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Abstract

Master's thesis 45p., 3parts, 7 tables., 32 sources.

OFFSHORE ZONES, OFFSHORE BUSINESS, OFFSHORE ACTIVITIES, CAPITAL MIGRATION, INVESTMENTS, TAX AVOIDANCE, DEOFFSHORIZATION, CLASSIFICATION

The object of study of the master's thesis is the mechanism of functioning of offshore zones, the subject - financial relations that arise in the process of financial and economic activities of offshore zones and their impact on the economy.

The methodological basis of the work is a systematic approach and a dialectical method. In addition, the methods of unity of historical and logical, comparative analysis, induction and deduction, as well as positive and normative approaches were used in the work.

Results: the essence of the concept and history of offshore zones development is considered, the specifics of separate offshore zones and their characteristics and specialization are studied, advantages of doing business in offshore zones are allocated, the problems connected with capital migration to offshore zones are opened, problems of offshorization and deoffshorization of domestic business.

The theoretical significance of the master's thesis is to justify the need to regulate national legislation on the deoffshorization of business in the country.

The practical significance of the work lies in the generalization and systematization of a large array of statistical data, recommendations and proposals of scientists, specialists dealing with the problem of offshorization and deoffshorization in modern conditions. In the near future, the role of offshore zones in the world economy will weaken as more countries join the organization to combat further offshorization of business through various agreements.

CONTENT

INTRODUCTION	5
SECTION 1. THEORETICAL FUNDAMENTALS OF RESEARCH OF OFFSHORE AREAS AS FINANCIAL CENTERS IN THE SYSTEM OF INTERNATIONAL BUSINESS	8
1.1.The essence and prerequisites for the emergence of offshore zones	8
1.2.Classification of offshore jurisdictions	10
1.3.Regulatory and legal bases of offshore zones and companies of different types	13
SECTION 2. FEATURES OF THE FUNCTIONING OF OFFSHORE JURISDICTIONS IN MODERN CONDITIONS	18
2.1. Trends and prospects of financial and legal regulation of offshore mechanisms	18
2.2. The impact of offshore jurisdictions on Ukrainian business.....	20
SECTION 3. MAIN DIRECTIONS OF COUNTERING THE NEGATIVE CONSEQUENCES OF OFFSHORE JURISDICTIONS.....	27
3.1. Problems of offshore business and possible ways to solve them.....	27
3.2. International deoffshore regulation: current status and prospects	28
3.3. Use of methods to restrict operations conducted through offshore zones	31
CONCLUSIONS.....	34
REFERENCES.....	36
APPENDIX A Stages of offshorization of the world economy.....	39
APPENDIX B Positive and negative effects of offshore zones.....	40
APPENDIX C Classification of offshore zones according to their level of reliability.....	41
APPENDIX D Top 20 countries in the world for ease of paying taxes (ranking of countries.....	42
APPENDIX E Countries with the lowest rates of repatriation tax on the main types of income.....	43
APPENDIX F Comparative characteristics of offshore zones.....	44
APPENDIX G Distribution of direct investment (equity) in Ukraine by major investor countries..	445

INTRODUCTION

Today, the state is a ready-made institution in which the tax base has been created and consolidated. Where taxes arise, there is always the possibility of tax evasion. One such opportunity is offshore zones. This topic is important for many reasons. The first is the globalization of the economy. A large percentage of companies do business outside their country. The second reason is the important role in the world economy, because, according to research, more than half of all international financial flows are in any case related to offshore zones, and this shows that offshore is very important for international business. Offshore zones have low taxation, but this is not all their advantages, namely employment for employees in offshore states. But for offshore countries themselves, this is a pre-emptive investment, as most of them have a large number of unfavorable business conditions and only preferential tax conditions for foreign companies promote the inflow of investment and skilled workers.

You also need to understand that in the offshore business there are many disadvantages that need to be considered. Despite the advantages of offshore zones, there are significant disadvantages. Namely, illegal "money laundering", dishonest tax competition, assistance to crime, such as arms smuggling, drugs, terrorism. Despite this, the issues of offshore business regulation are still unresolved. This is due to the imperfection of the legal framework and this problem gives rise to crimes in the field of financial offenses.

Offshore zones have become popular due to rising tax rates and increased currency control in economically developed countries. At this stage, doing business through offshore zones is the easiest and least costly way to continuously develop your business and minimize costs.

