

Tax Service Performance Digest

No2
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Key Highlights



The Regulation on the State Agency of Ukraine Playcity has been approved. The Agency is responsible for implementing state policy in the fields of organising and conducting gambling and lotteries. It is tasked with launching an online monitoring system for the gambling industry, a sector traditionally associated with high corruption risks. The system is expected to ensure proper oversight of gambling business entities, minimise opportunities for tax evasion, and reduce corruption risks.



The personal income declaration period ended on 1 May, 2025. As of that date, individual taxpayers submitted approximately 170,000 personal income tax declarations for the year 2024 (nearly the same number as for 2023) — declaring a total income of UAH 326 billion, which is over UAH 100 billion more than in the previous year. Unlike in most European countries, income declaration by individuals in Ukraine is not mandatory. In addition to its fiscal impact, the declaration process is an important tool for raising the integrity and public awareness of tax responsibilities.

Implementation of the National Revenue Strategy (NRS)

The National Revenue Strategy outlines a series of anti-corruption measures to be implemented by the State Tax Service of Ukraine (STS). Key developments related to these measures in May include:

- ❶ No progress was made in the development of the software for the ICS “Information Exchange with Foreign Competent Authorities”; no procurement procedures have been initiated for this system. As a result, there is a risk that the funds allocated in the 2025 State Budget for the development of this IT solution may be lost.
- ❷ The system implementation is expected to ensure transparency in the exchange of information with foreign competent authorities, reduce potential corruption risks related to the manipulation of tax data, and improve the quality of documentary audits. In addition, the system aims to eliminate the duplication of special requests on similar matters and prevent overloading foreign competent authorities with redundant enquiries. It will maintain a full audit trail — from the initiation of a special request (including its grounds and rationale) to the practical outcomes resulting from the information received from the foreign competent authority.
- ❸ Due to the lack of funding, the development of the Automated Tax Risk Management System (ATRMS) has also stalled. Last year, the State Tax Service did not submit a funding request to the Ministry of Finance and is currently seeking international technical assistance — thus far without success. According to its concept, the IT solution will comprise three main components: a data warehouse, the ATRMS core platform, and an analytical module. The system is expected to:
 - reduce the impact of human factors in decision-making processes will, accordingly, reduce the potential for corrupt practices.
 - consolidate all data of the STS within a single analytical environment;
 - improve the speed and accuracy of processing large volumes of information;
- ❹ The State Tax Service is continuing the implementation of a new approach to tax risk management aimed at reducing existing corruption risks, in particular, those stemming from the subjective selection of taxpayers for audits related to potential tax evasion. Following the review of the first list of high-risk taxpayers (in January

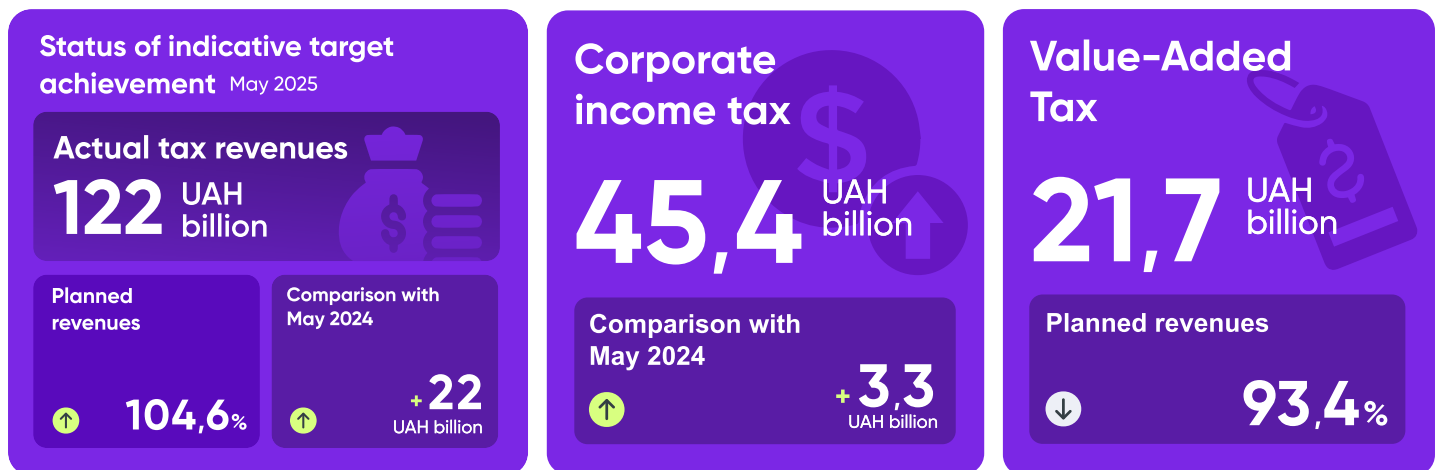
and May 2025), the State Tax Service conducted 130 scheduled documentary audits, including one of a large taxpayer. As a result, UAH 502.1 million in additional tax liabilities were assessed, and reported tax losses were reduced by UAH 196 million.

