

PROBLEM ISSUES OF REGULATORY SUPPORT FOR ACCOUNTING AND TAXATION OF MOTOR TRANSPORT SERVICES IN UKRAINE

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Abstract. *The article explores the legislative and regulatory framework governing the accounting and taxation of services in the transportation sector in Ukraine. The author provides an overview of the relevant laws and regulations, including the Labor Code, Tax Code, and laws on transport and road infrastructure. The article also discusses various government resolutions and orders, which set out specific rules for accounting and taxation practices in the sector. The author emphasizes the importance of complying with these laws and regulations, and provides insights into the challenges faced by businesses operating in the transportation sector. Overall, the article serves as a useful guide for stakeholders in the transportation industry seeking to navigate the complex regulatory environment in Ukraine.*

Keywords: *transport, accounting, taxation, regulations, legislative framework*

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Introduction

In modern economic conditions, accounting is becoming an increasingly important function of enterprise management. Since transport enterprises have the specifics of production activity, the organization and methodology of accounting (financial accounting) and accounting for taxation purposes have their own special characteristics. Modern motor transport enterprises provide a variety of services, in particular, cargo services, passenger services and transport and forwarding. Road transport is subject to state regulation, including tariffs for passenger transportation, norms for consumption of fuel and lubricants, etc. Primary documentation for motor vehicle works is regulated in many aspects. For the methodology of accounting of assets, liabilities, capital, income and expenses, generally accepted Regulations (standards) of accounting are used. The requirements of the Tax Code of Ukraine, which entered into force on January 1, 2011, determine the method of accounting for taxation purposes.

Basic content

The analysis of literary sources on the topic of legislative environment for accounting and taxation of transport services in Ukraine, shows a number of challenges facing the country's transport sector. One of the main problems is the inadequate state of the infrastructure, which influence over the efficiency of transport services and increases costs for business (Kravets and Dorokhov, 2019; Hrytsak, 2020). This challenge highlights the need for investment in the development of transport infrastructure, especially in rural areas, for promotion of economic development.

Another challenge hi Another challenge highlighted in the literature, is weak compliance with tax legislation and insufficient transparency of the industry, which leads to revenue losses and unfair

competition for service providers who comply with the legislation (Kovalenko, 2020; Brychka, 2020; Malyshko and Prykhodko, 2021). To address this problem, the literature suggests improving tax discipline and transparency, which can reduce revenue losses and increase the sector's contribution to the economy. Highlighted in the literature is weak compliance with tax legislation and insufficient transparency of the industry, which leads to revenue losses and unfair competition for service providers who comply with the legislation (Kovalenko, 2020; Brychka, 2020; Malyshko and Prykhodko, 2021). In order to solve this problem, the literature suggests improving tax discipline and transparency, which can reduce revenue losses and increase the sector's contribution to the economy. Legal and regulatory framework has also been identified as a challenge facing the transport sector in Ukraine, as weak compliance leads to lost revenue and unfair competition for compliant service providers (Brychka, 2020; Malyshko and Prykhodko, 2021). The literature expresses ideas, that improving of low enforcement of regulatory legal acts, particularly with respect to tax compliance, can help to solve these problems and to promote to sustainable growth of the sector.

In addition, corruption is identified as a major challenge affecting the efficiency and competitiveness of transport services in Ukraine (Malyshko and Prykhodko, 2021). Solving this problem requires a comprehensive approach, including improving regulation, infrastructure and tax compliance.

In general, the literature notes, that a number of measures, including improving of tax discipline, investing in infrastructure development, strengthening control over compliance with legislation, increasing transparency and accountability in the industry, can contribute to the sustainable growth of the transport sector in Ukraine and contribute to the economic development of the country.

Transport is a key sector of the Ukrainian economy, which makes a significant contribution to the country's economic growth and development. Therefore, it is very important, that the accounting and taxation of transport services were effectively regulated, in order to ensure the efficient functioning of the sector, and its proper contribution to the country's income generation. The legislative and regulatory framework plays a crucial role in ensuring of proper control and regulation of accounting and taxation of transport services in Ukraine. This work examines the legislative and regulatory support for accounting and taxation of transport services in Ukraine.

