

# Tax Service Performance Digest

No8

November 2025

## Key events



The State Tax Service of Ukraine (STS) has launched a digital service “TAX Control” aimed at identifying violations in the areas of trade, services, and public catering. This digital tool enables users to report the non-issuance of fiscal receipts, trading without a license or in violation of excisable goods regulations, refusal to accept card payments, and business activity conducted without state registration. The tool has been improved to include a feedback mechanism on the results of complaint review, making the process more transparent and effective.



On **26 November 2025**, the Verkhovna Rada Tax Committee took into account an amendment to Draft Law No. 14097 proposing the opening of the register of licensed fuel filling stations (FFSs). On 3 December 2025, this law was adopted by the Verkhovna Rada of Ukraine and is currently awaiting the President’s signature. This provision will enable monitoring of fuel stations that have not obtained a retail fuel license and therefore operate illegally.

*We recall that the need to open the register of legal fuel filling stations was raised in September at the ToP event [“Honest Talk PRO: Taxes: Business and Public Expectations from Tax Reform”](#), dedicated to issues of interaction between business and tax authorities.*

## Topic of the Month. Providers

The Register of Electronic Communications Networks and/or Services Providers includes 4,784 business entities (2,002 legal entities and 2,782 individual entrepreneurs). In 2025, 4,350 companies are actually carrying out business activities (1,930 legal entities and 2,420 individual entrepreneurs).

The sector is systemically important from the perspective of budget revenues; however, as in many other sectors, the available statistics demonstrate significant disparities in company performance that are difficult to explain by market factors alone. Accordingly, there is substantial potential to improve the STS's work with taxpayers in this sector. At a minimum, 17% of companies can be classified as being in a high-risk zone with regard to payroll, and 5% with regard to VAT compliance.

The increase in revenues was driven by a combination of higher tax rates, inflationary factors, and changes in taxpayer behavior. Compared to last year, 25% of entities that had previously operated under the simplified taxation system and are currently included in the Register of Electronic Communications Networks and/or Services Providers have transitioned to the general taxation system.

**Personal Income Tax (PIT) and the military levy** increased to UAH 10.7 billion, which is 47.2% higher than in 2024. The main drivers of this growth were the increase in the military levy rate and wage growth in certain networks.

The average salary among providers in November 2025 (for October) amounted to UAH 38.2 thousand, which is UAH 7.2 thousand higher than the average market level (UAH 31.0 thousand, according to [work.ua](https://work.ua)).

At the same time, the dynamics across individual business entities remain uneven:

- 14.3% of taxpayers declare salaries below UAH 8,000;
- 3.1% keep wages at the minimum level;
- 77.5% report salaries above UAH 8,000 but below the sectoral average;
- and only 5.1% of taxpayers actually form the sector's average wage level (above UAH 38.2 thousand).

In addition, 21.3% of taxpayers that increased wage levels simultaneously reduced

headcount by an average of 33%, indicating that the growth in payroll expenses has an optimization-driven character.

Thus, the increase in Personal Income Tax (PIT) and military levy revenues is driven primarily by higher tax rates and targeted wage increases, rather than by a broad-based rise in wages across the sector. In practice, the PIT and military levy effect is generated mainly by a limited number of large providers, while the majority of market participants do not demonstrate a consistent or economically justified increase in wage levels.

**Corporate Income Tax** revenues in the sector amounted to UAH 14.2 billion, which is 23.5% higher year-on-year.

Based on the results of the first three quarters of 2025, taxpayers' revenues reached UAH 576.9 billion (+12.4% compared to the same period of 2024), while corporate income tax revenues increased at a faster pace — by 33.7%, to UAH 11.0 billion.

This resulted in an increase in the effective payment ratio from 1.6% for the first three quarters of 2024 to 1.9% for the first three quarters of 2025.

At the same time, the positive dynamics remain uneven: among taxpayers reporting on a quarterly basis, 33.1% demonstrate a decline in the payment ratio, while 91.1% of total corporate income tax liabilities are generated by only 10 business entities.

Thus, the increase in the corporate income tax payment ratio is largely concentrated in nature and does not reflect a uniform improvement across the entire taxpayer base.

**Value Added Tax (VAT)** generated the largest share of sector revenues, amounting to UAH 30.8 billion, which is 13.2% higher compared to 2024.

