed the amounts established by law, as well as allowances and additional payments that are not provided for by current legislation, material assistance, health care and other payments (Haydarzhiyska, Bondarenko, Ivchenko, 2018).

For the effective functioning of economic entities in the conditions of market relations, the greatest importance is the identification of reserves for increasing the volume of production, reducing the cost price, and increasing profits. Reserves for profit growth are quantitatively measurable possibilities of its increase due to the increase in the volume of sales of products, reduction of costs for their production and sale, prevention of external sales losses, improvement of the structure of manufactured products.

One of the reserves of the company's profit growth is an increase in the volume of product sales. There is a direct relationship between profit and the volume of sales, that is, the more products are sold, other things being equal, the greater the amount of profit, and vice versa, failure to implement the sales plan reduces profit.

It should be noted that profit-making by business entities is related

to activities not only on the territory of Ukraine, but also outside its borders. Funds or property received by the enterprise for free are not included in the income.

However, very often an enterprise having a profit can use it unwisely and have financial difficulties. Distribution of profit in proportion to participation in its formation will be the main incentive, both for participation in the production process and in improving economic results for all participants in the production process. This will make it possible to interest every employee in the production process, in obtaining maximum profit by the enterprise (Lynnyk, 2017).

In the era of post-industrial development of the world economy, information on the state of profit becomes a determining factor of production, without taking into account any prospects of economic growth. Information should reflect more complex, global and rapidly changing business processes, ensuring the ability of management to adequately respond to the challenges of economic existence (Pravdiuk, 2016).

N.M. Gudzenko and other scientists of the Vinnytsia National Agrarian University also believe that in the conditions of an uncertain, constantly changing environment, the effective functioning of the enterprise often depends on the ability to develop and implement creative management solutions based on information. The problem of the ratio of the amount of data and the quality of information, its usefulness and demand comes to the fore (Pravdiuk, Prutska, Pravdiuk, 2019).

Therefore, it is necessary to implement effective measures at enterprises, in particular: conduct a detailed analysis of the enterprise and develop organizational and economic recommendations for the creation of a management accounting system, improve the management accounting system for the formation and rational use of the enterprise's profit. For this purpose, additions should be made to the regulations on departments, to the job instructions of each head of personnel in the form of a definition of responsibility for the irrational, inefficient use of resources in the department. to his department, to carry out measures regarding the timeliness of the receipt of funds from the completed works by inventorying the receivables, identifying the reasons for its formation and repayment terms, monitoring

compliance with the terms of the contracts, in connection with the increase in the cost of production, identifying internal reserves for its reduction (Khomenko, Ovcharyk, 2018).

Therefore, it is often necessary to adjust the information for which it is obtained through control, as a systematic process of regulating the strategy, which ensures its compliance with regulatory parameters, plans, goals and mission of the enterprise. The presence of control is important for the implementation of the strategy, because it supports feedback between the subject and the object of strategic management. The effectiveness of control also depends on the extent to which the heads of structural units correctly choose the standards, assessment methods and indicators that are needed for effective monitoring and control over the implementation of the strategy. An important element of the assessment is the choice of criteria for the effectiveness of the chosen strategy, in particular the compliance of its results with the company's goals (Pravdiuk, 2022).

In our opinion, the activity of enterprises in the conditions of an unstable socio-economic situation requires the implementation of a system of measures aimed at preserving and increasing the level of their competitiveness, profitability and profitability. Justification and decision-making by managers in the process of realizing production, economic and technological goals of enterprises requires the formation of complete, reliable and timely information support (Pravdiuk, 2017).

Thus, the financial results of enterprises are affected by various factors of production and financial activity that manifest themselves over time. This leads to the fact that the company irrationally uses the profit received from the main activity. And in order to prevent the spending of the company's funds, it is necessary to strengthen internal control and use organizational and economic means of management accounting. The importance of profit in the enterprise is significant, since it is the main source of financing. Therefore, the features of the formation, management and distribution of profit are the activities of persons who are responsible for conducting financial and economic activities, which should be aimed at optimizing and increasing the final indicators. Profit is the main factor of self-financing and economic development of the enterprise.

