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Analysis of the impact of tax rates and privileges on the accounting of small and medium-sized enterprises in Ukraine: Challenges and opportunities

Abstract. The aim of the study was to analyse the impact of tax rates and privileges on the accounting of small and medium-sized enterprises in terms of existing challenges and opportunities. The tools used were SWOT-analysis, PESTEL-analysis and the case of small and medium-sized farms, which are one of the key sources of national gross domestic product. The analysis revealed a downward trend in the number of small and medium-sized enterprises, which account for more than 99% of all enterprises in the country and employ 81.5% of the total employed population. Since February 2022, about half of small and medium-sized enterprises have ceased operations and another quarter have relocated to other parts of the country or abroad. The temporary reduction of the tax burden on such enterprises to support their sustainable development during the first year of the full-scale invasion had a positive effect. However, the reintroduction of pre-war tax regulations in 2023 significantly worsened their economic condition and became an obstacle to stable development. As of 2024, the majority of small and medium-sized enterprises use the simplified accounting and taxation system, which, however, has drawbacks, including limited eligibility for the simplified taxation system and lack of certainty regarding the calculation of the income threshold for third group enterprises after the termination of the martial law regime. Despite these shortcomings, the system has had a positive impact on the activities of small and medium-sized enterprises, 76% of which declare their readiness for further growth. In order to maximise the benefits of the changed accounting and taxation system, the study offered recommendations to enterprises to seek assistance in choosing a type of activity to reduce the

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fiscal burden, reorganise the accounting department through outsourcing, and continuously analyse business activities to identify and optimise the effects of accounting

Keywords: fiscal policy; fiscal burden; reporting system; sustainable development; reform

INTRODUCTION

Small and medium-sized enterprises (SMEs) are key elements of the business environment, and effective and fair taxation of them is a national priority and a key to sustainable economic development. This statement is based on an understanding of the complex role of taxation, which acts as both an incentive and a deterrent to business development. One of the tasks is to create tax conditions for sustainable development of SMEs, even in unfavourable conditions.

During martial law, special attention is paid to SMEs, given their contribution to the country's economic development, employment and social well-being. The martial law conditions provide for certain changes in taxation, including the simplified tax accounting system (Halaburda & Shevchenko, 2022). An analysis of these changes provides an insight into the challenges and opportunities that SMEs in Ukraine face.

SMEs are a key driver of the country's economy, as they account for over 99% of all enterprises, according to the M. Kuznietsova (2023). S. Skrypnyk *et al.* (2023) illustrate the importance of SMEs by highlighting that they generate 64 per cent of value added and employ 81.5 per cent of the country's total workforce. The value of SMEs for the country's economic development is also reflected in the fact that such enterprises generate more than 55% of the country's gross domestic product (GDP).

V. Loiko & B. Aleksandrov (2023) drew attention to the decline in the number of SMEs, which is an alarming signal for the country's economic development. After analysing statistical data for 2010-2021, the researchers noted that the number of medium-sized enterprises decreased by 16.54% during this period, and the number of small ones – by 10.37%. The full-scale invasion has become another threat to the development of small and medium-sized enterprises in Ukraine. A study conducted by the Ministry of Economy of Ukraine in cooperation with international NGOs (Assessment of the impact..., 2024) found that after 24 February 2022, only 20% of SMEs in

the country rated their condition as good or excellent. Approximately 50% of SMEs were forced to suspend their operations, another 20% were relocated within the country, and 4.4% were relocated abroad. Thus, martial law has become a period of testing for Ukrainian SMEs.

Researchers, such as V.B. Vasyuta & A.O. Buryak (2023), however, acknowledge that despite the challenges, SMEs demonstrate a readiness for sustainable development. According to the European Business Association, "Small Business Sentiment Index 2022" survey, 76% of SME owners planned to expand their businesses in 2023 (Despite the war..., 2023). Of the companies that declared their readiness to grow, 28% planned to expand their geographic presence, 26% to open new areas, 25% to enter foreign markets, and another 21% to increase the number of employees. Despite the obstacles of martial law, SMEs demonstrate resilience and readiness for growth.

For some SMEs, the adoption of Law of Ukraine No. 3219-IX (2023), which came into force on 1 August 2023, has become an obstacle to sustainable development. The key provisions of this law are the return of the pre-war taxation system, including the abolition of the 2% single tax rate for individual entrepreneurs (IEs) and legal entities in the third taxation group. The Law also provides for the cancellation of the possibility for sole proprietors of the first and second taxation groups to avoid paying the single tax, except for companies whose tax address is located in the area of hostilities or in the temporarily occupied territories. In addition to these changes, the law partially lifted the moratorium on fiscal audits. With the adoption of the law, a large number of SMEs are experiencing greater tax pressure than at the beginning of the full-scale invasion, which, according to L.M. Karpenko *et al.* (2023), may cause them to cease operations.

