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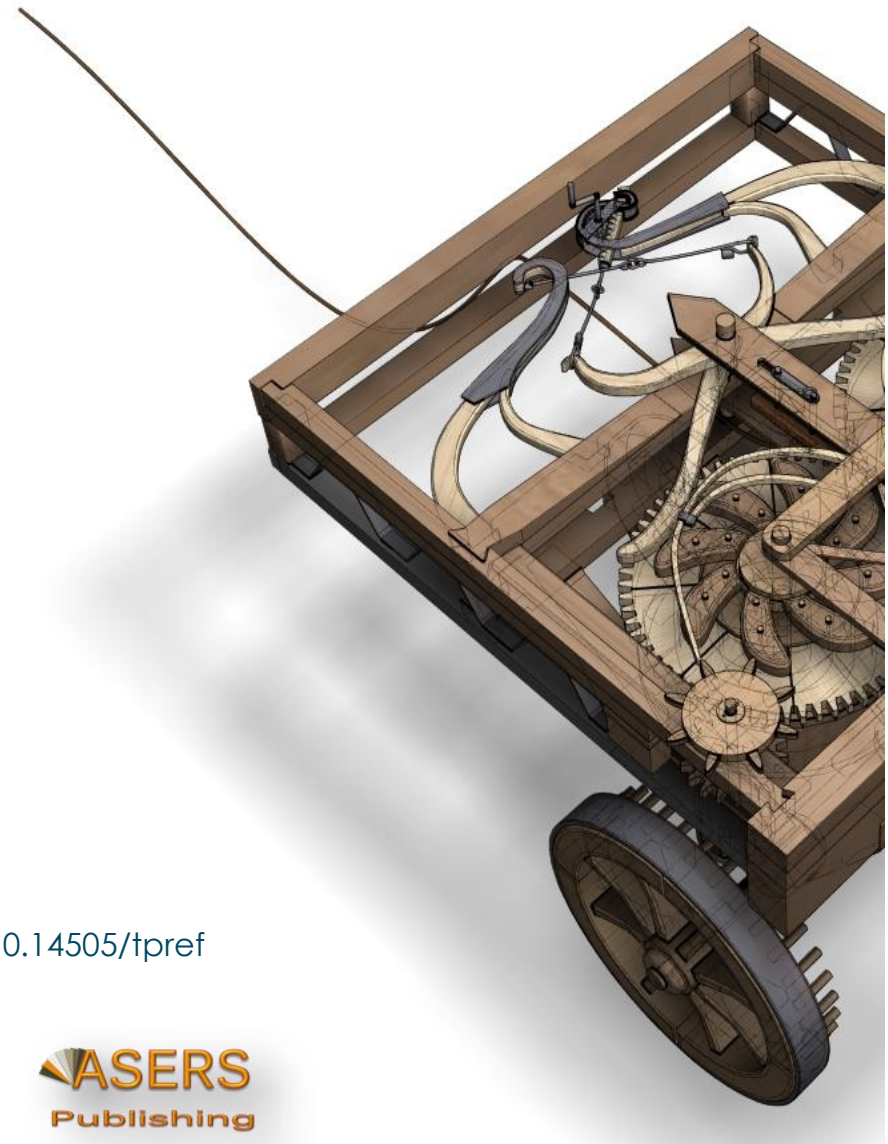

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Reforming the Tax System of Ukraine in the Context of Globalization Challenges

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Abstract: The relevance of the study is due to the intensification of global challenges that exert multidimensional pressure on national tax systems. The purpose of the study is to elucidate the strategic pathways of reforming Ukraine's tax system in light of the challenges posed by globalization. The study used a set of methods, in particular structural and logical analysis, comparative assessment of European countries' tax parameters, and correlation analysis to identify relationships between tax, macroeconomic and digital indicators. It was found that an increase in the corporate income tax rate is accompanied by a decrease in the efficiency of taxation (r = -0.4439) alongside the increase in GDP losses (r = 0.4641), which indicates the stimulation of tax evasion. A strong relationship between the level of corruption and the gross domestic product per capita (r = 0.7307) was revealed, as well as an inverse relationship between the perception of corruption and the burden of taxation (r = -0.3816), which confirmed the corruption's impact on fiscal discipline. The positive correlation of the income tax rate with digital development (r = 0.6090) and cybersecurity (r = 0.5873) indicates that countries with higher corporate taxes are investing more actively in digital transformation. The study revealed that Ukraine's tax system is characterized by excessive administrative complexity, weak resilience to global challenges, a high share of the shadow economy and an insufficient level of digital integration. The conclusions substantiate the need for a comprehensive approach to tax reform, which combines deregulation, digitalization, the fight against corruption and bringing national legislation in line with the requirements of the

EU and global tax initiatives. The scientific novelty of the study lies in a comprehensive approach to the examination of Ukraine's tax system through the lens of global trends, while meticulously considering digital and macroeconomic parameters. This methodology facilitated the identification of profound interconnections between essential fiscal and socio-economic indicators, employing contemporary correlation analytics as its foundation. Prospects for further research involve the development of a model for an adaptive tax policy in Ukraine, which will facilitate a nimble response to external challenges.

