

Tax Service Performance Digest

No3
June 2025

Key events



Before proceeding with the tax analytics for June, our editorial team would like to begin with a brief overview of the key developments in Ukraine over the past few weeks - as they significantly reshape the political and institutional context within which the State Tax Service (STS) will operate.

Reorganization of the Cabinet of Ministers

On 16 July 2025, the Verkhovna Rada dismissed Prime Minister Denys Shmyhal, who had led the government for over five years. The new Cabinet is headed by Yulia Svyrydenko, former Minister of Economy and First Deputy Prime Minister.

Key structural changes include:

- The Ministry of Environmental Protection and Natural Resources and the Ministry of Agrarian Policy were merged into the Ministry of Economy
- The former Ministry of Strategic Industries was incorporated into the Ministry of Defence.
- The newly established Ministry of National Unity was absorbed by the Ministry of Social Policy.

On 17 July, the Verkhovna Rada approved the appointments of the new Cabinet members, with 253 MPs voting in favour.

New appointments:

- Taras Kachka – Deputy Prime Minister for European Integration
- Herman Halushchenko – Minister of Justice

- Denys Uliutin – Minister of Social Policy
- Oleksii Soboliev – Minister of Economy, Environment and Agrarian Sector
- Denys Shmyhal – Minister of Defence
- Svitlana Hrynychuk – Minister of Energy

The position of Minister of Culture remains vacant. All other ministers have retained their posts. Oleksii Kuleba continues to serve as Deputy Prime Minister responsible for regional policy. Ihor Klymenko remains Minister of Internal Affairs, Matvii Bidnyi heads the Ministry of Youth and Sports, Nataliia Kalmykova leads the Ministry for Veterans Affairs, Andrii Sybiha serves as Minister of Foreign Affairs, Viktor Liashko continues as Minister of Health, Oksen Lisovyi as Minister of Education, and Serhii Marchenko as Minister of Finance.

Competition for the Position of Head of the Bureau of Economic Security

On 7 July, the Cabinet of Ministers did not appoint the winner of the open competition, Oleksandr Tsyvinskyi, as Director of the Bureau of Economic Security (BES), despite the recommendation of the selection commission. On 8 July, Tsyvinskyi publicly requested clarification of the grounds for this decision, particularly the Security Service's of Ukraine (SSU) comments regarding security risks.

The selection commission (represented by Donatas Malaskevicius) confirmed that resubmitting another candidate is not planned - the Government is expected to take a decision in accordance with applicable legislation. At the same time, on 23 June, Tsyvinskyi's candidacy had already been resubmitted to the Government.

Law No. 12414: Independence of NABU and SAPO

- On 22 July, the Verkhovna Rada adopted Draft Law No. 12414, which changes the subordination of the National Anti-Corruption Bureau of Ukraine (NABU) and the Specialized Anti-Corruption Prosecutor's Office (SAPO), putting their independence at risk. Despite expert warnings and public criticism, the President signed the law late that evening. Meanwhile, peaceful protests had already begun in cities across Ukraine
- On 23 July, a closed meeting was held at the Presidential Office, after which the President assured that the law would not affect the functioning of anti-corruption

institutions. However, civil society remained dissatisfied with the President's response and continued peaceful demonstrations.

- On 24 July, a group of MPs registered a new draft law aimed at restoring the independence of anti-corruption bodies. On the same day, the President announced his own version of the draft law, which partially restores the independence of NABU and SAPO. The Verkhovna Rada is scheduled to consider it on 31 July.

More details on these developments will be provided in the July Digest.

The following sections present a timeline of tax policy developments in June, including the implementation of SAF-T UA, tax analytics, and other trends in the interaction between businesses and the State Tax Service (STS).

Key Highlights



In June 2025, the State Tax Service (STS) began testing software for the Unified Register of License Holders engaged in the production and circulation of ethyl alcohol, alcoholic distillates, alcoholic beverages, tobacco products, raw tobacco, and liquids used in electronic cigarettes, as well as the Unified Register of License Holders and fuel circulation sites

The absence of a clear procedure for granting licences created corruption risks for tax authorities to abuse their discretion in making decisions on certain taxpayers. For example, due to the lack of a clear list of documents required for an application, the tax authorities could endlessly demand additional documents and delay the provision of answers.



