

Tax Service Performance Digest

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Key events



As of 27 September 2025, the rules for registering tax invoices were amended to reduce the number of businesses facing invoice suspension. In particular, the thresholds for unconditional registration of tax invoices were increased, the registration limits for small invoices were doubled (from UAH 5,000 to UAH 10,000), and the parameters contributing to a taxpayer's positive tax history were expanded.



On 3 September 2025, the Verkhovna Rada of Ukraine adopted in the first reading Draft Law No. 10225-d aimed at regulating the circulation of virtual assets. Work on its finalisation for the second reading is ongoing. Once adopted, the law will, inter alia, establish the rules for taxation of virtual assets.

Topic of the Month: Food Retail

The food retail sector simultaneously demonstrates the highest turnover and remains among the most problematic in terms of tax compliance, carrying significant corruption risks in administration. This situation is characteristic not only of retail chains that employ artificial business fragmentation schemes by registering each store under multiple sole proprietors (FOPs), but also of those operating officially through a single legal entity.

Schemes Employed by Retail Chains:

1 Business Fragmentation into a Network of Individual Entrepreneurs Under a Single Brand

Essence of the Scheme: each retail outlet is registered under a group of individual entrepreneurs instead of being part of a centralised structure where all stores operate within a single legal entity.

As a Result: the actual turnover of a large operator is concealed, reducing the VAT base; the taxable profit of the legal entity is minimised; and liabilities for personal income tax (PIT) and social security contributions (SSC) are reduced (where employees are formally engaged through individual entrepreneurs or work off the record).

Courts have often classified such activities as disguising employment relations or as an artificial construct lacking genuine business purpose.

2 Payment of Wages “in Envelopes” and Unofficial Employment

The retail trade sector remains one of the largest employers in terms of workforce size, yet also one of the most problematic in terms of formal wage payment. The sector is characterised by a significant share of shadow employment, payment of wages “in envelopes”, and tax minimisation through partial or informal employment. This is largely due to the high share of labour costs in total expenditures, significant staff turnover, and comparatively lower profit margins relative to manufacturing.

According to the financial statements of food retail chains, in 48 out of 160 analysed companies (representing 54 distinct networks), wage levels are below market averages.

Among them:

- 21 company reports revenues ranging from UAH 10 billion to UAH 1 billion;
- 22 companies — from UAH 1 billion to UAH 100 million;
- 5 companies — from UAH 100 million to UAH 10 million;
- 64 companies — below UAH 10 million.

The total number of taxpayers in the sector amounts to 135,814 business entities (13,769 legal entities and 122,045 individual entrepreneurs).

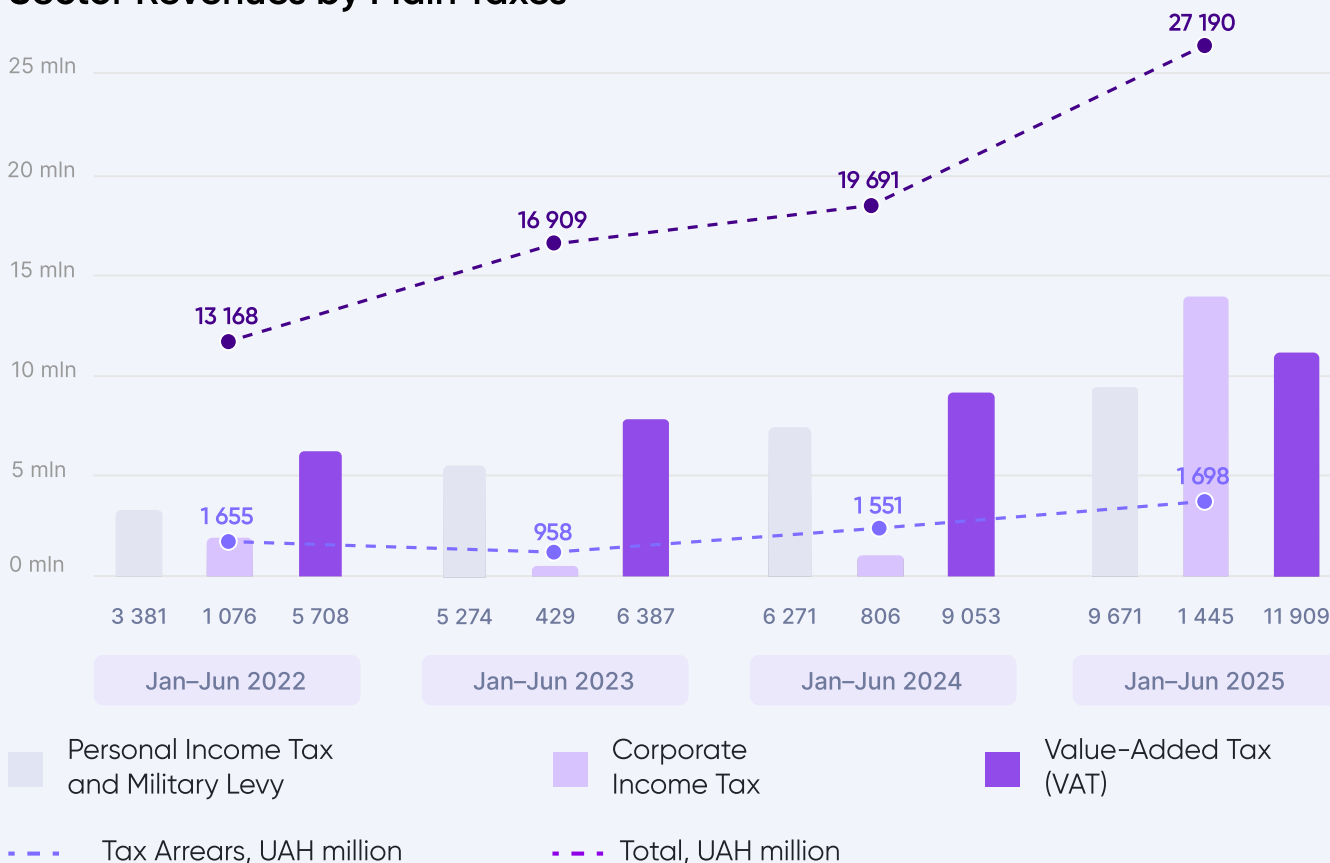
As of August 2025:

- active: 4,105 legal entities and 79,792 individual entrepreneurs (of which 58.8% are on the simplified tax system, including 46.4% belonging to Groups I–II of the single tax);
- no declared activity: 3,767 legal entities and 28,238 individual entrepreneurs (representing 26% of “dormant” individual entrepreneurs).

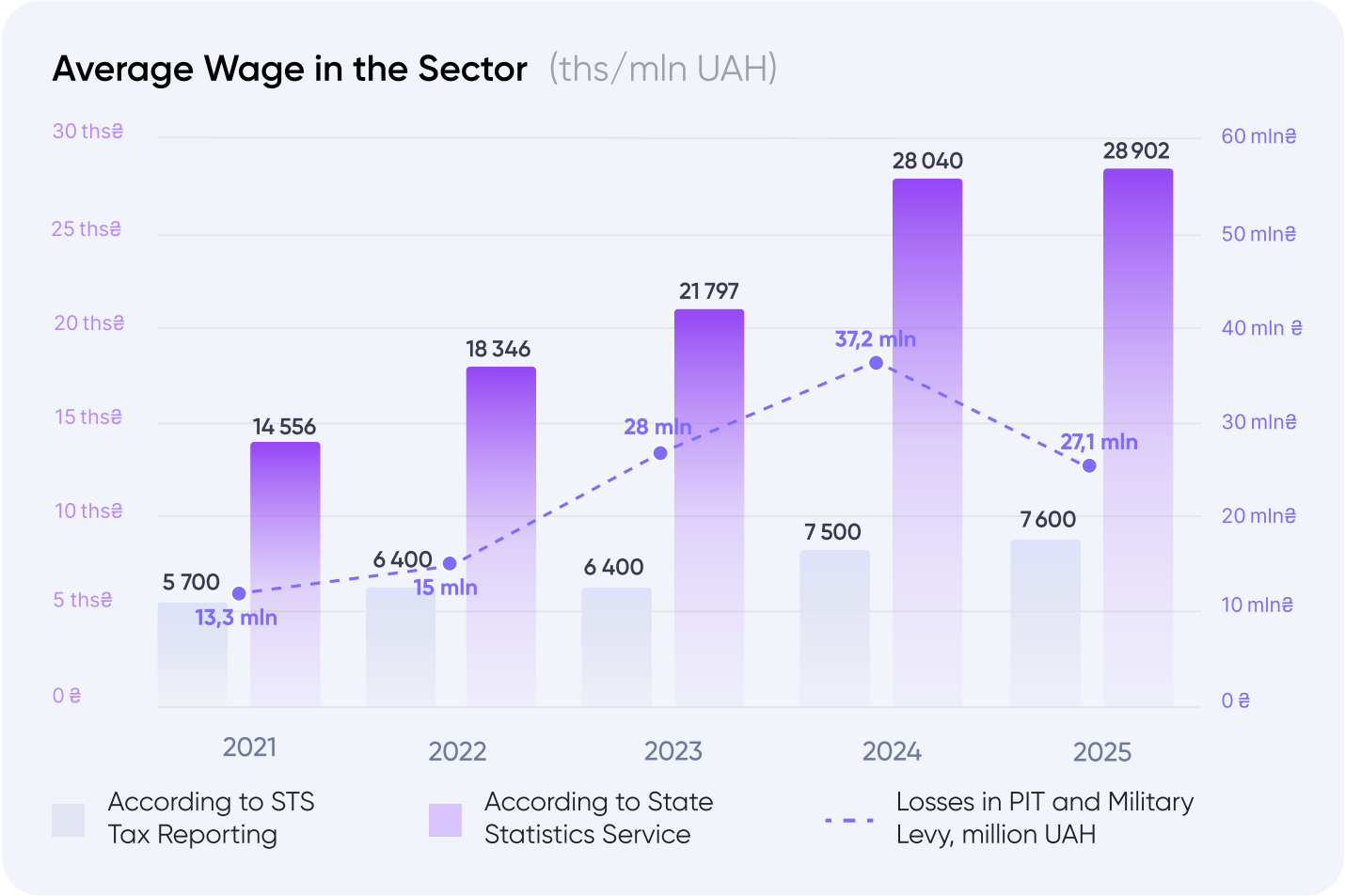
Almost 50% of active individual entrepreneurs are registered under Groups I–II of the single tax system, and an additional 26% of all individual entrepreneurs are “dormant” - an indirect yet clear indicator of large retail chains actively using individual entrepreneurs to avoid taxation.