Keywords: digitalization; cybersecurity; corporate tax; corruption; fiscal policy; multinational business.

JEL Classification: H20; H21; H23; G31.

Introduction

Global processes of economic integration, the growth of transnational business and digital transformation pose new challenges for national tax systems. The average corporate income tax rate in the world has decreased significantly over the past decades – from almost 50% in 1980 to about 24% in 2020 (World Economic Forum, 2021), reflecting increased tax competition between countries. At the same time, the large-scale transfer of profits by multinational corporations to jurisdictions with low taxes leads to significant revenue losses: according to OECD estimates, countries around the world annually lose from $100 to $240 billion due to the tax base erosion (4-10% of global income tax revenues) (UK Parliament, 2025). In response to these global trends, the international community-initiated tax reforms. Since 2016, the BEPS action plan has been implemented, and as of October 2021, 136 countries joined the OECD multilateral agreement on two components of addressing the tax challenges of the digital economy (World Economic Forum, 2021). This agreement delineates, in particular, the establishment of a global minimum income tax (Pillar 2) at a rate of 15% for substantial multinational corporations. Ukraine is also involved in these processes: the introduction of BEPS mechanisms and a global minimum tax is identified as one of the priorities of the National Revenue Strategy of Ukraine for 2024-2030 (State Tax Service of Ukraine, 2024). For Ukraine, the problem of reforming the tax system is of particular relevance given the simultaneous impact of military, economic and integration challenges. The full-scale invasion instigated by Russia in 2022 precipitated an unparalleled economic downturn – Ukraine's GDP shrank by approximately 30% (Centre of Economic Strategy, 2025), which sharply narrowed the tax base and exacerbated the fiscal deficit. Despite partial economic recovery in 2023 (~5% growth) (Centre of Economic Strategy, 2025), the state budget remains profoundly reliant on external aid. As of 2024, nearly 73% of supplementary budgetary requirements were financed through international support (Centre of Economic Strategy, 2025).

All of the above global and domestic challenges – digitalization, the proliferation of transnational enterprises, tax competition, war, and European integration – underscore the imperative modernization of Ukraine's tax system.

The purpose of the study is to substantiate the directions of reforming Ukraine's tax system in the light of globalization challenges, taking into account international experience. The study set the objectives as follows: evaluating the macroeconomic determinants and global indicators that underpin the stability of the taxation systems in European nations; and scrutinizing the tax framework of Ukraine within the context of prevailing global challenges.

1. Literature Review

Modern research on taxation issues covers a wide range of problems. Thus, in the study of the authors Adelakun *et al.* (2024). It is emphasized that the imperfection of tax legislation and their inconsistency with modern financial technologies leads to an increase in tax risks.

The effectiveness of tax policy directly affects public spending and economic stability, which was noted by Afonso *et al.* (2021). The scholars conducted an international comparison of the level of tax systems efficiency, which showed that countries with a rational tax structure and a transparent mechanism for distributing public funds showed higher macroeconomic indicators. The conclusions drawn from the aforementioned studies align harmoniously with the findings of Alshubiri (2024), who scrutinized the impact of foreign direct investment inflows on tax revenues. The scholar's analysis revealed that the efficacy of tax policy plays a pivotal role in determining the extent of external capital attraction.

The study by Synchak (2025) offers a comparative analysis of the Ukrainian and the U.S. tax systems, focusing on their development and reforms. The researcher examines the evolution of tax legislation in both nations, highlighting the shift from disparate regulations to comprehensive codified documents. At the same time, in the article by Prokopenko *et al.* (2021), a retrospective analysis of Ukraine's tax system was undertaken,

tracing its development from the Soviet era through the period of independence. The authors identified five main stages of the tax system transformation, namely: 1991, 1995, 1999, 2011, and 2015.

The digitalization of tax systems has emerged not just as a tool of fiscal administration, but as a dynamic force capable of transforming the very nature of relations between the state and taxpayers. In this context, Mpofu (2022) explored how Industry 4.0 technologies are changing the process of mobilizing tax revenues and concluded that digital solutions not only expanded financial inclusion but also required a radical rethinking of tax strategies. The introduction of new payment mechanisms opened up opportunities for more flexible taxation, but at the same time created challenges for state structures, which often did not have time to adapt the regulatory framework to technological changes. Mpofu's findings were seamlessly integrated with the research conducted by Hasan *et al.* (2024), who underscored that even the most avant-garde tax initiatives may falter in the absence of a well-defined digital transformation strategy.

