

Tax Service Performance Digest

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Key Highlights



The Cabinet of Ministers of Ukraine has streamlined the licensing process for the production and circulation of excisable goods. In line with the law adopted in June 2024, the Cabinet of Ministers of Ukraine adopted new regulations for maintaining registries of license holders. The decision was adopted on April 4, 2025.

Previously, the lack of structure in these registries, combined with the potential for procedural manipulation, created conditions for corruption risks and delays in license issuance. The absence of a clearly defined licensing procedure enabled the tax authority to issue decisions on granting or denying licenses with clear violations of taxpayers' rights. For instance, a license could be denied due to a mismatch between the address format provided in the application and the one used in the tax authority's database. In addition, the lack of a clearly defined list of required documents allowed the tax authority to repeatedly request additional paperwork without limitation. After the registers were streamlined, such corruption risks were significantly reduced.



The State Tax Service has initiated measures to improve its engagement with the business community. The agency approved an action plan aimed at enhancing entrepreneurs' trust in the tax authorities and addressing deficiencies identified through an independent taxpayer survey conducted in 2024. The relevant State Tax Service Order No. 425, was issued on April 30, 2025. As of now, the Order is not publicly available, so we can only hope that the State Tax Service takes concrete steps to address the

high level of mistrust among businesses. For example, [according to a separate survey conducted by Case Ukraine](#) in November–December 2024, more than half of the surveyed entrepreneurs believed that fiscal authorities were ineffective in tackling large-scale tax evasion schemes.

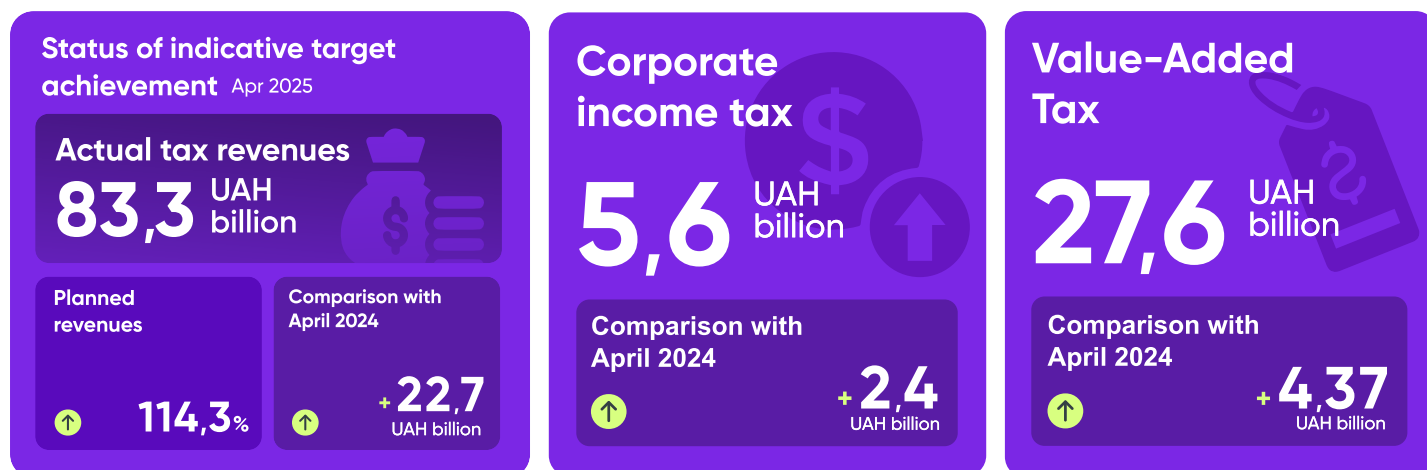
Implementation of the National Revenue Strategy (NRS)

The National Revenue Strategy outlines a set of anti-corruption measures to be implemented by the State Tax Service of Ukraine (STS). Among the key updates related to these measures, the following should be highlighted:

- 1 The STS has presented the first results of implementing its new tax risk management system, which is aimed at reducing corruption and tax evasion. As of April 2025, the tax authority compiled a list of 1,338 companies classified as high tax risk. 38% (508 companies) have already been included in the 2025 audit plan, while another 47% (630 companies) have received comprehensive information requests regarding their activities.
- 2 The State Tax Service failed to launch the SAF-T UA¹ electronic submission system for large taxpayers within the scheduled timeframe. This IT solution for e-audit was supposed to become operational by the end of March, but as of early May 2025, it had not been implemented. The STS also did not renew its contract with the software developer responsible for the e-Audit system. The full-scale implementation of the e-audit system is expected to enhance the transparency of documentary audits of taxpayers, improve the automatic detection of tax risks, and reduce corruption risks by limiting the influence of human factors on audit outcomes.