Taxpayers in the sector paid UAH 27.2 billion in the first half of 2025, which is 38.1% more than in the same period of 2024.

Sector Revenues by Main Taxes



Personal Income Tax and Military Levy increased to UAH 9.7 billion, which is 54% higher than in 2024. The growth was mainly driven by the higher military levy rate and wage increases in certain retail chains, while the sector overall continues to demonstrate low official wage levels.



As shown in the table, the average wage level in the sector remains significantly below the national average. The dynamics indicate that even during the period of turnover growth (2023–2025), wage increases were minimal. This may suggest the use of tax evasion schemes in wage payments, engagement of part of the workforce through individual entrepreneurs, outsourcing companies, or the use of off-the-record “envelope” payments.

Corporate Income Tax amounted to UAH 1.45 billion, almost twice as much as the previous year. However, compared to 2022, revenues in 2024 increased by 82%, while the tax grew by only 32%. Such a ratio could be justified during an active expansion phase (gaining market share at the expense of lower margins), but appears questionable under current economic conditions.

Despite the positive dynamics in 2024–2025:

- 73% of taxpayers in 2024 did not reach the average sectoral payment rate of 0.39%;
- 55% of taxpayers in the first half of 2025 did not reach the payment rate of 0.39%.

According to the Tax Committee of the Verkhovna Rada of Ukraine, the estimated losses from the failure to reach the average sectoral corporate income tax payment rate amount to UAH 1.2 billion for 2024 and UAH 202.0 million for the first half of 2025 (calculated only for taxpayers with revenues exceeding UAH 40 million).

The estimated losses also do not include those incurred by entities using business fragmentation schemes and paying a fixed amount of tax as individual entrepreneurs under the relevant single tax group instead of corporate income tax.

VAT accounted for the largest share of the sector's revenues — UAH 11.9 billion, or +31% compared to 2024.

However, despite the positive dynamics in 2024–2025:

- 49% of taxpayers in 2024 did not reach the payment rate of 3.0%;
- 53% of taxpayers in the first seven months of 2025 did not reach the payment rate of 3.5%.

Accordingly, the estimated VAT losses amounted to approximately UAH 2.5 billion for 2024 and about UAH 2.0 billion for the first seven months of 2025.

Notably, by the end of the first half of 2025, the amount of estimated losses had almost reached the total annual level of 2024, indicating a worsening trend. According to the Tax Committee of the Verkhovna Rada of Ukraine, VAT losses for 2025 are projected to range from approximately UAH 3.4 billion to UAH 4.0 billion.

The estimated losses do not include those incurred by entities using business fragmentation schemes. Accordingly, the total shortfall in the sector (for taxpayers with revenues exceeding UAH 40 million) from corporate income tax and VAT alone for the first half of 2025 may amount to around UAH 2.0 billion.

Implementation of the National Revenue Strategy (NRS)

The National Revenue Strategy provides for a set of anti-corruption measures to be implemented by the State Tax Service of Ukraine (STS). Key developments regarding these measures include the following:

- 1 The STS is set to lose the funds allocated from the State Budget for 2025 for the development of IT solutions, as it failed to implement the measures related to the creation of the ICS software “Information Exchange with Foreign Competent Authorities.” The development is now planned to be postponed to the fourth quarter of 2026.

It should be recalled that the implementation of this system is intended to ensure transparency in the exchange of information with foreign competent authorities, eliminate potential corruption risks related to the manipulation of tax data, and improve the quality of documentary audits.