An integral aspect of reforming tax policy within the framework of the digital economy lies in the efficacy of tax reforms in fostering sustainable growth of fiscal revenues. The research conducted by Kamara and Kamara (2023) delved into the analysis of the specific digital reforms instituted by Sierra Leone's National Revenue Authority (NRA) and their impact on tax administration efficiency. Particular emphasis was placed on the ramifications of the electronic cash register, which made it possible to improve control over cash settlements in the field of trade and services, as well as ASYCUDA World (the global Automated System for Customs Data.

Yet another study conducted by Kamasa *et al.* (2022) aimed to assess the quantitative impact of tax reforms on the mobilization of tax revenues in Ghana. Using an autoregressive model incorporating distributed lags and analyzing data spanning from 1980 to 2018, the authors discerned that the implementation of reforms in tax administration significantly contributed to the proportion of tax revenues relative to GDP. Further, the study by Martynuk and Shevchuk (2019) sets forth a model of programmatic income taxation within the context of integration processes, articulating the principal aims and objectives of such a framework.

Despite a considerable body of research, the intricacies involved in reforming tax systems necessitate further advancements. The current perspective is particularly pertinent for Ukraine, where the tax system is under pressure from international standards and domestic challenges. This underscores the need to reform the tax system and develop recommendations for modernizing tax policy.

2. Materials and Methods

2.1 Research Procedure

For the analysis, statistical data for the period 2023–2025 were collected, using official reports from the World Bank Group (2023, 2021), Tax Foundation Europe (2024, 2025), Heritage (2025), Tax Justice Network (2024), Transparency International (2024), NCSI (2023). The collected data covered a number of macroeconomic and tax indicators, which made it possible to carry out a comprehensive assessment of Ukraine's tax system as compared with other countries. Corporate income tax (CIT) and value added tax (VAT) rates were included in the analysis as key indicators of tax policy that directly affect the country's investment attractiveness and the business activity level. Gross domestic product per capita (GDPpc) reflected the overall level of economic development and citizens' well-being, foreign direct investment (FDI) assessed a country's ability to attract external capital, the ratio of public debt to GDP. (DB/GDP) made it possible to determine the level of state's financial stability and its ability to finance tax incentives, the percentage of GDP losses due to tax abuse of companies (GDP Loss) served as a significant benchmark for assessing the efficacy of tax administration, since high losses signal the presence of large-scale tax evasion schemes. The Corruption Perceptions Index (CPI) took into account the regulatory system's quality and the level of trust in tax authorities. The tax burden (TL) characterized the general level of fiscal pressure imposed upon businesses and individuals. The Income Inequality Index (Gini) evaluates the social equity of tax policy, as pronounced disparities in income can signify a deficient system for redistributing tax revenues. The Cybersecurity Index (CSI) and the Digital Readiness Index (DRI) were incorporated as variables to reflect the extent of technological preparedness of the tax system for digital transformation.

2.2 Methods

In the study, the Pearson correlation coefficient was employed to analyze the interrelationships among pivotal tax and macroeconomic indicators, thereby facilitating the assessment of both the magnitude and direction of the linear association between the two variables. Correlation analysis was carried out to assess the impact of tax rates (CIT, VAT) on economic indicators, in particular GDP per capita, FDI, DB/GDP and GDP Loss, as well as to identify the relationship between the corruption perception index (CPI) and the efficiency of the tax system (TL,

Gini). The obtained values of the correlation coefficient r were interpreted according to the standard scale: weak relationship (0.1–0.3), moderate (0.3–0.5) and strong (0.5–1.0), while statistical significance at the level of p was estimated < 0.05. The study also employed the method of structural and logical analysis to construct a coherent analytical framework for reform, alongside the method of comparative evaluation of the tax parameters across European nations.

2.3 Sample

The sample of the study encompasses 39 European countries, which provides a broad analytical context for comparing Ukraine's tax system with the systems of states with different economic models, levels of development and tax approaches. The choice of the European region is due to the high degree of economic integration of Ukraine with European countries, as well as common challenges in the field of tax policy, including the fight against tax evasion, attracting investments and optimizing public finances. As European countries have different levels of tax burden, revenue structure, and public spending, this sample allows assessing the effectiveness of different tax approaches and identify the most relevant strategies for improving Ukraine's tax system.

