

SMALL AND MEDIUM BUSINESS AMIDST ECONOMIC TURBULENCE: UKRAINE'S EXPERIENCE

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Rudyk N. V. Small and Medium Business amidst Economic Turbulence: Ukraine's Experience

In Ukraine, the importance of small business for the economy and the need to stimulate it are being realized at the level of both the scientific community and public administration. The situation with the pandemic has complicated the conditions of functioning of small and medium-sized business entities (hereinafter SMEs), but at the same time has justified the need to support it not only in the situation of collapse, but also as a matter of socio-economic stabilization and the prospect of reducing the unemployment rate. The status and conditions of SME functioning, its importance in various spheres of economic activity and in the labor market are researched. The emphasis is on modern trends in the functioning of SMEs, financial relations between the State and SME entities. A comparison of classification characteristics of SMEs was conducted in accordance with the Tax and Commercial Codes of Ukraine. The conditions of operation of small and medium-sized businesses on a simplified taxation system are compared. The latest legislative changes related to the stabilization policy of the State are taken into account. To identify the main trends of small business development, an analysis of the dynamics of the quantity, composition and structure of business in terms of its size, as well as the dynamics of the number of small enterprises and individual entrepreneurs by the largest groups in accordance with the classification of domestic economic activity in the country was carried out. The significance of SMEs in the employment structure is defined in the plane of enterprises and in terms of their size; the need to stimulate entrepreneurship in conditions of global instability is proved. A chronological analysis of the introduction of fiscal instruments for supporting the State in an emergency situation was carried out. In view of international experience, alternative quarantine preferences are considered as possible measures of the State support.

Keywords: small and medium-sized business, fiscal instruments, quarantine preferences, the State support.

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Рудик Н. В. Малий і середній бізнес в умовах турбулентності: досвід України

В Україні значення малого бізнесу для економіки та необхідність його стимулювання усвідомлюють на рівні як наукового співтовариства, так і державного управління. Ситуація з пандемією ускладнила умови функціонування суб'єктів малого та середнього бізнесу (далі – МСБ), але водночас підтвердила необхідність його підтримки не лише в ситуації колапсу, але й для соціально-економічної стабілізації та перспективи зменшення рівня безробіття. Досліджується стан та умови функціонування МСБ, його значення в різних сферах економічної діяльності та на ринку праці. Акцентується увага на сучасних тенденціях функціонування МСБ, фінансових відносинах між державою та суб'єктами господарювання МСБ. Проведено порівняння класифікаційних характеристик МСБ відповідно до Податкового та Господарського кодексів України. Порівняно умови перебування малого та середнього бізнесу на спрощеній системі оподаткування. До уваги взято останні законодавчі зміни, що пов'язані зі стабілізаційною політикою держави. Для виявлення основних тенденцій розвитку малого підприємництва проведено аналіз динаміки кількості, складу та структури бізнесу в розрізі його розмірів, а також динаміка кількості малих підприємств і фізичних осіб – підприємців за найчисельнішими групами відповідно до класифікації внутрішньої економічної діяльності в країні. Визначено значення МСБ у структурі зайнятості в розрізі підприємств за їх розмірами та доведено необхідність стимулювання підприємництва в умовах глобальної нестабільності. Проведено хронологічний аналіз введення в дію фіскальних інструментів підтримки держави в надзвичайній ситуації. З використанням міжнародного досвіду розглянуто альтернативні карантинні преференції як можливі заходи державної підтримки.

Ключові слова: малий і середній бізнес, фіскальні інструменти, карантинні преференції, державна підтримка.

Рис.: 2. **Табл.:** 3. **Бібл.:** 18.