It should be recalled that the function of risk assessment and management in shaping the schedule of planned documentary audits of taxpayers according to the Anti-Corruption Programme of the State Tax Service for 2023–2025 has been classified as a corruption-prone area.

As of now, based on the results of corporate income tax declarations for Q1 2025, the tax authority has:

- compiled a second list of 1,535 companies identified as high tax risk for further tax control measures;
 - prepared informational and analytical materials on the tax risks of 1,043 taxpayers — the STS plans to carry out outreach and awareness-raising activities with them in upcoming periods.
- 5 The State Tax Service continues to work on the development of an IT solution for e-audit and plans to extend its contract with the software developer until 31 of October 2025. However, as of the end of May, the contract had not yet been extended, creating risks for the timely completion of the work. The full-scale implementation of the e-audit system is expected to enhance the transparency of documentary audits of taxpayers, improve the automated detection of tax risks, and reduce corruption risks during audit procedures.

Performance Against Revenue Targets



In May 2025, the general fund of the state budget received UAH 122 billion in taxes and fees. This exceeds the Ministry of Finance's target for the period by UAH 5.3 billion, or 4.6%. It also represents an increase of UAH 22 billion, or 22.1%, compared to the same period in 2024

Corporate income tax amounted to UAH 45.4 billion, which is UAH 3.3 billion, or 7.9%, more than in the same period in 2024. This increase was primarily driven by advance payments and inflation. The trend of de-shadowing observed in recent years has stalled — in Q1 2025, the effective payment rate¹ declined to 1.25%, down by 0.16 percentage points compared to Q1 2024.

Value-Added Tax (VAT) revenues amounted to UAH 21.7 billion, representing 93.4% of the Ministry of Finance's target — UAH 1.5 billion below plan.

In May 2025, UAH 15.5 billion in VAT was refunded to taxpayers. Compared to March, the outstanding balance of unreimbursed VAT remained nearly unchanged at UAH 30.3 billion. This is partly due to the following factors:

- The State Treasury Service did not transfer the full amount owed to businesses by the end of the month.
- The State Tax Service continues to refer a significant share of VAT refund claims for documentary audits. In May 2025, 37.2% of refund claims were subjected to

¹ The tax payment rate is defined as the ratio of the amount of tax paid to total income (for corporate income tax) or to the value of goods and services sold (for VAT).

audit, nearly double the share recorded in May 2024 (19.45%). As a result, the reimbursement process has become lengthier.



Personal income tax and military levy – amounted to UAH 30.4 billion in May 2025, including UAH 13.8 billion from the military levy. Compared to the same period in 2024, this represents an increase of UAH 12.9 billion, or 74%.