Pravdiuk M.V. emphasizes that transaction costs as a specific type

of costs of business entities are scattered among the costs of the enterprise and are outside the scope of targeted management influence, and this requires rational management methods and cost analysis (Pravdiuk, Pravdiuk, 2016).

In order to substantiate management decisions at different levels, it is necessary to generalize, systematize and provide the necessary information and recommendations regarding the possible consequences of the chosen variant of events. The functions of an accountant who performs information support of the management system regarding profit accounting are much broader, compared to an accountant who performs accounting of other areas of the company's work. Such an accountant participates in the planning process, in the preparation and coordination of estimates and budgets, the development of regulations and cost standards, provides retrospective information and makes forecasts regarding the possible consequences of future events (Pravdiuk, 2022).

So, the financial result is a rather complex economic category. The question of the effectiveness of methods for its determination remains open. In order to improve the processes of managing financial results, it is necessary to implement progressive international accounting methods in Ukraine, namely, the calculation of financial results not only by the "expenditure – output" method, but also by the method of capital comparison. This approach will help to get more accurate results

4.3. Tax benefits as a form of state aid to business entities in wartime conditions

All wars are primarily economic wars. Therefore, the economy and business should work. For this, the state must adapt the tax burden and tax rules to wartime conditions, in order to facilitate the survival of business in wartime conditions. At the current stage, Ukraine is in a state of war, which requires rapid restructuring of the economy and corresponding state policy. An important role in the system of financial activity of the state in the conditions of martial law is assigned to the activity of the administration in the field of taxation, because taxes must remain the source of the formation of the revenue part of the budgets. At the same time, the state faces the need to reduce the tax burden on individuals and legal entities. Finding and creating

effective legal mechanisms that will support production and entrepreneurship is the main task of the domestic legislator at today's stage. Such measures are support and stimulation of taxpayers. Amending the current legislation regarding the introduction of tax incentives is one of the most important steps to support the economy and citizens in this difficult period (Pravdiuk, 2022).

One of the most important problems of the development of entrepreneurship has always been the question of their state support, the creation of such conditions under which business entities increased production, received profits and at the same time paid taxes properly. Moreover, at all times and within the limits of any tax system, efforts have been made to create effective and at the same time fair taxation, in which the administration of taxes and fees is determined, predictable, and the tax burden on the payer is optimal, thanks to which the stability of the revenue sources of the budgets in medium and long-term perspective.

Establishing and canceling tax benefits is one of the most sensitive topics for taxpayers, because tax benefits are a manifestation of tax-legal paternalism, to which Ukrainian society continues to gravitate by inertia. Despite the significant importance of preferential taxation from an economic and political point of view, the current tax legislation is limited to only fragmentary regulations that regulate the procedure for establishing and changing tax benefits. The following aspects, in particular, should be included among the legally defined features of the introduction of tax benefits: the grounds for granting tax benefits are features characterizing a certain group of taxpayers, their type of activity, the object of taxation, or the nature and social significance of their expenses; as an optional element of the tax, tax benefits and the procedure for their application can be provided directly during the tax assessment; tax benefits are established exclusively by the Tax Code of Ukraine (Tax Code of Ukraine), decisions of the Verkhovna Rada of the Autonomous Republic of Crimea and local self-government bodies; tax benefits, the procedure and grounds for their provision are established taking into account the requirements of the legislation of Ukraine on the protection of economic competition (tax benefits can be regarded as a form of state aid to business entities, which will require an assessment of the admissibility of such aid for competition); the types of tax benefits are

defined by Clause 30.9 of Article 30 of the Code of Ukraine (Hetmantsev, Koval, 2022).

