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Directions of VAT rates harmonization to European ones: issues and challenges
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Abstract:
Value added tax has proved itself as quite simple and effective fiscal instrument, implementation of which simplifies trade relations between member countries of international associations and helps to decrease the scope of tax frauds in international trade. However, increasing of its efficiency demands the harmonization of the tax by Member States and countries willing to enter such unions. But this task is complicated due to the fact that VAT harmonization within EU is not finished yet. In the case of VAT it is necessary to clearly distinguish what tax rate should be harmonized: standard, reduced or directions of VAT harmonization can be pointed out by calculation of an effective rate. In addition, as long as for now there is significant difference between legislation and practice in the EU the harmonization of VAT towards EU needs clarification in terms of how this process will take place: according to the legislative norms or the Member States practice. Considering the above, European VAT legislation and practical implementation of this tax in the EU have been analysed in the paper. On this basis the recommendations and proposals for the harmonization of the standard, reduced, and effective VAT rates in Ukraine have been developed. Also by calculating of C-effectiveness coefficient and comparing results of the calculation with the European ones we have found that in Ukraine there are problems with tax compliance, VAT administration and the usage of the broad tax base, to which reduced VAT rates are applied. These problems are also in need of a solution that can be a perspective direction for further researches.

Keywords: VAT harmonization; standard rate; reduced rate; effective rate; C-efficiency.
Full text (PDF)
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