The rapid development of the world economy has given impetus to the development of offshore business. It manifests itself in various forms: the creation of offshore jurisdictions, the expansion of offshore companies, the rapid development of offshore services.

In the late 80's of the XX century there were works in which, in addition to general information about offshore business and recommendations for the use of offshore territories, a scientific analysis was made, outlined issues, identified patterns and rates of development and, most importantly, system of modern international economic relations. These include the works of such authors as T. Bennett, O. Williams, R. Dernberg, K.

Doggart, C. Mendis, E. Sass, R. White, F. Basinger, M. Glotov, R. Laulainen, R. . Knapp, K. Matridis, E. Shambost, D. Scott, and others.

But it was not until the 1990s that interest in offshore business in Ukraine emerged.

If the sphere of offshore business is constantly monitored, it will have absolutely no negative consequences for the state economy and the global economy as a whole. But the negligence and inability of a large number of financial centers to oversee these activities in accordance with international standards poses a threat to global financial stability. That is why the international financial community supports measures to strengthen control over financial flows: strengthening measures to influence offshore areas that refuse to cooperate with authorized organizations; coordination of information exchange actions between these authorized organizations; amendments to the legislation of countries in the field of domestic currency regulation and control.

The relevance of the study is also explained by the fact that offshore business directly affects the processes of economic development of Ukraine, as the use of offshore instruments in international investment and foreign trade is widespread among Ukrainian enterprises.

The main driving force behind the emergence and continued development of offshore business is the objective contradiction between the desire of governments to control the economic situation in their countries and the unwillingness of citizens to be under control and give part of their profits in the form of taxes.

The purpose of this thesis is to study the features of offshore business in modern conditions and its impact on the Ukrainian economy.

This goal allowed to formulate the following research objectives:

- to analyze the concept of offshore zones, the principles of organization and classification of offshore zones;
- consider the main stages of offshore business development;
- to analyze the activities of international organizations in the field of regulation and control of offshore business;
- identify the main problems of offshore business in the globalization of the economy and possible ways to solve them.

The factual basis of the work consists of legislative documents, regulations and statistical materials of the NBU, scientific publications, materials of periodicals, the Internet and electronic media on the subject of the study, forms of financial reporting for 2017-2019.

Work structure. Thesis consists of an introduction, three sections, conclusions and a list of references. The main part of the thesis consists of three sections, which are also divided into sections.

The first section presents the basic concepts that characterize the theoretical foundations of offshore zones, we are talking about the concept of offshore business, the principles underlying it, give different classifications of offshore zones, their functional purpose. The same section describes in detail the goals of creating offshore zones, its advantages and disadvantages.

The second section examines the features of the functioning of offshore jurisdictions in modern conditions, namely: trends and prospects of financial and legal regulation of offshore and the impact of offshore jurisdictions on Ukrainian business.

The third section of the work provides the main directions of counteracting the negative consequences of offshore jurisdictions, presents the problems of offshore business and possible ways to solve them.

SECTION 1. THEORETICAL FUNDAMENTALS OF RESEARCH OF OFFSHORE AREAS AS FINANCIAL CENTERS IN THE SYSTEM OF INTERNATIONAL BUSINESS

1.1. The essence and prerequisites for the emergence of offshore zones

«The use of offshore is not an exclusively modern phenomenon. When ancient Athens introduced a two percent import and export tax, Greek and Phoenician merchants began to travel twenty miles to avoid paying these taxes. Soon, the small neighboring islands became shelters for duty-free and tax-free trade and places of accumulation for the smuggling of goods into Athens without paying taxes.» [8, c. 16]

The United States has a history of tax evasion dating back to the eighteenth century. To evade the import tax imposed by England, American colonists moved and directed their trade through Latin America. Table 1.1 (Appendix A) presents the process of offshorization of the world economy, based on the introduction of offshore regimes in specific countries.

"In today's economy, the most important goal of creating offshore jurisdictions is to develop the financial sector. Switzerland became the first prototype of modern offshore jurisdictions and is the first model of financial secrecy jurisdiction created as a haven for foreign capital, and is a center of money exchange. In the eighteenth century, the Geneva City Council passed a law that required bankers to keep records of their clients' accounts, but forbade them to disclose this account to anyone without the express consent of the City Council "[8, p. 23].