In January–November 2025, the volume of supplies increased by 10.2%, while VAT revenues grew by only 6.9%, resulting in a decline in the effective VAT payment ratio by 0.16 percentage points, from 5.43% to 5.26% year-on-year.

At the taxpayer level, 25.5% of business entities reduced their VAT payment ratios, while 5.3% of taxpayers demonstrate anomalous dynamics, namely a decrease in VAT payable against the background of growing supply volumes.

Thus, the decline in the VAT payment ratio is occurring amid increasing economic activity in the sector, indicating risks in the formation of tax liabilities and the need for

additional oversight.

As a result, the indicators obtained show that growth in tax revenues within the sector is driven by a limited number of providers, as is the increase in VAT payment ratios, corporate income tax, and payroll funds, while the majority of taxpayers do not demonstrate comparable dynamics. Such a concentration of revenues points to systemic imbalances in taxpayers' tax behavior and requires enhanced tax control.

### **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). Among the key updates related to these measures, the following developments should be highlighted:

- 1 The STS has failed to implement the measure related to the development of the ICS "Information Exchange with Foreign Competent Authorities" software, resulting in the loss of funds allocated for this IT solution in the State Budget for 2025.

The implementation timeline has been postponed to Q4 2026.

The introduction of this system was 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 tax audits.

- 2 In November, an Expert Opinion and a Comprehensive Information Security System (CISS) Compliance Certificate for ICS "e-Audit" were obtained, and a draft order of the STS on putting the ICS "e-Audit" software into permanent operation was submitted for approval.

At the same time, the deadline for the implementation of ICS "e-Audit" for large taxpayers has already been exceeded by seven months. In November, 114 standard audit files (SAF-T UA) were submitted to the STS in test mode via the Electronic Cabinet.

Given that tax audits represent one of the highest corruption-risk areas, the automation of taxpayer selection for audits and the formation of risk registers



should ensure a reduction in corruption manifestations and limit undue influence on audit outcomes.

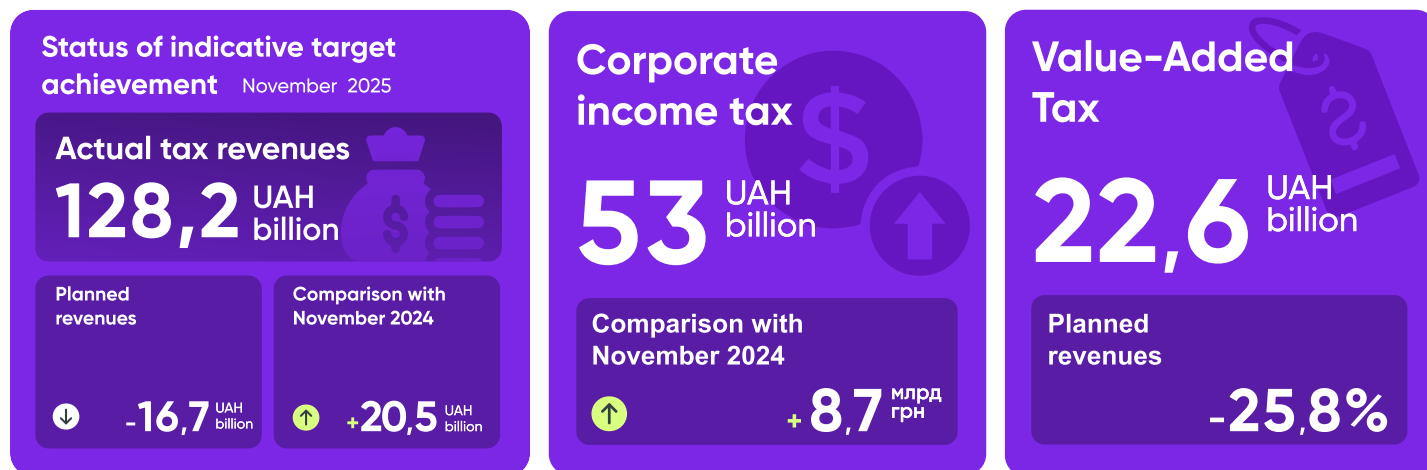
- 3 The State Tax Service (STS) continues the implementation of a new tax risk management system (CPM) aimed at reducing corruption risks, enhancing integrity in interactions between taxpayers and tax authorities, and improving compliance with tax legislation—in other words, strengthening overall tax compliance.