- 2 In September 2025, the development of the ICS “e-Audit” system was completed, and the software was installed in the STS production environment. However, the implementation timeline for ICS “e-Audit” for large taxpayers has already been delayed by six months. During the same period, only 77 standard audit files (SAF-T UA) were submitted to the STS via the e-Cabinet in test mode.

Given that tax audits represent one of the highest corruption risks, the automation of taxpayer selection for audits and the generation of risk registers should reduce corruption manifestations and undue influence on audit outcomes.

- 3 The STS continues the implementation of a new tax risk management system (CPM) aimed at reducing corruption risks, enhancing integrity in the interaction between taxpayers and tax authorities, and improving taxpayer compliance with tax legislation — in other words, strengthening overall tax compliance.

Based on the results of processing the initial list of taxpayers with the highest tax risks, during January–September 2025 the tax authorities conducted scheduled documentary audits of 15 large taxpayers and 373 other taxpayers, resulting in additional tax assessments of UAH 2.7 billion. In addition, the negative value of taxable profit was reduced by UAH 2.68 billion.

The practice of implementing the CPM within the tax administration has shown

that the reform is being carried out in a rather fragmented manner, with an excessive focus on tax control measures, particularly audits.

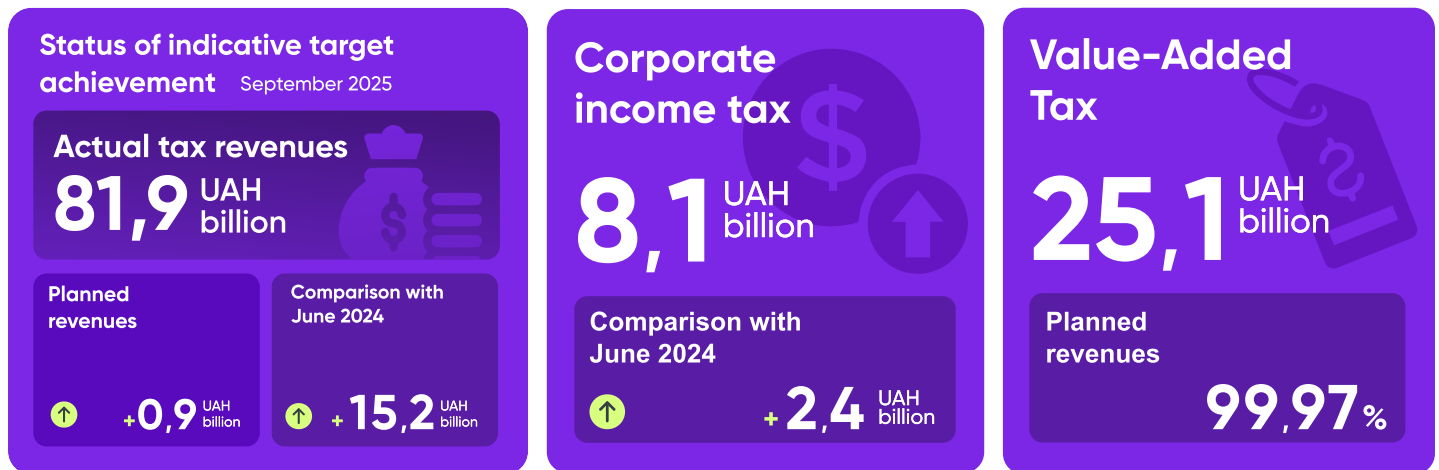
Engagement with the public and business community aimed at building taxpayer understanding of the changing approaches within the tax authorities remains at a low level. There is insufficient systematic cooperation with industry associations to highlight common tax risks encountered by taxpayers, which could help prevent such violations in the future.

These issues collectively create misunderstandings in the relationship between businesses and the tax authorities. Taxpayers often report receiving letters containing indicators, figures, and coefficients whose calculation methodology and relevance to taxation matters are unclear.

In conclusion, the implementation of the risk management reform remains fragmented and lacks a systemic approach.

- ④ As of September 2025, work on the software required for the launch of the e-Excise system on 1 January 2026 remains incomplete. The failure of the Ministry of Digital Transformation to meet the development and testing deadlines poses risks to the timely implementation of the reform in Ukraine and may result in multibillion losses for the State Budget.
- ⑤ Throughout September 2025, the testing of the software for the Unified Register of Licensees engaged in the production and circulation of ethyl alcohol, spirit distillates, alcoholic beverages, tobacco products, tobacco raw materials, and liquids used in electronic cigarettes, as well as for the Unified Register of Licensees and Fuel Circulation Sites, continued. The full-scale (industrial) operation of these systems, initially scheduled to begin on 1 January 2025, has not yet been launched.

Performance Against Indicative Targets



In September 2025, UAH 81.9 billion in taxes and fees was collected into the general fund of the state budget. This exceeds the Ministry of Finance’s target for the period by UAH 0.9 billion, or 1.1%. It also represents an increase of UAH 15.2 billion, or 22.8%, compared to the same period in 2024.