Transport services in Ukraine include:

- automobile transportation;
- air transportation;
- water transportation;
- railway transportation.

Transport services are also divided into:

- passengers transportation;
- freight transportation;
- freight and passenger transportation.

According to the data of the State Statistics Service for 2021, railway transport is the most common mode of transport in Ukraine, which accounts for more than 81% of all freight transport in ton-kilometers. Road freight transport ranks second in prevalence – about 17%, while water and air transport account for less than 2% (Fig. 1) [1].

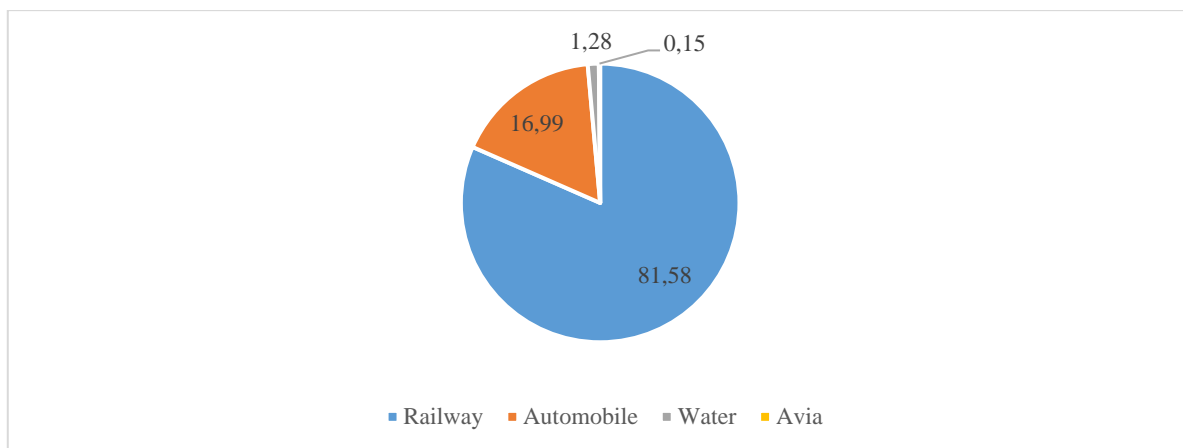


Fig. 1. Distribution of cargo transportation by types of transport in 2021.

Source: composed on the basis of data from the State Statistics Service of Ukraine.

A different situation is observed in the market of transport services for passenger transportation. In 2021, road transport – 37% and rail – 26% accounted for the largest share of passenger transportation in terms of passenger kilometers, followed by aviation – 20% and urban electric transport – 17%, while water transport does not even reach 0.01% (Fig. 2) [1].