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Small and medium-sized business makes up the basis for the economy in many countries. Ukraine used to build its economy on large industrial complexes, which it inherited from the Soviet Union. However, the lack of a favorable investment climate makes Ukraine's products less competitive in the world markets, and globalization and open borders force enterprises to compete for the consumer in domestic markets. In these conditions, production is reducing, and labor resources are being released. The latter is also facilitated by technological development, which allows more efficient use of resources, including employees. That is why the priority of small and medium business development has become an important aspect of the strategic vision of Ukraine's economy. The development of small and medium-sized business is an unemployment reduction tool, unemployment being a key feature of modern economy. In addition, small and medium-sized enterprises help the founders realize their entrepreneurial skills; such enterprises quickly turn to supplying new goods and services, grab new markets, contribute to the implementation of scientific and technological development, thus de-shadowing the economy. The economy of most modern countries is built in such a way that population mostly earn income from small and medium-sized enterprises, though they may form a much smaller share of the GDP than large-scale business does. Such countries have long been stimulating the development of small and medium-sized business, creating tax, credit and other favours.

A significant problem faced by small and medium-sized business in the absence of special tax conditions is the high impact of semi-fixed costs of the administration of taxes paid on production costs and profit margins. In 2020, Ukraine ranks the 65th in the Doing Business ranking [10] as of the tax system complexity, and Ukrainian tax payers spend 328 hours a year on paying taxes. If a company with the turnover of UAH 7 million per year (the limit for group III, set in 2020 and further) has an accountant in their staff, this fact will increase the cost of the company's products by 4% based on the cost of the payroll being UAH 20 thousand per month, including the allowance and profit margin of 20%. With a decrease in turnover, or an increase in margins, the impact, respectively, will be more significant. Besides, in the absence of simplified accounting, the government would face an increase in the shadow economy. All these constant problems are intensified by the lockdown situation.

The *purpose* of the research is to reflect the state and real working conditions of the small and medium-sized business (hereinafter referred to as SMBs), on the one hand, and the chronology of providing state support before and during the lockdown. According to the purpose of the research, the following tasks have been identified: to bring the classifications of small and medium-sized businesses to a common understanding under the Tax Code of Ukraine (hereinafter referred to as TCU) and the Commercial Code of Ukraine; to identify the position and analyze the conditions of SMBs functioning before the lockdown was introduced; to analyze the chronology of providing state support before and during the lockdown.

Depending on the characteristics of the market, investment climate and a number of other factors, researchers and practitioners offer different variations of improving the state and conditions of small and medium-sized business in each country. The problem became acute in the situation of the epidemic. At the same time, research on the positive impact of SMBs on financial infrastructure and the labor market is now becoming increasingly topical [3; 7]. The simplified taxation system for SMBs in one way or another also remains important [1; 4; 6; 8]. The impact of the lockdown measures on the SMBs functioning is currently being studied in detail by most practitioners and scientists, because economic stability of not only individual countries, but of the whole world is at stake now [2; 5; 9].

The introduction of the lockdown measures has dramatically changed the operating conditions for SMBs. On March 30, 2020, in order to support domestic business during the lockdown, the Law "On Amendments to Certain Legislative Acts of Ukraine Aimed at Providing Additional Social and Economic Guarantees in Connection with the Spread of Coronavirus" (COVID-19) [14] was adopted, which increased the maximum amount of income allowed for each of the SMBs groups. Current information for April 2020 is given in *Tbl. 1*.

Table 1 shows that the Tax Code does not operate in the categories of "micro", "small", "medium" and "large" enterprises, setting requirements for tax groups in accordance with their maximum amount of income and the number of employees [13]. The Commercial Code of Ukraine divides these categories on the basis of these 2 indicators and the balance sheet assets (*Tbl. 2*).

Table 1

Simplified taxation system in Ukraine with changes dated March 30, 2020

| | Group I | Group II | Group III | Group IV |
|--|--|---|--|---|
| Legal form | Self-employed person (SEP) | SEP | SEP / legal person | SEP / legal person |
| Maximum amount of income (Art. 129, TCU) | ≤ 1 mln UAH (300 thousand)* | ≤ 5 mln UAH (1.5 mln)* | ≤ 7 mln UAH (5 mln UAH)* | ∞ (limited land area) |
| Employees | – | ≤10 | ∞ | Legal persons – ∞, SEP – 0 |
| Additional terms and exceptions | Sale of goods from outlets in the markets and / or provision of household services to the population | With the exception of the areas: – real estate; – jewelry, precious metals and stones wares | | 75% or more is made up by agricultural production SEPs registered in accordance with the Law of Ukraine "On Farming" |
| Harmonized tax rate (Art. 293, TCU) | Up to 10% of the subsistence level per month (is set up by local authorities) | Up to 20% of the minimum wages per month (is set up by local authorities) | 5% of the income or 3% of the income + VAT | 0.19–6.33% of the regulatory and monetary valuation of 1 hectars (app/2 acres) of land (with indexation rates) depending on the plot's type (0.19% for perennial plantings, 6.33% for protected ground) |
| | 15% of income received above the limit set for the group; 15% of income from activities not listed in the register of harmonized tax payers; 15% of income from activities not provided for the selected group | | | |