"Recently, other countries have enacted Swiss-style secrecy laws and started competing for international capital. Many countries of tax havens consider the financial business as a relatively stable source of income and are actively developing it. Most countries of tax havens have an active policy of raising financial capital. For many island nations that do not have a competitive advantage, this activity is the only available way to attract resources for economic development. Many states organize seminars and their officials present articles promoting their country's advantages as a tax haven and a jurisdiction of financial secrecy. In Barbados, for example, banking legislation has been passed to improve its competitiveness as a financial center. The Bahamas launched a very aggressive campaign in order to become an elite registration center for banks, insurance companies and courts. The Cayman Islands are the fastest growing and most prominent

among the new jurisdictions of financial secrecy. They have become one of the largest tax havens in the world. In 2001, 18,000 corporations were registered there, which exceeded the number of locals "[8, p. 35].

As for the term "offshore", it first appeared in publications on the east coast of the United States in the late 50s of the twentieth century. Then we meant a financial organization that tried to avoid control by the country by geographical ingenuity. That is, the firm moved its activities, which the United States government wanted to control, to another country with more favorable tax conditions. Based on this, we can say that the term "offshore" includes not only the legal concept, but also economic and geographical.

At this stage, the offshore zone (from the English off shore - "offshore") - can be described as one of the types of free economic zones. They are classified as service free economic zones, the feature of which is the creation of favorable monetary, financial and fiscal regimes for entrepreneurs, a high level of banking and commercial confidentiality, and loyalty to state regulation.

The very concept of "offshore zone" as a whole means any country with a low or zero tax rate for all incomes, or for certain categories; high levels of banking or trade secrecy, minimal or no central bank requirements, or limited currency conversion.

The main principle for the organization of offshore business is universal tax law, according to which only income in which the source is located in the territory of the state is subject to mandatory taxation. If it is located abroad or is not localized accurately enough, the source of income may be excluded from the scope of tax liability within the territory of the country.

There are certain principles that underlie offshore business and help attract entrepreneurs there:

- Simplified and accelerated registration process. The operation of obtaining a license is accompanied by a small amount.
- Understated rates of income tax and personal income tax for registered non-residents.
- Confidentiality of data on offshore companies, exemption from state currency control is guaranteed;
- Imported equipment, vehicles imported for the needs of enterprises are not subject to customs duties.

Offshore areas offer a variety of techniques. But they all come down to reducing the link between the business organization and the tax jurisdiction. In most cases, this is

achieved by using through an offshore company another company located in a country with a high, compared to offshore, level of taxation.

If we talk about the potential of offshore zones and its place in international economic relations, it should be noted that the scale of offshore business in recent years has begun to increase rapidly. Experts note that in the next 10 years, more than half of all world currency transactions will be carried out through offshore zones.

At present, an offshore company is a company that is equivalent to a limited liability company or a joint stock company, but compared to local companies, an offshore company is completely exempt from taxes or pays a much lower tax rate in the country of registration if it does not receive income in that country. country and, most importantly, the owners and directors are not residents of that country.

When setting up an offshore company, the entrepreneur can significantly and legally make the amount of tax payments of his local firm less. As a result of the interaction between the local firm and the offshore company, it is possible to virtually eliminate income tax payments and significantly reduce social and income tax payments.

Recently, intentions to use offshore companies have changed. For example, if before the offshore business was necessary only for the export of capital, now it is one of the effective tools to stabilize payments, regulate the price of export-import contracts, self-financing, sale of copyrights, payment of foreign exchange contracts in Ukraine, leasing equipment , hiring staff, supplies of toll raw materials, buying real estate abroad.

We should not forget that offshore business is also the most effective mechanism for investing in Ukraine. According to experts, about 80% of investments in Ukraine are made by Ukrainians through offshore companies. Mutually beneficial agreements, credit lines, subsidiaries and joint ventures can be used for this purpose. Foreign investment can also be made in the form of equipment and technology, as a repayable financial assistance. It is necessary to register investments in the National Bank, which guarantees a return of funds from Ukraine.

1.2. Classification of offshore jurisdictions

For the study of offshore zones, their classification, definition of common and distinctive features in each of the types of offshore and their advantages and disadvantages are important. Some other characteristics can be used to assess the respectability and philanthropy of offshore jurisdictions, including the FATA (Anti-Money Laundering

Financial Group) and (Organization for Economic Co-operation and Development) blacklists, the level of supervision and regulation of financial activities, and well-known ratings. credit ratings agencies [3, p.44]

To date, there are a large number of criteria for classifying offshore jurisdictions. Yu. Kozak divides offshore jurisdictions into two main types, which are based on the scope and nature of the privileges offered to customers. The first type is actually offshore territories, officially recognized in the world, and jurisdictions that belong to the "tax havens". To the second type, he refers to jurisdictions with a "moderate" level of taxation [13, p.168].