During martial law, however, some features of the simplified taxation system proposed to ensure the sustainable development of small

enterprises are preserved. I.V. Sadovska *et al.* (2019) explained the difference between general and simplified accounting by the number of journals used to reflect the economic activity of an enterprise. In the simplified accounting system, in particular, an asset journal, a capital and liability journal, an income journal, and an expense journal are used (Seniv, 2023). SME owners can choose the accounting system that best suits their business. According to O.V. Nikoliuk (2023), the use of different accounting systems is one of the conditions for the development of SMEs in the context of an inclusive economy. According to O.V. Markus & M.O. Sakharuk (2020), one of the key features is the reflection of business transactions in the month of their execution.

Although the peculiarities of SME taxation have been sufficiently studied, changes in tax policy and their impact on accounting processes, management decisions, and financial results in the context of martial law and economic turbulence require additional analysis. The purpose of this study was to identify changes in the country's tax policy since 2019, when a downward trend in the number of SMEs was recorded, and to analyse the impact of the decisions made on the prospects for doing business in the country during and after the end of the martial law regime.

MATERIALS AND METHODS

The research analysed sources that covered a wide range of topics related to taxation, development and support of small and medium-sized enterprises (SMEs) under martial law. First and foremost, these are the Laws of Ukraine that provide the regulatory framework for adapting the tax regime in times of war. In particular: the Law of Ukraine No. 2173-IX (2022) and the Law of Ukraine No. 3219-IX (2023).

The study also used sectoral reports of government agencies and academic institutions submitted in the period from 2022 to 2024. In particular: "Activities of Large, Medium, Small and Micro-Enterprises" by the M. Kuznietsova (2023), "Problems of Small and Medium Business Development in Ukraine as the Main Source of Jobs" by L.D. Yatsenko (2024) from the National Institute for Strategic Studies, and "Assessment of the Impact of the war on micro-, small-, and medium-sized enterprises in Ukraine" (2024).

These documents provided empirical data on the state of SMEs, which allowed us to assess their dynamics and key indicators. A limitation of the study was the use of statistical data up to and including 2023, as official statistics for 2024 had not yet been published by the State Statistics Service at the time of writing.

A number of academic articles were also analysed to contextualise the peculiarities of SME taxation, taking into account the prospects for their development under martial law. This provided a theoretical basis for developing recommendations for business support and recovery. The PESTEL analysis method was used as the main research method to understand external macro factors that affect the development of a particular segment, in particular, SMEs (Kung, 2023). The analysis was based on industry reports and academic research. A SWOT analysis of the existing tax rates and exemptions was also conducted in terms of their impact on the accounting of SMEs in Ukraine. The decision to use the general or simplified taxation system, as well as the changes in tax legislation that took place on 1 August 2023, were analysed in terms of their strengths and weaknesses, as well as existing opportunities and threats. The analysis provided insight into the feasibility of changes in the taxation and accounting system to promote sustainable development of SMEs in the changed environment.

In addition to the above analytical tools, a general analysis method was used to study the specifics of accounting and taxation in small and medium-sized farms in the country. This segment of the economy was chosen due to the fact that, according to the Ministry of Finance of Ukraine (2025), the share of farms in national GDP production is about 10%. Farms, including small and medium-sized ones, are the driving force of the national economy and need support from the state. In this study, a comparative analysis of the taxation and accounting system for farms in Ukraine was conducted.

RESULTS

Development of small and medium-sized enterprises in Ukraine

The need to ease the accounting requirements and reduce the tax burden on SMEs is driven by an understanding of their role in the

development of the country's economy. The idea that small and medium-sized enterprises make up the majority of all enterprises in the country is supported by academic sources. According to S. Kulakova & O. Zhytnyk (2023), SMEs generate more than 50% of GDP, i.e. they are the driving force behind the country's economic development. The state has developed criteria

for dividing enterprises into four categories: micro, small, medium and large. According to M. Kuznietsova (2023), the division into categories is based on the book value of assets, net income from sales, and the average number of employees. The differences between small and medium-sized enterprises in terms of these criteria are presented in Table 1.

Table 1. Criteria for dividing enterprises into small and medium-sized ones

| Criterion | Small business | Medium-sized business |
|--|------------------------------|-----------------------|
| Book value of assets | 350 thousand – 4 million EUR | 4-20 million EUR |
| Net income from sales of products (goods, works, services) | 700 thousand – 8 million EUR | 8-40 million EUR |
| Average number of employees | 10-50 persons | 50-250 persons |

Source: based on M. Kuznietsova (2023)

The size of an enterprise is a key factor in choosing an accounting and tax accounting system. Such a system, according to S. Skrypnyk *et al.* (2023), is important for creating transparent and equal conditions for the development of enterprises of different types. Based on the data

of the State Statistics Service of Ukraine (2024) and the National Institute for Strategic Studies (2024), the trend in the number of small and medium-sized enterprises before the full-scale invasion was analysed, the results of which are shown in Table 2 below.