Based on the review of the first list of taxpayers with the highest tax risks, during January–October 2025 the tax authorities conducted scheduled documentary audits of 18 large taxpayers and 489 other taxpayers. As a result, additional tax liabilities totaling UAH 3.2 billion were assessed, while the negative pre-tax profit was reduced by UAH 3.0 billion.

Practical implementation of CPM in the management practices of tax authorities has shown that the reform is being carried out in a non-comprehensive manner, with the primary focus placed on tax control measures, particularly tax audits. There has been virtually no systematic training of tax authority staff in new methods, approaches, and competencies required for applying CPM methodology. Throughout the year, no effective steps were taken to expand or improve the Risk Management System, and no new sectoral plans were approved.

- 4 As of November 2025, the development of the software required for the implementation of the e-Excise system is still ongoing. The Ministry of Digital Transformation initiated a legislative proposal to postpone the launch of e-Excise to 1 November 2026. The corresponding draft law was adopted by the Verkhovna Rada of Ukraine in the second reading and in its entirety on 3 December 2025.
- 5 As of November 2025, the software remains under pilot (test) operation for both the Unified Register of Licensees for the Production and Circulation of Ethyl Alcohol, Alcohol Distillates, Alcoholic Beverages, Tobacco Products, Raw Tobacco, and Liquids Used in Electronic Cigarettes, as well as the Unified Register of Fuel Licensees and Places of Fuel Circulation. Full-scale (industrial) operation had not been launched as of November 2025.

# Performance Against Indicative Targets



In **November 2025**, total tax and fee revenues to the general fund of the State Budget amounted to UAH 128.2 billion. This was UAH 16.7 billion (–11.2%) below the Ministry of Finance’s planned target for the period, while at the same time UAH 20.5 billion (+19.0%) higher than in the corresponding period of 2024.

**Corporate Income Tax (CIT)** revenues reached UAH 53.0 billion, which is UAH 1.8 billion (+3.5%) above the Ministry of Finance’s planned target and UAH 8.7 billion (+19.7%) higher than in the corresponding period of 2024.

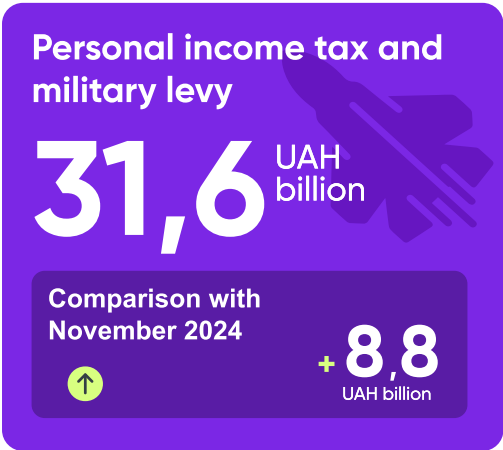
At the same time, the quarterly tax payment ratio continues to decline year-on-year; in particular, over the first three quarters of 2025, the payment ratio decreased by 0.11 percentage points compared to the previous year.

**Value Added Tax (VAT)** revenues amounted to UAH 22.6 billion. This figure fell short of the Ministry of Finance’s target by 25.8% (UAH 7.9 billion), while at the same time it was UAH 1.9 billion (+9.1%) higher than in the corresponding period of the previous year.

In November 2025, UAH 18.1 billion in VAT was refunded to taxpayers. Compared to October, the stock of unrefunded VAT increased by UAH 2.2 billion, reaching UAH 35.4 billion. In November, the key factors behind the elevated level of unrefunded VAT were the delayed transfer of funds by the Treasury (UAH 9.1 billion in November) and the failure to execute court decisions on VAT refunds in a timely manner. All of this delays the refund process, increases the burden on the economy, and creates potential corruption risks, as it incentivizes businesses to engage in informal arrangements or operate in the shadow economy.

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 (PIT) and the Military Levy** amounted to UAH 31.6 billion, including UAH 14.7 billion from the military levy. In November 2025, revenues increased by UAH 8.8 billion (+38.4%) compared to the same period in 2024; however, the Ministry of Finance’s target was not met, with a shortfall of UAH 7.2 billion (–18.5%). The year-on-year growth in revenues was primarily driven by the

increase in the military levy rate and nominal wage growth.