Note: The maximum amount of income before the changes dated March 30, 2020.

Source: compiled by the author on the basis of [14; 17].

Table 2

Classification of enterprises by size in accordance with the Commercial Code of Ukraine

| Classification characteristics | Balance sheet assets | Net income from selling products (goods, work, services) | The average number of employees |
|--------------------------------|------------------------|--|---------------------------------|
| Microenterprises | Up to 350,000 Euros | Up to 700,000 Euros | Up to 10 employees |
| Small enterprises | Up to 4,000,000 Euros | Up to 8,000,000 Euros | Up to 50 employees |
| Medium-sized enterprises | Up to 20,000,000 Euros | Up to 40,000,000 Euros | Up to 250 employees |
| Large enterprise | Over 20,000,000 Euros | Over 40,000,000 Euros | Over 250 employees |

Source: compiled by the author on the basis of [12].

The issue of classifying enterprises by size is debatable, primarily because different agents suggest different tasks for the classification system.

Taking into account the average hryvna : euro exchange rate of 29.16:1 (March 2020, when the income margins for groups 1–3 were updated), the maximum net income from selling products (goods, work, services) for micro-enterprises is UAH 20.4 million, i.e., almost 3 times the limit of taxation group 3. That is, and this is very important,

the Ukrainian legislation only provides a simplified taxation system for micro-enterprises. At the same time the stimulation of small and medium-sized businesses through taxation is not provided, and this fact, against the background of high tax burden, encourages companies to use schemes to minimize and / or evade taxes.

By developing small business, the country receives an opportunity to realize its innovation potential. Due to the greater flexibility of processes, a small business responds immediately to changing

market conditions, giving the economy the necessary flexibility, leading to rapid development. In the current situation, this is especially important given the processes of the consumer demand differentiation, technological development acceleration, growth of the range of the so-called “customized” goods, which are flexible to the end consumer’s needs. In the long run, large companies will develop business models and build processes that can meet this demand. However, in the short term, this can only be done by small businesses.

Reliable information, namely, the quantitative parameters of small business development, is the necessary condition for assessing the indicators of small business development in Ukraine. Using the data from the State Statistics Service of Ukraine, we will consider indicators that reflect the state and dynamics of changes during the businesses’ activity. In its reports the SSSU relies on the classification approved by the Commercial Code of Ukraine (*Tbl. 3*). As it has been mentioned above, this classification differs from the criteria identifying the target group of the simplified taxation system, thus complicating the analysis process. The available data make it possible to draw conclusions about the structure and dynamics of economic activity in the country, namely, to assess the small business development in Ukraine.

Statistics show that since 2010 Ukraine has seen a systematic decrease in the number of enterprises: in general, during the study period their number decreased by 16% from 2.1 to 1.8 million enterprises. The largest reduction in percentage terms has been shown by large enterprises (–24%), which fact confirms the thesis of the growing role of small business in Ukraine’s economy.

Another significant fact is the acceleration of enterprises reduction after 2014, caused by the unfavorable situation in Ukraine, which was formed in the Luhansk and Donetsk regions, as well as the annexation of the Autonomous Republic of Crimea. The acceleration is significant, even given the fact that the statistics for the whole period have been “cleansed” of the effects of the annexation and temporary occupation of the territory, i.e. it does not include enterprises registered in these areas. At the end of 2016, small enterprises were still significantly reducing in number, and as of the end of the year almost 250 thousand self-employed persons ceased their activities. Large-scale closure of self-employed

