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# TAXATION STRATEGY FOR SMALL BUSINESSES IN THE CONTEXT OF DIGITALIZATION

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## ABSTRACT

The article examines the current problems of innovation, which in modern conditions acquire an important economic direction. The processes of globalization and digitization began in 2018 and continue to this day. These processes constantly affect all spheres of society, in particular the sphere of taxation. The article clarifies the main issues related to the implementation and practical use of popular development trends and the improvement of innovative technology strategies in the process of taxation of small business entities in Ukraine. The key purpose of the study is the analysis of advanced strategies for the taxation of small business entities and their direct impact on the accounting and bookkeeping process in general. It was revealed that the main tasks of the research are as follows: the main requirements for the implementation of digitization in taxation are analyzed, the current state of taxation in Ukraine is considered, and we propose methods for the implementation and development of the accounting process at enterprises. This research is extremely insufficient in terms of theoretical and methodological aspects, the development of this issue and its growing practical importance. It is proven that the issue of taxation is being considered - the analysis of the effectiveness and necessity of digital technologies in tax accounting, the determination of their synthesis in auditing activities and the analysis of the prospects for the development of digital technologies in general. Ways of further development of the most effective technologies are also described. The materials of foreign experts have been studied, which ensures the comprehensive importance of the implementation of digitalization of auditing activities in modern conditions.

The conclusions of the study indicate the key strategies of taxation of small business entities, taking into account modern trends in this field. Information from the article can be used in the practice of improving the taxation process in Ukraine.

**Keywords:** economy, modernized technologies, digitalization of the taxation process, management solutions, digital transformation, accounting, enterprise, reporting, innovation, digital technologies

**JEL Classification:** M11, M13, M20, M40, M49

## INTRODUCTION

The Fourth Industrial Revolution is closely linked to the latest digital industrial technologies, digitalization, digitalization, and technological progress in general (Alibekova, Saparbaeva, Kuandykova, 2016). All this contributes to the industrial production of the future. The concept of Industry 4.0 affects all business processes (Anifa et al., 2022). It should be noted that the information of the economic system becomes more mobile, accurate, and timely with the use of such technologies. Integrated information is also becoming more diverse, including both financial and non-financial types. This article discusses small business taxation strategies in the context of globalization and digital transformation. Ukraine has undeniable strategic importance, as it has the potential to produce and use digital innovations at enterprises of all levels. The second part of the study is devoted to this issue. Today, Ukraine is at the initial stage of developing a highly efficient digital economy. The main trends in this regard are data that serve as the main source of competitiveness; artificial intelligence and digital platforms; the development of the Internet of Things; sharing economy; the digital transformation of both individual sectors and enterprises in general (Gan, Inversini, Rega, 2018). It is access to global

data, supported by artificial intelligence and cloud-based analytics tools, that significantly influence the management decision-making of small business entrepreneurs. The accounting and taxation system plays a significant role in the efficient operation of a business (Guliyeva & Rzayeva, 2022).

From this perspective, this system should adapt to the digital transformation process, changing all accounting processes. The Fourth Industrial Revolution offers new strategies to modernize the taxation process through digitalization and the use of the latest tools (Hang, 2021). Currently, digital accounting and taxation systems are characterized by open and transparent data due to the use of integrated online reporting systems.

The current practice of organizing accounting and taxation shows that automated information systems are becoming increasingly important today (Jabrayilov, 2019). However, a fairly large number of enterprises do not have the ability to implement the process of digitalization of basic systems and business processes. For this reason, the issue of studying the key organizational and methodological provisions that outline the main aspects of the organization of accounting and taxation in the context of globalization is becoming increasingly relevant (Levchenko, Tsizhma, Slobodian, Nehoda, 2022).

It should also be noted that the issue of digital transformation of accounting and taxation systems is quite relevant in modern academic circles.

In addition, the pandemic caused by the coronavirus infection, which has challenged existing business models on a global scale, has stimulated the transformation of the management system. Entrepreneurs have realized that they need to be open to innovation and digital technologies, to make existing business models more efficient and that accounting and taxation can be done remotely (Meyer, 2019). The above reasons have formed the main prospects for the development of the management system, namely: the growth of the software capabilities of devices, the rapid acceleration of digital transformation, the improvement of logistics and electronic information support systems for the functioning of the accounting and taxation system, the growing importance of ensuring the sustainable development of the enterprise.

The purpose of the article is to provide an in-depth analysis of small business taxation strategies in Ukraine in the context of digitalization. This will help to identify possible challenges that need to be addressed on the way to developing the Ukrainian business sector, achieving high efficiency, innovation, and competitiveness for small enterprises in Ukraine.

To achieve the purpose of the study, the main tasks were solved: to analyze the key requirements for modern digital technologies in taxation, to characterize the current state of taxation in Ukraine in general, and to propose methods for improving the accounting process at enterprises through the use of digitalization technologies.

The scientific novelty of the study is that for the first time, an attempt was made to develop methodological and applied, conceptual, methodological, and theoretical foundations of the strategy for introducing digitalization technologies and tools into the processes related to small business taxation.