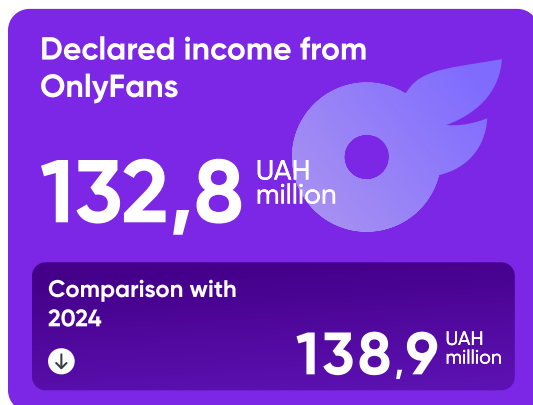
On 1 June 2025, the third list of taxpayers with a high level of tax compliance was published since the adoption of the law. The list includes 9,673 taxpayers, which is an increase of 1,474 compared to the previous list. Businesses are highly motivated to be included due to additional benefits such as exemption from audits, VAT refunds within 5-10 days, and access to a dedicated client manager. This legislative initiative has improved tax compliance and reduced corruption risks by minimizing direct interaction

between businesses and the tax authority, at least for large and medium-sized companies.



On 5 - 6 June 2025, Ukraine completed bilateral screening meetings with the European Commission under Chapter 16 “Taxation.” During the bilateral meeting with the European Commission on 6 June, the Ukrainian delegation presented progress in several areas: direct taxation, administrative cooperation and IT systems, as well as anti-corruption measures.

Topic of the Month: Income from OnlyFans



In 2025, 152 individuals declared UAH 132.8 million in income received from the OnlyFans platform for the reporting year 2024 - a 4% decrease compared to the previous year (UAH 138.9 million). OnlyFans is one of the global leaders in distributing paid user-generated content, primarily of an erotic nature.

However, according to unofficial information on registered accounts, [more than 5,000 Ukrainians](#) received income from this platform. The primary reasons for reluctance to declare this income and the significant share of shadow earnings through OnlyFans include the risk of criminal prosecution under Articles 301 and 212 of the Criminal Code of Ukraine (production and distribution of pornographic content, and tax evasion).

For a long time, despite the prohibition on producing and distributing explicit content, this market operated primarily due to the tax authority’s lack of information about the income of such models and, in many cases, the provision of unlawful benefits to law enforcement officials.

Currently, the State Tax Service (STS) receives official responses from OnlyFans regarding the income of Ukrainian users. Consequently, the National Police and the Bureau of Economic Security have gained access to this information and initiated criminal proceedings. Importantly and paradoxically such proceedings were often

registered immediately after models had paid their taxes. For the purpose of these investigations, law enforcement authorities conducted test purchases and performed content examinations.

In practice, models face only two options: to avoid paying taxes and attempt informal arrangements with law enforcement, or to pay taxes and still face criminal proceedings for distributing potentially prohibited content and for alleged tax evasion.

This issue persists and serves as a striking example of inconsistent and contradictory legislation that creates significant corruption risks, expands the shadow economy, and pushes taxpayers to relocate to other jurisdictions.

To address this paradox, Draft Law No.12191 on the decriminalization of Article 301 of the Criminal Code of Ukraine has been registered in the Verkhovna Rada, garnering broad support from economic think tanks and experts. According to BRDO forecasts, decriminalizing pornography could generate UAH 509 million in tax revenues for the state budget. An official petition¹ in support of Draft Law No. 12191 has already secured the required 25,000 signatures.

Adopting this legislation would not only enable Ukrainians to pay taxes without fear of law enforcement action but would also directly reduce the volume of bribes that undermine law enforcement and the judiciary, while allowing the Bureau of Economic Security and the police to redirect their efforts toward preventing more socially dangerous crimes.