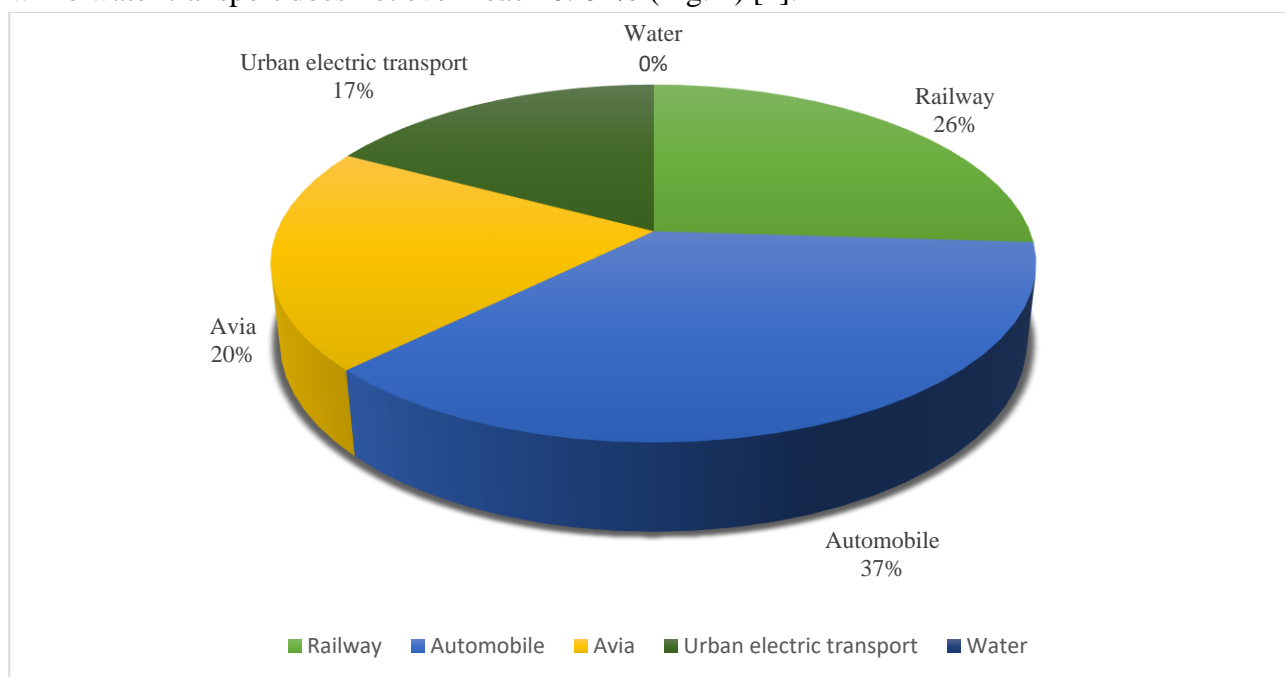


Fig. 2. Distribution of passenger transportation by types of transport in 2021.

Source: composed on the basis of data from the State Statistics Service of Ukraine.

The Ukrainian government recognizes the importance of the transport sector for the economy, and has taken measures to support its growth and development. However, the sector has faced challenges, including underdeveloped infrastructure, corruption and a weak legal and regulatory framework. These problems affected on the accounting and taxation of transport services, leading to revenue leakage and other problems.

Accounting and taxation of transport services in Ukraine is being regulated by various laws, regulations and administrative regulations. These include the Tax Code of Ukraine, the «Transport Law», the Customs Code of Ukraine, the Law « About Prices and Pricing» and the Law «About Accounting and Financial Reporting in Ukraine». These laws and regulations establish rules for

accounting and taxation of transport services, including requirements for accounting, reporting and payment of taxes and fees [2, p. 235].

The Tax Code of Ukraine (TCU) [3] establishes the rules for calculating and paying taxes, including value added tax (VAT), income tax and excise tax. The ECU requires that transport service providers register with the tax authorities and keep proper records of their transactions. The TCU also provides for tax exemptions and reduced rates for certain types of transport services, such as public transport, medical aviation and emergency services.

The Law of Ukraine «Transport Law» [4] regulates the organization and management of transport services in Ukraine. It sets requirements for transport service providers, including licensing and safety regulations. The law also provides for the creation of regulatory bodies, such as the State Transport Safety Service of Ukraine, which supervises safety and quality of transport services.

The Customs Code of Ukraine establishes rules for the import and export of goods and services, including transport services. The Code requires from transport service providers to comply with customs procedures, such as providing documentation and paying customs duties and taxes.

The Law of Ukraine «About Prices and Pricing» establishes pricing rules for goods and services, including transport services. The law foresees creation of a regulatory body – the State Regulatory Service of Ukraine, which excises supervision over pricing of goods and services, including transport services.

The Law of Ukraine «About Accounting and Financial Reporting in Ukraine» [5] establishes the rules for accounting and financial reporting in Ukraine. The law requires transport service providers to keep proper accounting records and provide reliable financial statements, as well as to regularly submit reports to tax and other regulatory authorities.

National provisions (standards) of accounting and international standards of financial reporting determine the principles and methods of accounting for transport services and preparation of financial statements of enterprises operating in the field of transport services in Ukraine.

