

Tax Service Performance Digest

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Key events



As of 1 October 2025, a minimum wage level has been established for taxpayers engaged in the sale of excisable goods. In 2025, the general rule stipulates that the average wage per employee may not be lower than UAH 16,000, while for establishments located outside regional centers and large cities it may not be less than UAH 12,000. This measure is intended to help combat tax evasion schemes related to wage payments.



As of 1 October 2025, a law entered into force prohibiting the free distribution of tobacco raw materials, raw materials for liquids used in electronic cigarettes, and/or nicotine, whether separately or in kits. Violators will be fined by the tax authorities in the amount of 200% of the value of such goods, but not less than UAH 24,000. This provision is aimed at eliminating tax evasion schemes used by market participants in the electronic cigarette sector.

Topic of the Month: The Electronic Cigarette Market

Following the legislative ban on flavored liquids introduced in 2023, the shadow market for liquids used in electronic cigarettes expanded sharply.

The most widespread tax evasion scheme involved the sale of so-called “DIY liquid kits” (“self-mixing”), whereby a consumer effectively purchased the individual components — nicotine, propylene glycol, glycerin, a mixing container, and

flavorings — to independently prepare prohibited e-liquids for electronic cigarettes. This scheme made it possible to circumvent the legislative ban on flavored e-liquids. At the same time, as of 1 October 2025, the legislator introduced a ban on the sale of kits where the nicotine component was provided as a “gift” and established liability for the illegal sale of such products.

Another scheme involves the sale of smuggled or illegally manufactured disposable vapes with flavorings within Ukraine. This constitutes fully illegal activity and includes separate criminal offenses — smuggling of such products, illegal domestic production, and their subsequent distribution. At the same time, such products remain easily accessible and are sold through street stalls, kiosks, and online platforms.

According to a [Kantar](#)¹ study conducted in July–August 2025, the share of the illegal electronic cigarette market in Ukraine reached 93%. Approximately 23.6% of consumers purchase products in the electronic cigarette category online.

The deterioration of the situation in the market is also evidenced by the zero purchase of excise tax stamps for imported liquids used in electronic cigarettes during the first four months of 2025. For comparison, more than 6.9 million such stamps were purchased in 2023, and 1.76 million in 2024.

Customs data likewise confirm the absence of imports: while approximately 500 tonnes were imported in 2023, imports dropped to only 15 tonnes in 2024.

However, the illegal electronic cigarette market can be reduced through stricter tax control and effective law enforcement. In practice, the widespread presence of illegal electronic cigarettes on display in supermarkets across the country is the result of inaction by tax and law enforcement authorities, which may indicate the presence of significant corruption risks in this area.

Implementation of the National Revenue Strategy (NRS)

The National Revenue Strategy *передбачає* a number of anti-corruption measures to be implemented by the State Tax Service of Ukraine (STS). Among the key developments under these measures, the following should be highlighted:

¹ <https://www.kantar.com/ua/inspiration/ait/electronic-cigarettes-market-study-in-ukraine>

- 1 The State Tax Service (STS) confirmed the non-implementation of the measure related to the development of the ICS “Exchange of Information with Foreign Competent Authorities” software, which has resulted in the loss of funds allocated in the State Budget for 2025 for the development of this IT solution.

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 information, and improve the quality of documentary audits.

- 2 In October 2025, the pilot operation phase of the ICS “e-Audit” software was completed (15 October 2025). A draft order of the State Tax Service entitled “On the Introduction of the Information and Communication System of Electronic Audit ‘e-Audit’ into Full-Scale (Industrial) Operation” was prepared. As of 30 October 2025, 686 standard SAF-T UA audit files had been submitted to the STS in test mode via the Electronic Cabinet. However, the deadline for the implementation of the ICS “e-Audit” for large taxpayers has already been delayed by seven months.

Given that tax audits represent one of the highest corruption risks, the automation of taxpayer selection for audits and the formation of risk registers is expected to reduce corruption manifestations and undue influence on the outcomes of such audits.