The overperformance in revenue was largely driven by the increase in the military levy rate and the nominal growth in wages. Businesses continue to raise official

salaries in order to retain the ability to reserve their employees from military mobilisation.



Excise tax on imported goods amounted to UAH 4.4 billion, which is UAH 2 billion, or 85.7%, more than during the same period in 2024. This growth was driven by an increase in excise tax rates.

Excise tax on goods produced in Ukraine amounted to UAH 10.9 billion, which represents 92.3% of the Ministry of Finance’s revenue target for May 2025. The amount collected was UAH 0.9 billion below plan. The shortfall in excise revenues from alcohol, tobacco, and fuel indicates insufficient effectiveness in countering shadow market 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 significant corruption-related risks, and high tax rates allow for substantial profit margins in illegal trade involving such goods.

The administrative functions related to these sectors have been identified as potentially vulnerable to corruption under the State Tax Service's Anti-Corruption Programme for 2023–2025. To assess the impact level of potential corruption risks, we present below the results of tax administration in these sectors. Indicators of reduced corruption risks include increased budget revenues, growth in tax compliance levels, improved quality of tax administration, and the automation of interactions between taxpayers and the tax authority

The situation in these areas over the period January–May 2025 is as follows:

Alcohol. Distilleries produced 16.91 million decalitres of absolute alcohol, which is 54% more than during the same period in 2024. The average production volume in 2025 increased to 3.38 million decalitres of absolute alcohol — 1.18 million decalitres more than in 2024.



The VAT payment rate on produced volumes:

- **or alcohol producers** decreased to 2.43%, down by 1.79 percentage points compared to 2024, despite an increase in production volumes;
- **or producers of alcoholic beverages** fell to 4.92%, down by 1.56 percentage points compared to 2024, despite an increase in supply volumes.

The corporate income tax payment rate in Q1 2025:

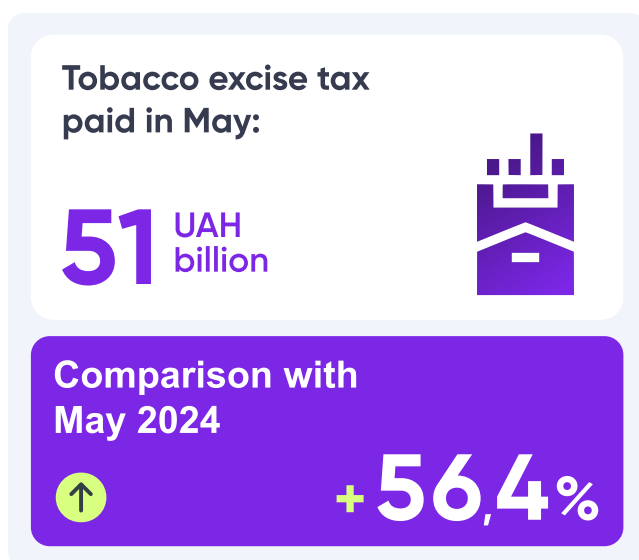
- **or alcohol producers** increased to 0.36%, up by 0.16 percentage points

compared to Q1 2024, marking the highest level in the past five years;

- **or producers of alcoholic beverages** fell to 1.12%, down by 0.29 percentage points compared to Q1 2024.

Despite the increase in alcohol production volumes, the disproportionate dynamics of declared tax liabilities persist. This may indicate a decline in taxpayer integrity an expansion of the shadow economy and the significant impact of corruption risks on the situation in the sector.

Tobacco. Since the beginning of the year, tobacco manufacturers have produced approximately 13.1 billion cigarettes, excluding cigarillos and T-VEN products (an average of 2.6 billion cigarettes per month). In April 2025, after two months of growth, production declined to 2.2 billion cigarettes — 678.1 million fewer than in March 2025 and 471.2 million fewer than in February 2025.