2.4 Tools

Microsoft Excel was used to process and analyze the data in the study, in particular its built-in CORREL function, which enables us to calculate the Pearson correlation coefficient between two sets of numerical values. This tool was used to assess the statistical relationships between the main tax variables (CIT, VAT, TL) and macroeconomic indicators (GDP per capita, FDI, DB/GDP, GDP Loss, CPI, Gini, CSI, DRI), which made it possible to determine how tax parameters affect the economic development of the country. The calculations were performed by entering the corresponding variables into the table; thereafter the CORREL function made it possible to obtain the value of the correlation coefficient r, which was used to interpret the relationship between the indicators.

3. Research Results

The fiscal policy of the state assumes a pivotal role in guaranteeing macroeconomic equilibrium, the cultivation of a conducive investment environment, as well as other related dimensions. A comprehensive analysis of tax rates, the level of public debt, macroeconomic indicators and global indices makes it possible to identify patterns that determine the tax system effectiveness in the face of globalization challenges. Table 1 accumulates quantitative indicators and coefficients that characterize the structural features of the tax system.

Table 1. The macroeconomic determinants and global indicators of tax system sustainability in European countries

№	Country	CIT	VAT	GDPpc	FDI	DB/GDP	GDP Loss	CPI	TL	Gini	CSI	DRI
1	Austria	23	20	46338,96	0,6	77,8	0,3	67	46,3	30,7	85	78,35
2	Albania	15	21	5419,64	6,9	58,9	0	42	88,8	29,4	70,83	62,34
3	Belgium	25	21	44731,04	-0,4	103	0,9	22	50,6	26,6	92,5	73,55
4	Bulgaria	10	20	9819,57	4	23,7	0,2	43	94,2	39	-	-
5	Bosnia and Herzegovina	10	19	6507,02	3,8	17,1	0,1	33	93,6	33	33,3	52,35
6	United Kingdom	25	20	47322,67	-2,6	95,3	0,5	71	60	32,4	75	84,67
7	Greece	22	24	21139,19	1,9	162	0,3	49	45	32,9	-	-
8	Denmark	22	25	61295,98	1,1	29,3	0,1	90	80,8	28,3	-	-
9	Estonia	20	22	20123,42	13	20,2	0,2	76	77,6	31,8	88,33	82,56
10	Ireland	12,5	23	91647,77	-25,4	43,7	0	77	72,6	30,1	77,5	78,79
11	Iceland	21	24	59096,44	2,2	64,8	0,1	77	57,7	26,1	-	-
12	Spain	25	21	28569,84	2,7	108	0,6	56	57,4	33,9	-	-
13	Italy	27,8	22	34088,09	1,8	135	0,4	54	79,9	34,8	88,33	73,58
14	Cyprus	12,5	19	32341,3	-26,4	73,6	0,1	56	76,2	31,3	76,67	71,44
15	Latvia	20	21	16703,9	4	45	0,3	59	76,9	34,3	79,17	73,1
16	Lithuania	15	21	18685,55	4,8	37,3	0,2	63	0	36,7	85	75,53
17	Luxembourg	24,94	17	106342,8	-27,6	25,7	0,2	81	62,7	0	-	-

№	Country	CIT	VAT	GDPpc	FDI	DB/GDP	GDP Loss	CPI	TL	Gini	CSI	DRI
18	Malta	35	18	33000,59	112,6	47,4	0,1	46	70	31,4	-	-
19	Moldova	12	20	3728,9	2,2	34,6	0,2	43	92,8	25,7	81,67	62,55
20	Netherlands	25,8	18	51305,63	0	46,8	1,1	78	54	25,7	81,67	84,66
21	Germany	29,93	19	44336,78	0,4	62,9	0,9	75	60,5	32,4	-	-
22	Norway	22	25	78912,33	2,2	44,3	0,1	81	62,4	27,7	-	-
23	North Macedonia	10	25	6393,79	4,1	50	0,3	40	94,8	33,5	56,67	58,31
24	Poland	19	23	17391,14	4,2	49,6	0,6	53	73,8	28,5	92,5	73,21
25	Portugal	31,5	23	22292,42	3,4	99,1	0,9	57	59,8	34,6	84,17	72,94
26	Romania	16	21	12399	2,5	48,8	0,5	46	93,7	33,9	-	-
27	Serbia	15	18	8210,55	6	52	0,4	35	87,3	33,1	72,5	70,05
28	Slovak Republic	21	23	19238,76	-0,2	56,1	0,4	59	76,7	24,1	80,83	67,55
29	Slovenia	22	22	25708,87	2,1	69,2	0,2	60	56,6	24,3	-	-
30	Turkey	20	20	14713,57	1	29,5	0	34	72,2	44,4	-	-
31	Hungary	9	27	16282,83	-34	73,4	0,3	41	85,3	29,2	-	-
32	Ukraine	18	20	2159,95	2,7	84,4	0,1	35	89,1	25,6	80,83	71,87
33	Finland	20	25,5	37970,13	0,1	75,8	0,2	88	68,2	27,7	-	-
34	France	25,83	20	39117,48	0,3	111	0,7	67	54,3	31,5	-	-
35	Croatia	18	25	17147,17	4	63,5	0,2	47	77,3	28,9	-	-
36	Czech Republic	21	21	20245,66	2,4	44	0,6	56	78,9	26,2	98,33	72,93
37	Montenegro	15	20	8403,34	7	60,3	0,4	46	88,7	34,3	60	60,85
38	Switzerland	19,61	8,1	89555,56	-5,9	37,9	0,4	81	70,9	33,7	-	-
39	Sweden	20,6	25	54449,8	3,9	31,5	0,7	81	51,6	29,8	-	-