**Excise tax on imported goods** totaled UAH 1.12 billion. Despite increased excise tax rates, this amount was UAH 810.3 million (–42.0%) lower than in the corresponding period of 2024 and UAH 1.2 billion (–51.5%) below the Ministry of Finance’s target.

**Excise tax on domestically produced goods** amounted to UAH 9.97 billion, with the Ministry of Finance’s target met at 75.6% (a shortfall of UAH 3.2 billion). Overperformance was recorded for ethyl alcohol (+UAH 1.5 million), motor vehicles (+UAH 0.5 million), and electricity (+UAH 124.6 million). However, this was offset by underperformance in spirits and liqueurs (–UAH 21.2 million), wine products not using ethyl alcohol (–UAH 87.5 million), wine products using ethyl alcohol (–UAH 2.8 million), beer (–UAH 78.1 million), tobacco and tobacco products (–UAH 2.6 billion), and fuel (–UAH 555.0 million).

The failure to meet the Ministry of Finance’s targets for fuel, beer, spirits and liqueurs, wine products, and especially tobacco and tobacco products (–UAH 2.6 billion) requires heightened attention from the tax authorities.

## Administration

The administration of trade in excise goods and electronics remains one of the key anti-corruption challenges for the state. These sectors concentrate the largest volumes of corruption capital, while high tax rates create substantial margins in the case of illegal trade in such goods.

The situation in these areas for January–November 2025 is as follows:

**Alcohol.** Distilleries produced 32.56 million decaliters (dal) of absolute alcohol, which is 26.6% higher than in the same period of 2024. The average monthly volume of alcohol production in 2025 amounted to 2.96 million dal of absolute alcohol, which is 0.62 million dal per month higher than in 2024.



VAT payment levels on produced volumes:

- **Alcohol producers (ethanol/distillers):** 2.2%, which is 1.2 percentage points lower compared to 2024, despite a 32.5% increase in production volumes;
- **Alcoholic beverage producers:** 5.1%, which is 0.5 percentage points lower than in 2024, despite a 0.5% increase in supply volumes.

Corporate income tax (CIT) payment levels on produced volumes for the first three quarters of 2025:

- **Alcohol producers (ethanol/distillers):** decreased from 0.4% to 0.3%, i.e. by 0.1 percentage points compared to the same period of 2024;
- **Alcoholic beverage producers:** decreased from 1.9% to 1.5%, i.e. by 0.4 percentage points compared to the same period of 2024.

A decline in the level of VAT and corporate income tax payments amid increasing production volumes likely indicates a deterioration in taxpayer integrity and an expansion of the shadow sector. This situation also clearly points to the presence of high corruption risks in the activities of the State Tax Service in this area.

**Tobacco.** Tobacco product manufacturers produced approximately 27.9 billion cigarettes (excluding cigarillos and TVEN), averaging 2.5 billion cigarettes per month. In October 2025, the downward trend in tobacco production continued: output amounted to 2.1 billion cigarettes, which is 582.44 million fewer than in August 2025 and 421.93 million below the average monthly level in 2025.



Over 11 months of 2025, Ukraine’s State Budget received UAH 113.7 billion in excise tax from domestically produced and imported tobacco products, almost 30% more than in 2024. The Ministry of Finance’s plan for domestic tobacco production for January–November 2025 was not met by UAH 3.3 billion. In November 2025, execution stood at 73%, resulting in a UAH 2.6 billion shortfall to the State Budget.

The VAT payment level on produced tobacco volumes amounted to 15.9%, which is 0.9 percentage points lower than in 2024.

The corporate income tax payment level increased by 0.7 percentage points, from 1.1% for the first three quarters of 2024 to 1.8% for the first three quarters of 2025.