According to Art. 30 of the Code of Ukraine, tax benefits are the release of the tax payer from the obligation to calculate and pay taxes and fees, provided by tax and customs legislation, and payment of taxes and fees in a smaller amount if there are legally defined grounds. At the same time, such grounds include features that characterize a certain group of taxpayers, their type of activity, the object of taxation, or the nature and social significance of their expenses (Tax Code of Ukraine).

Tax benefits remain the object of special attention and interest of all taxpayers, since the availability of a set of tax benefits means full or partial exemption of legal entities and individuals from mandatory payments (Aranchiy, 2017).

Preferential treatment for some taxpayers inevitably means an additional tax burden for others. Malko A. V. believes that: “a benefit is a legitimate relief of the position of the subject of the law, which allows him to more fully satisfy his interests and finds its expression both in additional, special rights (advantages) and in exemption from obligations” (Malko, 2004).

I. E. Krynytskyi understands a tax benefit as the targeted and targeted provision of relief in the field of taxation provided for by the tax legislation, which is translated into tax-legal obligations, which can be manifested in all tax-procedural proceedings and is expressed in the possibility of using special advantages (acquiring of a specific right, complete exemption from the obligation or fulfillment of it to a lesser extent). When forming the legal definition of a tax benefit, I. Krynytskyi emphasizes its place in the legal mechanism of tax payment and suggests in paragraph 30.1 of Art. 30 of the Tax Code of Ukraine to clarify the definition of tax relief as “a universal optional element of the legal mechanism of tax payment” (Krynytskyi, 2012).

A. Sokolovska and O. Lunina understand tax benefits as “prescribed and regulated by the norms of tax legislation (in the presence of a taxable object) deviation from the normative requirements of taxation, which occurs in the form of a full or partial exemption of tax payers from paying it in order to lighten the tax burden” (Sokolovska, Lunina, 2005).

The application of tax benefits has its own specific features. The

taxpayer must consider that the benefit is an exemption from payment, not from the tax obligation, which has three components: tax accounting, tax reporting and tax payment. If the payer can be exempted from paying the tax, then the duty of accounting and reporting will remain with him (Dubovyk, 2011).

According to the Tax Code of Ukraine, a tax benefit is provided by way of: a) tax deduction (discount), which reduces the tax base before tax and fee assessment; b) reduction of the tax liability after the calculation of the tax and fee; c) establishment of a reduced rate of tax and fee; d) exemption from payment of tax and fee.

Using tax benefits, the state regulates certain economic processes and provides social protection for certain activities and population groups. In the conditions of market relations, tax benefits are a necessary prerequisite for the active use of all tax instruments for the purpose of economic and legal regulation of social processes, stimulating the development of production, directing them in the necessary direction (Savitska, 2021).

The importance of benefits, as one of the priority principles of justice in taxation, should provide for the advantages of their recipients, compared to other taxpayers of taxes and fees, including the possibility not to pay tax or fee or to pay them in a smaller amount.

Despite the long period of existence of this definition, the majority of domestic scientists dealing with taxation problems recognize it as insufficient for the identification of tax benefits, which, in turn, is reflected not only in the theoretical problems of taxation, but also directly affects tax practice (Bechko, Barabash, Lysa, 2019).

The classification of tax benefits is of no less importance from the point of view of the theory and practice of the fairness of the tax system. The most famous is the gradation developed by specialists of the Organization for International Cooperation and Development (OECD) within the framework of the concept of tax expenses, under which the provisions of tax legislation, rules and practices are recognized, which make it possible to reduce tax payments, as well as to change the term of their payment for a certain category of taxpayers in compared to standard tax conditions. The very term “tax expenditures” belongs to Stanley Surrey (Stanley S. Surrey, 2020) and, according to the specified concept, the following types of tax expenditures are distinguished:

1. Tax discounts: sums of deductions from the standard conditions of taxation for the purpose of obtaining a tax base;

2. Tax exemption: amounts excluded from the tax base; reduced tax rates applicable for certain types of activities or groups of taxpayers;