persons is happening in each region of Ukraine; in particular, in the Kyiv region 40.6 thousand, or 13.0%, of SEPs have closed, in the Kharkiv region the figure is 24.3 thousand, or 16.0%, in the Dnipro region it is 24.7 thousand, or 17.0%. The minimum number of enterprises for the analyzed period was observed in 2012, making up 1.6 million, the maximum was in 2010, making 2.2 million enterprises. General statistics only show the dynamics of the number of SEPs, as the minimal figures in the category “enterprises” are observed in 2016. Today, the number of enterprises is close to the average one with a slight downward trend. Given that statistics do not operate by the number of “active” enterprises, but by the number of registered enterprises, we cannot say with reasonable assurance that this is a reflection of the downward trend in the country’s economic activity.

In the sectoral structure, small business is usually characterized by the Classification of Economic Activities (hereinafter referred to as CEA) as “wholesale and retail trade; repair of motor vehicles and motorcycles”, which cover 45% of legal entities and 49% of SEPs. The second place is taken by “information and telecommunications” under the CEA, making 10 and 11%, respectively. It is telling that the number of SEPs falling under this CEA increased 4 times in 2010-2018: from 42 thousand to 160 thousand [11]. During this period, the number of legal entities providing information services increased 3 times: from 55 to 175 thousand. Given the author’s forecast for 2019, the total increase in the number of enterprises will reach 3.8 times (*Fig. 1*). These statistics illustrate the positive trend towards the growth of the IT sector in Ukraine.

It is interesting to mention that real estate transactions take the second place in terms of the growth in the number of SEPs (+105%): it is obvious that the number of estate agents is growing despite the development of online services in the real estate sector and the general “uberization” of services. Other sectors that have shown growth are education and health care. They have long been monopolized by the state, which has led to a decline in the quality of services and, with rising incomes, the formation of a market attractive to private business.

The main reasons for the decline in the small enterprises and SEPs in Ukraine after 2016 are: the increase in the amount of payment of the Unified Social Tax as amended by the Tax Code of

Table 3

Dynamics of the number, composition and structure of small businesses in Ukraine in 2010–2018, and the forecast for 2019, thousand enterprises

| Year | Including | | | | | | | In all |
|------------------------|-------------|--------------|-------|-----------------|--------------------------|-------------------|-------------------------|--------|
| | Enterprises | | | | Self-employed persons | | | |
| | Large | Medium-sized | Small | Of which micro- | Of medium-sized entities | Of small entities | Of which micro-entities | |
| 2010 | 0.6 | 21.0 | 357.2 | 300.4 | 0.4 | 1804.8 | 1793.2 | 2183.9 |
| 2011 | 0.7 | 20.8 | 354.3 | 295.8 | 0.3 | 1325.6 | 1313.0 | 1701.6 |
| 2012 | 0.7 | 20.2 | 344.0 | 286.5 | 0.4 | 1234.8 | 1224.3 | 1600.1 |
| 2013 | 0.7 | 18.9 | 373.8 | 318.5 | 0.4 | 1328.4 | 1318.7 | 1722.1 |
| 2014 | 0.5 | 15.9 | 324.6 | 278.9 | 0.7 | 1590.4 | 1581.0 | 1932.2 |
| 2015 | 0.4 | 15.2 | 327.8 | 284.2 | 0.3 | 1630.6 | 1626.6 | 1974.3 |
| 2016 | 0.4 | 14.8 | 291.2 | 247.7 | 0.3 | 1558.9 | 1553.0 | 1865.5 |
| 2017 | 0.4 | 14.9 | 322.9 | 278.1 | 0.3 | 1466.5 | 1459.0 | 1805.1 |
| 2018 | 0.4 | 16.1 | 339.4 | 292.8 | 0.4 | 1483.3 | 1472.0 | 1839.6 |
| 2019* | 0.5 | 16.5 | 366.0 | 317.9 | 0.5 | 1427.3 | 1413.6 | 1810.8 |
| Average for the period | 0.5 | 17.5 | 337.2 | 287.0 | 0.4 | 1491.5 | 1482.3 | 1847.2 |
| Minimum for the period | 0.4 | 14.8 | 291.2 | 247.7 | 0.3 | 1234.8 | 1224.3 | 1600.1 |
| Maximum for the period | 0.7 | 21.0 | 373.8 | 318.5 | 0.7 | 1804.8 | 1793.2 | 2183.9 |
| Growth index: | | | | | | | | |
| 2014/2010 | 0.85 | 0.76 | 0.91 | 0.93 | 1.98 | 0.88 | 0.88 | 0.88 |
| 2018/2014 | 0.90 | 1.01 | 1.05 | 1.05 | 0.59 | 0.93 | 0.93 | 0.95 |
| 2018/2010 | 0.76 | 0.77 | 0.95 | 0.97 | 1.16 | 0.82 | 0.82 | 0.84 |