Implementation of the National Revenue Strategy (NRS)

The National Revenue Strategy envisages a set of anti-corruption measures to be implemented by the State Tax Service of Ukraine (STS). The following are key updates regarding these measures:

- 1 In May - June 2025, the STS had not yet initiated tender procedures for the development of the software for the ICS “Information Exchange with Foreign Competent Authorities.” Given the time constraints, there is a risk that the STS will lose the funds allocated for this IT solution in 2025.

⁴ <https://petition.president.gov.ua/petition/248984>

The implementation of this system is critical for establishing transparent cooperation with foreign tax and other authorities for information exchange. It will not only improve the quality and speed of data exchange compared to paper-based requests but will also eliminate potential corruption risks associated with manipulating tax information. For example, the specialized ICS is designed to remove duplication of requests on similar issues and ensure that the full history is preserved from the creation of a draft request (including grounds and reasons) to the practical use of the information received from a foreign competent authority. Such an information chain will improve the quality of documentary audits, reduce the risk that obtained data are ignored, partially considered, lost, or distorted. In the long term, this comprehensive IT exchange will increase budget revenues and reduce corruption risks in this area

- 2 The STS continues implementing a new tax risk management system aimed at reducing corruption risks, in particular by minimizing the subjective approach in selecting taxpayers for audits (i.e., avoiding undue pressure on compliant businesses and ignoring tax evasion by non-compliant taxpayers).

Based on the review of the first list of taxpayers with the highest tax risks in January - June 2025, scheduled documentary audits were conducted for 160 taxpayers, including three large taxpayers. Following these audits, taxpayers were required to pay an additional UAH 606 million in taxes to the budget and remove UAH 550 million in unlawful expenses from their accounting records.

At the same time, despite the Cabinet of Ministers' resolution introducing a pilot project for the functioning of the tax risk management system, the STS has not engaged in public consultations with experts or civil society on how this system is structured. Such opacity and lack of transparency create a foundation for corruption risks.

- 3 The STS continues to work on developing an IT solution for e-audit. Once implemented, the process of conducting documentary audits will become more transparent, and the automatic detection of tax risks will improve significantly. Reducing human involvement will lower corruption risks during audits.

However, the three-month delay in implementing this measure, which was agreed under Ukraine's Memorandum with the IMF, raises concerns. As of June 2025, the

STS continued testing the new SAF-T UA² reporting format via the e-Cabinet and providing consultations for businesses on its preparation and submission. In June, 94 such files were submitted, including five from participants in memoranda on testing this reporting format. The tax authorities are consistently conducting consultations for businesses on preparing and submitting the SAF-T UA standard audit file.

- 4 No progress was made in developing the IT solution for monitoring the performance of tasks by tax authority employees during June 2025. For the second consecutive month, the STS has been consolidating proposals and comments received from its structural units.

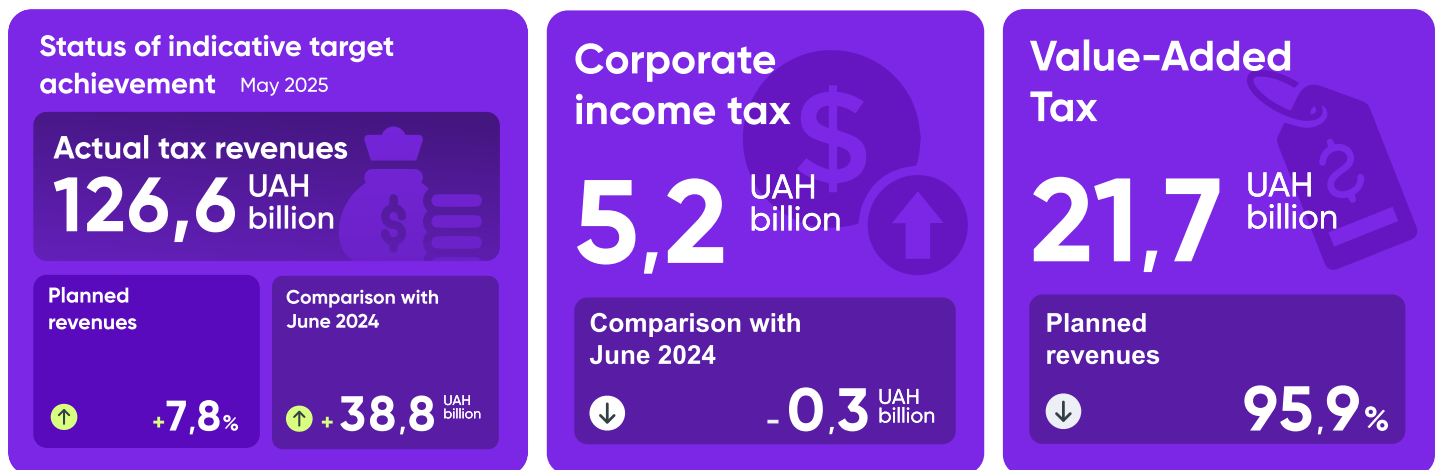
The IT solution for monitoring task performance by tax authority staff will provide:

- the ability to automatically track STS employees' activities, providing accurate data on their work performance;
- information on employee productivity, enabling the identification of strengths and weaknesses and the improvement of workflows;
- tracking periods of focus and breaks, helping management to manage time more effectively and maintain overall STS productivity and other functionalities.

Although this information system is not directly designed as an anti-corruption tool, it provides significant opportunities to detect anomalies in the work of individual employees, identifying risks related either to poor handling of certain taxpayers or, conversely, to undue pressure on businesses.

⁴ A unified audit file format designed to streamline the processing of tax information

Performance Against Revenue Targets



In May 2025, UAH 126.6 billion in taxes and fees were collected for the general fund of the state budget. This is UAH 9.1 billion, or 7.8%, above the Ministry of Finance's target for the period. It also represents an increase of UAH 38.8 billion, or 44.2%, compared to the same period in 2024.

Corporate income tax - UAH 5.2 billion, reaching 113% of the Ministry of Finance's target. However, this is UAH 0.3 billion, or 5.5%, lower than in the same period of 2024. The overperformance against the Ministry's target in June 2025 was driven by advance payments made by taxpayers.

Value-Added Tax (VAT) - UAH 21.7 billion, achieving 95.9% of the Ministry of Finance's target, leaving a shortfall of UAH 0.9 billion. Compared to June 2024, VAT revenues increased by UAH 2 billion, or 10.3%.

In June 2025, UAH 15.3 billion in VAT refunds were issued to taxpayers. Compared to May, the outstanding balance of unreimbursed VAT increased by almost UAH 0.8 billion, reaching UAH 31 billion. This was driven by three factors:

- The Treasury did not transfer all due amounts to businesses by the end of the month.
- The tax authority referred a large share of refund claims for documentary audits - 44.7% of the claimed amount in June 2025, compared to 26.43% in June 2024
- Court rulings on VAT refunds were not executed in a timely manner.

These factors delay the reimbursement process, increase the burden on the economy, and create potential corruption risks by incentivizing businesses to seek informal arrangements or operate in the shadow economy.



Personal Income Tax and Military Levy - UAH 30.1 billion, including UAH 13.4 billion from the military levy. Compared to June 2024, revenues increased by UAH 12.2 billion, or 67.6%. The overperformance in revenues was primarily driven by the higher military levy rate and nominal wage growth.



Excise Tax on Imported Goods - UAH 5.9 billion, which is UAH 3 billion, or 104.8%, higher than in the same period of 2024. The increase was driven primarily by higher excise tax rates and overpayments to the budget, which have grown by UAH 9.6 billion since the beginning of the year.

Excise Tax on Domestically Produced Goods - UAH 9.6 billion, which is UAH 1 billion, or 11.8%, higher compared to the same period in 2024. However, the Ministry of Finance’s target was achieved by only 81.5%, leaving a shortfall of UAH 2.2 billion in June. This significant underperformance in excise revenues from tobacco and fuel indicates insufficient effectiveness in combating shadow schemes.

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 highest levels of corruption-related capital, while high tax rates enable significant margins from illicit trade in such goods.