K. Krykunenko in his dissertation "Contradictions of the functioning of offshore zones in the context of economic development" expresses the opinion that all offshore jurisdictions can be divided into three types: classic offshore zones, international business centers, tax niches [10, p.347]. The expert notes that the most important feature of the classic offshore zones is the zero rate of income tax [11, p. 214].

A more detailed classification of offshore jurisdictions is carried out by NV Moskalenko: jurisdictions in which the taxation of income by any taxes is not established; jurisdictions in which certain activities and types of companies are granted full tax exemption; jurisdiction where a reduced level of income tax rates is set for certain types of business activities; jurisdictions in which a special, preferential tax regime is provided for holding companies; jurisdictions in which a standard or high level of income taxation is established, but additional benefits are provided for non-resident legal entities; jurisdictions in which the territorial principle of taxation is used [15, p. 121].

In itself, the creation of an offshore company is not illegal. There is no doubt about the legal right of taxpayers to reduce the amount of taxes legally. No one is obliged to build their business for the maximum convenience of the Ministry of Finance, citizens do not have a patriotic obligation to increase their own tax payments. Moreover, the main reason for the creation of offshore is just a huge burden of taxes, which do not stimulate entrepreneurial activity [6].

Offshore zones serve as a means for the "survival" of many business entities, as they "transfer" and accumulate funds for further investment. The problem is another - in the use of such areas to carry out illegal activities that pose a danger not only to individual states but also to the entire world community. Therefore, it is necessary to fight not with the offshore zones themselves, but with criminal activities when they are used by the drug mafia, terrorist organizations and other groups. It is necessary to improve the mechanism for checking dubious transactions, tracking the turnover of fixed capital, expanding the list

of offshore zones, pursuing an anti-shadow policy, reducing pressure from the state for the normal operation of enterprises. That is, by considering aspects of offshore zones, we cannot unambiguously decide how they affect the global economy.

After analyzing the table. 1.2 (Appendix B), it can be concluded that the same property of offshore can be interpreted as an advantage and as a disadvantage depending on the specific, often conflicting interests of private investors, international organizations. Unfortunately, in recent years in the world, including Ukraine, the withdrawal of capital to offshore areas has become excessive and has exacerbated the negative aspects of the use of tax havens.

Offshore zones are classified depending on various characteristics: geographical location, political stability, authority in the international market, the ability to visit this country. The key factors in assessing world practice are:

- The level of taxation;
- Maintaining the confidentiality of the company's activities;
- Possibility of concluding agreements on non-assignment of double taxation;
- The degree of control over the company's activities

The investment attractiveness of different offshore zones depends on the conditions of tax registration. Table 1.3 (Appendix C) reveals the forms of financial stability of developed countries and the rating of offshore zones according to the degree of their reliability.

Note that the higher the reputation, the more expensive it is to service the company in this jurisdiction (the need to keep accounts according to international standards, mandatory audit, issued documents, etc.). However, investing in respectable jurisdictions usually yields higher financial returns. [4]

Each country decides for itself the recognition of a particular offshore zone. The most complete list of offshore zones recognized by our state is given in the "List of offshore zones", approved by the order of the Cabinet of Ministers of Ukraine dated February 23, 2011 № 143-r. [1]

The CMU's official list of jurisdictions recognized as offshore does not include countries such as Cyprus, Hong Kong and Switzerland, with which double taxation treaties have been concluded. This indicates the indirect participation of government officials in the covert withdrawal of capital through offshore zones.

Capital from abroad is sent in this case not for real activities in the country that registered the company, but to create so-called companies - "mailboxes" and receive small tax payments in exchange for the right to be considered a resident of this offshore zone and

nowhere no longer pay taxes. The experience of offshore activities by Ukrainian entrepreneurs shows that the most popular are the following jurisdictions: British Virgin Islands, Belize, Gibraltar, Marshall Islands, United Arab Emirates, Fr. Maine, Panama and Seychelles. Domestic businesses are in demand not only classic offshore zones, but also partial offshore, ie those countries or territories that have preferential tax rates and require the submission of financial statements. Such offshores include the United Kingdom, Hong Kong, and the United States.