Table 2. Dynamics of the number of operating SMEs in Ukraine in the period from 2019 to 2023

| Year | Medium-sized business | Small business |
|------|-----------------------|----------------|
| 2019 | 18,129 | 1,922,978 |
| 2020 | 17,946 | 1,955,119 |
| 2021 | 17,811 | 1,937,827 |
| 2022 | 14,783 | 1,718,053 |
| 2023 | 13,778 | 1,899,640 |

Source: compiled by the authors based on the State Statistics Service of Ukraine (2024)

Based on the table above, the decline in the number of enterprises, especially medium-sized ones, was already observed before the full-scale invasion, but the armed aggression and the restrictions it caused, in particular the wartime legal regime, exacerbated this trend. For an objective assessment of this trend, it is also worth considering the fact that some of the businesses that ceased operations after the start of the full-scale invasion resumed their operations in 2023. The SMEs that ceased operations were also replaced by SMEs that opened in 2023. In support of this view, O.S. Balan *et al.* (2023) compared the

statistics of small businesses started in 2022 and the first half of 2023. The results of this comparison are presented on Figure 1.

Based on the above dynamics, it can be assumed that small and medium-sized businesses have adapted to the changed realities and demonstrated their readiness for sustainable development despite unfavourable external conditions. Table 3 shows an analysis of the macro factors that have influenced the development of SMEs since February 2022, when Ukrainian businesses found themselves in extremely difficult conditions caused by military aggression.

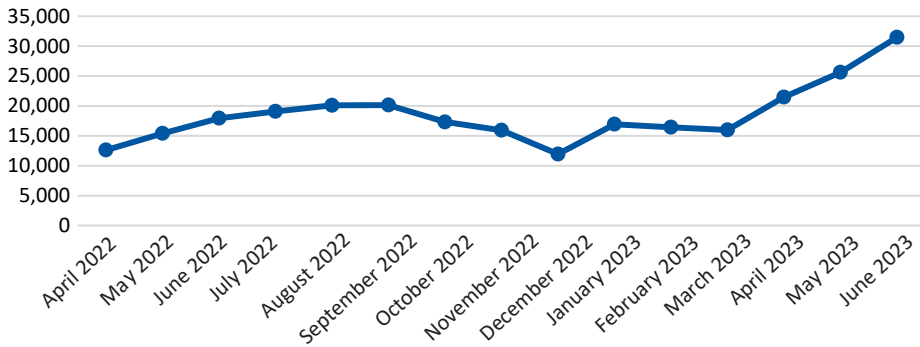


Figure 1. Dynamics of starting new small businesses in Ukraine in 2022 and the first half of 2023
Source: compiled by the authors based on O.S. Balan *et al.* (2023)

Table 3. PESTEL analysis of SME development in Ukraine

| Factor | Comment |
|---------------|---|
| Political | “The SME Development Strategy until 2027” envisages government support, including through the grant programmes “Your Greenhouse”, “New Level”, “Your Business”, etc. However, the uncertainty caused by the hostilities affects the level of business confidence in the government. |
| Economic | SMEs are operating against the backdrop of an economic downturn caused by the full-scale invasion. Around 75% of businesses report a decrease in demand, and 20% face late or non-payment from customers. |
| Social | SMEs are the country’s main employer and a source of social stability. The recovery of enterprises that have suffered losses from a full-scale invasion depends on their size: the highest recovery rates are recorded among medium-sized enterprises (Fedorchuk, 2023). The process of recovery and sustainable development of SMEs is affected by factors such as the evacuation of employees, reduction of skilled personnel, reduced purchasing power due to lower incomes, and the re-profiling of some SMEs to meet the challenges of the times, including assistance to the Armed Forces or internally displaced citizens. |
| Technology | The use of innovative technologies (e-procurement, international business platforms, digital HR management tools) increases the efficiency of SMEs and support their sustainable development (Zolkover & Lyumanov, 2023). |
| Environmental | Combat operations have a negative impact on the environment, in particular, through the pollution of land, water bodies, etc. This leads to a reduction in the volume or cessation of activities of some enterprises, in particular those specialising in the production of consumer goods. Environmental pollution also makes farming impossible in certain areas. |
| Legal | Initiatives have been proposed to support SMEs under martial law, including amendments to the Law of Ukraine No. 2173-IX (2022) and a similar law of Ukraine No. 3219-IX (2023). |

Source: compiled by the authors based on Law of Ukraine No. 2173-IX (2022), Law of Ukraine No. 3219-IX (2023), V. Fedorchuk (2023), V. Loiko & B. Aleksandrov (2023), A.O. Zolkover & A.S. Lyumanov (2023), the Ministry of Economy of Ukraine (2024)

The analysis shows that since 2022, the number of factors that have a negative impact on SME development has increased. These factors include, in particular, unresolved security issues, economic instability, the forced relocation of some businesses, including

abroad, and the cessation of operations in the combat zone and temporarily occupied territories. The development of SMEs is also affected by regulatory issues caused by the martial law regime. An example of such problems is the introduction by the state of a number of

restrictions on the movement of goods and services, which complicates the work of businesses and reduces their competitiveness. The government, for its part, is working on a strategy for sustainable business development

amid economic uncertainty. The SWOT analysis helped to understand the internal and external factors that influence the implementation of this strategy. The results of the analysis are presented in Table 4.

