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## DIRECTIONS OF STATE SUPPORT TO DOMESTIC ENTERPRISES DURING WAR

## НАПРЯМИ ДЕРЖАВНОЇ ПІДТРИМКИ ВІТЧИЗНЯНИХ ПІДПРИЄМСТВ В УМОВАХ ВІЙНИ

The article examines the directions of state support for domestic enterprises in the conditions of the war in Ukraine. The dynamics of changes in the number of economic entities of Ukraine during 2012–2021 have been analyzed. The influence of the full-scale invasion on the development of domestic business has been determined, as well it has been determined that about 50% of Ukrainian companies stopped working on the market, 29% of them completely suspended their activities (in particular, those companies that were located in the temporarily occupied territories). The list of the main actions of the Ukrainian government to support business during the war has been characterized. It has been determined that starting from 2014, the income tax was reduced by 5% compared to 2011, which had a stimulating effect on the development of Ukrainian businesses and investment in the development of production and labor resources of enterprises. The main changes to the payment of taxes in Ukraine (including personal income tax, value-added tax, excise duty, single tax, and single social contribution) have been considered.

**Key words:** enterprise, competition, the tax system, tax, business environment, inflation.

У статті досліджено напрями державної підтримки вітчизняних підприємств в умовах війни в Україні. Проаналізовано динаміку зміни кількості суб'єктів господарювання України упродовж 2012–2021 років. Визначено вплив повномасштабного вторгнення на розвиток вітчизняного бізнесу, у тому числі встановлено, що близько 50% українських компаній перестали працювати на ринку, 29% з них повністю призупинили діяльність (зокрема ті компанії, які були розташовані на тимчасово окупованих територіях). Охарактеризовано перелік основних дій українського уряду з підтримки бізнесу в період війни. Визначено, що починаючи з 2014 року було знижено податок на прибуток на 5%, порівняно з 2011 роком, що спричинило стимулюючий вплив на розвиток українського бізнесу та інвестування в розвиток виробництва та трудових ресурсів підприємств. Розглянуто основні зміни до сплати податків в Україні (у т.ч. податок на доходи фізичних осіб, податок на додану вартість, акцизний збір, єдиний податок та єдиний соціальний внесок), доведено, що держава доклала максимум зусиль на підтримку вітчизняного бізнесу, зменшивши податкове навантаження та спростивши надання державних кредитів. Визначено, що основною причиною нестабільності бізнес-середовища є військова агресія російської федерації на території України. Банкрутство вітчизняних підприємств торгівлі обумовлене низьким рівнем конкурентоспроможності та нездатністю пристосуватись до мінливих умов зовнішнього та внутрішнього середовища та залучати інвестиції. Війна в Україні спричинила небачених масштабів руйнування інфраструктури та призвела до смерті тисячі мирних жителів. Одночасно із цим, вітчизняний бізнес, який вже був послаблений коронавірусною кризою попередніх років, після повномасштабного вторгнення перебував в шоковому стані. За час війни в Україні закрились тисячі компаній, а ще більша частина

перекваліфікувалась та перемістила свої потужності із зони бойових дій. Проте, зважаючи на дану ситуацію, стабілізація бізнес-середовища в країні вимагає негайної розробки нового нормативно-правового забезпечення, вибір нової стратегії залучення інвестицій, а також ефективного застосування важелів впливу на економіку країни.

**Ключові слова:** підприємство, конкурентна боротьба, податкова система, податок, бізнес-середовище, інфляція.

**Problem statement.** For the economy of any country to develop successfully and be stable, it is necessary to have a fairly high level of economic security, one of its main components is the tax system, which provides the economy of the state with the necessary financial resources. The activity of all other spheres of the economy, the development of business, and entrepreneurship as a whole depend on the effectiveness of state administration in the field of taxation. Despite the efforts of the national government to improve the tax system of Ukraine in various ways, it needs significant adjustments taking into account the peculiarities of wartime. Therefore, today it is extremely important to identify its main problems, to determine effective means of minimizing them, and to identify the directions of state support for domestic business in wartime conditions.

**Analysis of recent research and publications.** Such domestic and foreign scientists as Berezhna T., Gevlych L., Holoborodko Ya., Kmit V., Krasnonosova O., Padura A., Panukhnyk O., Pilevich D., Steshenko O., Schwartz D., and many others were engaged in the problems of this issue and its research at various levels. Despite the thoroughness of the views highlighted in scientific works, the study of the peculiarities of state support of domestic enterprises in wartime is a completely new direction, since the economic collapse of business occurred for the first time during the time of independent Ukraine in connection with

armed aggression on the territory of the country. Therefore, this topic requires additional study.