The state budget of Ukraine received nearly UAH 51 billion in excise tax from domestically produced and imported tobacco products — 56.4% more than in 2024. Overpaid excise tax on imported goods has increased by UAH 8.3 billion since the beginning of the year and currently amounts to UAH 13.7 billion. The Ministry of Finance's revenue target for domestically produced tobacco was exceeded by UAH 2.2 billion

over the period January–May 2025, but starting in April, it has not been met in full. In May, revenues were UAH 613.3 million (7.7%) below target.

At the same time, tobacco product manufacturers reduced their VAT payment rate to 15.6%, which is 0.5 percentage points lower than in January–May 2024. The deterioration of this indicator may also signal an increase in shadow transactions and a decline in the integrity of certain taxpayers.

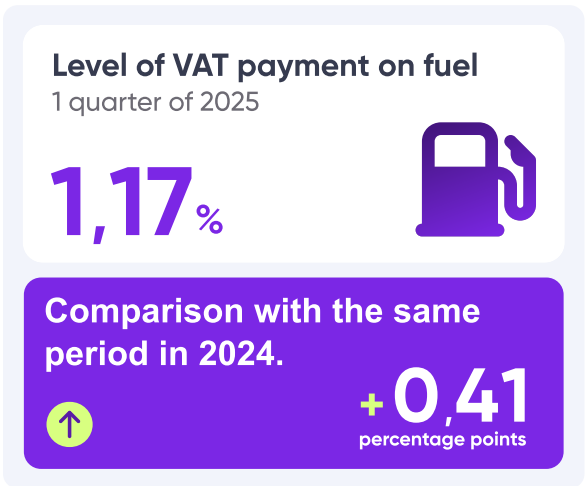
The corporate income tax payment rate in Q1 2025 increased to 1.7%, up by 0.5 percentage points compared to the same period in 2024.

The decline in the VAT payment rate and the partial underperformance of the Ministry

of Finance’s revenue targets in the sector may indicate a deterioration in taxpayer integrity and a growing impact of corruption risks on the situation in the sector.

Fuel. Between January and May 2025, 48 fuel retail networks paid nearly UAH 5.5 billion in taxes (excluding the single social contribution), including:

- UAH 2.2 billion in value-added tax (VAT);
- UAH 1.3 billion in corporate income tax, including UAH 0.8 billion in advance payments;



The VAT payment rate among fuel station networks increased to 1.17%, up by 0.41 percentage points compared to 2024.

The corporate income tax payment rate in Q1 2025 increased to 0.45%, up by 0.14 percentage points compared to the same period in 2024.

In retail fuel trade, sales recorded via POS/fiscal devices increased by only 1% over the period January–May 2025 compared to the same period in 2024. The volume of fuel sold during this period decreased by 8% year-on-year, which was offset by the increase in excise tax rates on fuel introduced on 1 September 2024.

Overall, the sector demonstrates positive tax trends; however, according to the Ukrainian Oil and Gas Association, the illegal market still holds a significant share due to entirely unregistered fuel stations (over 400 as of May 2025)² which calls for more effective oversight by tax and law enforcement authorities. Accordingly, the influence of corruption risks on this sector is diminishing.

¹ <https://oilers.org.ua/uk/2025/05/22/lvivska-odeska-ta-kiyivska-oblasti-ocholili-antirejting-nelegalnix-azs/>

Taxes paid on household electrical appliances:

Jan–May 2025

4,1 UAH billion



Comparison with the same period in 2024.



+1,3
UAH billion

Electronics Trade Between January and May 2025, enterprises in the “wholesale and retail trade of household electrical goods” sector paid UAH 4.1 billion in taxes — UAH 1.3 billion more than during the same period in 2024. A significant increase was recorded in VAT (+UAH 0.7 billion), corporate income tax (+UAH 0.2 billion), and personal income tax (+UAH 0.3 billion).