¹ SAF-T UA (Standard Audit File for Tax) is an electronic file with a standardized structure that contains data exported from the primary accounting system. It includes information on the availability and status of assets, equity, and liabilities, as well as changes in the financial and economic position of the business entity over a specified period.

Performance Against Revenue Targets



In April 2025, the general fund of the state budget received UAH 83.3 billion in taxes and fees. This exceeds the Ministry of Finance’s target for the period by UAH 10.4 billion, or 14.3%. It also represents an increase of UAH 22.7 billion compared to the same period in 2024.

Corporate income tax – amounted to UAH 5.6 billion, which is UAH 2.4 billion, or 73.7%, more than during the same period in 2024. This increase in revenue is primarily driven by advance payments made by companies.

Value-Added Tax (VAT) – amounted to UAH 27.6 billion, which is UAH 4.37 billion, or 18.8%, more than during the same period in 2024.

In April 2025, UAH 13 billion in VAT was refunded to taxpayers. Compared to March, the outstanding balance of unreimbursed VAT increased by UAH 3.9 billion, reaching nearly UAH 30.4 billion. The higher-than-expected VAT revenues resulted from a reduction in the shadow economy in certain sectors (resulting in increased VAT compliance²), inflation, and an increase in the volume of unreimbursed VAT owed to businesses.

The growth of outstanding VAT refunds can be explained by several factors. Firstly, the State Treasury did not transfer all the amounts due to businesses by the end of the month. Second, VAT refund orders issued by the courts were not executed promptly. Thirdly, the tax authority has started systematically referring to VAT refund

² The tax compliance rate is defined as the ratio of the amount of tax paid to the amount of income (for corporate income tax) or to the value of goods and services sold (for VAT).

claims for documentary audits. This delays the reimbursement process and creates a risk that the state may be forced to compensate large amounts from the budget in a single tranche in the future. This approach is likely being used by the STS as a means of temporarily improving tax revenue indicators.



Personal income tax and military levy – amounted to UAH 29.7 billion in April 2025, including UAH 13.7 billion from the military levy. Compared to the same period in 2024, revenues increased by UAH 12.9 billion, or 76.7%. Exceeding revenue targets, in particular, was driven by the increased rate of the military levy and the nominal growth of wages. Companies continue to raise official salaries in order to secure the right to reserve their employees from military mobilization.



Excise tax on imported goods amounted to UAH 4.9 billion, which is UAH 2.6 billion, or 108.9%, more than during the same period in 2024. This growth was driven by an increase in excise tax rates.

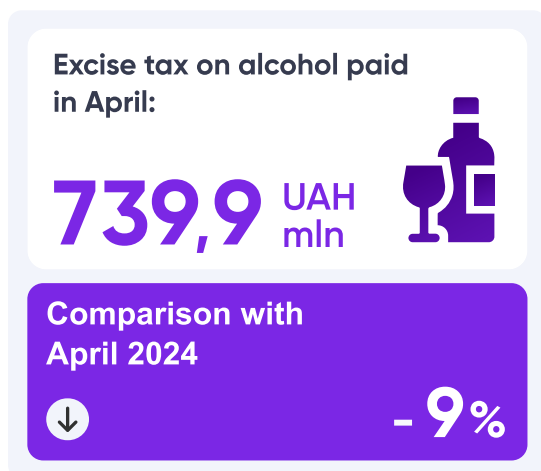
Excise tax on goods produced in Ukraine amounted to UAH 10.8 billion, which is UAH 1.6 billion, or 17%, more than during the same period in 2024. However, the Ministry of Finance’s revenue target for April 2025 was underperformed by UAH 550 million. The shortfall in excise revenues from alcohol, tobacco, 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 capital, and high tax rates allow for substantial profit margins in illegal trade involving such goods. **The current situation in these areas is as follows:**

Alcohol. In March 2025, 3.71 million decaliters of absolute alcohol were produced, which is 87.4% more than during the same period in 2024 and 25.8% more than in the previous month of 2025.