Note: The table shows the forecast based on the linear trend of 2016–2018.

Source: compiled by the author on the basis of [16].

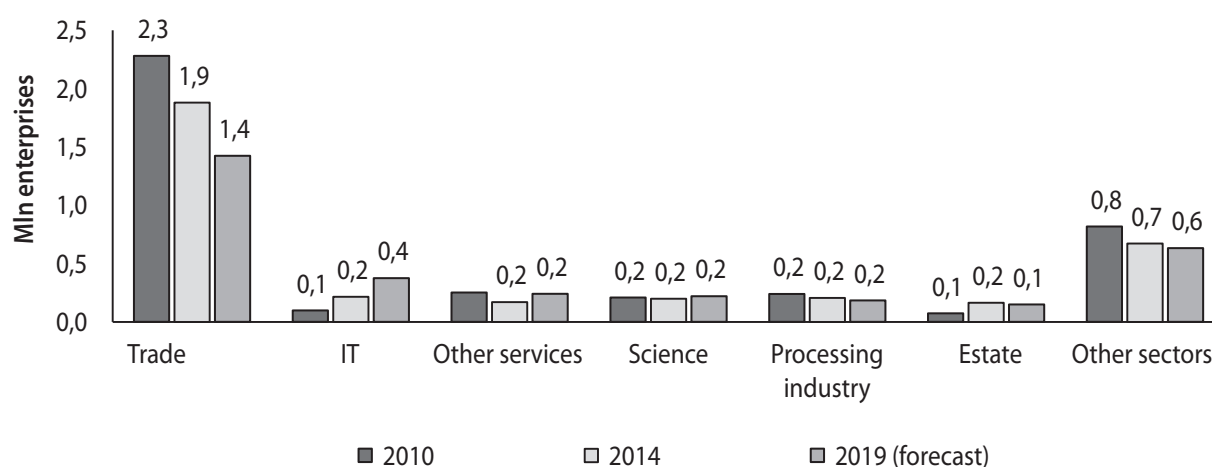


Fig. 1. Dynamics of the number of small enterprises and SEPs by sectors, million enterprises

Source: compiled by the author on the basis of [16]

Ukraine; introduction of a tax on zero income; pegging goods, work and services to the exchange rate of foreign currency (in particular, the US dollar or euro) in Ukraine, which led to a significant market crisis; rise in the inflation rate (dropping consumer purchasing power, causing a profit slump); excessive governmental regulation that slows down the development of small business; unavailability of borrowing funds, including bank loans. SEPs in retail (93,438, or 14.0%) and wholesale (17,445, or 15.0%) trade, warehousing (27,274, or 14.0%) and transport services (14,977, or 19.0%) were most often closed. In 2017–2018, the number of small enterprises increased to 322,920 in 2017 and to 339,374 in 2018, which amounted to 18.0% and 18.6%, respectively, in the total number of small businesses. The number of SEPs fell from 1.55 million in 2016 to 1.46 in 2017 and 1.48 in 2018. In the total number of small businesses, their share was 82.0% and 81.4%, respectively. Thus, we can admit that despite the growing share of small business in the structure of the economy, in absolute terms there is a negative trend. On the other hand, although the dynamics of growth in the number of small enterprises is positive, in comparison with economically developed countries, we can speak of the extremely insufficient development of small business in Ukraine, because the number of small enterprises is smaller than the one in economically and socially developed countries.