Offshore zones, of course, have significant advantages in tax competition. In the ranking compiled by experts of the well-known audit company Pricewaterhouse Coopers and the World Bank, in the top twenty in the global tax climate, the leading positions are occupied by offshore jurisdictions, as well as countries where they are present or have recently been present. Table 1.4 (Appendix D) lists the top 20 countries in the world in terms of ease of paying taxes.

In the case of cooperation with jurisdictions with which a double taxation agreement has not been concluded, the tax rates on dividends, interest and royalties listed in Table 1.5 (Appendix E) are important.

Note that only Cyprus, the UAE and Singapore from this list are offshore zones (in the classical sense). Thus, provided the competent construction of their financial activities, companies have the opportunity to optimize taxation, using not only the "classic" offshore zones.

In order to choose the most profitable offshore jurisdiction, you need to analyze everything. Comparative characteristics of offshore zones are given in table 1.6 (Appendix F). The table shows that the most favorable conditions for capital outflows are offshore in Gibraltar.

In addition to choosing an offshore jurisdiction, the company must also decide on the offshore bank through which the offshore firm will be serviced. In some offshore zones, accounts may be opened remotely, while in others such a procedure requires the personal presence of the company's founder.

1.3.Regulatory and legal bases of offshore zones and companies of different types

The development of each of the offshore jurisdictions has its own history, which determines many features of the legislation of each territory. In addition, competition in the field of offshore business, as well as other external and internal factors are constantly

causing new legislative innovations. The main legal acts that determine the features of a particular offshore jurisdiction, as a rule, are the laws on companies.

The US state of Delaware has passed one of the world's most liberal company laws, the General Corporation Law, which was later almost verbatim copied by two well-known offshore centers, Liberia and Panama. Under Delaware law, the income of companies headquartered outside the state and not operating in the state is not taxable. Extremely simplified registration procedures and requirements for the company's activities.

It is liberal corporate law that has made Delaware one of the most popular places to register international business for entrepreneurs around the world. More than half of Fortune's 500 most successful American TNCs were registered here in the late 1990s.

Some jurisdictions do not have special tax laws that are adopted in classic offshore. However, due to the peculiarities of the current tax and corporate law, they can be attributed to offshore jurisdictions. At the same time, more territorial conditions within these countries may differ in more favorable conditions for business. Thus, under Swiss federal law, the cantons of the confederation are not limited in their right to exclude in whole or in part from corporate taxation profits received abroad from Switzerland, and may set their own tax rates, which are in addition to the hard federal taxes (8 and 5%) are payable to the companies registered there. The lowest interest rate for cantonal and municipal taxes for companies operating outside Switzerland is in the smallest canton in Zug, where entrepreneurs from different countries are willing to register their business structures. The most popular activities for such companies are the purchase of goods or raw materials in one country for sale in another and the placement of profits in Switzerland, as well as the ownership of shares of foreign companies, dividends.

When creating offshore companies that have a special tax status, all current organizational and legal forms are used. The most common of these are companies (corporations) and joint stock companies. Recently, interest in the use of trusts, as well as various funds has grown.

Such an organizational and legal form of offshore activity as a partnership or partnership is quite popular, the activity of which must be conducted outside the parental jurisdiction in order to obtain offshore status. These forms of business organization are characterized by great flexibility and functionality, they cause more trust from the government and business partners than anonymous companies. Offshore partnerships are used in financial and investment activities, asset protection, trust transactions, organization and joint business of doctors, lawyers, consultants, etc.

Mixed forms of offshore business are increasingly used. Among them are limited liability companies (LLCs), which combine the advantages of both joint stock companies and partnerships, as they involve limited liability for participants and ease of registration, as well as the partnership's taxation principle, according to which LLC income is taxed only once. once - as the income of its founders. In addition, no restrictions are imposed on LLC owners [18].

Most offshore jurisdictions are characterized by compliance with the following conditions that are important for doing business:

- offshore companies are usually not restricted in their activities (neither by law nor by statute), except for certain activities that require licensing by the government; these usually include banking, insurance, legal, auditing, trust, administrative activities; work in these areas without a license is severely punished, including imprisonment;

- limited liability - the owners are liable for the obligations of the company only within the paid-up share capital; for non-banking companies there is usually no limit to the minimum paid-up share capital;

- in the country of registration the company must have a registered (legal) address and an agent, which may be a person, natural or legal, whose responsibilities include the actual stay at the legal address of the company and communication between public authorities of the country of registration and the company;

- the company has the right to open accounts in banks of the world without restrictions, and if in the country of registration there are no taxes and obligatory audit, it is not necessary to report open accounts to the authorities; accounts in the country of registration are also allowed;

- owners are determined by shares (registered or bearer); in turn, they elect directors, and they already make all current decisions (opening a bank account, taking or granting a loan, etc.);

- directors appoint the company's secretary, whose signature certifies the minutes of all meetings and decisions of the board of directors and shareholders' meetings;

- owners can be any legal or natural persons.