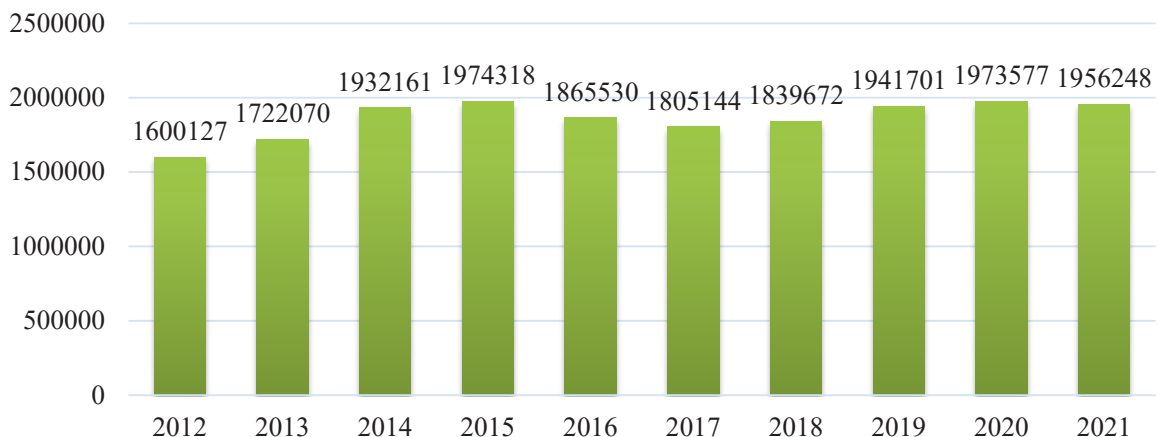
**The purpose of the article.** The purpose of the study is to characterize the development of business in the conditions of war.

**Presentation of the main material.** In modern economic conditions, the exacerbation of military conflicts, and competition, the economy of Ukraine is undergoing significant changes and transformation. The needs of modern society are growing rapidly, so stable economic development of the country remains extremely important.

The dynamics of the number of business entities during 2012–2021 confirm the overall steady development of the business environment in Ukraine (Figure 1).

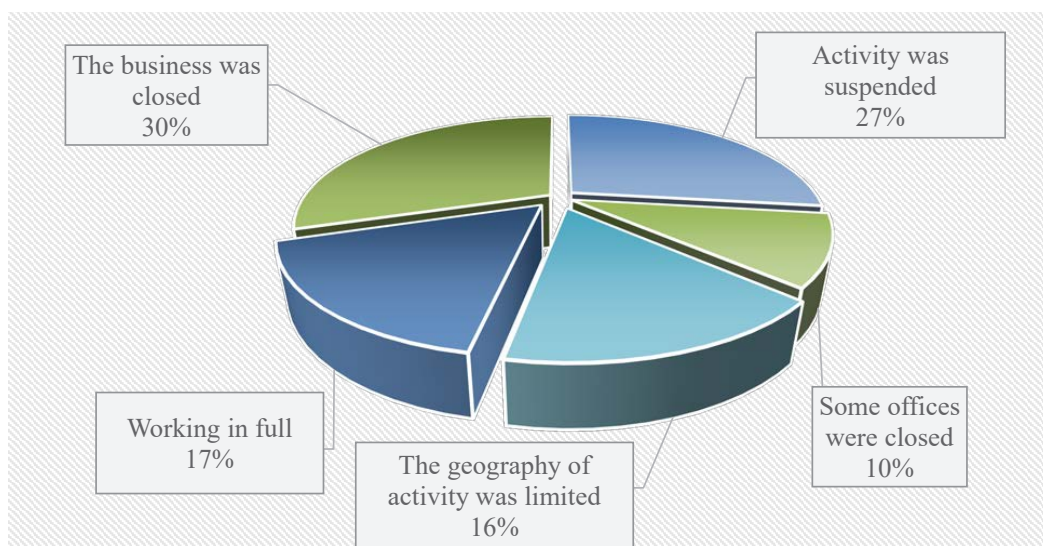
In 2021, economic activity was carried out by 1,956,248 entities (excluding banking institutions), which is 22.25% more than in 2012. Undoubtedly, the impact of the crisis phenomena of the economy, the global pandemic of COVID-19, and the military aggression of the Russian Federation are the factors that not only slow down the pace of economic growth but also create a real collapse in the economy of any country. Therefore, the assessment of such dynamics as positive is quite conditional, taking into account the realities of today.