Speaking of Ukraine’s employment structure analysis, there are two major trends: first, since 2010 the number of employed people has decreased by 21% from 10.8 million to 8.53 (Fig. 2). Given that the SSSU presents its data as “cleansed of the annexation of the Crimea and temporary occupation of the Donetsk and Luhansk regions”, this decline is a reflection of the current demographic (shrinking and aging population), and economic (labor migration to European and other countries) processes.

Secondly, the share of employees working at small enterprises and self-employed persons is growing, making up to 50% of the employed population. It happens because of economic factors – the automation of processes at large enterprises against the background of reduced production volumes due to the loss of eastern consumer markets, – and of institutional ones: optimization of the legal framework of the simplified taxation system. Thus, from 2010 to 2018, the number of small enterprises reduced by 24%, and that of self-employed persons only reduced by 8.6%. At the same time, the number of employees at medium-sized enterprises only reduced by 19.2%. This can be explained by the reclassification of enterprises: part of the large ones passed into the category of medium-sized enterprises, as well as part of the small ones did, especially export-oriented ones[18].

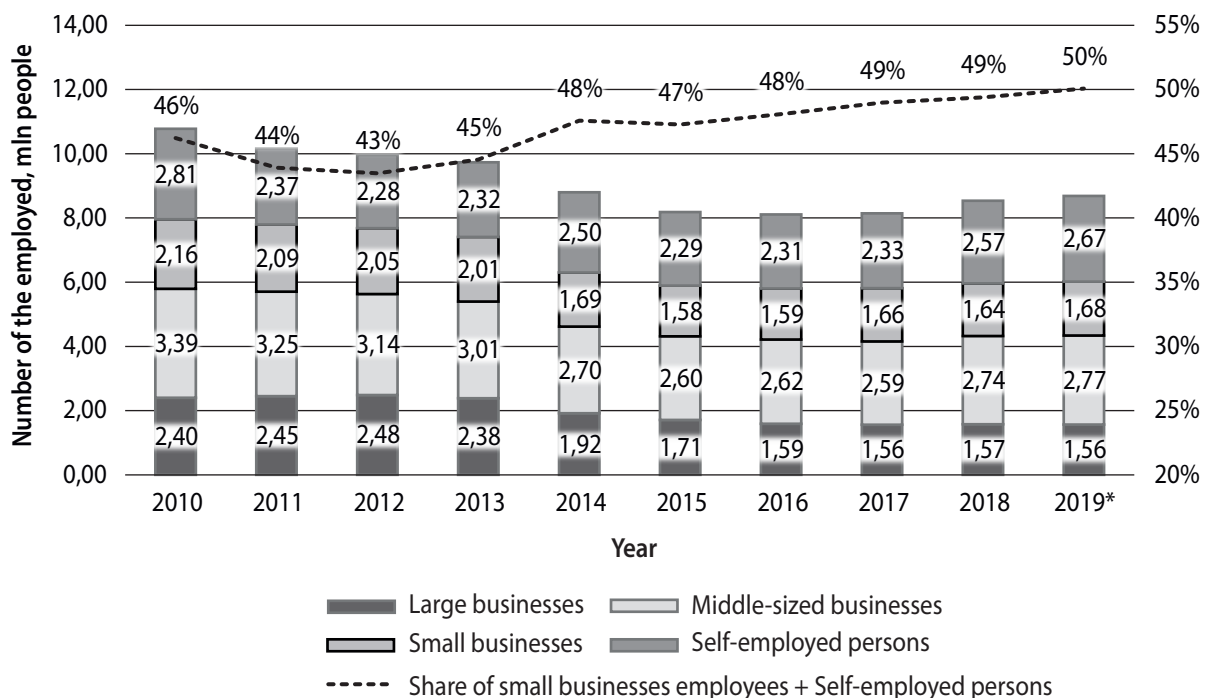


Fig. 2. Dynamics and structure of employment in terms of enterprises by size (2010–2018 and forecast 2019)
 Source: systematized by the author on the basis of [16].