3. Postponement of taxation: postponement of tax payment to the following accounting periods.

4. Tax Credit: A direct deduction of certain expenses from the total tax liability (Stanley S. Surrey, 2020).

On March 3, the Verkhovna Rada of Ukraine approved significant tax benefits, passing several laws on changes to the taxation of martial law. At the same time, the deputies determined the specifics of reporting during the period of martial law, in particular, they stopped the passage of the terms specified by the tax legislation (that is, they postponed the payment of taxes and the submission of reports), introduced a moratorium on all types of tax audits and exempted from responsibility those who could not pay taxes on time. Therefore, in the first days after the introduction of martial law, the Verkhovna Rada adopted decisions that allowed to soften the shock for business and entrepreneurs.

Since tax revenues from business entities make up the main revenue part of the budget, which is on average 85–90% of budget revenues, the government decided to create conditions for business survival in wartime conditions. Thus, the government of Ukraine adopted a number of laws amending the tax legislation in order to support business and develop the economy. Procedures for administration, accounting and control of taxpayers during the period of martial law have undergone changes. One of the first changes is the introduction of a moratorium on inspections.

Thus, the Law of Ukraine “On Amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the validity of norms during the period of martial law” 2120-IX dated 15.03.2022 provides that during martial law, inspections will be suspended, and inspections started until 24 February 2022 was stopped (On amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the effect of norms during the period of martial law: Law of Ukraine dated March 15, 2022 N0. 2120-IX).

However, there is an exception, actual and camera checks may be carried out during martial law.

Actual inspections are carried out at the place of economic activity of the business entity. The actual check is carried out in the presence of at least one of the following grounds (On Amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the administration of certain taxes during the period of martial law, state of emergency: Law of Ukraine dated April 1, 2022 No. 2 173-IX):

- receiving, in accordance with the procedure established by law, from state bodies or local self-government bodies, information that indicates possible violations by the taxpayer of the legislation on prices and pricing;

- receiving a written appeal from the consumer, issued in accordance with the law, about the taxpayer’s violation of the established procedure for the formation, establishment and application of state-regulated prices.

Chamber inspections are carried out in the premises of the State Tax Service:

- declarations or clarifying calculations related to budget compensation based on the statement attached to the value added tax declaration;

- tax declarations of taxpayers of the single tax of the fourth group.

During non-prohibited inspections, if violations are detected, fines may be applied to the violator. However, as a result of actual inspections, penalties are not applied for violations of the procedure for carrying out settlement operations, except for violations committed during the sale of excise goods.

In addition, within three months from the day martial law was lifted, a moratorium was established on documentary checks regarding the payment of a single social contribution (Zhuk, 2022).

Law of Ukraine “On Amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the administration of certain taxes during the period of martial law, state of emergency” No. 2173-IX dated 01.04.2022 tax authorities for the period of martial law are empowered to carry out actual audits of taxpayers, regarding the implementation of control in the sphere of pricing (On amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the administration of certain taxes during the period of war, state of emergency: Law of Ukraine dated April 1, 2022, No. 2173-IX).

However, on 05/27/2022, the Law of Ukraine dated 05/12/2022

No. 2260-IX “On Amendments to the Tax Code of Ukraine and other laws of Ukraine regarding the peculiarities of the tax administration of taxes, fees and a single contribution during the period of martial law, state of emergency” entered into force, which inspections have been resumed and the procedure and terms of their conduct have been determined (On amendments to the Tax Code of Ukraine and other laws of Ukraine regarding the peculiarities of the tax administration of taxes, fees and a single contribution during the state of war and emergency: Law of Ukraine dated May 12, 2022 No. 2260-IX).