## LITERATURE REVIEW

According to a study by Abudaqa (2022), innovation is an important factor in the development of digitalization. In addition, innovative products are developed on the basis of repeated consolidation of digital objects in innovative processes. And the implementation of digitalization implies the existence of digital enterprises that have all the advantages of competitiveness in the market. Andersen & Stanfield (2019) note that the development of digital technologies contributes to general innovation and facilitation of work with accounting. Speaking about the complex system of accounting and taxation and the interrelationships between them, it is worth noting that in today's conditions, there is a change in organizational factors on which the activity of the entire accounting system depends. Such a transformation entails consequences for elements of accounting and taxation (Valeh, 2022). In general, the use and management of accounting requires the use of powerful digital and innovative technologies. This process involves an impact on the work of enterprises and businesses as a whole.

In the conditions of digital changes, qualitative transformations occur in two systems: enterprise management and accounting and taxation (Pogorletskiy & Söllner, 2020). The impact of the industrial revolution calls for the development and use of digital technologies, as they directly change the current management system. In addition, it has such promising directions as preventing cyber threats, improving business processes and modelling the digital strategy of enterprises.

With the emergence of globalization processes in the world, digital changes are needed in order to radically rebuild the models and mechanisms of the organization of the economy, which are built on the basis of the economic potential of the country, which are analyzed in the work of Ghobakhloo & Ching (2019). For the optimal development of small business

taxation in such conditions, support in related areas is also necessary. This applies, for example, to accounting, finance, law, and technology.

Abu Hassan and others. (2022) argue that innovations in the field of tax audits are primarily related to the activities of digital technologies. In modern conditions and business development trends, it is impossible without digital technologies and innovations.

Companies that are competitive have all the opportunities to improve processes in the development of innovative technologies, and due to their absence, there is a loss of promising positions in the market, emphasizes Jafarli (2021).

Jawad, Naz, and Maruf (2021) emphasize that the key task of digital tax audits is the development of computerized information processing and direct analysis for the use of traditional methods in auditing. The use of innovative technologies in matters of taxation and auditing makes it possible to use technological improvements for competitiveness and quality of management at enterprises.

The introduction of digital technologies into the taxation system is a step-by-step process that consists of interrelated developed programs and actions aimed at obtaining information.

It has been proven that computerization in the activities of enterprises is necessary to increase the efficiency and effectiveness of work as a whole.

According to Jayashree et al. (2021), a software solution that can automate most audit processes or create data linkages throughout the audit cycle is an information product for tax audit operations.

Kisey (2020) believes that the prospects in taxation are the use of innovative technologies, which saves the specialist's time at all stages due to the preservation of a large volume of operations for individual software products. In accordance with this, there is an improvement in the activity of the tax audit, which reduces losses and makes it possible to act in accordance with the current legislation.

The innovative development of the economy significantly increases the need for quality accounting documentation. The development of certain management decisions requires external tax and audit data and control over the original financial indicators, which are described in the study of Azhar, & Shakil (2021). Such a statement emphasizes the necessity of taxation as an important form of economic control. Digital production management is a reality of the modern world.

Digital technologies should be used in production management in today's environment, according to Kuvelis et al. (2020). They help improve every stage of management and modernize production, which benefits all business operations and company profits.

## AIMS AND OBJECTIVES

The purpose of the article is to study the current state and specifics of taxation by entrepreneurs using the simplified taxation system of accounting and reporting in Ukraine in the context of digitalization. In accordance with the objective, the main tasks are to study the basic requirements for modern digital technologies in taxation, to characterize the current state of taxation in Ukraine, and to propose future prospects and development of the accounting process for small businesses.

## METHODS

In the study, using scientific methods, the main content and principles of digital platforms and their operation in the conditions of existence of the economy were revealed. The following methods were used: analysis, synthesis, induction and deduction, abstraction, search, comparison, generalization, verification of digital trends, and statistical and analytical methods for studying the state of digital trends based on the national economy. The synthesis method is applied directly to distinguish the essence and content of the concept of "digital platform". With its help, important aspects of the theoretical and methodological significance of digital tools for the efficiency of the economy in the conditions of war and post-war conditions were considered. The characteristic features and classification of modern digital platforms at the financial, marketing and management levels are presented. The methods of induction and deduction made it possible to consider the prospects for the development and improvement of digital platforms. The methodology and trend forecast of the need to implement digital platforms as a means of creating a reliable anti-crisis system of the economy in the post-war period have been studied. The basis of the conducted research is the method of statistical analysis, which reflects the current

state of the economy of Ukraine and the influence of digital technologies, namely platforms, and the state's activities today and in the future. Thanks to the method of abstraction, the main directions of scientific digital platforms were identified and collected. The conducted research using the above methods creates the need to involve innovative and digital technologies in the activities of the post-war economy as a factor in containing the economic crisis and financial threats. The used methods make it possible to reflect both the regulatory and legislative framework and future state strategies regarding economic potential. In order to identify an effective strategy for the reconstruction of the economy after the war, the methods of comparison and search were introduced. With its help, an analysis of the effectiveness of digital platforms and related phenomena was carried out in various countries and in Ukraine in particular. The used methods of scientific research make it possible to solve the research problem of digital platforms in Ukraine and contribute to the further analysis of this issue, which requires constant monitoring and response in connection with the worsening of the global economic and geopolitical situation.