- 3 The State Tax Service (STS) continues to implement a new tax risk management system (CPM) aimed at reducing corruption risks, enhancing integrity in the interaction between taxpayers and tax authorities, and ensuring 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–October 2025 the tax authorities conducted scheduled documentary audits of 17 large taxpayers and 434 other taxpayers, resulting in additional tax assessments of UAH 3.05 billion. In addition, the negative taxable base was reduced by UAH 2.9 billion. This remains an extremely low indicator, which does not allow for a proper assessment of the effectiveness of the pilot project for the implementation of the CPM.

- 4 The practice of implementing the CPM within the tax authorities’ management has

shown that the reform is being carried out in a non-comprehensive manner, with the primary focus placed on tax control measures, in particular tax audits.

There is no effective engagement with the public to build taxpayers' understanding of changes in the approaches applied by the tax authorities, nor is there any systematic cooperation with industry associations to communicate the most common tax risks faced by taxpayers in order to prevent such violations in the future.

The lack of adequate knowledge among tax authority staff and insufficient interaction with the public give rise to misunderstandings in relations between taxpayers and the tax authorities. Taxpayers receive letters containing unclear information, indicators, and coefficients, with no explanation of how these figures are calculated or how they relate to taxation matters.

At the same time, in October 2025, certain positive trends in changing approaches to work were observed in the implementation and functioning of the CPM system, in particular with regard to the execution of measures under the Operational Plan.

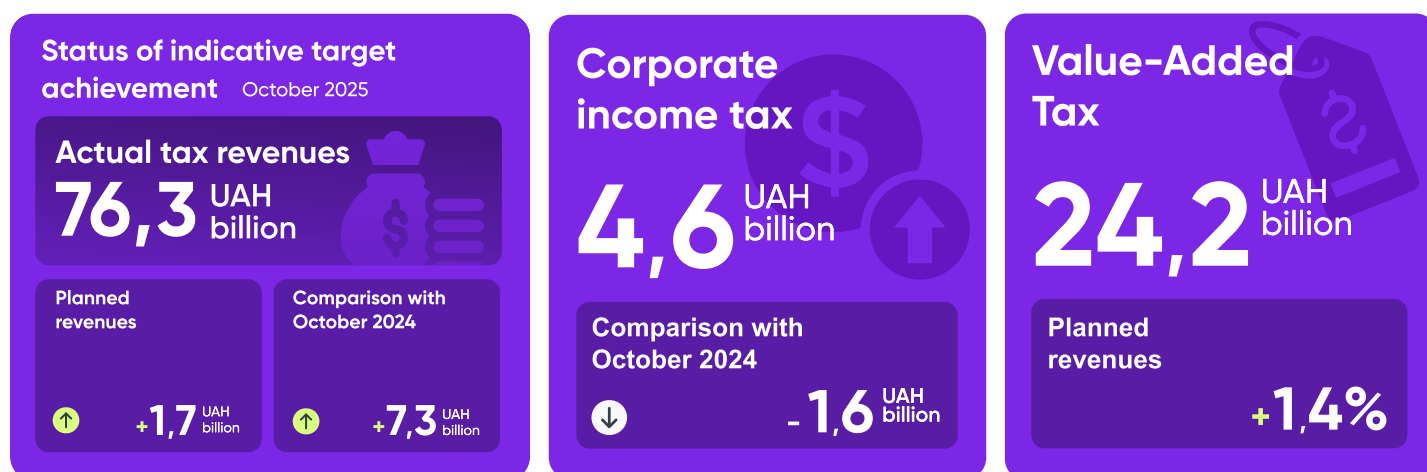
- 5 The progress of the e-Excise system — the electronic system for tracking the circulation of excisable goods (alcohol, tobacco products, and liquids for electronic cigarettes) from producer to consumer — requires adjustment. Over the past two years, the Ministry of Digital Transformation has failed to develop the required software, and the testing phase, which was scheduled to start on 1 March 2025, has not commenced.

The untimely development of the e-Excise software jeopardizes the timely implementation of the reform in Ukraine, poses risks of multibillion losses to the State Budget, and causes losses to businesses. In the near future, the Verkhovna Rada is expected to consider the issue of postponing the implementation deadlines until the end of 2026.

- 6 In October, testing of the implemented mechanism for sending electronic payment instructions for the enforced write-off (collection) of taxpayers' tax debt continued. As of October 2025, all territorial bodies of the State Tax Service (STS) are participating in the testing.