Therefore, from May 27, 2022, tax authorities may carry out the following inspections (On amendments to the Tax Code of Ukraine and other laws of Ukraine regarding the peculiarities of tax administration of taxes, fees and a single contribution during a state of martial law, state of emergency: Law of Ukraine dated May 12, 2022 year No. 2260-IX):

1. Chamber inspections.
2. Documentary unscheduled inspections, if there are grounds:
 - reorganization or termination of the activity of a legal entity, termination of business activity of an individual entrepreneur, initiation of a bankruptcy case;
 - the payer has submitted a declaration in which value-added tax exceeding UAH 100,000 has been declared to be reimbursed from the budget;
 - received information about violations of foreign exchange legislation regarding compliance with the terms of receipt of goods for import operations and (or) foreign exchange earnings for export operations;
 - at the taxpayer’s request.
3. Actual checks.

The next important point in business support is the relaxation of requirements for taxpayers who have chosen a simplified taxation system. According to the Law of Ukraine No. 2120-IX from 04.1.2022 until the abolition of martial law, natural persons-entrepreneurs – payers of the single tax of the first and second groups have the right not to pay the single tax (On Amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding effect of norms for the period of martial law: Law of Ukraine dated March 15, 2022 No. 2120-IX).

One of the controversial changes in tax legislation was the possibility for almost all enterprises with a turnover of up to UAH 10 billion to switch to a simplified taxation system with the payment of 2% of turnover instead of income tax and VAT (FPOs of the third group on the simplified taxation system, respectively, got the opportunity to pay a tax of 2% instead of 5% of income). Since April, even companies with over UAH 10 billion in annual revenue have been allowed to switch to this system, with the exception (clause 291.5 of the Code of Criminal Procedure) of individuals and legal entities working in the gambling industry; foreign currency exchange; production and trade of excise goods; extraction, production and sale of precious metals and precious stones; business management activities, as well as the provision of mail and communication services. However, in mid-April, the parliament allowed legal entities and FOPs.

According to the Law of Ukraine “On the use of settlement transaction recorders in the sphere of trade, public catering and services” from 01.01.22, the use of settlement transaction recorders is mandatory (On the use of settlement transaction recorders in the sphere of trade, public catering and services: Law of Ukraine dated May 6, 1995 No. 265/95), however, in connection with the state of war, sanctions for violation of the provisions of this law are not applied, however, this does not apply to violation of settlement transactions during the sale of excise goods (On Amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the specifics of taxation and reporting during the period of martial law: Law of Ukraine dated March 3, 2022 No. 2118-IX). The changes also affected the Law of Ukraine “On the collection and accounting of a single contribution to mandatory state social insurance”. In accordance with the changes made, natural persons-entrepreneurs, persons engaged in independent professional activities and members of the farm by their own decision have the right not to pay a single social contribution for themselves and not to pay a single contribution for workers called up for military service during mobilization (On making amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the application of norms during the period of martial law: Law of Ukraine dated March 15, 2022 No. 2120-IX.).

Exemption from payment of certain taxes and fees is also provided.

Yes, temporarily, for the period from 1.03.2022 to 31.12.2022, following the year in which the state of war or state of emergency ends or is abolished, if the objects are located in the territories where hostilities are or have been, or in the territories temporarily occupied by the Russian Federation, released:

- from the payment for the land (land tax and rent for land plots of state and communal property);
- from the total minimum tax liability of land owners;
- from the environmental tax, if stationary sources of pollution are located in the occupied territories;
- from the tax on immovable property, other than land.

If these objects were damaged as a result of Russia's military aggression, they are also exempt from taxation (On amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the effect of norms during the period of martial law: Law of Ukraine dated March 15, 2022 No. 2120-IX).

The changes also provide that taxpayers who are unable to timely fulfill their tax obligations for paying taxes and fees and submitting reports are released from responsibility for non-compliance with tax regulations legislation. However, after the abolition of martial law, the tax obligation must be fulfilled within 6 months (On amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the peculiarities of taxation and reporting during the period of martial law: Law of Ukraine dated March 3, 2022, No. 2118-IX).