## RESULTS

### *Digitalization as a catalyst for the development of economic systems and modernization of the accounting and taxation system*

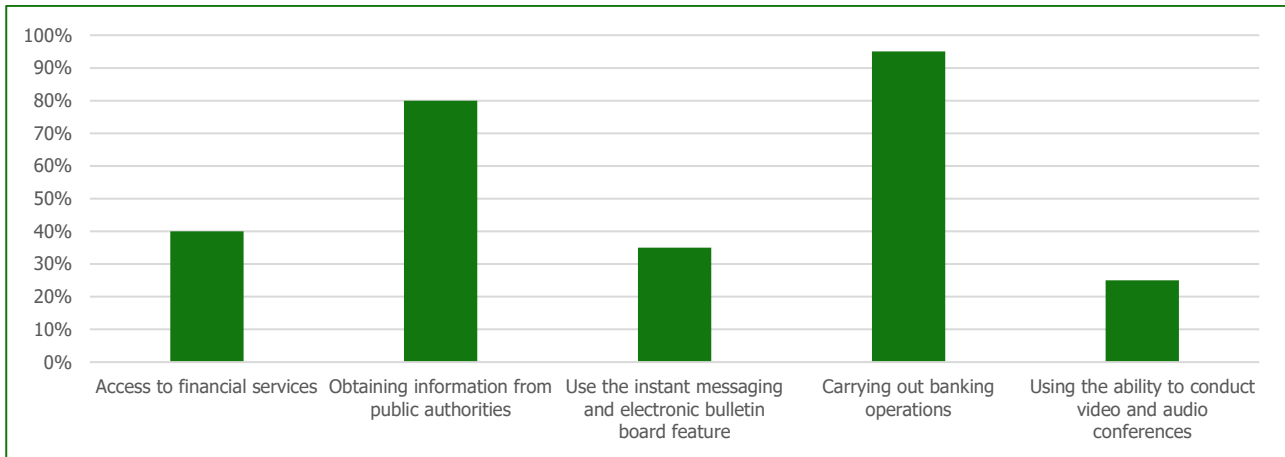
In an innovative world, new technologies can replace businesses and value chains. These conditions require a complete replacement of the accounting and taxation system, updating of their tools, digitization of communication information systems.

Due to the relevance and active use of this topic, there are various points of view in the authors' research. For example, Xue et al. (2022) argue that digitalization is a complete change, not a challenge of technology. This process has a big impact on business. Organizations that cultivate digital technology and strategic thinking will have an advantage in market competition. Data processing technologies, such as cloud computing technologies and big data analysis, influence the innovative business practices of enterprises regarding ecological production, waste production and efficient production, forcing enterprises to implement relevant technologies and attract resources to reduce the manifestations of pollution in the world. Sokolenko (2019) claims that digitalization is a complete replacement for the type of interaction between all business participants. An important part belongs to the activities of companies with users and other interested parties. According to Ziółkowska (2021), digital transformation consists in changing the organization of the company's activities and transforming the processes that take place in it. This is all in order to create a new approach to customers, products or services. But the main condition is not to make existing processes more flexible or efficient thanks to modern technologies. The basis of business is the client, his preferences and preferences.

Ukraine is no exception when it comes to building a digital society and motivating the use of digitalization tools in the enterprise. The foundations for the development of the digital economy were formed with the adoption of the Law of Ukraine "On the Digital Agenda" (Sokolenko, 2019).

Analyzing the Ukrainian system of regulation of electronic services, as well as problems related to social and economic digitalization and other sectors, we can say that similar legal relations are regulated by other legislative acts and documents (Bannikova, 2022). Such legislative documents contain a number of discrepancies, as they do not rely on the same conceptual framework of digitalization. This includes such laws of Ukraine as, for example: "On the Protection of Personal Data", "On Electronic Documents and Electronic Document Flow", "On Payment Systems and Funds Transfer in Ukraine", and "On Electronic Trust Services" (Levchenko, Tsizhma, Slobodian, Nehoda, 2022). In addition, we should not forget about a number of international Ukrainian treaties, the implementation of which was authorized by the Verkhovna Rada.

In view of the above, it should be noted that the indicator of the active use of digitalization and business process informatization tools in Ukraine remains insufficient. For example, the number of small businesses in Ukraine that used global networks during the year and the average number of employees who used the latest tools in their work remains negative. According to statistics, between 2018 and 2020, only five per cent of entrepreneurs did not use global networks, but at the same time, only 33 per cent of employees used the latest tools and software in their work (Sokolenko, 2019). The scope of the Internet can be assessed using Figure 1.



**Figure 1. Areas of Internet use by small enterprises in Ukraine.**

Digitalization means a fundamental change in the conditions of interaction between economic entities, including consumers and business stakeholders (Caperchione et al., 2019; Walker et al., 2021).