In a significant number of offshore jurisdictions, the functions of a director may be exercised not only by an individual but also by a legal entity, which may be, among others, a secretarial company. This provides a virtually two-tier mechanism for protecting trade secrets [2, p.133].

That is, the legislation of offshore jurisdictions tries to keep up with the times, adapting to modern requirements and generally becoming more transparent and civilized.

At the same time, it retains many features that make offshore attractive to a wide range of international investors [17, p.17].

CONCLUSIONS TO SECTION 1

Analyzing the above, we can say that the main prerequisite for the emergence of offshore zones was the strengthening of the tax burden. And for small countries, this has become almost the only opportunity for development, as most classic offshore are islands that do not have enough territory and other natural resources to develop production, certain industries and the economy as a whole. Therefore, the financial sector is almost the only opportunity for them to develop.

The process of development of offshore jurisdictions is perhaps most influenced by the processes of globalization, which caused a boom in the development of offshore in the late 70-80s of last century.

Offshore zones are a type of free economic zone designed to create a favorable monetary, financial and fiscal regime, as well as a high level of trade and banking secrecy, which is useful for businessmen. But, despite the economic attractiveness of offshore zones, conducting operations with them has a number of negative consequences, because because of this huge sums of money disappear from the states.

The flight of domestic capital to offshore zones is due to the unfavorable local investment and tax climate. Economic and political instability, rapidly changing legislation, distrust of the authorities, as well as the low level of financial market infrastructure development make Ukraine unprofitable for doing business and attracting investment. As a result, investors prefer to invest in the business environment of other countries, which are characterized by more favorable conditions.

Given this fact, it can be noted that the solution to the problem of capital outflow through offshore zones lies not only and not so much in the regulation of this area, as in the restructuring of Ukraine's economic system and creating a friendly environment for business.

In light of recent developments of global pressure on offshore, most offshore zones are forced to change their own legislation in a complicating way for companies that enjoy their benefits. However, this situation has little reduced the attractiveness of offshore for global business.

SECTION 2. FEATURES OF THE FUNCTIONING OF OFFSHORE JURISDICTIONS IN MODERN CONDITIONS

2.1. Trends and prospects of financial and legal regulation of offshore mechanisms

Recently, due to the globalization of the world economy, the participation of offshore mechanisms in it has increased significantly, which is of concern to most countries of the world due to the fact that it poses a threat to the global financial system. The international attitude in the world to offshore mechanisms is gradually changing, and many countries are changing their legislation in order to comply with international standards for financial and legal regulation of offshore mechanisms.

The rapid increase in the number of offshore companies has caused concern in the governments of many countries, from which capital has flowed into more favorable areas. As a result, such states have begun to implement special "anti-offshore laws" aimed at reducing capital outflows and minimizing the benefits of offshore mechanisms.

Back in 1997, a special commission was set up in the EU to identify and develop anti-offshore regulation measures. The commission's summary document included 66 measures that were found to be detrimental to the EU's financial system [14].

In particular, at the present stage, we can identify several areas of anti-offshore regulation:

- 1) harmonization of taxes and taxation of foreign income;
- 2) rejection of unfair tax competition;
- 3) counteraction to laundering of illegally obtained income;
- 4) prevention of capital outflows.

If earlier some countries fought offshore, now this struggle is gaining global scale. Due to this, adopting the experience of other countries, Ukraine has a real chance to overcome this negative phenomenon. International organizations such as the UN, the EU, the Anti-Money Laundering Organization (FATF) and others are already taking active steps to reduce capital outflows, tax evasion, and the fight against money laundering. In addition, the EU, the UN and the OECD are implementing the main directions of tax harmonization in order to reduce capital outflows.

An important step towards solving the above problem was the signing of an agreement between 51 countries at the Global Forum on Transparency and Exchange of Information for Tax Purposes on the annual automatic exchange of data on non-resident accounts. This

exchange took place for the first time on September 17, 2017, where representatives of the countries discussed topical issues related to tax evasion and decided to strike a decisive blow at offshore jurisdictions.