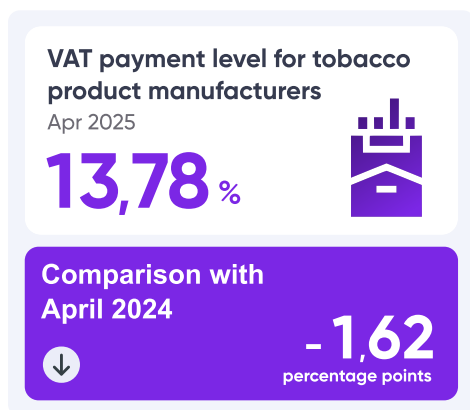
The VAT compliance rate in April 2025 for volumes produced in March decreased among alcohol producers by 2.6 percentage points, reaching 3.59%, compared to April 2024. For producers of alcoholic beverages, the VAT compliance rate dropped to 5.4%, down by 1.58 percentage points compared to April 2024, despite an increase in supply volumes.



In April 2025, producers of liquor and spirits paid UAH 739.9 million in excise tax, which is 9% less than in the same period of the previous year.

At the same time, the sector saw an increase in VAT compliance: compared to March, the rate improved by 0.63 percentage points for alcohol producers and by 0.9 percentage points for producers of liquor products.

However, despite the increase in alcohol production volumes, tax revenues from alcohol producers remain lower than in the previous year. This may indicate a decline in taxpayer integrity and a growing share of the shadow market in the sector.

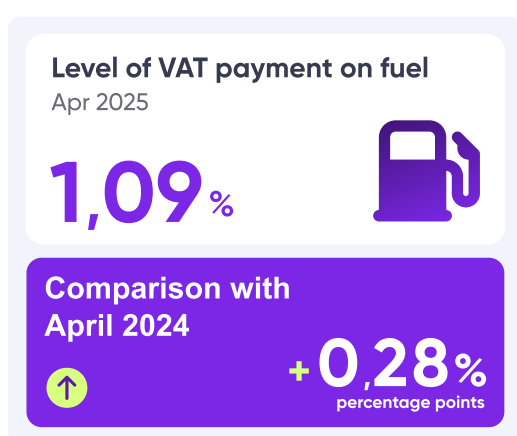


Tobacco. In March 2025, approximately 2.9 million cigarettes were produced, excluding cigarillos and T-VEN products. This is 467.8 million units more than in the same period of 2024.

In April 2025, the state budget of Ukraine received nearly UAH 12.1 billion in excise tax from tobacco products, both domestically produced and imported.

This represents an increase of 13.8% compared to March and 48.2% compared to April 2024. However, the Ministry of Finance's target for domestic tobacco production was underperformed by UAH 238.7 million (3.1%).

At the same time, in April, tobacco product manufacturers reduced their VAT compliance rate to 13.78%. This is 1.43 percentage points lower than in March and 1.62 percentage points lower than in April of the previous year. The deterioration of this indicator may signal an increase in shadow transactions and a decline in the integrity of certain taxpayers.



Fuel. In April 2025, 57 fuel retail networks paid nearly UAH 1.1 billion in taxes (excluding the single social contribution), including:

- UAH 430.5 million in value-added tax (VAT);
- UAH 226.6 million in corporate income tax, including UAH 158.7 million in advance payments;
- UAH 270.6 million in personal income tax;
- UAH 114.1 million in excise tax.

In April 2025, unlike the previous month, the VAT compliance rate among fuel station networks decreased to 1.09%, which is 0.38 percentage points lower than in March 2025, but 0.28 percentage points higher than in April 2024.

Underperformance in excise revenue is one of the indicators of illegal fuel circulation

Taxes paid from the processing industry:

Jan–Apr 2025

2,37 UAH billion



VAT payment level:

January

April

3,98%



2,38%

Focus of the Month: Manufacturing Industry

Between January and April 2025, enterprises in the manufacturing sector paid UAH 2.37 billion in taxes to the state budget — UAH 505 million more than during the same period in 2024.

Despite this, a concerning trend has emerged: since the beginning of 2025, the manufacturing sector has demonstrated uneven tax behavior.

While supply volumes in the industry are increasing, the VAT compliance rate is declining. In January 2025, it stood at 3.98%, but by April, it had dropped to just 2.38%. This sharply contrasts with the trend observed in 2024, when the indicator consistently increased.

Such discrepancies between the growth in turnover and the decline in VAT compliance may indicate the active use of tax minimization schemes.

Sales Volumes via Cash Registers

Bringing payment transactions out of the shadows remains an important element of the fight against the shadow economy. The issuance of fiscal checks significantly increases the accountability of taxpayers and has a positive impact on their integrity.

In April 2025, the average sales recorded via POS/fiscal devices per license in the retail trade of tobacco products amounted to UAH 165,900 — virtually unchanged from March, despite a 12.3% increase in excise tax rates. This may indicate cigarette sales without receipts.