The situation in these sectors for the period January–June 2025 is as follows:

Alcohol. Alcohol plants produced 20.39 million decalitres (dal) of absolute alcohol, which is 51% more than in the same period of 2024. The average monthly production of alcohol in 2025 also increased to 3.39 million decalitres of absolute alcohol, which is 1.15 million decalitres more per month compared to 2024.

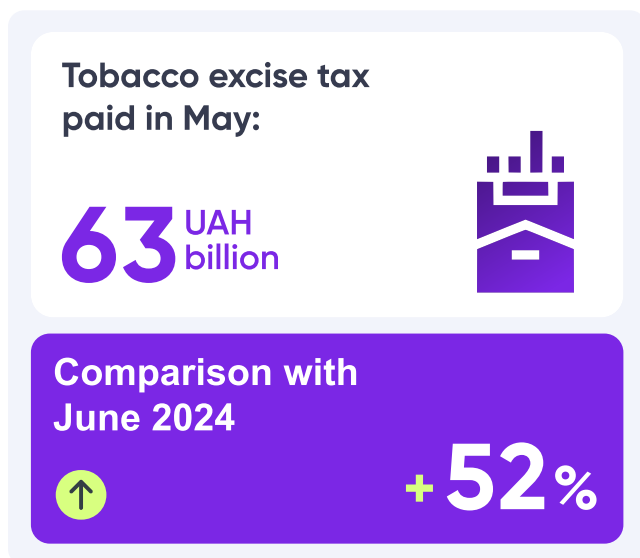


The VAT payment rate on produced volumes for:

- alcohol producers decreased to 2.3%, down by 1.7 percentage points compared to 2024, despite the increase in production volumes;
- alcoholic beverage producers fell to 4.9%, down by 1.4 percentage points compared to 2024, despite the growth in supply volumes.

The decline in the VAT payment rate amid rising production directly indicates a decrease in taxpayer integrity and an expansion of the shadow segment in the sector

Tobacco. Tobacco manufacturers produced approximately 15.5 billion cigarettes (excluding cigarillos and T-VEN (tobacco heating products)), averaging 2.6 billion cigarettes per month. In May 2025, production volumes, after a decline in the previous month, increased to 2.4 billion cigarettes, reaching the level recorded in January 2025. However, this figure remains 205 million units below February 2025 and 412 million units below March 2025.



In the first six months of 2025, the state budget received almost UAH 63 billion in excise tax from domestically produced and imported tobacco products, which is 52% higher than in 2024. These revenues were driven by higher excise tax rates, increased tobacco prices, and advance tax payments by taxpayers. Such overpayments have grown by UAH 9.6 billion since the beginning of the year.

The Ministry of Finance's target for domestic tobacco production for January-June 2025 was exceeded by UAH 473 million. However, the downward trend in excise tax revenues from domestic production continued in June: while in May 2025 the target was underperformed by UAH 613.3 million (or 7.7%), in June the shortfall increased to UAH 1.7 billion (or 22.3%).

The VAT payment rate of tobacco manufacturers declined to 15.38%, down by 0.5 percentage points compared to 2024, despite higher production volumes in 2025.

The decline in the VAT payment rate and partial underperformance against the Ministry of Finance's revenue targets for the sector may indicate a decrease in taxpayer integrity and suggest the use of tax minimization schemes by taxpayers. The key scheme involves illegal production, both by licensed manufacturers and by those producing cigarettes under improper, rudimentary conditions. For example, if a pack of cigarettes costs UAH 115, approximately UAH 91 of that amount represents taxes. Producing cigarettes in such "informal facilities" is therefore extremely profitable.

Fuel. In January–June 2025, 48 fuel retail networks paid nearly UAH 6.6 billion in taxes (excluding social security contributions), including:

- UAH 2.6 billion in Value-Added Tax (VAT);
- UAH 1.4 billion in Corporate Income Tax, including UAH 0.9 billion in advance payments;
- UAH 1.6 billion in Personal Income Tax;
- UAH 0.6 billion in Excise Tax.

Level of VAT payment on fuel
2 quarter of 2025

1,16%



Comparison with the same period in 2024.



+0,38
percentage points

The VAT payment rate for fuel retail networks stood at 1.16%, an increase of 0.38 percentage points compared to 2024.