Highlighting the features of digitization processes in Ukraine, they are penetrating the economy at a slower pace than in European countries. In order to modernize the vectors of economic development and neutralize the effects of the pandemic, war, and other external factors, there is a need to transform the conditions of enterprises and use innovations in digital technologies, and thus management approaches. Today, the introduction of innovations that ensure business digitalization is a catalyst. The current pace of development of enterprises in the context of digitalization requires improvement of the scientific and technical base, use of innovative information, and transfer of the enterprise's activities in whole or in part to the online format to find new approaches to the use and processing of data. Accordingly, there is a need to train highly qualified specialists based on small businesses capable of implementing technological innovations.

The methods of data collection and analysis allow us to identify the features and pace of development of digital technologies based on small businesses in Ukraine. The table shows statistical indicators of the inclusion of communication and information technologies in the business plans of production structures. In particular, digitalization is taking place at all levels: material and technical (software, latest equipment), management (changes in management approaches, advertising integration, customer acquisition, risks).

**Table 1. The use of information and communication technologies at Ukrainian enterprises in 2018-2021.** (Source: use of information and communication technologies at enterprises. Official website of the State Statistics Service of Ukraine, 2022)

№	The main indicators of the use of communication and information technologies	Years		
		2018	2019	2021
1.	Number of enterprises with access to Internet resources (units)	43303	43785	44508
1.1.	Number of enterprises with access to Internet resources (in % of the total number of enterprises)	88	86.4	86.6
2.	Number of enterprise participants with access to Internet resources (people)	1064745	1090035	1133069
2.2.	Number of employees with access to Internet resources (in percentage data to the total number of participants)	27.1	28.4	28.0
3.	The share of households with a website in the total number, %	35.6	35.2	35.3
4.	The share of the number of households that buy cloud computing services, in the total number, %	9.8	10.3	10.2
5.	Share of the number of enterprises in which ICT specialists work in their total number, %	22.3	21.6	21.7

According to Table 1, it is clear that the percentage of businesses with access to the Internet is not very high. In 2018, the figure was 88%, in 2019 - 86.4%, and in 2021 - 86.6%. The number of enterprises that actively develop their own website and are engaged in their operation is even lower - 35.3%. A very small proportion of manufacturing institutions use cloud computing services. In 2021, this figure was 10.2%. It is worth noting that cloud technologies provide new

opportunities for domestic enterprises, namely the use of innovations in office software; ensuring a fast pace of a transparent system of accounting and finance software; application of application software methods for processing information about customers/buyers, which can significantly save time as a result of the digitalization of business processes. The share of enterprises using robotics in the total number of enterprises in 2021 amounted to 2.9%, of which industrial robots - 1.2%, and service robots - 2.1%. The above indicators are very different from the indicators of farms in European countries. But taking into account the previous years, they indicate the development of information and communication technologies at domestic enterprises.

It is digitalization that transforms the relations of economic actors, changing the dynamics of economic processes themselves (Dooranov, 2022; Xue et al., 2022; Yong et al., 2021). To ensure its own competitiveness, a country should set strategic goals for achieving digitalization. However, the motives also include improving the living standards of the population by expanding access to public goods and improving administrative services, as well as building civil society, as digitalization will provide opportunities for citizens to express their will.

Thus, these directions of updating the system in connection with the digitalization of the economic sphere make it possible to build modern information support in the management of business processes (Donkor-Hyiaman et al., 2019; Sermuk-snyte-Alesiuniene et al., 2021; Zhang et al., 2022).

The digitalization of public life, including the economy, is not unattainable or illusory, it is a logical step towards the development of a globalized society (Koumas et al., 2021). It is becoming both an environment and a tool for economic processes, ensuring the transformation of complex systems of relations of social reproduction.

The above-described conditions of digitalization of the global economy and national economies, as well as the relevant processes of digitalization of business processes of companies, require a rethinking of the peculiarities of the theory, methodology and organization of tax accounting, and the applied aspects of the realization of its capabilities since it is the accounting system that can generate arrays of information (Ziółkowska, 2021).

Based on the idea of developing innovative entrepreneurship in the context of digitalization, they should be the basis for conceptualizing the accounting system in the context of digitalization. The table demonstrates the author's vision of modernization in the context of its connection with the conceptual elements of digitalization (Table 2).

Due to the innovative changes in the economy, the requirements for providing high-quality reporting information have also increased. New management decisions include, from the point of view of internal audit, monitoring of the formation of financial indicators, as well as verification of final data with the help of external tax audits. As a consequence of the above, taxation is of great importance as an important form of financial control.

**Table 2. The logical connection between the elements of digitalization and areas for improving the taxation system.**

Digitalization component	Areas for improving the taxation system
Digital environment	<ol style="list-style-type: none"> <li>1. Modernization of the system of material, electronic, technical, and informational support for the functioning of the taxation system</li> <li>2. Formation of an institutional environment for the implementation of the functions of the taxation system in the digital environment of the enterprise</li> </ol>
Digital governance	<ol style="list-style-type: none"> <li>1. Create a proper regulatory framework for the identification of tax accounting entities for access to the open data set for their further use.</li> <li>2. Regulate the system of powers of entities to use the latest tax accounting tools.</li> </ol>
Digital culture	<ol style="list-style-type: none"> <li>1. Developing the competence of small business tax specialists to perform relevant operations in the digital environment.</li> </ol>
Digital strategy	<ol style="list-style-type: none"> <li>1. Adaptation of strategic and tactical goals of business process digitalization to the trends of business scaling and internationalization.</li> <li>2. Implementation of the tasks of digitalization of business processes of a small enterprise and the information system as a whole in the cross-cutting strategy of the enterprise.</li> </ol>

*Small Business Taxation Strategy in the Context of Globalization: Peculiarities, Problems, and Development Prospects*

The world is currently in the midst of the Fourth Industrial Revolution. At the same time, digital markets are also developing. This has led to the transition of the analogue business to digital mode. An efficient taxation system is the basis for guaranteeing tax revenues to state budgets and business development. The Industry 4.0 concept has made the greatest contribution to the digital era. The consequences of its implementation not only affect socio-economic processes but also transform the process of accounting and taxation.