During the period August–October 2025, a total of 109,644 electronic payment instructions for the collection of taxpayers' tax debt were generated, signed, and sent. Of these, 1,112 instructions were executed or partially executed, which accounts for only 1.4%. At present, the effectiveness of this mechanism remains insignificant.

Performance Against Indicative Targets



In **October 2025**, UAH 76.3 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 1.7 billion, or 2.3%. At the same time, the October 2025 target was reduced by UAH 11.0 billion at the end of the month and deferred for execution in December 2025. Collections in October 2025 were also UAH 7.3 billion, or 10.5%, higher than in the same period of 2024.

Corporate Income Tax – UAH 4.6 billion, which is UAH 0.9 billion, or 23.6%, above the Ministry of Finance's planned target, but UAH 1.6 billion, or 25.3%, lower than in the same period of 2024. Thus, the de-shadowing trend observed in previous years has reversed, and the quarterly payment level, compared to last year's indicators, continues to decline.

Value Added Tax (VAT) – UAH 24.2 billion. The Ministry of Finance's target was overperformed by 1.4%, or UAH 0.3 billion, while compared to the same period of the previous year collections were 1.0%, or UAH 0.3 billion, lower.

In October 2025, UAH 17.0 billion in VAT was refunded to taxpayers. Compared to

September 2025, the outstanding balance of unreimbursed VAT increased by UAH 2.6 billion, reaching UAH 33.2 billion. In October, the main factors behind the high level of unreimbursed VAT were the delayed transfers to businesses by the State Treasury amounting to UAH 10.7 billion (a record figure for the entire year 2025) and the failure to promptly enforce court decisions on VAT refunds.

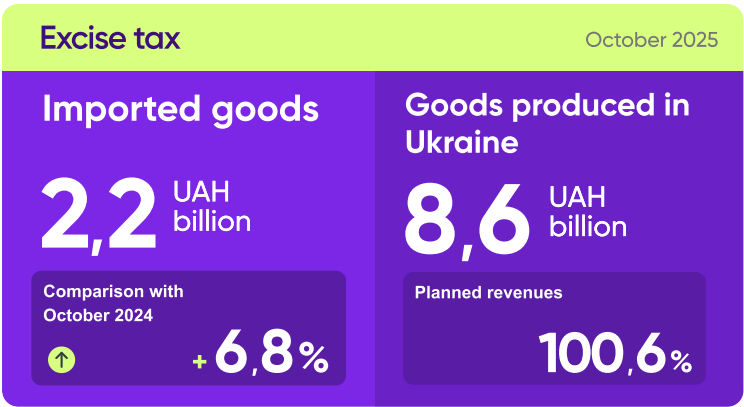
All these factors delay the refund process, increase the burden on the economy, and create potential corruption risks, as they incentivize businesses to engage in informal arrangements or operate in the shadow economy.



Personal Income Tax and Military Levy – UAH 32.1 billion, including UAH 15.0 billion from the military levy. In October 2025, revenues increased by UAH 8.9 billion, or 38.5%, compared to the same period of 2024, while the Ministry of Finance’s target was overperformed by UAH 1.0 billion, or 3.3%.

The year-on-year growth in revenues was primarily driven by the increase in the military levy

rate and the nominal rise in wages.



Excise Tax on Imported Goods – UAH 2.2 billion, which, despite the increased excise tax rates, is only UAH 140.9 million, or 6.8%, higher than in the same period of 2024.

Excise Tax on Domestically Produced Goods – UAH 8.6 billion.

The Ministry of Finance’s target was achieved at 100.6% (overperformed by UAH 55.3 million). Overperformance was recorded for alcohol (+UAH 1.6 million), spirits and liquor products (+UAH 26.1 million), wine products not using ethyl alcohol in production (+UAH 32.6 million), and tobacco and tobacco products (+UAH 70.7 million). This overperformance was offset by underperformance for electricity (-UAH 28.4 million), beer (-UAH 40.1 million), wine products produced using ethyl alcohol (-UAH 3.0 million), and fuel (-UAH 9.5 million).

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

objective factors (damage to energy infrastructure as a result of shelling by the Russian Federation). At the same time, the underperformance for fuel, beer, and wine products requires increased attention from both the tax authorities and law enforcement agencies.