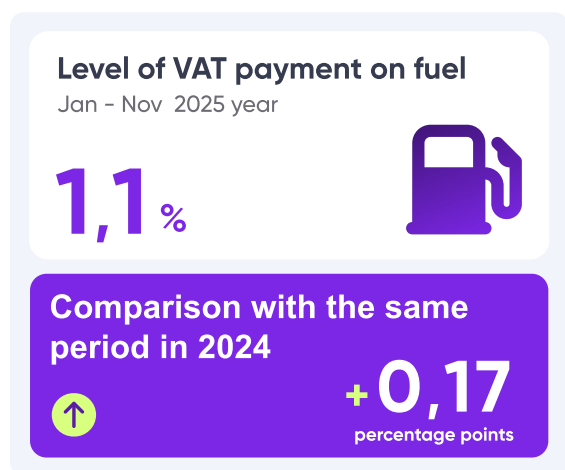
According to a KANTAR<sup>1</sup> study published in December 2025, the level of illegal cigarette trade in 2025 remained largely unchanged compared to the previous year. In October 2025, the share of illegal tobacco products reached 17.8%, driven primarily by a sharp increase in counterfeit products with forged excise stamps. At this level of illicit cigarette presence on the Ukrainian market, annual State Budget losses due to unpaid taxes are estimated at UAH 26.5 billion, while the shadow cigarette market exceeds 5.5 billion cigarettes.

The decline in VAT payment levels alongside only a marginal increase in corporate income tax across the sector may indicate a deterioration in taxpayer integrity and

point to the use of tax minimization schemes, as well as high corruption risks in this area.

**Fuel.** In January–November 2025, 48 fuel retail chains (fuel station networks) paid UAH 12.5 billion in taxes (excluding SSC), which is UAH 1.8 billion more than in 2024, including:

- UAH 5.1 billion in value added tax (VAT);
- UAH 2.7 billion in corporate income tax, including UAH 1.7 billion in advance payments;
- UAH 3.0 billion in personal income tax (PIT);
- UAH 1.2 billion in excise tax.



The VAT payment level of fuel station networks amounted to 1.1%, which is 0.17 percentage points higher than in 2024.

The corporate income tax payment level increased by 0.1 percentage points, from 0.3% for the first three quarters of 2024 to 0.4% for the first three quarters of 2025.

In retail fuel trade, despite a 3.5% decrease in fuel sales volumes over January–November 2025 compared to the same period of 2024, and taking into account the increase in fuel excise tax rates effective 1 September 2024, RRO-reported turnover for January–November 2025 increased by 4.3% year-on-year.

The increase in VAT and corporate income tax payment levels, advance payments, and RRO turnover indicates partial de-shadowing of the fuel retail market. However, the presence of a significant number of illegal fuel stations (according to the Ukrainian Oil and Gas Association)<sup>2</sup> requires enhanced enforcement and oversight by the Bureau of Economic Security (BES) and the National Police.

<sup>2</sup> <https://perevirazs.info/>



## Sales Volumes via Cash Registers



Over 11 months of 2025, more than 9.5 billion receipts were processed through RRO/PRRO, which is 851 million receipts or +9.84% compared to 2024. Of this total, November 2025 accounted for 856.87 million receipts, representing a +9.83% increase year-on-year.



The total turnover amounted to UAH 5.1 trillion, an increase of UAH 1.1 trillion or +28.44% compared to the previous year. In November 2025, turnover reached UAH 504.5 billion, which is +21.3% year-on-year.

The results for 11 months of 2025 demonstrate a positive trend in the de-shadowing of retail trade. At the same time, the share of shadow transactions in the economy remains relatively high, indicating a significant reserve for further budget revenue growth.

In parallel, to ensure an adequate level of tax compliance, the selection of taxpayers for on-site (actual) inspections should be carried out exclusively using a risk-based approach, taking into account the results of the SOD RRO Analytical System, and subject to the mandatory use of body cameras during such inspections.

## Results of Audit and Inspection Activities

In January–November 2025, the tax authorities:

- conducted 3,590 scheduled audits (+17.3% compared to 2024) and 27,822 unscheduled audits (+19.9%);