Taxation management, including in the sense of systematizing the development and improvement of medium and small enterprises, should be considered in two aspects:

- through the system of legislative and executive governing bodies that are obliged to ensure consideration, approval and compliance with the tax concept (Kuznyetsova, Boiarko, Rudevskaya, Maslov, 2022);
- through a set of normative legal acts in the field of taxation and determining the limits of responsibility for non-compliance with the tax regulatory framework in Ukraine (Trush, Kudrenko, 2021).

In the practice of European countries, the work and development of small and global enterprises do not interfere with each other but contribute to the principle of cooperation between business entities and sometimes cooperate together.

In today's conditions, one of the important tasks for Ukraine is the choice of the direction of integration. It is necessary to attract international experience for the effective use of intellectual and innovative potential, to apply modern progress, to master the latest technologies, to activate innovative activities and to develop knowledge-intensive production. As a result of these steps, a number of requirements for the improvement of the Ukrainian economy will be fulfilled in accordance with the directions of successful structural policy changes in all regions of the country (Verbivska et al., 2022).

Among the countries of the post-Soviet space, including Ukraine, there is a widespread tendency related to the tax control of the activities of enterprises to adjust the tax base and restore tax payments that were not received in connection with various transfer pricing schemes. But it is important to note that this control should be aimed at solving problems related to maintaining the management of active assets (capital) and resources (measures of export sales operations). Tax authorities of the state must responsibly control not only in accordance with the requirements of the laws of Ukraine, but also determine the results and true intentions of investment, economic, and financial activities (Melnichenko et al., 2017).

It should be emphasized that the physical infrastructure required for the use of digital technologies, information base, and appropriate access devices is also important for digitalization. Most information carriers are undergoing digital transformation, which outlines the leading direction of improvement of both modern technologies and business processes with a predominantly electronic component. Experts predict that next year, almost 90 per cent of businesses worldwide will prefer to invest in digital transformation, which will complement assets and physical spaces with the latest technologies. Both domestically and globally, digitalization can affect tax policy and tax administration. Digitalization is an extremely important component of the digital economy (Loh et al., 2021; Mat et al., 2019; Muhamad et al., 2021).

The above is confirmed by the fact that taxation is an important element of the economic policy of any country. In the study, it should be noted that the fiscal system is a significant centre of the accumulation of information on the use of accumulated resources and taxpayers. The key role belongs to the fiscal system in the basis of the country's finances. This explains the importance of using available technologies that will simplify the process of tax administration and at the same time increase the efficiency of fiscal authorities with the help of modern technologies. This is a strategy for paying taxes by small businesses in Ukraine in the conditions of digital transformation.

Magopets, Shalimov (2019) argue that in order to form effective tax levers to stimulate innovation and to perceive preferential taxation by innovation entities as an effective tool for the development and intensification of innovation, it is necessary to review a number of provisions of the Tax Code of Ukraine and make appropriate changes to it, namely:

- to supplement the terminology of Article 14 "Definitions" of Section 1 "General Provisions";
- to clearly define the list of types and areas of activity that are prioritized for the development of the Ukrainian innovation economic system and for which the main elements of taxes should be revised and tax benefits should be established;
- to establish an equivalent approach and procedure for granting tax incentives for all types and areas of activity identified as priorities for the development of the national innovation ecosystem;
- to introduce a new mechanism for granting tax incentives to innovation entities based on the principles of consistency, coherence and integration into state strategic plans for the development of innovation.

Ukrainian legislation properly regulates the mechanism of the simplified taxation system. According to the data provided by the State Tax Service of Ukraine, the number of registered individual entrepreneurs in 2020 amounted to 1885.9 thousand people, which is a significant increase compared to 2019 (19.8 thousand). Such statistics confirm positive changes and an increase in the number of business entities.

In addition, the share of private entrepreneurs operating under the simplified taxation system has also increased. For example, comparing 2019 and 2020, the following indicators were recorded on the basis of the simplified taxation system. In 2020, there were 1.39 million taxpayers, while in 2019 their number decreased to 1.36 million. However, as of January

1, 2020, there was an increase to 1.5 million entrepreneurs. At the same time, 596 thousand people chose the third group of taxation, which is 79 thousand more than as of January 1, 2019, which indicates the growing role of the implementation of a simplified and better system of reporting, accounting and taxation in Ukraine by entrepreneurs who register their activities.