Source: World Bank Group, 2023; Tax Foundation Europe, 2025; Tax Foundation Europe, 2024; Heritage, 2025; World Bank Group, 2021; Tax Justice Network, 2024; World Bank Group, 2023; Transparency International, 2024; NCSI, 2023; Tax Foundation Europe, 2024.

The examination of macroeconomic determinants and global indicators influencing the stability of tax systems in European nations encompasses not only their systematic analysis, but also the identification of deep relationships between key economic variables. Table 2 presents a matrix of correlation dependencies between the tax, financial, and social parameters.

Table 2. The matrix of correlation dependencies between the tax, financial, and social parameters

	CIT	VAT	GDPpc	FDI	DB/GDP	GDP Loss	CPI	TL	Gini
CIT	1								
VAT	-0,13714	1							
GDPpc	0,353043	-0,21215	1						
FDI	0,437801	-0,11963	-0,22278	1					
DB/GDP	0,379797	0,186093	-0,0857	-0,06734	1				
GDP Loss	0,464128	-0,11466	0,04477	-0,05416	0,297592	1			
CPI	0,331925	0,016948	0,73066	-0,1674	-0,15376	0,069028	1		
TL	-0,44388	-0,00739	-0,35819	-0,00831	-0,27311	-0,27459	-0,38159	1	
Gini	-0,15425	0,004191	-0,46501	0,217302	0,105946	0,00605	-0,30663	0,043981	1

Source: author's own calculations

A significant negative relationship between corporate income tax rates and the tax burden (r = -0.4439) indicates that an increase in income tax rates is often accompanied by a decrease in real tax revenues. This may stem from the prevalent utilization of evasion strategies or the transfer of capital to jurisdictions with more lenient tax regimes. However, a substantial income tax rate is correlated with the proportion of GDP losses attributable to corporate tax evasion (r = 0.4641), which further confirms this hypothesis, i.e. high-income tax rates stimulate tax

evasion or create negative pressure on the business environment. At the same time, the relationship between the VAT rate and tax losses is weak and negative (r = -0.1147), which may indicate that the increase in VAT has less impact on tax evasion than direct taxation of profits.

The investment climate significantly influences the composition of the tax base. There exists a subtle inverse correlation between the level of GDP per capita and the influx of foreign direct investment (r = -0.2228) indicates that the level of economic development is not the sole factor determining investment attractiveness. Many countries with low GDP per capita attract investors with favorable tax conditions and lower labor costs. On the other hand, a positive relationship between the level of public debt and tax losses (r = 0.2976) indicates that the debt burden may be associated with the tax system's low efficiency and high levels of evasion. Positive correlation with foreign direct investment (0.44). - at first glance, this appears to be a paradoxical relationship, as elevated corporate tax rates are typically anticipated to reduce investment attractiveness. Nevertheless, in numerous nations characterized by high corporate tax rates, there exist efficacious mechanisms of tax incentives for investors that mitigate the primary tax burden.

The interplay between the degree of corruption and economic development warrants particular scrutiny. The pronounced correlation coefficient between the Corruption Perceptions Index and GDP per capita (r = 0.7307) substantiates that nations with higher economic development are characterized by diminished levels of corruption. However, the negative relationship between the Corruption Perceptions Index and the tax burden (r = -0.3816) suggests that in countries with higher levels of corruption, governments are forced to compensate for budget losses due to a formal increase in tax pressure.

Attention should also be paid to the positive correlation of foreign direct investment with the Gini coefficient (0.21), which is explained by the fact that countries with large volumes of foreign direct investment often have a high level of social inequality, since investments are concentrated in high-paid sectors, which exacerbates the property gap.

However, for a full understanding of the impacts structure, it is also imperative to take into account additional indicators that characterize the overall stability of the economic environment as well as institutional capacity (Table 3).