Table 4. Analysis of the state SME support strategy

| Strengths: | Weaknesses: |
|--|---|
| <ul style="list-style-type: none"> ■ Variety of loan and grant initiatives to create and support sustainable development of SMEs. ■ Simplified accounting and taxation system. | <ul style="list-style-type: none"> ■ Despite its advantages, the simplified taxation system cannot be applied to all SMEs in the country. |
| Opportunities: | Threats: |
| <ul style="list-style-type: none"> ■ Introduction of new forms of state support for SMEs. ■ International cooperation to create new support programmes. | <ul style="list-style-type: none"> ■ Closure of SMEs or their relocation abroad. ■ Extension of the wartime legal regime and related restrictions on business activities. |

Source: compiled by the authors

Based on the analysis, it can also be argued that despite the unfavourable conditions, SMEs continue to receive the state support necessary for their sustainable development. The SME development strategy approved in 2017 has demonstrated its effectiveness in peacetime. As of 2024, the strategy was revised to take into account the factor of armed aggression and the wartime legal regime. According to the Ministry of Economy of Ukraine (2024), the strategy is implemented for the period from 2024 to 2027 and provides for the restoration and facilitation of the business process, its innovative development and digital transformation, human capital and entrepreneurship development, as well as increased competitiveness and exports. In other words, the state continues to provide comprehensive support to SMEs even in the face of economic and socio-political uncertainty. An example of such support is the state programme “Own Greenhouse” (2024), under which small business owners can receive a grant of up to 7 million UAH to set up a greenhouse complex and purchase the necessary materials. A prerequisite for receiving a grant is an obligation to create at least 40 jobs. Micro- and small business owners can also apply for the “Own Business” programme and receive 250,000 UAH to purchase equipment, raw materials, commercial concessions, etc. Small businesses applying for this programme are required to create

at least one job. Some of the state support programmes provide business owners with more freedom in choosing the criteria. For example, the “Own Garden” programme, which provides grants of up to 400,000 UAH on a co-financing basis. A condition for participation in the programme is the obligation to create 6-10 permanent jobs and 125-425 seasonal jobs. In addition to these opportunities, the government has initiated a programme to provide loans for business development at 5-7-9%, with 9 banks participating. These initiatives show that the state continues to support SMEs despite the economic and other losses caused by the military aggression.

Changes in the simplified taxation system for the period of martial law

One of the types of state support for SMEs to promote entrepreneurship is the introduction of a choice between the general and simplified taxation systems. The simplified taxation system reduces the administrative and tax burden on businesses. Taxpayers are divided into several groups depending on the amount of income, number of employees and type of activity. The main advantages of the proposed system are a reduction in the number of tax reports, simplified accounting and payment of the single tax. The differences between the general and simplified taxation systems are shown in Table 5.

Table 5. Features of the general and simplified taxation system for SMEs

| No. | Criterion | General taxation system | Simplified taxation system |
|-----|---|---|--|
| 1 | Tax rate | Income tax – 18%; unified social contribution (USC) – 22%; military duty – 5% from 1 January 2024 | The single tax depends on the taxpayer's group: Group I – 302.8 UAH; Group II – 1,420 UAH; Group III – 5% of income or 50 UAH per thousand hryvnias |
| 2 | Registration as a value added tax (VAT) payer | If the volume of taxable transactions is 1 million UAH | Not a VAT payer, except for group 3 at a rate of 3% |
| 3 | Reporting period | Calendar year/quarter | Calendar year for taxpayers of groups 1-2, calendar quarter for taxpayers of groups 3-4 |
| 4 | Reporting procedure | The declaration is submitted once a year, no later than 9 February of the year following the year for which the report is submitted | The regularity of tax return submission depends on the taxation group |

Source: compiled by the authors based on O. Toporkova (2020)

A comparative analysis of the existing accounting and taxation systems suggests that the simplified system is preferred by SMEs, as it is more flexible in taking into account the specifics and needs of modern business. During the wartime legal regime, such flexibility is an important criterion, as many businesses are in a state of uncertainty and need support from the state. Recognising the importance of sustainable development of SMEs for the country's economy, the government has proposed changes to the simplified taxation system. These changes primarily concerned tax accounting, including the submission of a single tax report. The essence of this change was that SME owners were exempted from the obligation to file a single tax return for the period in which the tax was not paid. Another change concerned the submission of a single contribution report and meant that the report was not submitted for the period when the tax was not paid. With the

mobilisation, changes were also introduced to the calculation of the unified social contribution for mobilised employees. This change consisted of calculating the unified social tax based on the accrued income up to the maximum amount on which the unified social tax is charged. In addition to these changes, the procedure for paying the single tax was changed; under the new rules, it is to be paid within 10 calendar days following the last day of the relevant deadline for filing a tax return. Changes in the tax accounting system also affected value added tax (VAT), which was exempted for individual entrepreneurs in the third taxation group. Changes in liability for overdue taxes were also important for many SMEs. According to the updated rules in the tax accounting system, taxpayers capable of fulfilling their tax obligations in a timely manner were exempt from such liability. The simplified taxation system also underwent changes, the main ones of which are presented in Table 6.