In January–May 2025, the electronics sector declared UAH 2.26 billion in VAT on a supply volume of UAH 115.64 billion, corresponding to a payment rate of 1.95% — the highest level in the past four years. Between 2022 and 2024, the payment rate remained within the range of 1.24%–1.32%. At the same time, monthly indicators show a negative trend: in May 2025, the payment rate decreased to 1.19%, compared to 1.87% in April 2025. Such dynamics may indicate an increase in the influence of corruption risks and a decline in taxpayer integrity.

In Q1 2025, the electronics sector declared UAH 58.7 billion in income and paid UAH 268.36 million in corporate income tax, corresponding to a payment rate of 0.46% — 0.16 percentage points higher than in 2024. The highest payment rate over the past five years was recorded in 2023 — 0.52% on declared income of UAH 53.8 billion.

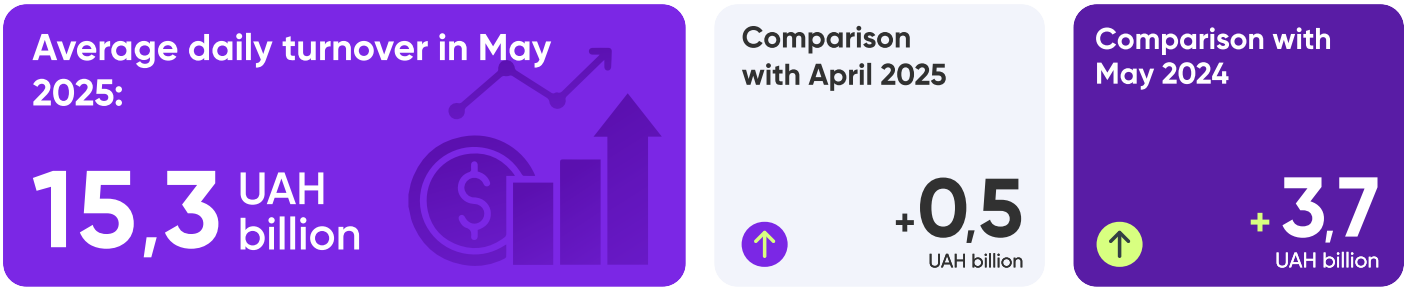
A positive trend is observed in average wages. In Q1 2025, the average salary increased by 43% compared to the same period in 2023 and by 23.6% compared to Q1 2024, reaching UAH 28,720 per employee.

However, despite some positive developments in the sector, the level of shadow activity remains significantly high.

Sales Volumes via Cash Registers. Bringing payment transactions out of the shadows remains an important element in combating the shadow economy. The issuance of fiscal receipts significantly increases taxpayer accountability and positively influences their integrity.

Between March and May 2025, the number of active POS/fiscal devices tripled compared to previous periods — an increase of 20,000 devices.

In May 2025, sales recorded via POS/fiscal devices amounted to UAH 473.4 billion — UAH 21.7 billion, or 4.8%, more than in March of this year, and UAH 112.8 billion, or 31.3%, more than in May 2024.