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–October 2025 is as follows:

Alcohol. Distilleries produced 29.64 million decaliters (dal) of absolute alcohol, which is 29.5% more than in the same period of 2024. The average monthly production volume in 2025 amounted to 2.96 million dal of absolute alcohol, which is 0.67 million dal per month more than in 2024.

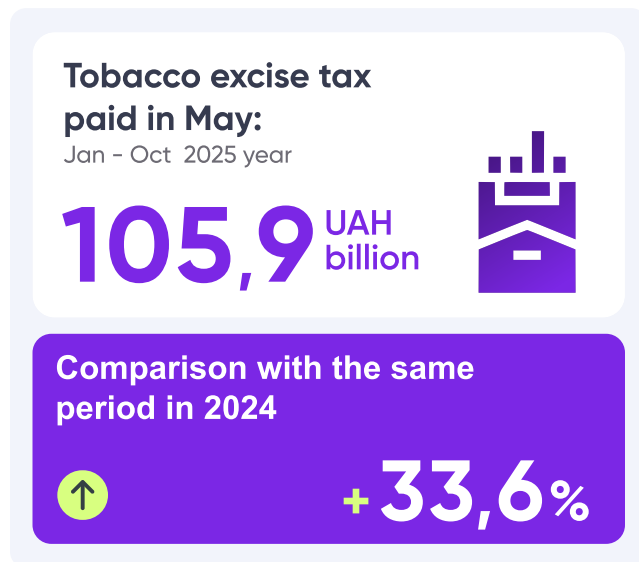


The VAT payment rate on produced volumes was as follows:

- **for alcohol producers** — 2.2%, which is 1.4 percentage points lower than in 2024, despite a 29.7% increase in production volumes;
- **for beverage producers** — 5.2%, which is 0.4 percentage points lower than in 2024, despite a 2.6% increase in supply volumes.

The decline in VAT tax efficiency amid rising production volumes may indicate 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 operations of both the State Tax Service (STS) and law enforcement authorities in this area.

Tobacco. Manufacturers of tobacco products produced approximately 25.8 billion cigarettes, excluding cigarillos and THPs. This equals an average of 2.6 billion cigarettes per month. In September 2025, tobacco production decreased significantly to 2.3 billion cigarettes, which is 299.4 million units lower than the average monthly level in 2025.



During the first ten months of 2025, the State Budget of Ukraine received UAH 105.9 billion in excise tax from domestically produced and imported tobacco products, which is 33.6% higher than in 2024.

The Ministry of Finance's target for domestic tobacco production for the period January–October 2025 was underperformed by UAH 741.9 million. At the same time, in October 2025, the performance rate amounted to

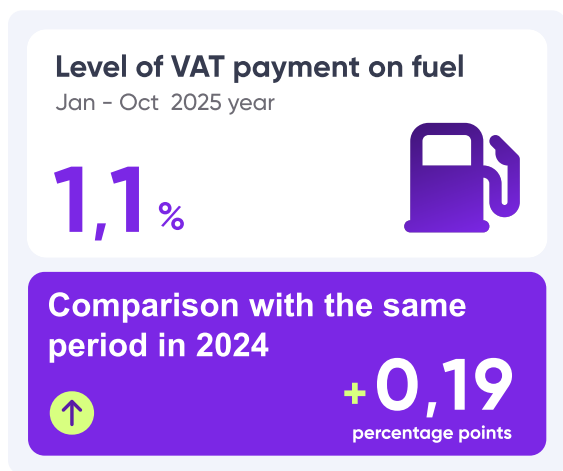
101.1%, with UAH 70.7 million additionally received by the State Budget.

The VAT payment rate on produced tobacco products stood at 15.8%, which is 1 percentage point lower than in 2024, despite a 29.6% increase in production volumes in 2025.

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

Fuel. During January–October 2025, 48 fuel retail networks (gas station chains) paid a total of UAH 11.3 billion in taxes (excluding social security contributions), including:

- UAH 4.6 billion in value added tax (VAT);
- UAH 2.3 billion in corporate income tax, including UAH 1.5 billion in advance payments;
- UAH 2.8 billion in personal income tax (PIT);
- UAH 1.1 billion in excise tax.