Corporate Income Tax – UAH 8.1 billion, – Corporate Income Tax – UAH 8.1 billion, which is UAH 2.4 billion or 43.5% higher than in the same period of 2024. Such revenue growth is explained by a combination of several factors: an increase in the number of taxpayers required to submit quarterly reports, inflation, a higher tax rate for certain categories of taxpayers, and the presence of advance overpayments.

The de-shadowing trend observed in previous years has reversed — in the first half of 2025, the payment level declined to 1.35%, or by 0.08 percentage points compared to the first half of 2024. Accordingly, the target was met not due to improved efficiency but as a result of increased business turnover.

Value Added Tax (VAT) – UAH 25.1 billion. The Ministry of Finance’s target was achieved at 99.97%, with UAH 6.5 million not received into the budget.

In September 2025, UAH 15.0 billion of VAT was refunded to taxpayers. Compared to August, the balance of outstanding VAT refunds increased by UAH 1.4 billion and amounted to UAH 30.6 billion. The tax authorities continue to direct a significant share of the amounts claimed for reimbursement to documentary audits. In September 2025, this share increased to 32.0% of the total VAT claimed for reimbursement, compared to 25.0% in September 2024.

Other factors affecting the high level of unreimbursed VAT include delayed transfers to businesses by the State Treasury (UAH 6.6 billion in September) and the failure to promptly enforce court decisions on VAT refunds.

All these factors delay the refund process, increase the burden on the economy, and create potential corruption risks, as they encourage businesses to operate in the shadow economy.



Personal Income Tax and Military Levy – Personal Income Tax and Military Levy – UAH 30.0 billion, including UAH 13.4 billion from the military levy. In September 2025, revenues increased by UAH 9.8 billion, or 48.7%, compared to the same period in 2024. At the same time, the Ministry of Finance’s target was underperformed by UAH 1.2 billion, or 3.7%.

The year-on-year growth in revenues was primarily driven by the increased military levy rate and the nominal rise in wages. However, the underperformance against the Ministry of Finance’s target may indicate risks of shadow employment and tax evasion related to these payments.



Excise Tax on Imported Goods – UAH 2.3 billion, which is UAH 1.2 billion, or 33.3%, less than in the same period of 2024, despite the increased excise tax rates.

Excise Tax on Domestically Produced Goods – UAH 10.5 billion

The Ministry of Finance’s target was achieved at 100.2% (overperformed by UAH 26.2 million). Overperformance was recorded for alcohol (+UAH 6.2 million), spirits and liquor products (+UAH 3.4 million), tobacco and tobacco products (+UAH 170.4 million), and fuel (+UAH 58.2 million), while underperformance was observed for electricity (-UAH 127.8 million), beer (-UAH 79.1 million), and wine products (-UAH 8.0 million).

The underperformance of the Ministry of Finance’s target for electricity is explained by

objective factors (damage to production facilities caused by Russian shelling). However, the underperformance for beer and wine products requires increased attention from the controlling authorities.

Administration

The administration of trade in excisable goods and electronics remains one of the key anti-corruption challenges for the state. These sectors concentrate the largest share of corruption-related capital, while high tax rates allow for significant margins in the illegal trade of such goods.

The situation in these areas during January–September 2025 is as follows:

Alcohol. Distilleries produced 27.62 million decaliters (dal) of absolute alcohol, which is 34% more than during the same period in 2024. The average monthly production volume in 2025 amounted to 3.07 million dal of absolute alcohol — an increase of 0.8 million dal per month compared to 2024.



The VAT payment rate on produced volumes was as follows:

- **for alcohol producers** — 2.2%, which is 1.5 percentage points lower than in 2024, despite the growth in production volumes;
- **for beverage producers** for beverage producers — 5.2%, which is 0.6 percentage points lower compared to 2024, despite the increase in supply volumes.

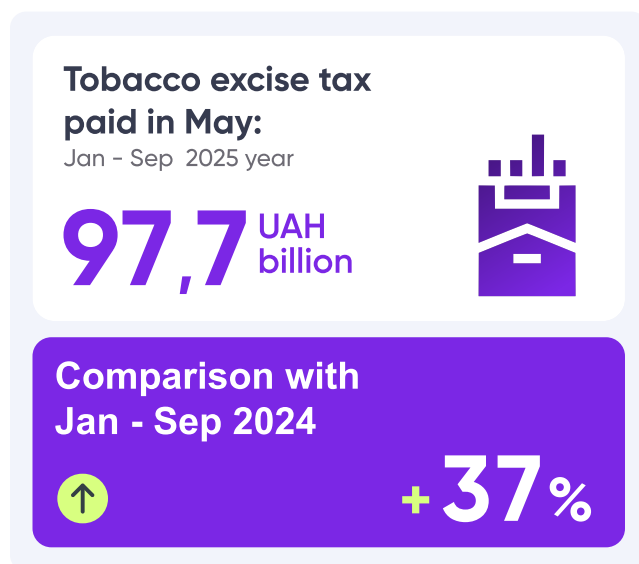
The corporate income tax payment rate for the first half of 2025 on produced volumes was as follows:

- **for alcohol producers** — decreased from 0.4% to 0.3%, or by 0.1 percentage points compared to the same period in 2024;

- **for beverage producers** — decreased from 1.8% to 1.4%, or by 0.4 percentage points compared to the same period in 2024.

The decline in tax efficiency for both VAT and corporate income tax, despite the growth in production volumes, strongly indicates a decrease in taxpayer integrity and an expansion of the shadow sector. This situation also clearly points to the presence of significant corruption risks in the STS's work in this area.

Tobacco. Producers of tobacco products manufactured approximately 23.5 billion cigarettes, excluding cigarillos and THPs (tobacco heating products). This equals an average of 2.6 billion cigarettes per month. In August 2025, tobacco production amounted to 2.7 billion cigarettes — 27.13 million more than in July 2025, but still 188 million fewer than in March 2025.



During the first nine months of 2025, the State Budget of Ukraine received UAH 97.7 billion in excise tax from domestically produced and imported tobacco products, which is 37% higher than in 2024.

The Ministry of Finance's target for domestic tobacco production during January–September 2025 was underperformed by UAH 812.6 million. In September 2025, the performance rate reached 102.1%, with an

additional UAH 170.4 million received by the State Budget.

The VAT payment rate on produced tobacco products was 15.5%, one percentage point lower than in 2024, despite the increase in production volumes in 2025.

According to a study by [KANTAR](https://www.kantar.com/ua/Inspiration/AIT/AIT-wave-3-2025)¹, published in September 2025, the shadow cigarette market in Ukraine has somewhat stabilized — as of July 2025, the overall level of illicit trade in tobacco products slightly decreased compared to April, amounting to 15.4% (versus 16.2% in April). At this level of illicit cigarette circulation, the annual losses to the State Budget of Ukraine due to unpaid taxes are estimated at UAH 25.6 billion, while the volume of the shadow cigarette market exceeds 5.3 billion cigarettes.

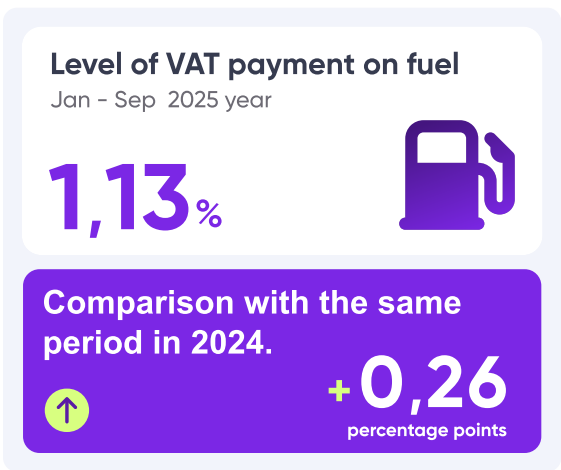
¹ <https://www.kantar.com/ua/Inspiration/AIT/AIT-wave-3-2025>

The decline in VAT efficiency, despite the growth in production volumes, may also indicate the use of tax minimization schemes by taxpayers and the presence of significant corruption risks in this area.

Fuel. During January–September 2025, 48 fuel retail networks (gas station chains) paid UAH 10.1 billion in taxes (excluding social contributions), which is UAH 1.8 billion more than in 2024, including:

- UAH 4.1 billion in value added tax (VAT);
- UAH 2.0 billion in corporate income tax, including UAH 1.4 billion in advance payments;
- UAH 2.4 billion in personal income tax (PIT);
- UAH 1.1 billion in excise tax.

Through advance payments, corporate income tax revenues for the first nine months of 2025 increased by UAH 0.48 billion (+30.3%) compared to the previous year. A number of companies that, despite significant turnover in 2024, did not pay corporate income tax at all, came out of the shadow in 2025 and transferred tens of millions of hryvnias to the budget as a result of the introduction of mandatory advance payments.



The VAT payment rate for fuel retail networks stands at 1.13%, an increase of 0.26 percentage points compared to 2024.

In retail fuel trade, taking into account a 5.5% decrease in fuel sales volumes during January–September 2025 compared to the same period in 2024, and the increase in excise tax rates on fuel as of 1 September 2024, sales via cash

registers (RRO/PRRO) increased by 2.1% during January–August 2025 compared to 2024.