Table 3. The correlation matrix of the tax, digital development, and cybersecurity indices

	CIT	VAT	CSI	DRI
CIT	1			
VAT	-0,13714	1		
CSI	0,587331	0,167727	1	
DRI	0,608957	-0,079	0,688206	1

Source: author's own calculations

The examination of the correlation matrix presented in Table 3 facilitates the identification of both obvious and hidden relationships between tax policy, digital development and cybersecurity. The most pronounced are positive correlations between the corporate tax rate, the level of digital development (0.61) and the cybersecurity index (0.59). This suggests that countries with a high corporate tax burden tend to have a developed digital economy and are actively investing in cybersecurity measures. Given that digital companies are the main taxpayers in such countries, governments direct the funds received to support digital initiatives and protect critical infrastructure. Nevertheless, value added tax has a weaker impact; although its correlation with cybersecurity is positive (0.17), it is rather a consequence of the general advancement of financial and digital systems, which necessitate enhanced security measures.

Hidden relationships may indicate a possible contradiction between digital development and the value added tax rate, since a weak negative correlation (-0.08) was recorded between these variables. This may suggest that a high value-added tax increases the final value of digital goods and services, potentially slowing down the digital transformation process. At the same time, the evident correlation between the level of digital development and cybersecurity (0.69) confirms that countries that are actively developing digital technologies are compelled to simultaneously strengthen the protection of information systems. This necessity arises particularly from the escalation of cyber threats and the imperative to safeguard personal data.

The tax system, when assessed through various macroeconomic indicators, unveils considerable imbalances and structural deficiencies that hinder its efficacy and competitiveness within the international environment. The corporate income tax rate in Ukraine stands at 18%, a figure that can be considered average in comparison to its European counterparts. It is higher than in Bulgaria, North Macedonia or Hungary, where the

income tax is 9 -10%, but lower than in France (25.83%) or Germany (29.93%). This indicates a certain balance between the aspiration to attract investors and the imperative to meet the budgetary requirements. However, Ukraine's dilemma extends beyond the mere rate; it lies in the intricacies of tax administration, which diminishes the efficacy of revenue collection and fosters an environment conducive to tax evasion. A value added tax of 20% is standard for many countries, but at the same time less competitive compared to Luxembourg (17%) or Switzerland (8.1%). A high VAT rate without an effective administration mechanism often leads to significant budget losses due to shadow transactions and VAT refund schemes.

The gross domestic product per capita in Ukraine is extremely low, standing at a 2,159.95 USD, which constitutes the lowest figure among the countries under examination. In contrast, Moldova reports a per capita GDP of 3728,9 USD, while Latvia boasts an impressive 16703,9 USD. The low level of incomes of the population indicates a weak tax base, a high share of the shadow economy, as well as a low level of tax discipline. At the same time, in countries with higher GDP per capita, such as Ireland (91647,77) or the Netherlands (51305,63), the tax system is more efficient owing to a larger tax base. Foreign direct investment in Ukraine constitutes 2.7% of its GDP, which is on par with the average observed among developing countries; however, it is markedly lower than that of countries with proactive investment strategies, such as Estonia (13%) or Malta (112.6%). This indicates Ukraine's weak attractiveness for international capital, which, in turn, is a consequence of complex tax administration, instability of legislation, and high levels of corruption. Moreover, it is also important to acknowledge that the prolonged war in Ukraine has precipitated a deterioration in all macroeconomic indicators.

That being said, the GDP losses in Ukraine are 0.1%, which is relatively low when juxtaposed with the Netherlands at 1.1% and France at 0.7%. However, this figure does not necessarily indicate economic stability, as a minimal level of GDP losses may stem from constrained economic activity – an occurrence often characteristic of nations with limited investment and low GDP per capita.

Therefore, the Ukrainian tax system demonstrates a significant imbalance between the level of tax rates and the economic conditions for their effective functioning. The prevailing CIT and VAT rates fail to adequately offset the low household incomes, the subdued levels of investment activity, and the substantial debt burdens. The main problems remain the complexity of tax administration, a significant share of the shadow economy, high corruption risks, as well as the instability of tax legislation.

4. Discussions

The study substantiates the inefficiency of Ukraine's tax system primarily due to its intricate administrative processes, which facilitate tax evasion. A comparable conclusion was made by Dahal (2020), who demonstrated, through the example of Nepal, that the low ratio of tax revenues to GDP is a direct consequence of ineffective governance and pervasive informality. The agreement of these conclusions can be seen in Challoumis's article (2023), which claims that even in EU countries, the risks to the tax system increase in case of insufficient institutional resilience and political volatility.