Current international trends to combat offshore mechanisms will reduce the number of customers using their services. Small and medium-sized companies will be pushed out of the market by larger companies, and offshore business will be effective only with significant financial injections. At the same time, special attention is paid to large taxpayers: in many countries, special units are created in the tax authorities to administer large taxpayers in certain areas [30].

It is clear that strengthening the control and regulation of offshore mechanisms requires national legislative changes. Therefore, the priority for the international community is to create a legal framework in the near future that will ensure control over financial transactions that acquire a global level. Such legislation should provide for the application of the necessary measures to control offshore mechanisms and impose financial sanctions against countries and economic entities in case of violation of the established legal norms on combating money laundering and tax evasion.

But it should be understood that the elimination of offshore jurisdictions may lead to the introduction of one higher level of taxation in countries for all taxpayers. And if you ban transactions with offshore jurisdictions, it could distort financial flows and affect the free trade regime around the world. Even if you close offshore jurisdictions in one part of the world, they will definitely appear in another. This will be because the demand for offshore jurisdiction services will remain for many years to come. Just like the creation of offshore jurisdictions, their closure must be natural or justified by objective reasons. The administrative and economic pressures of various organizations that are currently being placed on offshore jurisdictions and which are leading to their closure are, in our view, subjective.

Thus, as we can see, there is an ambiguous attitude to offshore mechanisms in the international community. On the one hand, offshore mechanisms allow to attract investment and support the country's economy, and with another, - create conditions for money laundering and tax evasion or withdrawal of capital.

Unfortunately, in our country, offshore mechanisms are mostly used to launder "dirty" money and tax evasion. We consider it necessary to develop a development strategy in Ukraine, which will be aimed at bringing national legislation in line with international standards and will prevent the withdrawal of capital from Ukraine.

2.2. The impact of offshore jurisdictions on Ukrainian business

During the existence of the USSR, the country's economy was limited by the influence of the world economy on the national economy, as a result of which many economic phenomena were unknown, and their effect on the Ukrainian economy was insignificant. After the opening of borders, the lifting of the ban on private business property and the abolition of the state monopoly on foreign economic activity, many of the country's residents began to engage in business, including international business. During the Soviet era, the state has already made attempts to creatively apply foreign experience in the country's economic system and in all spheres of public life.

In the offshore zones of Ukraine it should be noted that for the first time Ukrainian businessmen got the opportunity to open offshore companies in 1991. In April 1991, the Swiss company Riggs Walmet Group announced that it was entering the Ukrainian market with a proposal to organize companies. It offered not only assistance in establishing tax-free companies, but also support for their activities - making annual contributions to the budget of the host country, providing secretarial mail services, organizing annual shareholders' meetings, drawing up balance sheets, etc. By international standards, the cost of services was quite high: \$ 4,800 for registration and \$ 1,100 per year for support. Over the past period, as a result of increased supply of such services and increased competition, the price of offshore has fallen to \$ 500. [32, p. 23].

According to experts, although Ukrainian legislation has many "holes" and ambiguities, it is still the main postulate in resolving disputes and in general for doing business offshore.

Offshore "chips" immediately caught the eye of entrepreneurs of different statuses and cultures. And already in the 90's optimized-minimized taxation became "fashionable". Since then, offshore has become even more popular: in particular, the first place in the ranking is occupied by countries that thus seek to attract the attention of entrepreneurs with low taxes.

If we talk about the consolidation of offshore in the legislation of Ukraine, this process has taken place over the past twenty years. But the most talented post-Soviet businessmen orientated themselves almost immediately.

Paradoxically, experts say, but mostly investments in Ukraine come from the same Ukrainians, but through offshore zones: above all, it reduces risks in times of political

crisis, which is especially relevant today. One way or another, Ukraine is interested in investments: almost 50 percent of annual infusions are from abroad [18, p.70].

At the beginning of 2020, the growth rate of payments for exported goods under intermediary agreements through firms registered in offshore zones was almost one and a half times higher than under direct and intermediary agreements with countries without offshore zones. Imports grew even more dynamically. At the same time, the growth was due to the products of such industries as metallurgy, machine building, fuel and energy, chemical, agriculture and food industry.