The trend toward de-shadowing of the fuel retail market appears positive; however, according to the Ukrainian Oil & Gas Association, a significant number of illegal fuel stations remain in operation. Combating illegal fuel stations - primarily the

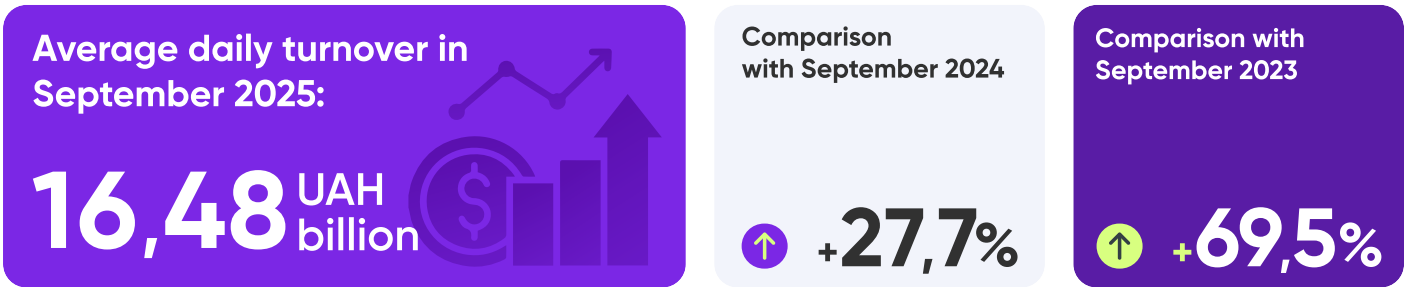
² <https://perevirazs.info/>

responsibility of the Bureau of Economic Security (BES) and the National Police - continues to involve a notably high corruption component.

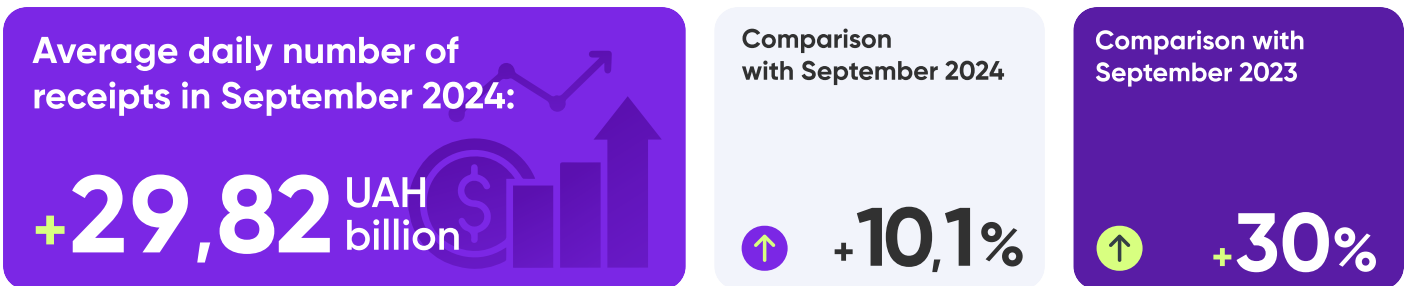
Sales Volumes via Cash Registers

In September 2025:

- The average daily sales amount increased to UAH 16,477.2 million, which is UAH 3,570.5 million (27.7%) higher than in September 2024 and UAH 6,757.2 million (69.5%) higher than in September 2023.



- The average daily number of receipts also rose to 29.82 million, which is 2.74 million (10.1%) more than in September 2024 and 6.89 million (30%) more than in September 2023.



This serves as a positive indicator of de-shadowing in the retail trade sector.

This trend was further supported by the introduction of the Analytical System for Cash Register Data (SOD RRO) into the operations of the tax authorities. The system enables the identification of risky cash transactions and abnormal deviations in the amounts of both individual and grouped transactions based on specific criteria, as well as the analysis and effective management of such data.

Results of Control and Audit Measures

During January–September 2025, the tax authorities:

- conducted 2,925 scheduled audits (+17% compared to 2024) and 23,145 unscheduled audits (+25%);

- assessed UAH 105 billion in additional tax liabilities, 79% of which resulted from unscheduled audits.

At the same time, additional assessments from scheduled audits decreased more than fourfold (UAH 22.2 billion in 2025 compared to UAH 89.2 billion in 2024).

A total of UAH 26.3 billion was agreed from scheduled audits (2.2 times higher than in 2024) and UAH 65.7 billion from unscheduled audits (a 5.8-fold increase).

Actual budget revenues amounted to UAH 4.1 billion, 4.7% lower than in 2024.

The average additional assessment per auditor from scheduled audits decreased 3.7 times (UAH 16.4 million compared to UAH 60.7 million in 2024).