In the retail fuel sector, considering a 7% decrease in fuel sales volumes during January–June 2025 compared to the same period in 2024, and taking into account the increase in excise tax rates on fuel effective 1 September

2024, revenues recorded via cash registers (RRO/PRRO) grew by less than 1% year-on-year.

The marginal increase in the VAT payment rate, despite higher sales volumes and increased tax rates, calls for more robust oversight by tax and law enforcement authorities

Taxes paid on household electrical appliances:
Jan–Jun 2025

1,9 UAH billion



Comparison with the same period in 2024.



+0,4
UAH billion

Administration in the Private Security

Services Sector. In January–June 2025,

taxpayers in the private security services sector paid UAH 1.9 billion in taxes—UAH 0.4 billion more than in the same period of 2024. Growth was observed in VAT (+UAH 0.2 billion), Corporate Income Tax (+UAH 0.03 billion), and Personal Income Tax (+UAH 0.1 billion).

The VAT payment rate increased from 11.8% in Q1 2022 to 13.0% in Q1 2025, while the Corporate Income Tax payment rate declined from 1.26% to 0.81% over the same periods.

Despite the overall trend of gradual wage growth, 31.2% of active entities in the sector continue to report an average salary below the statutory minimum

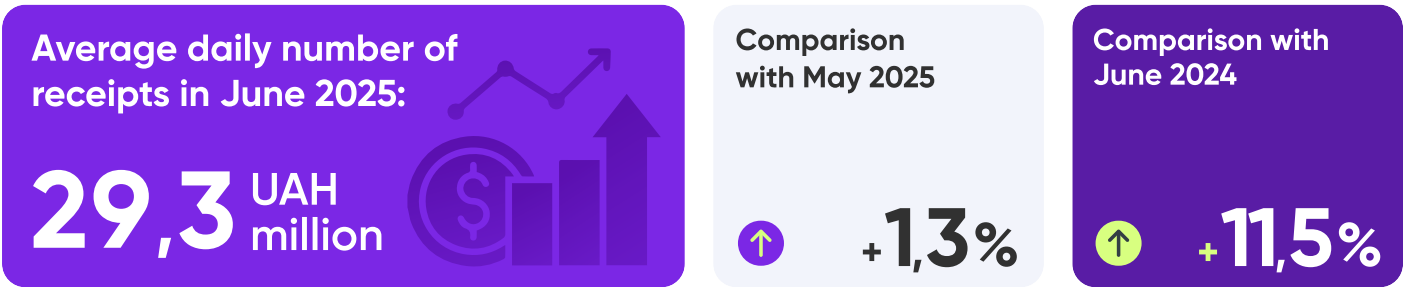
Notably, even among companies with annual revenues exceeding UAH 40 million, there are cases where the average salary remains below the legally established minimum. Such taxpayers also employ around 10 workers, which is 45 times fewer than companies with comparable revenues that report full tax compliance and formal employment. This indicates that a significant share of the market still relies on shadow

practices to reduce tax liabilities through “envelope” wages, grey cash withdrawal schemes, and unregistered employees.

These practices affect the sector’s payment of Value-Added Tax, Corporate Income Tax, and other taxes. The lack of systematic enforcement efforts by tax authorities to combat such practices fosters corruption risks, which law enforcement agencies occasionally uncover.

Sales Volumes Through Cash Registers. Bringing settlement transactions out of the shadow economy remains an important element of combating informality. Issuing fiscal receipts significantly improves taxpayer accountability and positively impacts compliance.