The VAT payment rate of fuel retail networks amounted to 1.1%, which is 0.19 percentage points higher than in 2024.

In retail fuel trade, despite a 10.5% decrease in fuel sales volumes during January–October 2025 compared to the same period of 2024, sales revenues according to RRO data increased by 2.95%. This growth was primarily driven by the

increase in excise tax rates on fuel as of 1 September 2024, which affected the final retail price.

At the same time, on a monthly basis, in October 2025 fuel sales volumes for the first time this year exceeded the previous year's level, reaching 703.9 million liters, which is 24.8 million liters, or +3.65%, more than in October 2024. Sales value also increased by UAH 3.4 billion, amounting to UAH 36.7 billion.

In addition, the number of RROs through which fuel sales were conducted increased to 17,539 units (+16.28% per year).

The increase in the VAT payment rate, advance corporate income tax payments, fuel sales volumes, and RRO sales revenues indicates a partial de-shadowing of the fuel retail market over recent years and an improvement in tax discipline in the fuel sector.

At the same time, the presence of a significant number of illegal fuel stations (according to the Ukrainian Oil & Gas Association)² necessitates enhanced control by the State Tax Service (STS), the Bureau of Economic Security (BES), and the National Police, including targeted enforcement actions against such facilities and their legalization through the issuance of fiscal receipts and the payment of taxes.

The Verkhovna Rada Committee on Tax Policy has taken into account a proposal on the public disclosure of all fuel station licenses, which is aimed at increasing the ability of the public to identify illegal fuel stations. This proposal is currently pending consideration by the Verkhovna Rada of Ukraine.

² <https://perevirazs.info/>

Sales Volumes via Cash Registers



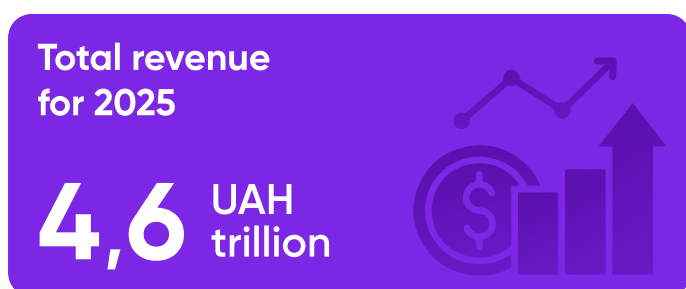
Comparison with 2024

↑ **+9,84%**

Comparison with October 2024

↑ **+9,9%**

During the first 10 months of 2025, more than 8.64 billion receipts were processed through RRO/PRRO, which is 774 million receipts, or +9.84%, higher than in 2024. Of this total, 896.28 million receipts were recorded in October 2025 (+9.9%).



Comparison with 2024

↑ **+29,27%**

Comparison with October 2024

↑ **+26,6%**

The total sales turnover amounted to UAH 4.6 trillion, an increase of UAH 1.0 trillion, or 29.27%, compared to the previous year. In October 2025, turnover reached UAH 517 billion (+26.6%).

The results for the first 10 months of 2025 demonstrate a positive de-shadowing trend in retail trade. At the same time, the share of shadow transactions in the economy remains relatively high, which means that the reserve for further budget revenue growth is still substantial.

In addition, to increase the level of taxpayer compliance, a risk-oriented approach should be applied by the tax authorities when selecting taxpayers for factual audits, taking into account the results of the SOD RRO Analytical System, and body cameras should be used during such audits.

Results of Control and Audit Measures

During January–October 2025, the State Tax Service (STS):

- conducted 3,256 scheduled audits (+18% compared to 2024) and 25,551 unscheduled audits (+22%);

- assessed UAH 116 billion in additional monetary tax liabilities, 80% of which resulted from unscheduled audits.