Table 6. Changes to the simplified taxation system effective after 1 August 2023

| Change | Comment |
|---|---|
| Cancellation of the 2% single tax | Applies to individual entrepreneurs and legal entities for which the tax rate is increased to 5% |
| Cancellation of the option not to pay the single tax | This option is cancelled for individual entrepreneurs of the first and second groups. An exception is made for companies whose tax address is located in the area of hostilities or in the temporarily occupied territories |
| Transition period conditions have been established | These conditions define the procedure for switching taxpayers to the general or simplified taxation system. Upon completion of the transition, SMEs lose the right to use taxation benefits |
| Moratorium on documentary inspections of taxpayers and single social contribution payers extended | This moratorium does not apply to certain types of audits, including budgetary reimbursement, taxpayer's application or complaint, liquidation of a company, disciplinary action, etc. |

Table 6, Continued

| Change | Comment |
|--|--|
| Return to the pre-war schedule | This schedule provides for three categories of taxpayers |
| The right to voluntarily pay the single tax is preserved | This right applies to taxpayers of the first and second groups who have a tax address in the area of hostilities or in the temporarily uncontrolled territories |
| Exemption from financial liability for violations in the use of payment transaction registers (PTRs) | SMEs that have committed violations in the areas of hostilities or possible hostilities are exempt from liability. However, SMEs that have violated the procedure for making payments when selling excisable goods are not exempt from liability |

Source: compiled by the authors based on the Law of Ukraine No. 3219-IX (2023)

Compared to April 2022, the changes to the accounting and tax system as of August 2023 will increase the fiscal and tax burden on SMEs, except for those whose tax address is located in the combat zone, the zone of possible combat operations or the temporarily occupied territories. One of the weaknesses of the current accounting and taxation system is the limited right of application, i.e. not all SMEs can be taxed under the simplified taxation scheme. S. Ihnatenko (2023) noted that restrictions on the use of the simplified taxation system are defined in clauses 291.5 and 291.6 and relate, in particular, to the activities of business entities whose activities are related to the organisation and conduct of gambling, currency exchange, production and import/export of excisable goods, etc. According to S. Skrypnyk *et al.* (2023), the limited right to simplified taxation may reduce the number of taxpayers, especially in the face of uncertainty caused by the wartime legal regime. Another weakness of the simplified taxation system is the lack of a clear income threshold. As of 2024, there is no certainty as to how the income threshold will be calculated for individual entrepreneurs in the 3rd tax group. This uncertainty will complicate the planning of SME owners and may push them to decide to cease operations. In addition to these shortcomings, the current system does not provide for an automatic transition from one taxation scheme to another. The transition to the 3rd taxation group requires the owners of the enterprise to submit an application, which may take some time to be considered. Switching from one taxation group to another is also associated with the risk of delays in fulfilling tax obligations, which is also a drawback of the current accounting and taxation system.

Thus, the analysis indicates that SMEs in Ukraine operate in an environment of political and economic uncertainty, which may affect their number. To curb the negative trend, the government has proposed changes to the simplified accounting and taxation system, which are aimed at supporting the sustainable development of enterprises during the martial law regime. The main advantage of the proposed changes is the flexibility of the accounting and taxation system, which allows SMEs to choose the regime that best suits their business, strategic goals, etc. The amended simplified taxation system, however, cannot be called ideal, as its characteristic features include limited rights of application and uncertainty regarding the calculated income threshold after the termination of the martial law regime.

Peculiarities of taxation of Ukrainian farms in wartime

Small and medium-sized farms make a significant contribution to the country's economic development. They cultivated approximately 45.5% of the arable land and accounted for 46.1% of the country's gross agricultural production before the full-scale invasion of Russia. In its report, the National Institute for Strategic Studies (2024) highlighted that before the full-scale invasion, Ukraine was among the world's top five grain exporters, including wheat, which accounted for 10% of total world exports. After February 2022, the support of global partners became a key factor in the sustainable development of the sector and the maintenance of exports of key crops. As of February 2023, agrarians exported 16.1 million tonnes of wheat, 26.2 million tonnes of corn, and 5.7 million tonnes of sunflower oil. An important prerequisite for the further development of the

sector is the introduction of tax incentives for small and medium-sized farms.

Like other businesses, farms can be taxed under the general or simplified taxation system. The general taxation system is appropriate for farms with high costs, as in this case the tax is paid on profits rather than costs. The choice of the general taxation system is recommended to

be made after a detailed assessment of the income that the company plans to receive. In the context of economic uncertainty, obtaining such an estimate is not an easy task, so most farms choose simplified taxation under one of the four available groups. The features of each taxation group and recommendations for their application are presented in Table 7.