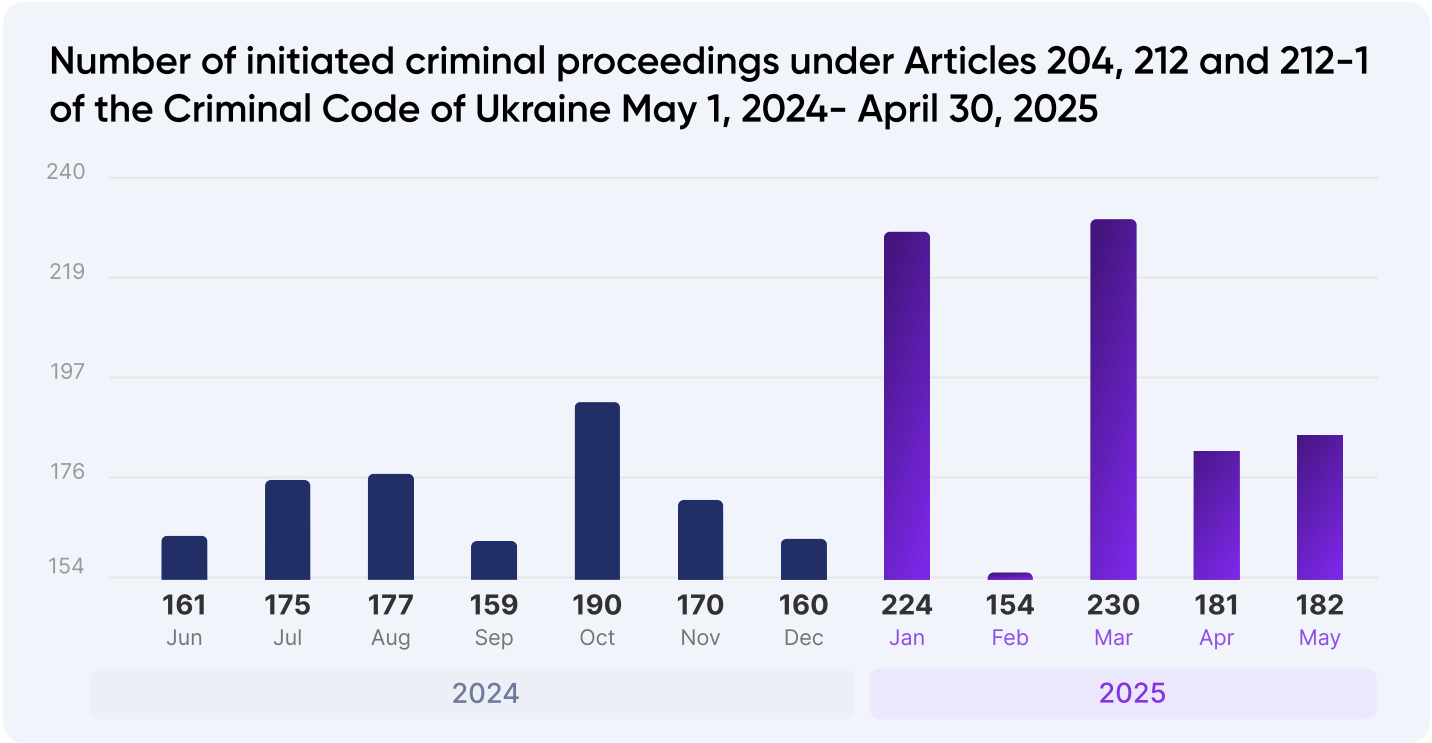


The average daily sales volume in May 2025 reached UAH 15.3 billion — UAH 0.5 billion, or 3.4%, more than in April 2025, and UAH 3.7 billion, or 31.9%, more than in May 2024.

The average daily number of receipts in May 2025 amounted to 28.9 million. Compared to April of this year, the daily number of receipts increased by 600,000, or 2.1%. Compared to May 2024, the average daily number of receipts rose by 2.6 million, or 9.9%.

This is a positive indicator of the de-shadowing of retail trade operations and a measure of the extent to which corruption risks affect the tax sector.

Violations



According to dashboard.gp.gov.ua, developed by the NGO "Technologies of Progress," 181 criminal cases were initiated concerning tax offenses (such as tax evasion and the sale of excisable goods) were registered in March 2025. This is 2 fewer than in March 2024 and 49 fewer than in March 2025. These figures are slightly below the annual average.

The number of criminal proceedings initiated under Articles 204, 212, and 212-1 of the Criminal Code of Ukraine during the period from May 1, 2024, to April 30, 2025.

In April 2025, first-instance courts issued 35 verdicts under tax-related articles — 10 more than in March and 5 more than during the same period last year. Of these, only 5 were guilty verdicts, while an additional 26 were approved through plea agreements.

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