At the same time, additional assessments from scheduled audits decreased fourfold (UAH 23 billion in 2025 compared to UAH 91 billion in 2024);

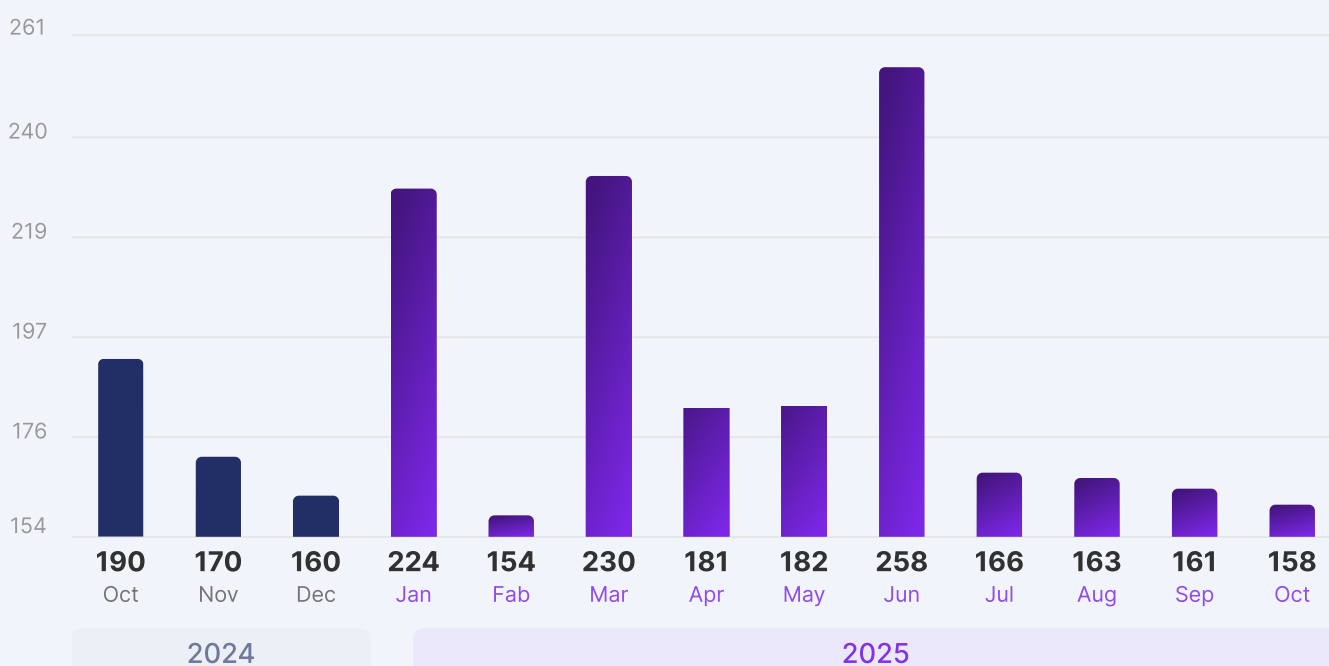
- a total of UAH 29.3 billion was agreed from scheduled audits (+2.4% compared to 2024) and UAH 71 billion from unscheduled audits (a sixfold increase);
- actual budget revenues amounted to UAH 4.3 billion, which is 6.5% lower than in 2024.

The average amount of additional tax assessed per auditor from scheduled audits decreased 3.6 times (UAH 17.2 million compared to UAH 61.8 million in 2024)

It is necessary to revise the approaches to forming the audit schedule, introducing a fully fledged risk-oriented system in line with CPM standards and the tools of ICS “e-Audit”. A separate priority should be placed on high-quality judicial support of audit results in order to ensure their effectiveness and sustainability in courts.

Violations


Number of Criminal Proceedings Initiated under Articles 204, 212, and 212-1 of the Criminal Code of Ukraine during the period from 1 November 2024 to 31 October 2025



According to data from dashboard.gp.gov.ua, developed by the [NGO Technology of Progress](#), in October 2025, 158 criminal proceedings were registered that are directly related to tax administration (tax evasion and the sale of excisable goods). This is 32 cases fewer than in October 2024 and 3 cases fewer than in September 2025. These figures represent the second-lowest level recorded this year.


Overall, during July–October 2025, the number of newly initiated criminal proceedings was somewhat lower than in previous periods, primarily due to the beginning of the restructuring of the Bureau of Economic Security of Ukraine (BES).


In addition, in October, 22 employees of the State Tax Service received disciplinary sanctions for violations of anti-corruption legislation and ethical standards.



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