Table 7. Simplified taxation system for farms

| Taxation group | Features | Notes |
|----------------|--|---|
| First | Income – up to 1,118,900.00 UAH Pays 268.40 UAH of single tax and 474,000 UAH of unified social contribution | Farms with land area not exceeding 2 hectares |
| Second | Income – up to 5,587,80.00 UAH 1,340.00 UAH(20% of the minimum wage) of single tax and 1,474.00 UAH of unified social contribution | Farms employing up to 10 employees |
| Third | Income – up to 7,818,900.00 UAH VAT payers: USC – 22% of the minimum wage; single tax – 3% of income. Non-VAT payers: USC – 22% of the minimum wage; single tax – 2% of income (after the termination of the legal regime of wartime - 5%) | Suitable for farms of any size and number of employees |
| Fourth | No income limit Tax is calculated based on the area of land used for agricultural activities | The taxation group is recommended for farms producing marketable agricultural products. The advantages are exemption from income tax, land tax and rent for water use |

Source: compiled by the authors based on D.S. Klapoushchak & Y.M. Pavliuchenko (2024), A. Minkovska *et al.* (2024)

The table above shows that the simplified taxation system offers farm owners a number of benefits that contribute to the sustainable development of this sector of the economy. The scope of these benefits largely depends on the size of the farm, the number of employees and the type of activity. These benefits include, in particular, the abolition of the need to pay a single social contribution for mobilised employees. Farm owners are also exempted from liability for late submission of financial statements and, in some cases, for late payment of taxes. Thus, farms enjoy the same accounting and taxation benefits as businesses in other segments of the economy.

There are, however, some unique privileges that have been introduced to help the agricultural sector develop in times of economic uncertainty. These benefits were approved in the Law of Ukraine No 3050-IX (2024). This draft law exempts from land payments, minimum tax liability and the single tax the farms located in the territories where military operations are or have

been conducted or in the temporarily occupied territories. Land that has been contaminated by the use of explosives or is undergoing conservation is also exempt from these taxes. The approval of the draft law is an important step towards the recovery and sustainable development of the sector after the end of hostilities and the legal regime of martial law. Small and medium-sized farmers, who are exempt from paying taxes for land that is not used, have the opportunity for long-term planning, which increases the likelihood of their readiness for sustainable development of the sector.

Opportunities to reduce the tax burden and facilitate the recovery and sustainable development of SMEs in times of economic uncertainty

Based on the analysis and using the farming segment as a case study, we can offer recommendations for reducing the tax burden in the face of economic uncertainty. Such recommendations include, in particular, assistance in

choosing the optimal type of business activity, which affects the peculiarities of accounting and taxation. Using the example of farms, the author shows that the choice of the type of activity is a key point that determines a number of strategic decisions. V.V. Ratynskiy (2021) illustrated this statement with the example of other types of activities, emphasising that when planning strategic decisions, entrepreneurs need expert advice on the existing types of accounting and taxation, their features and situations in which they can be applied. For example, choosing retail or car service helps to reduce the fiscal burden by minimising the tax component, while choosing certain types of activities in the field of production or social services can reduce the burden by minimising contributions to non-budgetary funds if the simplified taxation system is chosen. Advice on choosing a type of activity can be obtained through expert advice, searching for information on specialised platforms and other sources. Cooperation with industry experts is also a source of information on government initiatives aimed at supporting and developing certain types of business activities.

It is also important to choose an option for organising an accounting service that takes into account the specifics and meets the needs of an individual company. The simplified system, which is the most common among SMEs, provides opportunities for independent accounting, thus providing for certain economic benefits. If the company's management chooses accounting services for record keeping, it is advisable to consider outsourcing, thus hiring a specialist. This staffing solution involves minimal financial costs and the ability to choose the most qualified and efficient candidate to perform financial accounting operations and timely payment of taxes.

Companies that have decided on the tax regime are recommended to conduct a systematic analysis of their business activities and financial implications of accounting. The purpose of such an analysis is to determine whether the chosen taxation system is consistent with the strategic goals of the company and whether it is possible to legally reduce the company's tax liabilities. Such methods include the following: applying a depreciation bonus to obtain a free deferral of

corporate income tax; establishing a production method of depreciation on fixed assets, which can be calculated by reference to the total volume of output produced with their use; and replacing a sale and purchase agreement with a lease agreement in order to qualify for a 3x multiplier to the depreciation rate and lease payments.

Thus, there are various ways to facilitate accounting and minimise the tax burden, all of which are designed to promote the sustainable development of SMEs. During the wartime legal regime, additional opportunities were offered to ensure the survival and competitiveness of enterprises. Based on the case of farms, strategies for efficient accounting and taxation are proposed to reduce the fiscal burden on SMEs in times of economic uncertainty.

DISCUSSION

The paper proves that fiscal policy and any changes in it influence the strategic decisions of individual enterprises or certain segments of the economy. Z. Qi *et al.* (2023), in particular, confirmed this statement by surveying 100 respondents from the United Kingdom, a highly developed country with an income of GBP 965.15 billion in 2022. Based on the data obtained, the researchers developed a conceptual model of the impact of government tax policy on the development of its individual segments. The model details the relationship between changes in government tax policy and the volume of investment, economic growth and individual investment decisions. Thus, understanding the fiscal policy of the state is a prerequisite for conducting effective business activities.