The war in Ukraine caused an unprecedented scale of infrastructure destruction and led to the death of thousands of civilians. At the same time, domestic business, which had already been weakened by the coronavirus crisis of previous years,



**Figure 1. The dynamics of changes in the number of business entities in Ukraine during 2012–2021**

Source: developed by the author based on the data [1]



**Figure 2. Analysis of the state of activity of Ukrainian enterprises during the war**  
 Source: developed by the author based on the data [2]

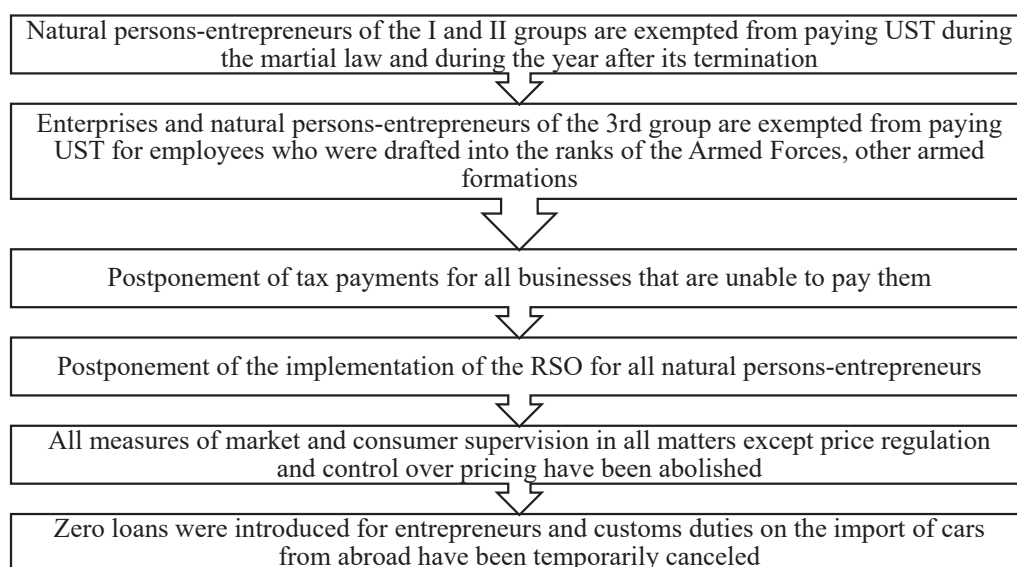
was in a state of shock after the full-scale invasion (Figure 2).

Almost half of the Ukrainian companies stopped working on the market, and 29% of them completely suspended their activities, in particular those companies that were located in the temporarily occupied territories. First of all, companies suffer from high exchange rates, and rising prices for fuel and electricity, which leads to an increase in the cost of the final product and, accordingly, leads to a decrease in sales, because, against the background of high inflation, the purchasing power of the population decreases.

However, the Ukrainian government is taking successful steps to support domestic business and the development of the economy, because this is the main item of state budget revenues, and entrepreneurs are the main taxpayers.

We believe that the actions taken by the Ukrainian government to support business since the beginning of the full-scale war in our country require special attention (Figure 3).

The Ukrainian government proved the indomitability of our country and the nation in general by implementing several decisions that had a positive impact on business development. The



**Figure 3. Description of the main actions of the Ukrainian government to support business during the war**

Source: developed by the author based on the data [3]

main important step was the abolition of excise duties in the spring of 2022, which helped to stabilize prices and reduce the level of inflation. No less important was the adaptation of the «5-7-9» program, in which thousands of domestic entrepreneurs took part. The Government of Ukraine also developed the YeRobota program, as part of which 3,663 grants were issued, and about 20,000 Ukrainians were employed [4].

In addition, with the support of the President of Ukraine and the New York Stock Exchange, investments aimed at business development have arrived in our country [5].

The steps that were taken in 2022 are among the most significant for the economy during the entire period of independence, we suggest considering them in more detail. The war in Ukraine affected not only the energy and food markets but also significantly affected the country's financial market, in particular the banking sector. First of all, when examining the situation in the lending market, it is advisable to start with the total number of loans that were issued to Ukrainian businesses during the war. This makes it possible to assess the level of support through lending by the state and the desire of businesses to develop and resume their activities.

