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## IT COMPANIES TAXATION DEVELOPMENT PATHS: UKRAINE VS INDIA EXPERIENCES

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Nowadays, everyone should understand that paying taxes is obligatory. Any kind of entrepreneurial activity in Ukraine must be registered, and taxes are an integral part of its establishment and provision. A particular problem in the payment of taxes is lying in the IT-sphere. In Ukraine, IT mainly works as export-oriented outsourcing. That means Ukrainian companies do work for foreign customers who already produce a software product under their brands. According to the IT Ukraine Association for 2018, there are 127,000 programmers in Ukraine and about 90% of them are registered as PEs (Private Entrepreneurs) [1].

PEs perform work on the basis of work contracts with a legal entity - the IT company itself. As a rule, this legal entity takes the form of a limited liability company (LLC). Some IT companies even have several legal entities. For example, EPAM being the largest outsourcing IT company in Ukraine has two legal entities and officially registered branches in four Ukrainian cities. The company Ciklum also two legal entities in Ukraine. Both of them have founders located in offshores as the developer of Luxoft. According to the portal DOU.ua, only these three companies - Epam, Ciklum, and Luxoft - employ more than 13,000 people.

It is an area to evade taxes and to pay less than fiscal authorities expected. The IT sphere is considered to be the one of such a kind. A legal entity deducts taxes on the salary of full-time employees: 22% of SSCs are charged on payroll funds; 18% of personal income tax and 1.5% of the military fee are dedicated from salaries. Except this tax burden also includes value-added tax, corporate income tax, and others. There are those owners who do not want to pay taxes for their employees. IT companies often register their employees as PEs of the third group. As for the tax, they pay only 5% of their income and the minimum single social contribution, namely 22% of the minimum wage.

These are reasons for the government to create a 5th group of single tax specifically for IT tax-payers. According to the new requirements, they will need to pay 5% of the single tax, 1.5% of the military fee, SSCs from two minimum wages, and a new tax called the “human capital development fee”. It is planned that in the first year after the introduction of this fee its size would be 1%, and each subsequent year, the rate will increase by 1%, and by 2024 it would be increased up to 5 % [2]. There is survey data [3] that shows the attitude of IT sphere professionals towards the transition to the 5-group. The survey was attended by

7177 specialists who are currently working in the IT sector, 80% of them do not support these initiatives.

A promising example of stimulating IT-sector development provides India. Five years ago, there were major preferences for IT companies in the sphere of software development and business processes outsourcing in the country, which included tax breaks, exemption from customs duties, comprehensive state support programs, and not just financial. This led to an almost eightfold increase in the sector's share of GDP in the country. Moreover, IT companies became the largest employers in the country [4]. Today, the Government of India continues to provide tax incentives within the Special Economic Zones (SEZs) that have been set up across the country in order to promote a competitive environment and industrial progress. There are special tax provisions for start-up companies.

No doubt, our country has an impressive potential for the development of information technology. Ukrainian developers and supporters are very appreciated worldwide because of the high level of expertise, a sufficient level of English, and the relatively inexpensive cost of services. According to Software development in Ukraine: 2019-2020 IT market report "Ukraine ... has the biggest talent pool in Eastern Europe and increases its positions in global business venue rankings every year"[5]Therefore, now it's worth not to lose this potential, continue to support and develop the industry, so that the percentage of high-tech GDP increases.

Following the experience of India, Ukrainian government needs to establish and conduct realistic development strategy, which should be not just about tax cuts but includes a set of measures like reforming IT education, changing the "Soviet traditions" Code of labor laws, supporting and protecting the industry as a whole.

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