X. Zhang *et al.* (2024) conducted a financial analysis of Chinese enterprises and concluded that fiscal subsidies and tax incentives increase the productivity of enterprises. The effect of fiscal subsidies and tax incentives also depends on the type of administrative regulation, as the largest effect of fiscal subsidies was observed in municipalities, and tax incentives in prefectures. Thus, it can be argued that government initiatives on accounting and taxation have an impact on strategic planning and further operation of enterprises.

The research by A.S. Atichasari & A. Marfu (2023) analysed the impact of government tax

policy and strategic decisions, including investment decisions, at the level of micro, small and medium-sized enterprises. The study was conducted among respondents representing micro, small and medium-sized enterprises in Tangerang, Indonesia. Based on the data obtained, the researchers concluded that a favourable tax policy has a positive impact on investment decisions aimed at developing micro, small and medium-sized businesses. They recommended that companies use the benefits of state tax policy to stimulate their own growth and maintain competitiveness. Thus, the cited studies emphasise the importance of government policy aimed at simplifying accounting and reducing the tax burden as a factor in the growth and sustainable development of small and medium-sized enterprises.

The conclusions on simplifying the accounting system and reducing the tax burden as a factor of enterprise sustainability in crisis conditions were also confirmed in previous studies, in particular, by R. Koch *et al.* (2023). Having analysed stock market returns for 2,729 companies in 24 countries, the researchers concluded that tax incentives have a positive impact on the rate of recovery of stock prices during the economic crisis. The researchers found that compensation for losses, including through tax relief, slows down the decline and facilitates the timely recovery of share prices during crisis events, including the global economic crisis of 2008. Conclusions were also drawn about the relationship between the profitability of the enterprise before the crisis and the level of taxation in a particular country and the speed of recovery of profitability. From the point of view of the presented work, the conclusion of R. Koch *et al.* that faster recovery and further sustainable development are more evident in countries with high taxation. This finding confirms the idea that the state has certain fiscal instruments that can be used to promote SME development in times of economic uncertainty.

The importance of government fiscal policy for the effective development of enterprises was also highlighted by O.K. Tiony & Y. Yin (2023), who used vector autoregression to analyse the relationship between fiscal policy and strategic

decision-making by Kenyan businesses and concluded that it has an impact on the further recovery of economic sectors. Based on macroeconomic indicators from the International Monetary Fund (IMF) and World Bank databases, the researchers conducted a comparative analysis of countries in terms of the general tax rate and contributions, labour tax and other types of tax. The comparative analysis resulted in conclusions regarding the preservation of the progressive nature of the tax system and the simultaneous increase in social justice, the need to move from consumption taxation to income taxation and further differentiation of tax policy, the prospects for using a progressive tax scale, the prerequisites for taxing interest, dividends or capital gains, and the reform of the income tax with a differentiated approach. Thus, the previous studies provide an understanding of the impact of changes in the accounting and taxation system as a factor in the recovery of economic activity of enterprises in the crisis.

The presented recommendations for SMEs to adapt to the changed economic reality have also been confirmed in previous studies, in particular, by L. Judijanto *et al.* (2025). After analysing the tax context of different countries, the researchers concluded that the effect of accounting and taxation reform on the functioning of small and medium-sized enterprises is not unambiguous. On the one hand, transformation processes that prioritise transparency, simplicity and clear guidelines simplify the reporting and taxation process and therefore resonate with the management of small and medium-sized enterprises. On the other hand, complex and confusing reforms may encourage some SMEs to cease operations, especially if they do not have the appropriate technological and other tools to implement these changes. Thus, there is a correspondence between the findings of L. Judijanto *et al.* and the recommendation presented in this paper to use different communication channels to inform SME owners about changes in the accounting and taxation system and strategies for bringing their business activities in line with these changes. It is also important to present a list of state tax strategies aimed at sustainable development of SMEs. These strategies include, in particular, tax

subsidies and discounts, information support for SMEs, and a multifaceted approach aimed at providing equal opportunities for all business entities, regardless of their size and degree of technological equipment.

The recommendations to provide SMEs with more freedom in choosing a taxation system and flexibility in accounting practices were also confirmed by C. Li (2024), who studied the features of sustainable development of Chinese SMEs. According to the expert, the flexibility of small and medium-sized enterprises in the areas of accounting and taxation allows them to compensate for the limitations of the scale of their activities, financial and other resources. A similar opinion was found in the article by L. Verbivska *et al.* (2023), who analysed the impact of the transition to the simplified taxation system in the context of Ukrainian SMEs. The authors of the study pointed out that taxation strategies successfully used in European countries can be adapted in the context of Ukrainian SMEs for their sustainable development.