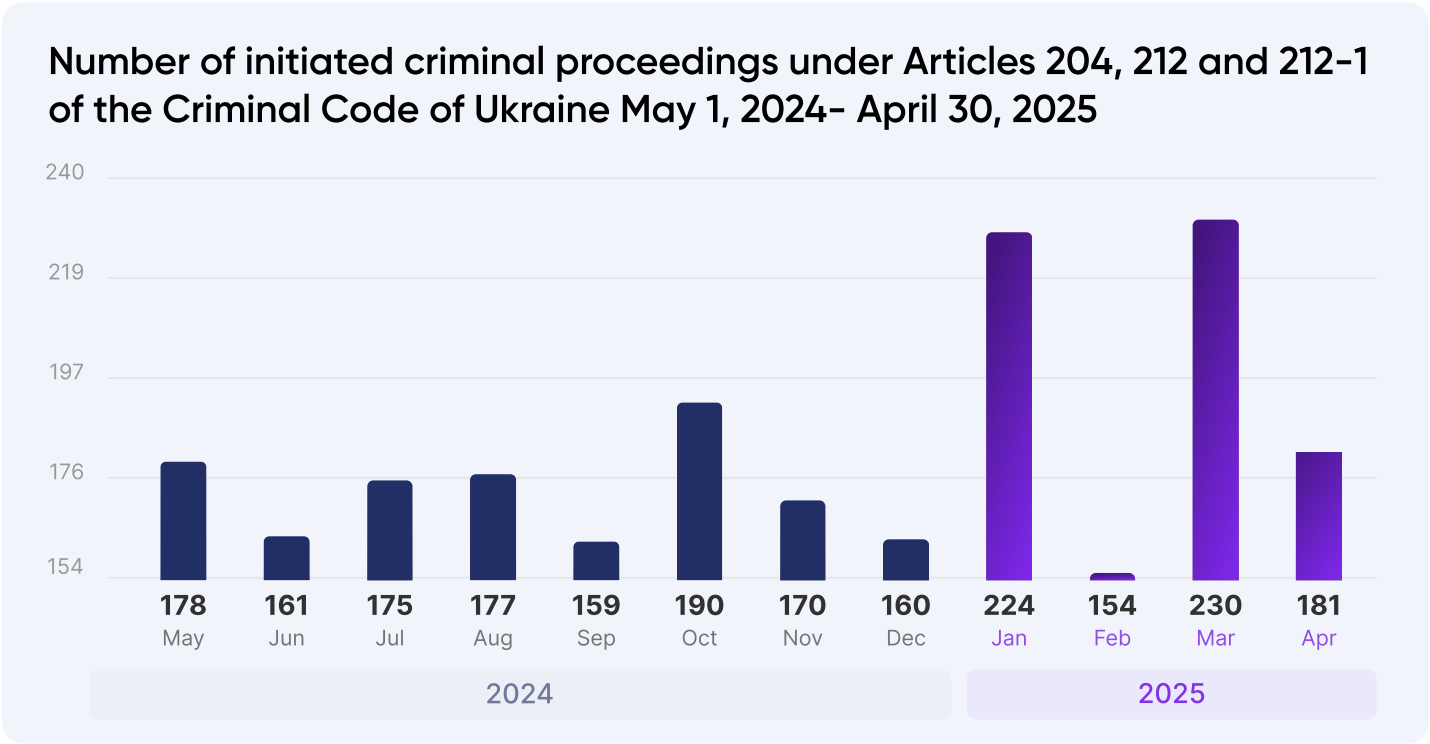
Despite the new regulation allowing for the revocation of retail licenses for operating without a registered POS device, the tax authority applied this measure only once in April. This reflects an extremely passive approach to combating grey-market retail trade.

In April 2025, all retail fuel operators sold 624.4 million liters of fuel — 7% less than during the same period last year. According to data from POS/fiscal devices, total revenue amounted to UAH 31.1 billion. This is UAH 0.3 billion more than in March of this year, but UAH 1 billion less than in April 2024.

The year-on-year decline in sales volume and revenue indicates negative trends in the sector, especially given that the overall level of business activity in the country does not show similar signs of contraction (GDP grew by 1.1% in Q1 2025).

The retail trade in liquor and spirits recorded an increase in revenue. In April, total sales reached UAH 13.59 billion — 5% higher than in March and 14% higher than in January.

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.

Also in April, 15 tax officials received disciplinary sanctions for violations of anti-corruption legislation and ethical standards — four times fewer than during the same period in 2024 — and one official was dismissed.



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