To improve the state of affairs in small business, and in the economy of Ukraine, accordingly, the government should:

1. Carry out a regulatory reform, which will allow Ukraine to create a qualitatively new, effective, consistent, transparent and understandable system of state regulation that will protect the interests of both business executives and consumers.
2. Eliminate obstacles to the development of business activity; significantly reduce the costs associated with the work in the formal sector of economy.
3. Create a public credit and guarantee institution in order to encourage commercial banks to lend to small businesses, taking minimal financial risks.
4. Accelerate the introduction of European insurance legislation to create an attractive investment climate, create an insuring mechanism for investment risks, thus improving the quantitative and qualitative indicators of Ukraine's insurance market.

Today, in connection with the coronavirus epidemic, it becomes necessary to provide increased economic stimulation and also to support small businesses. Many countries have urgently turned to using monetary instruments ("quantitative easing", which is equivalent to direct emission), credit instruments (expansion of loan guarantees by governments and supranational financial institutions, which also increases the money supply in the market, thus reducing its value), and, of course, tax levers. The epidemic caused temporary shutdown of some companies, closure of retailer networks, shutdown of food establishments for an indefinite period, collapse in the hotel and entertainment business, airlines crisis due to the closure of borders. Unfortunately, we can continue forming this list, as well as calculating the already existing and possible future economic losses from COVID-19. National governments are making unprecedented decisions to mitigate the social and economic consequences of the global pandemic. The Ukrainian parliament on March 17, 2020 made a conciliatory gesture towards Ukrainian business, which can barely survive during the lockdown, and adopted a number of bills to combat the coronavirus.

On March 18, 2020, the Law of Ukraine "On Amendments to the Tax Code of Ukraine and Other Laws of Ukraine Concerning Support of Taxpay-

ers for the Period of Taking Measures to Prevent the Occurrence and Spread of Coronavirus Disease (COVID 19)" came into effect [14]. This law, among other things, provides for amendments to the Tax Code of Ukraine [17] and the Law of Ukraine "On the Collection and Reporting of the Harmonized Tax on Statutory State Social Insurance" [15].

The adoption of such a law is a positive step. Ukraine follows the example of Western countries to minimize the losses of domestic business. The measures taken today can be systematized by the following areas:

1. Deferred payment of taxes, meaning the postponement of taxes to a later period, but with the preservation of the mechanism of their calculation. For example, the US Ministry of Finance has given business executives an opportunity to defer the payment of taxes for 3 months. Individuals can defer their tax liabilities for up to \$ 1 million, and corporations can defer them for up to \$ 10 million. France is also deferring tax payments, as well as rent and utilities. Latvia intends to act even more radically and provide the affected business with a tax holiday for the period of 1 year.
2. Tax holiday, meaning a change in the mechanism of tax calculation, which reduces the object of taxation or tax rate for a certain period. This instrument is offered by the UK along with plans to stimulate affordable small business lending.
3. Reimbursement of company expenses. The authorities in Denmark have promised to cover 75% of the salary funds at private companies that have fallen victim to the pandemic, provided that they do not cut jobs.

Ukkraine has amended the Law of Ukraine "On the Collection and Reporting of the Harmonized Tax on Statutory State Social Insurance" [15]. Thus, it:

- ✦ temporarily exempts the amounts, on which the harmonized tax should be accrued, calculated and paid, from accrual, calculation and payment of the harmonized tax, for the period from March 01, 2020 to May 31, 2020, This should only be done in respect of self-employed persons, including those who have chosen the simplified taxation system, as well as persons engaged in independent professional activity (scientific, literary, ar-

tistic, educational or teaching, medical or legal practice, including advocacy, and notarial activity). In addition, the list includes persons who carry out religious (missionary) activities, other similar activities and receive income from these activities; members of an agricultural enterprise, if they do not belong to persons who are subject to insurance on other grounds. The provision of paragraph 2 point 2 part 1 of Article 7 of this Law ("If such a payer did not receive income (profit) in the reporting quarter or a separate month of the reporting quarter, such a payer is obliged to determine the accrual base, but it should not exceed the maximum amount of the harmonized tax base established by this Law. The contribution may not be less than the amount of the minimum insurance contribution") shall not apply to such persons during such periods;

- ✦ abolishes tax penalties for the harmonized tax payers for 3 months. That is, for violations that are related to late payment (late transfer) of the harmonized tax, incomplete payment or late payment of the harmonized tax in parallel with the issuance of payments for which the harmonized tax is accrued (advance payments). The fine is not applied for late submission of reports to the tax authorities, made in the periods from March 01, 2020 to May 31, 2020. Besides, during this period, the payers of the harmonized tax are not charged a penalty, and the accrued penalty for these periods is subject to charge-off.