The Law of Ukraine «About Road Transport» № 2344 is the main legislative act, that defines various types and structures of road transport. According to this law, road transport services are divided into three categories: passenger, cargo and cargo-passenger. Public passenger road transport services are divided into bus transportation and taxi transportation [6, p. 34].

International transportation of goods and passengers by road transport can be carried out between points outside Ukraine. Carriers are responsible for organizing of such transportation in accordance with Ukraine's international agreements about international road transportation.

The Ministry of Infrastructure of Ukraine (in the past – the Ministry of Transport of Ukraine) approves the rules for the transportation of goods by road transport within the borders of Ukraine, as specified in Order № 363 [7]. The above-mentioned rules determine the rights, obligations and responsibilities of the owners of road transport – Carriers and consignors and consignees – Customers.

The Ministry of Infrastructure of Ukraine, together with local self-government bodies, is responsible for the organization of passenger transportation on public bus routes in accordance with the procedure established by Resolution № 176 «About the approval of the Rules for the provision of passenger road transport services» [8], the Order of the Ministry of Infrastructure of Ukraine «About the approval of the Procedure for the organization of passenger transportation and luggage by road transport» № 480 dated 07.15.2013 [9] and in accordance with the powers, granted by the Law of Ukraine № 2344[10]. The law stipulates, that losses incurred by a passenger carrier from preferential transportation, for example, students, pensioners and other preferential categories of citizens, as well

as from transportation at normal unprofitable tariffs, for example, on intra-city bus routes, must be fully compensated at the expense of the funds of the relevant budgets.

Carriers are responsible for organizing tourist transportation and custom transportation in accordance with the rules defined by Law № 2344 and Decree № 176, in accordance with the demand for these services. Local councils and their executive bodies are authorized to organize passenger transportation by road transport within the limits of the respective settlements within the limits of their powers.

To provide passenger transportation services by road, carriers must have certain documents, in particular, a license, a license card, a contract with a customer for the transportation of passengers, a route passport and a document confirming the legality of using the vehicle [11, c. 48].

In addition, the driver of the vehicle must have a driver's license, registration documents for the vehicle, a route diagram, a traffic schedule, a table of fares for travel certified by the head of the motor vehicle company (except for urban transportation), a permit, and, if necessary, a waybill. Pursuant to Article 40 of Law № 2344, a passenger carrier may be a business entity, that provides services under a contract for the transportation of passengers exclusively by a vehicle of public use, if it is used on legal grounds.

Specific in the field of transport, with its peculiarities in accounting and taxation, is the provision of transport and forwarding services, as the subject of business activity that provides them, may not have its own assets and vehicles at its disposal. In accordance with the Law of Ukraine «About Transport and Forwarding Activities» [12], under the contract of transport forwarding, one party (the forwarder) undertakes for a fee and at the expense of the other party (the client) to perform or to organize the performance of the services specified in the contract related to transportation cargo. Based on the content of the transport forwarding contract, such contracts can be divided into three types:

- direct – a transport and forwarding company (hereinafter – TEP) provides a full range of services related to transportation on its own;
- intermediary – TEP organizes the provision of services related to transportation, involving other persons. This contract is special in that it contains elements of several types of contracts: mandate, commission, contract, storage, transportation, etc.;
- mixed – TEP provides part of the services related to cargo transportation independently, and the other part of the services is performed by third parties, for which TEP acts on its own behalf, but at the expense of the client (commission contract), or on behalf of the client (mandate contract) [13].

The legislation on the accounting and taxation of the provision of services in the field of transport contains a number of laws and other normative legal acts, the main provisions of which can be briefly characterized as follows. Legislation of Ukraine:

- determines the rules for taxation of services in the field of transport, including value added tax (VAT) and income tax;
- regulates the accounting of vehicles and their owners, including the relevant registration procedures and record-keeping in accordance with the law;
- establishes rules for the technical operation of vehicles, including technical inspection, repair and replacement of parts;
- regulates road safety issues and establishes requirements for drivers and vehicles in order to prevent accidents and other negative consequences;

- establishes rules for the provision of services in the field of transport, including the conclusion of contracts, determination of responsibility for non-fulfillment of the terms of contracts and regulation of disputes between the parties;
- establishes the procedure for transport taxation, including payments for the use of roads, tolls and other fees.