The persistence of outdated administrative and control practices objectively sustains a high level of corruption risk in this area due to the strong influence of the human factor. Therefore, the ICS e-Audit system remains critically important for improving the efficiency of tax control, reducing corruption risks, and ensuring the integrity of audit procedures.

Transfer Pricing Audits

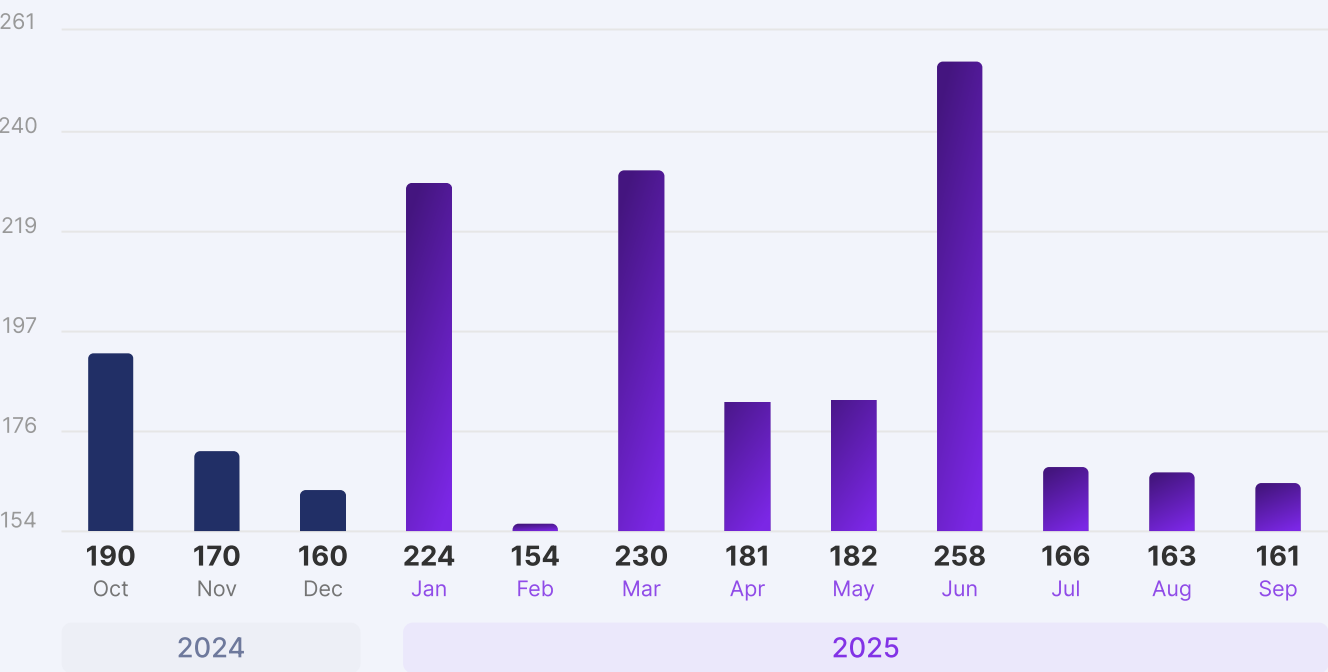
Results of audits on compliance with the arm's length principle in controlled transactions during the first nine months of 2025 were as follows:

- **20 audits conducted** (+5.3% compared to 2024);
- **UAH 323.5 million** in additional tax assessments (-14% compared to the previous year);
- **UAH 884 million** reduction in negative taxable profit value, almost twice lower than last year (UAH 1,655 million);
- **UAH 19 million** agreed from additional assessments, 4.5 times less than in 2024 (UAH 84.8 million);
- **UAH 19 million** paid, remaining at last year's level.

The decline in additional assessments despite an increase in the number of audits may indicate insufficient analytical efficiency in selecting business entities for inspection. This, in turn, may result in audits covering lower-risk taxpayers, the application of a formal approach to audit procedures, or other systemic shortcomings.

Violations

Number of Criminal Proceedings Initiated under Articles 204, 212, and 212-1 of the Criminal Code of Ukraine during the period from 1 October 2024 to 30 September 2025.



According to data from dashboard.gp.gov.ua, developed by the [NGO Technology of Progress](#), in September 2025, **161 criminal proceedings** were registered directly related to tax administration (tax evasion and the sale of excisable goods). This represents **2 more cases** than in September 2024 and 2 fewer than in August 2025. These figures mark the **second-lowest level** recorded this year.

Overall, during July–September 2025, the number of newly initiated criminal proceedings was slightly lower compared to previous periods, primarily due to the ongoing restructuring of the **Bureau of Economic Security of Ukraine (BES)**. In addition, in September, 15 employees of the State Tax Service received disciplinary sanctions for violations of anti-corruption legislation and ethical standards, while two officials were dismissed.

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