Tax benefits are: tax element; an element of the taxpayer's legal status. Thanks to them, it is possible to ensure: a combination of formal and actual equality of payers in taxation; support for business entities, which manifests itself in the reduction of the amount of tax payments that must be paid by the taxpayer, or in general in the absence of the obligation to pay the corresponding payment; a more favorable mode of achieving public interests, as well as the realization of private interests. Currently, it is impossible to estimate the effect of the application of most of the current tax benefits. In the existing tax practice of establishing and introducing tax benefits, the effect of their application is evaluated exclusively at the stage of granting, without further evaluation of its effect. Therefore, the tax benefits provided are opaque, and it is impossible to determine their size and total amount,

A survey of representatives of large businesses, conducted by the

EBA a little earlier, showed that only 17% of companies operate in the pre-war mode. Another 16% limited the “geography of activity”, 19% – were forced to close part of the enterprises, offices or retail outlets. About 30% of companies do not work at all. Despite this situation, most large companies are trying to support employees – 68% paid wages a month or more in advance, almost a third compensated the team’s relocation expenses, and almost a quarter rented housing for employees in western Ukraine or abroad. Small and medium-sized businesses also try to support their employees, but their opportunities are much smaller. Less than a third of employees are paid their full salary, and a third helps employees with relocation and housing. However, every A representative of a small or medium-sized business is no longer able to pay salaries to employees. The vast majority offered their employees unpaid leave, and only 8% simply laid people off. In big business, almost a third of companies that have suspended their activity want to resume it. Only 1% of large businesses in Ukraine plan to close (BBC News website, 2022).

The main way of harmonizing the tax legal norms of Ukraine and the European Union is adaptation – the process of developing and adopting normative legal acts and creating conditions for their proper implementation and application in order to gradually achieve full compliance of Ukrainian law with European law. At the same time, the state faces the need to reduce the tax burden on individuals and legal entities. Finding and creating effective legal mechanisms that will support production and entrepreneurship is the main task of the domestic legislator at today’s stage (Pravdiuk, 2022).

As part of the tax reform, for tax stimulation of economic development, it would be advisable to: strengthen the stimulating role of direct taxes by applying a justified differentiation of tax rates and tax benefits, adapting the experience of EU countries in the differentiation of rates to Ukrainian realities; ensure the stability of tax legislation with the most clear and consistent formation of tax law norms; eliminate deficiencies in the tax administration system and increase the transparency of control over their use; develop measures to attract the shadow sector to the open economy. The implementation of these measures will allow to increase the efficiency of the functioning of the domestic tax system, which will allow its possible activation of the economic activity of economic entities.

CONCLUSIONS TO CHAPTER 4

For almost a year of war in Ukraine, due to various reasons, in particular, the suspension of activities due to a military threat, or due to the blocking of sales markets, or the disruption of logistics routes, economic activity has significantly deteriorated, which in turn caused the growth of the fiscal deficit.

Martial law is a period of uncertainty and increasing risks for all businesses. Tax policy is forced to adapt to the conditions of management of economic entities. The state at the initial stage of the full-scale war introduced a number of fiscal incentives to support the economy and consumption. The authorities are taking a number of measures to minimize the negative consequences. However, sometimes these measures are too radical and not fully thought out. Tax certainty suffers from this, and with it, predictability not only for taxpayers, but also for regulatory bodies.

The Verkhovna Rada of Ukraine continues to make changes to the legislation in order to adapt it to the realities of wartime. Taxation is no exception, because in times of war it is more than ever necessary to find a reasonable balance in order to support business and at the same time be able to provide everything necessary for the army.

In our opinion, fiscal incentives in wartime should be financial support measures for small and medium-sized businesses, in the form of government grants for the payment of workers' wages, compensation of interest on previously received loans, state guarantees for loans, coverage of leasing and rental costs, moratoriums on events from tax control, financial support in the event of a drop in revenue from the sale of goods, works and services.

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