Based on previous research, it can be argued that legislative changes aimed at simplifying accounting and reducing tax burdens contribute to the recovery and sustainable development of enterprises that feel more confident in making investment and other strategic decisions. The link between government tax policy and the functioning of the business segment indicates the potential danger of the changes to the tax legislation of Ukraine as of 1 August 2023 from the point of view of sustainable development of SMEs. In the face of economic, political and social instability, businesses need more support from the state, including through a reduction in the tax burden, which facilitates long-term strategic planning.

CONCLUSIONS

Since 2019, Ukraine has seen a tendency towards a decline in the number of SMEs, which are the main driver of economic development and a key employer. The trend has been exacerbated by the full-scale invasion of Ukraine by the Russian Federation, when about half of SMEs were forced to cease to exist and another quarter were relocated to other parts of the country or abroad. Given the importance of

SMEs as a major source of income and a driver of sustainable development, the government has proposed a number of initiatives aimed at simplifying accounting and reducing the tax burden on small and medium-sized enterprises. These simplifications were proposed in the Law of Ukraine No. 2173-IX (2022). Most of the benefits provided by this law, however, were cancelled in the version of this law dated 1 August 2023. As of 2024, the mandatory unified social tax was reintroduced, the single tax for companies in the first and second tax groups was increased from 2% to 5%, and the moratorium on fiscal audits was partially lifted. The new version of the law provides for easing of accounting and taxation requirements for SMEs whose tax address is located in the territory of hostilities or potential hostilities and in the temporarily occupied territories. Additional support measures have also been developed for certain sectors of the economy, including farms, which are a key component of the gross domestic product. In addition to the benefits available to SMEs from other sectors, small and medium-sized farms are exempt from paying taxes on certain resources, such as water, and land that cannot be used due to hostilities, pollution, etc. Thus, public authorities demonstrate flexibility in simplifying accounting, reducing the tax burden and creating favourable conditions for sustainable development of SMEs despite the changed reality. The actions taken can be considered effective, as 76% of SMEs declare their readiness to expand their activities despite the challenges of the times.

The proposed changes, however, have a number of limitations that should be taken into account in the strategic planning of SMEs. Potential disadvantages include the limited eligibility of businesses to apply the simplified taxation system, the lack of certainty regarding the calculated income threshold for businesses in the third taxation group after the termination of the martial law regime, and difficulties in switching from one taxation group to another. To overcome the limitations of the current accounting and taxation system for SMEs, the following recommendations were offered: seeking assistance in choosing a type of activity to reduce the fiscal burden through the benefits

of a separate taxation group, effective organisation of the accounting department and continuous analysis of business activities to identify and optimise the financial impact of accounting. The recommendations can be applied to ensure the competitiveness of SMEs and support their sustainable development in the changed economic reality. Prospects for further research may include studying the dynamics of SMEs' recovery after the changes in tax legislation as of 1 August 2023 and the factors that affect the

adaptation of enterprises to the changed requirements for accounting and taxation.

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CONFLICT OF INTEREST

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Аналіз впливу податкових ставок та пільг на бухгалтерський облік малих і середніх підприємств України: виклики та можливості

Анотація. Метою проведеного дослідження було проаналізувати вплив податкових ставок та пільг на бухгалтерський облік малих та середніх підприємств з точки зору існуючих викликів та можливостей. Були використані інструменти SWOT-аналізу, PESTEL-аналізу та кейсу малих та середніх фермерських господарств, які є одним із ключових джерел національного внутрішнього валового продукту. Під час аналізу була виявлена тенденція до зниження кількості малих та середніх підприємств, які становлять понад 99 % всіх підприємств країни та працевлаштовують 81,5 % від всього зайнятого населення. Починаючи із лютого 2022 року, біля половини малих та середніх підприємств припинили свою діяльність і ще чверть були переміщені в інші частини країни або закордон. Тимчасове зменшення податкового навантаження на такі підприємства для сприяння їхньому сталому розвитку в перший рік повномасштабного вторгнення мало позитивний ефект. Однак повернення у 2023 році довоєнних податкових норм суттєво погіршило їх економічний стан і стало перешкодою для стабільного розвитку. Станом на 2024 рік, більшість малих та середніх підприємств використовувало спрощену систему обліку та оподаткування, яка, проте, має недоліки, зокрема, обмежене право на застосування режиму спрощеної системи оподаткування та відсутність визначеності щодо розрахування порогу доходу для підприємств третьої групи після припинення дії правового режиму воєнного стану. Незважаючи на зазначені недоліки, система має позитивний вплив на діяльність малих та середніх підприємств, 76 % з яких декларують готовність до подальшого росту. Для максимізації переваг зміненої системи обліку та оподаткування підприємствам були запропоновані рекомендації щодо пошуку допомоги у виборі виду діяльності для зменшення фіскального навантаження, реорганізації бухгалтерської служби через аутсорсинг та постійного аналізу господарської діяльності для виявлення та оптимізації наслідків ведення бухгалтерського обліку

Ключові слова: фіскальна політика; фіскальне навантаження; система звітності; сталий розвиток; реформа