That is, the legislation of Ukraine regarding the accounting and taxation of the provision of services in the field of transport, contains important norms and rules, that regulate relations between business entities and other participants of the transport market [14, p. 7].

Despite legislative and regulatory support for accounting and taxation of transport services in Ukraine, the sector faces challenges, that influence over its efficiency and viability. These challenges include corruption, inadequate infrastructure, weak enforcement, and insufficient training and potential development of regulatory officials.

Corruption is a significant problem influencing over the transport sector in Ukraine, leading to revenue leakage and inefficiencies. The lack of transparency and accountability in the sector, makes it difficult to effectively monitor and regulate the accounting and taxation of transport services.

Insufficient infrastructure is another problem influencing over the efficiency of transport services in Ukraine. The country's transport infrastructure is imperfect, especially in rural areas where roads and other transport networks are poorly developed. This leads to increased costs and delays in transportation, which influences over the competitiveness of businesses, that rely on transportation services.

Weak compliance with legislation is also a problem, that influencing over the accounting and taxation of transport services in Ukraine. Despite the existence of laws and regulations, some transport service providers operate outside the regulatory framework, avoiding paying taxes and other obligations. This leads to loss of revenues to the budget and creates unfair competition for service providers, who comply with the requirements of the law.

Inadequate training and development of the potential of employees of regulatory bodies is also a problem, that influences over accounting and taxation of transport services in Ukraine. Many regulators lack the skills and knowledge needed to effectively monitor and regulate the transport sector. This leads to inconsistent application of regulations and insufficient protection of consumers and other interested parties.

Several measures can be taken to improve accounting and taxation of transport services in Ukraine. In our opinion, they may include:

- 1) Strengthening enforcement: The government should take steps to strengthen enforcement in the transport sector, especially with respect to tax compliance. This can be achieved by strengthening monitoring and inspection activities, as well as using technology to increase transparency and accountability [15, c. 76];
- 2) Improving infrastructure: the government should invest in the development of transport infrastructure, especially in rural areas, in order to reduce transport costs and to increase the competitiveness of businesses that rely on transport services;
- 3) Strengthen training and potential development: The government should provide training and potential development for regulatory officials in order to improve their skills and knowledge in effective monitoring and regulation of the transport sector. This may include training on compliance with tax laws, safety regulations and consumer protection;
- 4) Promoting transparency and accountability: The government should promote transparency and accountability in the transport sector by promoting the use of electronic systems to track

transport activities and encouraging transport service providers to implement good management practices.

In conditions of a full-scale war, both the transport infrastructure itself and the logistics routes were destroyed. The Ministry of Infrastructure of Ukraine (Ministry of Reconstruction of Ukraine) is restoring transport connections between settlements as soon as possible, and this, in turn, requires significant financial investments. To date, a significant share of sea freight transportation has been taken over by road and rail transport, but exports via these routes have revealed the inability of the infrastructure of Europe to accept such a volume of cargo: low throughput at road borders and incompatibility of railway tracks. If Ukraine will accelerate solving of the problem of goods exchange by road transport by signing a «transport visa-free», then for railway transport it is the modernization of the entire industry. Regarding the reduction of the tax burden, the Verkhovna Rada of Ukraine introduced a special single tax with a reduced rate of 2% and canceled a number of tax audits in order to promote the development of entrepreneurship and support business in difficult business conditions.

Conclusions

Accounting and taxation of transport services in Ukraine are regulated by various laws and regulations. Despite fairly extensive regulatory support, the transport sector in Ukraine faces challenges, including corruption, inadequate infrastructure, weak enforcement, and insufficient training and potential development of regulatory officials. To improve the efficiency and effectiveness of accounting and taxation of transport services in Ukraine, the government should take measures to strengthen regulatory compliance, to improve infrastructure, to improve skills and potential development, and to promote transparency and accountability. By solving these problems, the transport sector will be able to contribute more effectively to the economic growth and development of the country.

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