Under such circumstances, the importance of studying the current state and peculiarities of tax payment by entrepreneurs operating under the simplified taxation, accounting and reporting system in Ukraine remains relevant and is of both theoretical and practical importance.

Table 3 shows the amount of the single tax and income tax paid by entrepreneurs in the period from 2018 to 2022, and the percentage share of each tax (for the respective year) of the total amount of all taxes in UAH equivalent paid to the budgets of the respective levels of Ukraine.

**Table 3. Tax revenues to the State Budget in 2018-2022.** (Source: Receipt of taxes and fees. Official website of the State Tax Service of Ukraine)

Indicator/year	2018	2019	2020	2021	2022
Corporate income tax, UAH ths.	95 096 373.5	101 000 361.7	94 703 488.0	145 856 289.7	115 043 858.9
	13.54%	24.06%	19.37%	25.18%	17.92%
Single tax, UAH ths.	28 139 932.9	33 670 351.8	36 092 068.4	43 811 541.9	43 703 782.1
	13.42%	13.89%	14.22%	14.24%	12.48%

According to the data in Table. 3, tax revenues to the State Budget of Ukraine are clearly visible. It is obvious that the figures are growing every year. The only exception is 2020 when the figures were lower compared to 2019. The reason for this decline is the coronavirus pandemic.

It is also important to take into account the experience of developed countries. Expert lawyer Zakorotny (2022) provided a comprehensive characterization of small businesses in Europe and its simplified taxation system, as well as the prospects for the development of this practice in Ukraine. He notes that in connection with the outbreak of a full-scale war of aggression by Russia, the issue of diversifying business risks and the mechanism of paying taxes has become relevant for many business owners. Therefore, in his research, the expert examines the conditions and requirements for taxpayers under the simplified taxation system in EU countries such as Romania, Poland, the Czech Republic, Portugal, and Italy. These countries have proven themselves in the field of taxation in a short time. The data is presented in Table 4.

**Table 4. Conditions and requirements for taxpayers under the simplified taxation system in the EU.** (Source: compiled on the basis of the study Zakorotny, 2022)

Romania	Poland	Czech Republic	Portugal	Italy
<ul style="list-style-type: none"> <li>■ The income tax is 3% if the company has no employees and 1% if it has employees. However, in any case, the amount of tax must be at least EUR 200;</li> <li>■ Tax on withdrawn capital/dividends is 5%;</li> <li>■ Personal income tax (PIT) is 10%. However, it should be noted that IT specialists currently enjoy a tax exemption and the tax rate is 0%.</li> </ul>	<ul style="list-style-type: none"> <li>■ Single tax of 19% (9% if the profit limit of EUR 2,000,000 is met);</li> <li>■ Tax on withdrawn capital/dividends is 19%;</li> <li>■ Personal income tax (PIT):</li> <li>■ 17 % up to 18,000 EUR;</li> <li>■ 32 % over EUR 18,000;</li> <li>■ The tax rate for a self-employed person is 20%.</li> </ul>	<p>Since January 2021, the country has been offering a single tax system. The proper name is "lump sum tax". In 2022, the monthly single tax deduction is 242 euros, which includes:</p> <ul style="list-style-type: none"> <li>■ 4 EUR income tax;</li> <li>■ 132 EUR for social security;</li> <li>■ 106 EUR for health insurance.</li> </ul>	<p>The personal income tax (PIT) in the country has a large gradation depending on the amount of income of an individual:</p> <ul style="list-style-type: none"> <li>■ 14.5% up to 7,112 EUR;</li> <li>■ 23% from 7,112 to 10,732 EUR;</li> <li>■ 28.5% from 10,732 to 20,322 EUR;</li> <li>■ 35% from 20,322 to 25,075 EUR;</li> <li>■ 37% from 25,075 to 36,967 EUR;</li> <li>■ 45% from 36,967 to 80,882 EUR;</li> <li>■ 48% for more than EUR 80,882;</li> <li>■ social tax 23.75%.</li> </ul>	<p>This country has a taxation system similar to our single tax for self-employed persons only. The tax rate is 15% of turnover and 24% for social tax. However, for the first 5 years of business activity, taxation at a rate of 5% is possible.</p>

One of the primary functions of any country's taxation policy is to manage the development of economic sectors in the country. A Ukrainian businessman, like his European counterparts, is obliged to pay a number of taxes, including income



tax. The best taxation strategy for small businesses today is the introduction of a simplified taxation system. This system is a mechanism that allows an entrepreneur not to deduct his or her profit, i.e. not to use an accounting approach to determine it. Instead of income tax and several other taxes, such an entrepreneur pays a single tax at a fixed rate. If we look back at the history of the simplified taxation system in Ukraine, it was not conceived as a way to pay less, but as a way to simplify accounting and taxation. The government sought to facilitate the work of those entrepreneurs who have a small volume of business transactions and individual entrepreneurs who do not keep accounting records at all.

Reducing government regulation, which is characterized by redundancy and complexity, in the field of accounting and reporting is the basic goal of using simplified taxation methods. It should be emphasized that each of these methods is focused on developing simpler and more transparent tax collection procedures and reducing excessive tax administration.

The official website of RBC-Ukraine presents data from the State Statistics Service of Ukraine on the most profitable sectors of the country's economy in 2021, as shown in Table 5.