The Ukrainian authorities have taken timely steps towards business by relieving it of tax audits. For now, companies' resources should be focused on finding the ways to survive and recover, rather than on bureaucratic procedures. Amendments to the Tax Code of Ukraine introduce:

- ✦ a moratorium on conducting documentary and factual inspections from March 18, 2020 to July 31, 2020, except for unscheduled documentary inspections on the grounds specified in paragraph 78.1.8 point 78.1 article 78 of this TCU. That is, the controlling body may only check the legality of declaring the value added tax claimed for reimbursement from the budget and / or the negative value of the value added tax being more than 100 thousand UAH;

- ✦ temporary, i.e. until May 31, 2020, suspension of inspections that started before March 18, 2020 and remain uncompleted. Such suspension interrupts the inspection period and does not require any additional decisions by the controlling body;
- ✦ suspension of the expiry of the period of limitation for inspections (provided for in Article 102 of the TCU) from March 18, 2020 to July 31, 2020.

The Law of Ukraine "On the Collection and Reporting of the Harmonized Tax on Statutory State Social Insurance" has also been amended. A moratorium is being introduced on conducting documentary inspections on the correctness of accrual, calculation and payment of the harmonized tax for the period from March 18, 2020 to May 31, 2020. Thus, Ukraine offers significant mitigation to its enterprises in crisis conditions: accrual and payment of the harmonized tax and SSC is abolished for 3 months for enterprises on the simplified taxation system; tax inspections and accrual of fines and penalties are suspended. These actions will alleviate the crisis for domestic businesses, but if we compare the losses from the recession in demand and the savings in the part of income that went to paying taxes, we can see that for most business executives the lockdown caused by coronavirus will cause a significant drop in income. The expected decision was to increase the minimum wage from September 01, 2020 (from UAH 4,723 to UAH 5,000) and, accordingly, the minimum amount of SSC payment (from UAH 1,039.06 to UAH 1,100). An increase in the minimum wage is also planned for January 1, 2021, which will lead to an increase in the amount of the minimum amount of the SSC payable. The consequences of the crisis, according to analysts, will be a large increase in unemployment, firstly, due to the return of people, who worked abroad, to Ukraine for some (perhaps long) time; and secondly, due to a combination of factors such as economic decline, new experience of remote work and reconsideration of the need for labor resources, i.e. domestic enterprises are conducting, or are going to conduct staff reductions. In these circumstances, the government needs to not only provide support for the existing businesses, but also to suggest tools to stimulate the opening of new businesses: affordable loans and, possibly, a repayment holiday for start-ups or companies engaged in investment activities despite the currently difficult conditions.

CONCLUSIONS

In Ukraine, the importance of small business for the economy and the need to stimulate it is recognized both at the level of the scientific community and at the level of public administration. In the context of the COVID-19 pandemic that has caused the economic downturn and can possibly escalate it into a recession, businesses need extraordinary incentives to support their activities and save jobs. In these circumstances, the government of Ukraine promptly decided not only to introduce the lockdown, but also to adopt an array of laws to support business. Firstly, the limits on the profits of companies opting for the simplified taxation system have been adapted to the current situation, the action that many researchers have recommended since 2015. Secondly, tax holidays have been established for a number of taxes and fees, including the SSC and land fees. Thirdly, fines have been suspended and a moratorium on inspections has been adopted. At the same time, the existing tax instruments are underused, and they may not be enough to keep the economy stable. Indeed, the measures taken are aimed at supporting business activities, but they do not create incentives for investment activities, which could be provided, for example, by adjourned tax deduction on the amount of the reinvested profit or raised funds. In addition, with the lack of proactive credit support for enterprises, many of which have suspended operations for at least 3–5 months, Ukraine's economy will recover too slowly and lose its position in the world rankings. ■

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