The study revealed that the complexity of the tax system in Ukraine serves as a significant impediment to the attraction of foreign capital. This is fully consistent with the conclusions of Esteller-Moré, Rizzo, and Secomandi (2021), which proved that tax complexity reduces FDI, especially in developing countries. Yet other researchers, namely Amberger, Gallemore, and Wilde (2024) highlighted the detrimental effects of a convoluted corporate tax system on companies' investment decisions. However, in the aforementioned study it was noted that multinational corporations sometimes use complexity to their advantage to optimize. This explains why large investors may choose jurisdictions with a high level of tax planning, while Ukraine, seeking to attract small and medium-sized capital, on the contrary, should minimize barriers.

The challenges associated with social justice and fiscal redistribution are prevalent both in the present study and within the broader scientific literature. The researchers Gupta and Jalles (2022), through rigorous empirical analysis focused on developing countries, concluded that tax reforms can exert a profound impact on inequality. Their data show that direct tax progressiveness and the efficient use of income in the form of social transfers reduce the Gini coefficient. Similarly, Shettigar, Misra, Sanyal, & Kawinga (2023) emphasize the need to take into account human development when designing fiscal reforms. Thus, their findings also correlate with the current study.

The current study revealed a positive correlation between the level of digital development and tax efficiency, which coincides with the standpoint of Khmyz *et al.* (2023), who highlight the role of digital tools in the fight against the shadow economy. Similarly, Yamen, Coskun, and Mersni (2023), demonstrated that digitalization markedly diminishes the incidence of evasion, particularly in contexts characterized by a low degree of corruption.

The current study focuses on the importance of cyber defense. Similarly, Mulyani, Suparno, and Sukmariningsih (2023) illuminated this issue within the fields of e-commerce and e-administration, while other scholars, including Aidonojie *et al.* (2024); Bierbrauer *et al.* (2021), and Juliannisa, Parianom, & Abrianto (2023), concentrated on the legal ramifications associated with data protection in automated taxation systems.

The conclusions of the current study regarding the detrimental impact of corruption within tax authorities are wholly congruent with existing scholarly literature. Notably, Kussainov *et al.* (2023) and Melnyk *et al.* (2022) demonstrated that corruption significantly reduces voluntary payment of taxes and stimulates evasion.

Moreover, digitalization without reforms in the field of anti-corruption policy cannot yield the expected results.

Thus, the study is not only seamlessly integrated into the contemporary scientific discourse but also fortifies the argument for the imperative need for a profound and comprehensive tax reform in Ukraine.

Conclusions and Further Research

The reform of Ukraine's tax system is a multidimensional endeavor. The challenges posed by globalization – such as capital mobility, the digitalization of the economy, and transnational competition – necessitate that Ukraine establishes a tax framework that harmonizes competitive rates with a robust institutional foundation. The experiences of prosperous nations illustrate that the structural efficacy of the tax system is attained through the establishment of a broad tax base, the implementation of transparent and straightforward regulations, a high degree of digital administrative capability, and the mitigation of corruption. Despite the prevailing nominal interest rates, Ukraine continues to grapple with a constricted tax base and inadequate enforcement of legislation – nearly half of the economy remains untaxed, while administrative inefficiencies and corruption result in substantial revenue losses. This undermines both fiscal stability and investment attractiveness. Hence, a comprehensive approach is needed for successful reform. On the one hand, a moderate tax burden on businesses should be maintained in order to stimulate growth and attract investment, which is especially critical in the post-war reconstruction period. On the other hand, the tax system ought to evolve toward greater equity and contribute to the alleviation of inequality, which necessitates a judiciously progressive approach and a vigorous campaign against tax evasion perpetrated by the affluent.

The comparative analysis suggests that Ukraine should focus on the best practices of European countries with similar challenges, in particular the experience of post-socialist economies that managed to radically reduce shadowing (Estonia, Slovakia), as well as the practices of Western European countries in ensuring tax justice and the quality of tax services (Scandinavian countries). It is imperative to understand that there is no universal model – the reform should be adapted to Ukraine's unique situation (post-conflict recovery, European integration, significant external support).

Thus, an effective tax system transcends mere rates and benefits; it embodies the trust that exists between the state and its citizens, the transparency of regulatory frameworks, as well as the state's capacity to fulfill its commitments to the citizens. Ukraine needs to build a new tax social agreement, under which entrepreneurs voluntarily come out of the shadows, assured that tax obligations are minimal yet paid by everyone equally, while the state, in turn, guarantees order and fosters development.

Credit Authorship Contribution Statement

Oleksii Maliarchuk: Conceptualization, Investigation, Methodology, Project administration, Software, Formal analysis, Writing – original draft, Supervision, Data curation, Validation, Writing – review and editing, Visualization, Funding acquisition.

Serhii Rylieiev: Conceptualization, Investigation, Methodology, Project administration, Software, Formal analysis, Writing – original draft, Supervision, Data curation, Validation, Writing – review and editing, Visualization, Funding acquisition.