**Table 5. Profitability of enterprises and operational activities that use a simplified system of taxation, reporting and accounting in 2021.**  
(Source: RBC-Ukraine (2021). The State Statistics Service named the most profitable sectors of Ukraine's economy in 2021)

Scope of economic activity of business entities	The level of unprofitability or profitability of business operations, %	The level of profitability or unprofitability of all economic activities of businesses, %
Temporary accommodation and catering services	12.7	37.3
Operations with real estate	40.6	25.9
Information and telecommunications	23.7	18.4
Retail and wholesale trade; repair of motor vehicles and motorcycles	28.9	16.3
Industry	17.1	12.8
Scientific, technical and professional activity	-2.3	10.8
Financial and insurance activities	6.7	8.9
Activities in the field of support and administrative services	7.8	8.1
Agriculture, forestry and fisheries	5.3	3.8
Transport, postal, storage and courier activities	4.0	2.7
Social assistance and health care	-4.2	0.9
Construction	0.5	-0.2
Education	4.9	-1.9
Arts, sports, entertainment and recreation	-34.1	-37.4

In 2022, there were significant negative changes compared to 2021. For example, construction fell by 65.1%, including residential construction by 62.4%; industrial production - by 36.9%, including mining by 37.9%, processing by 41.2%, production and distribution of electricity, gas, and heat by 30.7%; freight turnover - by 42.7%, passenger turnover - by 50.4%; retail trade (turnover) - by 21.4%.

It should be noted that this is not a preferential taxation regime in the usual sense, as for most taxpayers using the simplified methods, the amount of tax liabilities has not decreased, procedures have been simplified and the amount of accounting and reporting has been reduced. In view of the above, the study attempted to develop a component model of small business taxation in Ukraine (Figure 2).

In this study, it is also worth mentioning that there is a fairly large number of effective accounting software on the Ukrainian market. Among them are the Dilovod system, the IS-PRO ERP system, 1C: Accounting, SaaS Accounting, YouControl, DEBET Plus, CaseWare.

Regulatory component	Organizational and functional component	Fiscal component
Formation of a regulatory framework for special action in the field of small business taxation: <ul style="list-style-type: none"> <li>▪ classification of small business entities;</li> <li>▪ permitted taxation regimes;</li> <li>▪ specific types of state support.</li> </ul>	Organized accounting of tax payments: <ul style="list-style-type: none"> <li>▪ organization and maintenance of accounting records in accordance with the regulatory framework of the special action and taking into account the requirements of the fiscal authorities.</li> </ul>	Simplified tax collection procedure for small businesses: <ul style="list-style-type: none"> <li>▪ registration of taxpayers;</li> <li>▪ tax administration;</li> <li>▪ control of compliance with tax legislation.</li> </ul>

**Figure 2. Small business taxation model in Ukraine.**

In addition, the specialists are actively developing industry-specific solutions. The following strategies have a significant impact on taxation processes: the use of cloud accounting technology, the introduction of visualization tools, and the use of big data in business.

## DISCUSSION

The age of globalization completely changed all existing structures of the state and systems, according to Andriushchenko et al. (2020). Indeed, the study found that the digital innovative world opens up new opportunities for taxation. In today's environment, modern tax professionals must deal with the important problem of data analytics and digital audit. It should be resolved in the near future. That is why this study covers some of the main elements of digital taxation and their impact on accounting activities. It is also worth noting that the goal is to provide relevant information to increase the transparency of activities.

According to Bannikova (2022), technologies have always produced and changed the ways of social production, transforming industry and services. The study proves that the complexity of these transformations and the impact they have on the vectors and pace of development and transition of the economy from industrial to post-industrial type are becoming decisive for the formation and development of the economies of the world's leading countries. The strategic implications of these transformations are most strongly reflected in small entrepreneurs. The development of new technologies is transforming business itself, shifting value chains, and changing the nature of the interaction between businesses and their stakeholders. All of this is causing fundamental changes in the accounting and taxation system, and new requirements are being put forward for its transformation, updating of services and tools, and digitalization of information communication systems. It should be added that in practice, such processes are complicated by legal, competence, material, and technical limitations, which emphasizes the relevance of this study (Rupeika-Apoga et al., 2022; Seah et al., 2021; Tabatabaeian et al., 2021; Kuznyetsova et al., 2022).

The main details of digital tax accounting are the automation of data preparation and collection processes. In turn, it is through the development of data exchange algorithms between the client and specialist that the automation of document processing processes can occur. Therefore, each specialist needs specialized software to be able to execute different tasks in working with source data. It can be called process automation performed by a robot. Holmström (2022) argues that global digitalization fundamentally transforms how we do business and distribute goods on the market. Indeed, in the modern world, changes are taking place that are directly related to the functioning of enterprises - those related to accounting, taxation, analysis, and reporting. The latest technologies have greatly simplified the processes of collecting, storing, and transmitting information, as well as increased the accuracy of its analysis. At the same time, there is a tendency to combine accounting and taxation with other business areas. The use of special software developed for tax professionals and analysts allowed to form a categorical apparatus of digital accounting and taxation. Since then, a number of concepts have emerged, including "paperless office", which is an enterprise that conducts all document flow in electronic format or with minimal use of paper. This is a rather convenient model, as it allows you to significantly speed up the process of creating, approving, and processing documents.