Ukrainian business wants to develop, which is positive and necessary for the recovery of the Ukrainian economy, because the volume of loans as of March 2022 is higher than in March of the previous year when the situation in Ukraine was quite stable. Equally important in lending capacity is the availability of assets in commercial banks of Ukraine, which, based on the analysis of data from the Ministry of Finance, in March 2022 are 9% higher than in March last year [6].

The tax burden on the activity of Ukrainian business is important because firstly, it can restrain its development, and secondly, it can stimulate companies and management to support the state's economy, especially in times of crisis. As of 2021, the corporate income tax rate on the total profit from export activities of Ukrainian enterprises is

18%. Therefore, we offer to consider the dynamics of the tax burden on the Ukrainian export business over the past few years (Figure 4).

So, since 2014, the Ukrainian government has reduced income tax by 5%, compared to 2011. This stimulated the development of Ukrainian businesses and investment in expanding production, increasing staff wages, etc.

The war in Ukraine made adjustments to the payment of taxes and tax audits, which helped Ukrainian enterprises quickly resume their activities. So, we suggest considering the main changes to the payment of taxes in Ukraine (Figure 5).

So, in a fairly short period since the beginning of the war in Ukraine, the Verkhovna Rada adopted several laws on amendments to the Tax Code. Such changes make it possible for Ukrainian businesses to work effectively on the economic front and support the Armed Forces with their taxes.

Conclusions. After conducting a study of the peculiarities of state support for domestic enterprises in wartime, it is worth noting that thousands of companies closed down in Ukraine during the war, and an even greater part retrained and moved their facilities from the war zone.

The state made maximum efforts to support domestic business by reducing the tax burden and simplifying the provision of state loans, which encourages entrepreneurs to continue their activities.

It was determined that the main reason for the instability of the business environment next to the military aggression of the Russian Federation is the bankruptcy of domestic trade enterprises due to a low level of competitiveness and the inability to adapt to the changing conditions of the external and internal environment and attract investments. However, taking into account the current situation, the stabilization of the business environment in the country requires the immediate development of new legal provisions, the selection of a new strategy for attracting investments, as well as the effective use of levers of influence on the country's economy.



**Figure 4. The dynamics of the income tax rate in Ukraine during 2011–2021, %**

Source: developed by the author based on the data [11]

<p><b>Income tax</b></p> <ul style="list-style-type: none"> <li>Charitable or humanitarian goods received on a free basis will not be taxed. Also, natural persons-entrepreneurs can attribute to their expenses goods that were provided for the assistance of the Armed Forces.</li> </ul>
<p><b>Value added tax</b></p> <ul style="list-style-type: none"> <li>A penalty of 120% will not be applied on overdue debt. The registration of tax invoices has been suspended, but all invoices must be registered within 6 months after the end of martial law. Also, in May 2022, reporting was resumed. The VAT rate was reduced to 7% on the import of gasoline, heavy distillates, liquefied gas, oil and crude oil products.</li> </ul>
<p><b>Excise</b></p> <ul style="list-style-type: none"> <li>For the period of martial law, fuel, liquefied gas and petroleum products, import of armored vehicles for the purposes of the Armed Forces are exempt from excise tax. Excise duty payment is postponed for up to two months.</li> </ul>
<p><b>Single tax</b></p> <ul style="list-style-type: none"> <li>Payers of the single tax of the first-third groups are exempted from paying VAT when importing goods, except for taxpayers who pay the single tax at the rate of 3%. From April 1, 2022, FOPs of the first and second groups have the right not to pay the single tax. As for the third group, they are given the opportunity to switch to taxation at the rate of 2% and be released from responsibility for late payment of tax.</li> </ul>
<p><b>Other taxes</b></p> <ul style="list-style-type: none"> <li>Enterprises located in territories where hostilities are (were) being waged, in temporarily occupied territories or whose property was destroyed as a result of the aggression of the Russian Federation are exempt from taxation.</li> </ul>
<p><b>RSO</b></p> <ul style="list-style-type: none"> <li>The application of sanctions for violation of the registration of settlement transactions for the sale of goods, except for the sale of excise goods, has been suspended.</li> </ul>
<p><b>Unified Social Tax</b></p> <ul style="list-style-type: none"> <li>Entrepreneurs and farmers may not pay a single contribution for themselves and may not submit a corresponding declaration. The employees of the UST have the right not to pay a single tax for employees who serve in the Armed Forces.</li> </ul>

**Figure 5. Peculiarities of paying taxes in Ukraine under martial law conditions**

Source: developed by the author based on the data [12]

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