Mykola Skrypnyk: Conceptualization, Investigation, Methodology, Project administration, Software, Formal analysis, Writing – original draft, Supervision, Data curation, Validation, Writing – review and editing, Visualization, Funding acquisition.

Oleksii Matsak: Conceptualization, Investigation, Methodology, Project administration, Software, Formal analysis, Writing – original draft, Supervision, Data curation, Validation, Writing – review and editing, Visualization, Funding acquisition.

Pavlo Kolomiiets: Conceptualization, Investigation, Methodology, Project administration, Software, Formal analysis, Writing – original draft, Supervision, Data curation, Validation, Writing – review and editing, Visualization, Funding acquisition.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Declaration of Use of Generative AI and AI-Assisted Technologies

The authors declare that they have used/not used generative AI and AI-assisted technologies during the preparation of this work.

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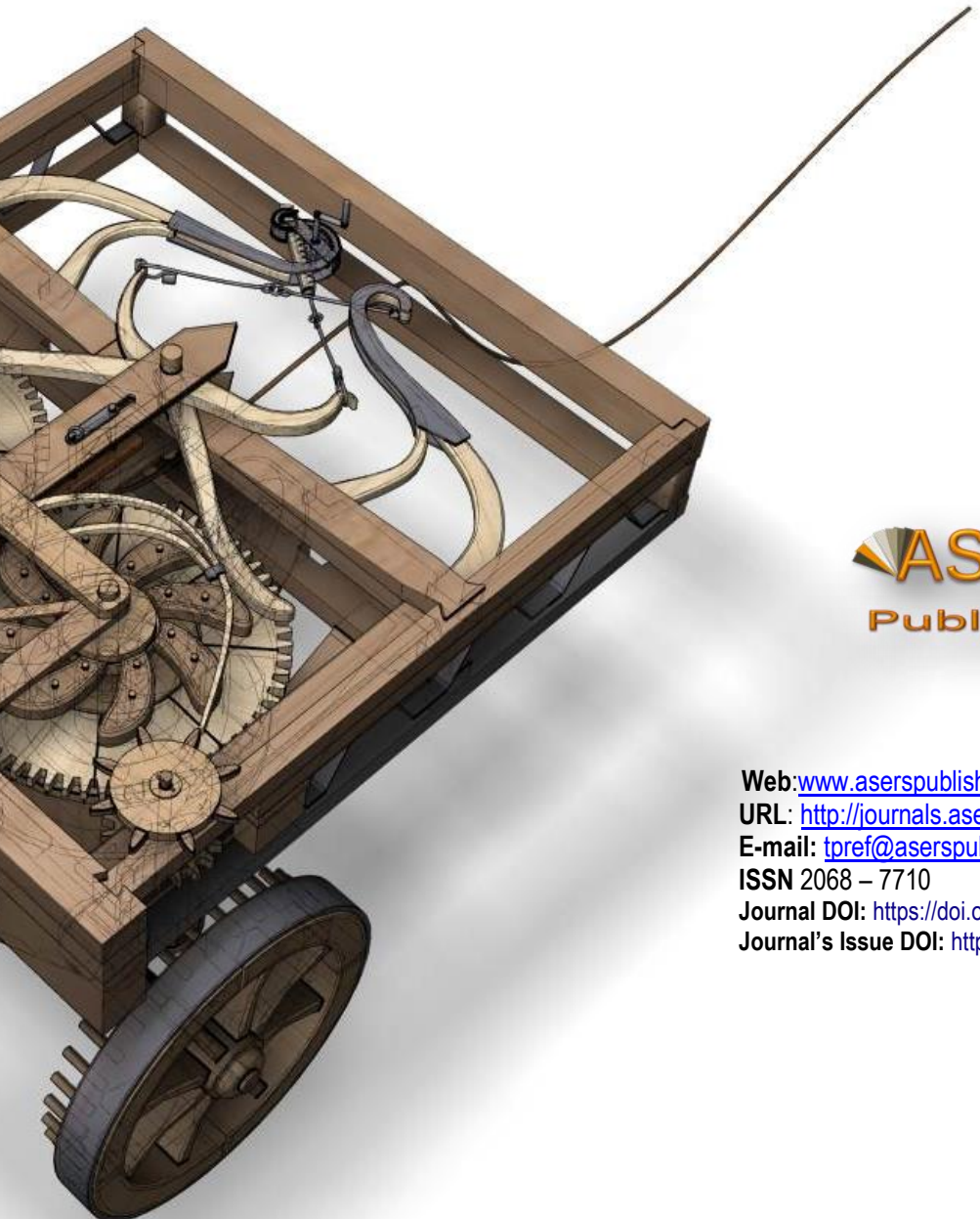

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