Modern tax officials have to have confidence in the original dictates. Therefore, the details are given to them up-to-date, timely, transparent, and complete. Levchenko (2022) agrees with this view, arguing that modern data entry is made possible by digital technologies and that robots can perform processes and make decisions based on algorithms. Thus, the modern world demands more innovation in the tax process.

In this study, it is worth noting that in Ukraine, starting from the moment of the emergence of entrepreneurial activity, the taxation system is applied. It is used in the case when the application for registration is not accompanied by an application for the simplified taxation system. At the state level, the conditions for operating under the general taxation

system are set forth in the relevant articles of the Tax Code of Ukraine. For example, corporate income tax is fixed at the rate of 18 per cent. Businesses operating under the general taxation system are required to pay a unified social contribution of 22 per cent and a military duty of 1.5 per cent of net profit.

The study shows that a single tax is the best taxation strategy for small businesses. This opinion is also shared by researchers such as Maheshwari (2019), Tay et al. (2021), Müller, Kuznetsova, Khrystoforova, Karpachova & Sulyma, (2021).

This is because the general tax system is cumbersome and imperfect. The performance of small businesses in Ukraine suggests that they are unable to fully meet their tax obligations. The simplified taxation system is a special mechanism in Ukraine that focuses on the collection of taxes and fees and directly establishes the replacement of individual taxes and fees with a single tax.

## CONCLUSIONS

Based on the study and the above materials, the digital economy has significantly influenced the development of accounting, analysis and taxation in the enterprise management system. In this regard, new objects of accounting, analysis and taxation (digital assets, smart assets, electronic money, virtual digital property, blockchain, start-up contracts, etc.) are emerging; existing mechanisms are changing and the latest information technologies are being developed to organize accounting, reporting and financial and economic analysis of small business enterprises.

The methods of information collection, analysis, comparison, and modelling used in the study suggest that Ukraine's digital economy requires replacing outdated tax management models with innovative ones. They make it possible to process a large amount of online information and use it for effective cooperation between tax authorities around the world.

With the help of digital tools, tax authorities act in a more organized and effective manner in combating fraud and improving the quality of tax reporting and payment. Ukraine should apply the practice of the European countries (Romania, Poland, Portugal, Czech Republic and Italy) regarding the conditions and requirements for taxpayers under the simplified taxation system. In particular, it is necessary to apply three key elements of effective tax administration: assisting taxpayers in fulfilling their obligations, timely monitoring of the effective fulfilment of obligations, and the use of innovative technologies and approaches.

Future research should focus on the study of key concepts of the accounting, analysis and taxation system in the context of total digitalization, which will facilitate and improve these processes.

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## ADDITIONAL INFORMATION

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### AUTHOR CONTRIBUTIONS

All authors have contributed equally

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## СТРАТЕГІЯ ОПОДАТКУВАННЯ ДІЯЛЬНОСТІ МАЛОГО БІЗНЕСУ В КОНТЕКСТІ ДИДЖИТАЛІЗАЦІЇ

Актуальність дослідження зумовлена тим, що в сучасному світі інновації стають найважливішим чинником економічного розвитку. У період із 2018 по 2022 рік глобальний процес цифровізації торкнувся всіх сфер суспільства. Це стосується й царини оподаткування. У зв'язку з цим стаття спрямована на вирішення актуальних питань щодо застосування й тенденцій розвитку стратегій упровадження інноваційних технологій у процес оподаткування суб'єктів малого підприємництва в Україні. Мета дослідження – визначити основні модернізовані стратегії оподаткування суб'єктів малого підприємництва та проаналізувати їхній вплив на весь процес бухгалтерського обліку та аудиту. Для цього були виконані основні завдання: проаналізовано основні вимоги до сучасних цифрових технологій в оподаткуванні, охарактеризовано сучасний стан оподаткування в Україні в цілому та запропоновано методи вдосконалення бухгалтерського процесу на підприємствах. Основні напрями дослідження визначаються недостатньою теоретико-методологічною розробленістю проблематики та її зростаючим практичним значенням. Провідним методом дослідження цієї проблеми є аналіз найбільш популярних та ефективних цифрових технологій у податковому обліку, визначення необхідності їх синтезу в аудиторській діяльності та аналіз перспектив розвитку цифрових технологій у цілому. Також були описані шляхи подальшого розвитку найбільш ефективних технологій. Вивчено матеріали зарубіжних експертів, які дозволяють усебічно розглянути важливість упровадження цифровізації аудиторської діяльності в сучасних умовах. У результаті проведеного дослідження автором розглянуто основні стратегії оподаткування суб'єктів малого підприємництва з урахуванням сучасних тенденцій у цій сфері. Матеріали статті мають практичне значення та можуть бути використані для вдосконалення процесу оподаткування в Україні.

**Ключові слова:** економіка, модернізовані технології, цифровізація процесу оподаткування, управлінські рішення, цифрова трансформація, бухгалтерський облік, підприємство, звітність, інновації, цифрові технології

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