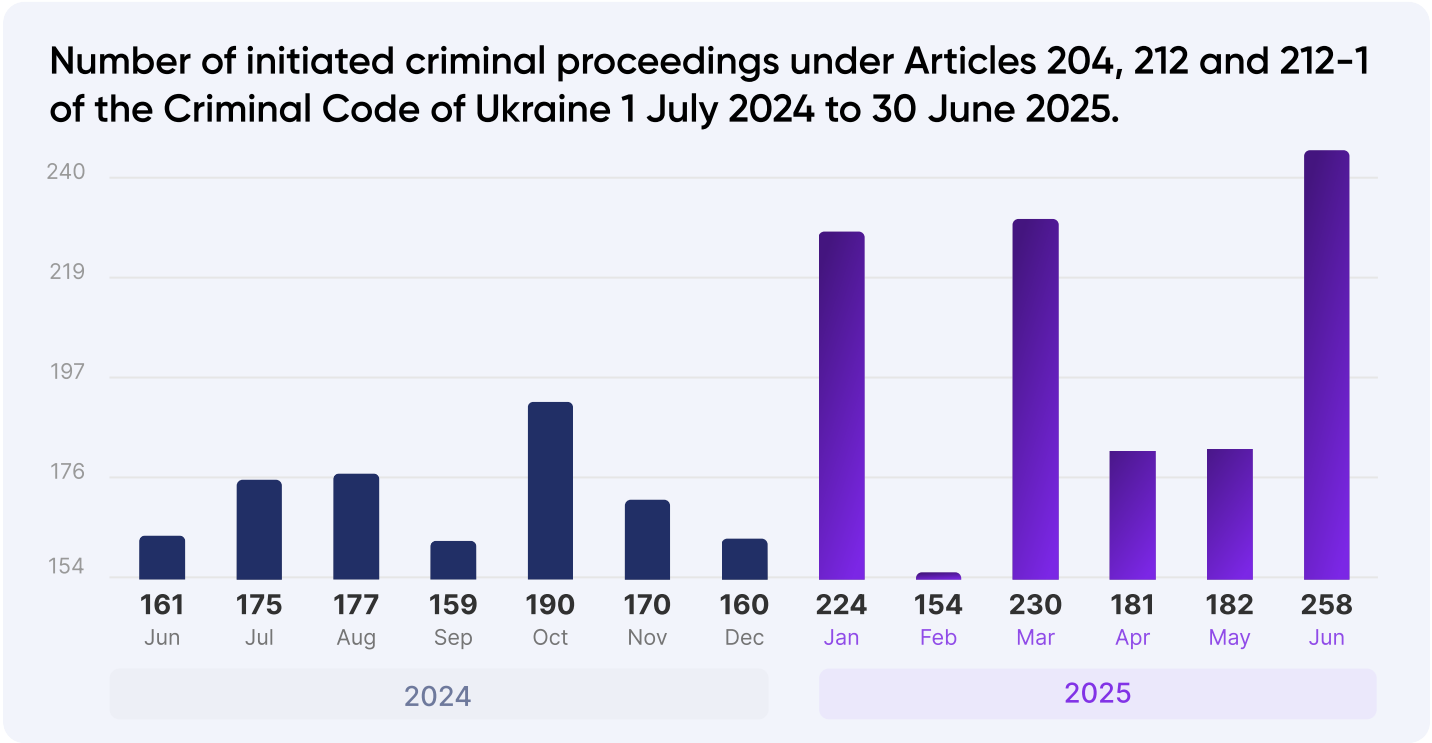
In June 2025, revenues recorded through RRO/PRRO systems amounted to UAH 465.3 billion, with an average daily revenue of UAH 15.5 billion—an increase of UAH 0.2 billion (1.6%) compared to May 2025 and UAH 3.7 billion (30.6%) compared to June 2024.



The average daily number of receipts in June 2025 was 29.3 million. This represents an increase of 370,000 receipts (1.3%) compared to May 2025 and an increase of 3 million receipts (11.5%) compared to June 2024.

This is a positive indicator of the gradual formalization of retail operations and an indirect signal of reduced corruption risks in this sector.

Violations



According to data from dashboard.gp.gov.ua, developed by the [NGO Technology of Progress](#), 258 criminal proceedings directly related to tax administration (including tax evasion and the sale of excisable goods) were registered in June 2025. This is 97 more than in June 2024 and 76 more than in May 2025, marking the highest figure for the year.

In addition, in June, eight tax authority employees received disciplinary sanctions for violations of anti-corruption legislation and ethical standards (a 70% decrease compared to the same period in 2024), and one official (Head of the Tax Debt Management Department) was dismissed.

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