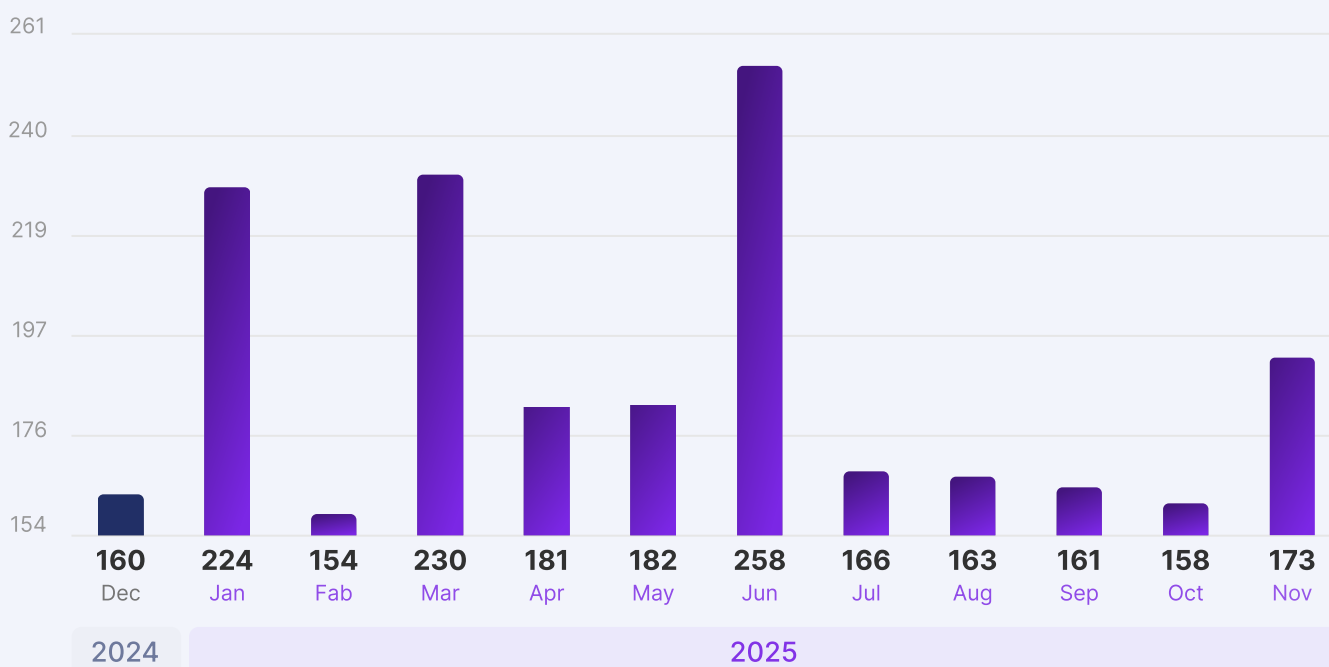
- assessed additional tax liabilities totaling UAH 132 billion, 81% of which resulted from unscheduled audits. At the same time, additional assessments from scheduled audits decreased by 3.7 times (UAH 24.7 billion in 2025 versus UAH 92.8 billion in 2024);
- agreed: UAH 29.1 billion from scheduled audits (+5.6% year-on-year) and UAH 85.5 billion from unscheduled audits (a 6.5-fold increase);
- actual budget revenues amounted to UAH 4.7 billion, which is 9.6% lower than in 2024.

The average amount of additional assessments per auditor from scheduled audits decreased by 3.8 times (UAH 18.2 million versus UAH 68.4 million in 2024).

The lack of changes in approaches to audit planning and execution prevents improvements in the effectiveness of tax control. This is evidenced by an increase in the number of audits alongside a decline in the effectiveness of additional assessments, low levels of actual budget revenues, and a growing share of decisions overturned by courts. It is therefore necessary to introduce a fully-fledged risk-based system in line with CRM standards, as well as e-Audit tools.

## Violations

**Number of criminal proceedings initiated under Articles 204, 212, and 212-1 of the Criminal Code of Ukraine for the period from 1 December 2024 to 30 November 2025.**



According to data from [dashboard.gp.gov.ua](https://dashboard.gp.gov.ua), developed by the [NGO Technology of Progress](#), 173 criminal proceedings directly related to tax administration (tax evasion and illicit trade in excisable goods) were registered in November 2025. This is 3 more than in November 2024 and 15 more than in October 2025.

Overall, during July–November 2025, the number of initiated criminal proceedings was somewhat lower compared to previous periods, which is primarily attributable to the ongoing reboot of the Bureau of Economic Security of Ukraine.

In addition, in November 2025, 22 employees of the tax authorities were subject to disciplinary sanctions for violations of anti-corruption legislation and ethical standards.



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