There is no single list of offshore zones, each state determines this list for itself. In Ukraine, the list of offshore zones was established by the order of the Cabinet of Ministers of Ukraine "On the list of offshore zones" from 23.02. 2011 № 143-r. [1].

From a microeconomic point of view, offshore business for sole proprietors promotes optimal tax planning, opens access to international markets for securities, currencies and finance, and allows you to locate your offices anywhere in the world. In other words, offshore companies are building channels to enter world markets.

From the point of view of an individual entrepreneur who conducts his activities illegally and operates with illegal capital, offshore zones contribute to the expansion of his business. Tax evasion, corrupt deals, money laundering, and the construction of a formal, confidential criminal business are all offshore opportunities. In this case, the question of how to distinguish the first group of private companies from the second and direct sanctions against the underworld, allowing the development of legal private business.

In Ukraine, the development of the regulatory framework in the regulation of offshore business occupies a special place, as it is offshore jurisdictions are the main subjects of investment in the economy. Economic reforms in Ukraine in recent years have allowed companies with different forms of ownership to enter the world arena, which in turn has increased the efficiency of the companies themselves, but has created some problems for the state. This is expressed, first of all, in the reduction of taxes to the state treasury.

It is important for Ukraine that offshore companies allow access to cheap loans, avoid raids, corruption and administrative actions by officials, the imperfection of the Ukrainian judicial system and protect property rights. Ukraine cooperates with a large number of offshore zones, including the British Dependent Territories, Bahrain, Andorra, Monaco, the Bahamas, the Cayman Islands, Puerto Rico, Liberia, Samoa and many others. However, the existing offshore zones are now in a rather difficult position, as states, having

no leverage over them, use political pressure, citing fears of the secrecy of banking information and the "laundering" of money obtained illegally.

Addressing the issue of simplifying doing business in Ukraine is very urgent. According to the World Bank, Ukrainian business pays a total of 135 different types of taxes. Ukraine is one of the 10 countries with the most complex tax systems. The tax burden on the economy in Ukraine remained at 44%, while in the countries of Central and Eastern Europe, which are members of the EU - 30%. Therefore, the offshore zone is one of the ways to facilitate doing business and legally reduce the tax burden for residents, as well as create an attractive climate for investors. According to various experts, about 60% of the total value of world capital is concentrated offshore, through which about half of financial transactions take place.

Almost all large foreign banks and investment companies use offshore to conduct their financial transactions. In Ukraine, about 80% of the investments received through offshore zones are made by Ukrainians. Contracts, credit lines, subsidiaries and joint ventures are used for this purpose. Foreign investment can also be made in the form of equipment and technology as repayable financial assistance. Let's analyze direct investments in Ukraine.

In total, Ukraine received investments from 138 countries. Note that the largest number of them during 2017 - 2019. came from Cyprus, Germany and the Netherlands. Yes, in 2019. Cyprus' investment is 42.7%. The full distribution of foreign direct investment in Ukraine is given in Table 2.1 (Annex G)

"According to the cumulative total, as of January 1, 2020, the share capital of non-residents in Ukraine amounted to \$ 35,809.6 million (from the EU - \$ 28,289.3 million, from other countries - \$ 7,520.3 million), which was only 8, 8% more than in early 2019 (\$ 32911 million). The main investor countries in Ukraine were Cyprus - \$ 10,368.9 million, the Netherlands - \$ 8,301.4 million, the United Kingdom - \$ 2,060.6 million, Germany - \$ 1,843.1 million and Switzerland - \$ 1,714.5 million. The largest revenues direct investments as of the reporting date (cumulatively) were directed to industrial enterprises - \$ 11595.9 million, wholesale and retail trade, repair of motor vehicles - \$ 5662.5 million and real estate - \$ 4495.7 million. Kyiv (\$ 19344.3 million), Dnipropetrovsk oblast (\$ 3797.6 million) and Kyiv oblast (\$ 1645.3 million) were the leaders in terms of FDI. [29]

"In 2019, Ukrainian companies made \$ 14.9 million in direct investment (equity) in the world economy. In general, as of January 1, 2020, the volume of FDI from Ukraine was \$ 6,272.7 million (at the beginning of 2019 it was \$ 6,294.24 million). \$ 6086 million was invested in the EU countries from Ukraine, \$ 186.7 million in other countries of the world.

Latvia - \$ 73 million, the British British Virgin Islands - \$ 33.7 million and Hungary - \$ 16.1 million. The leaders in terms of investment as of the reporting date (cumulative total) were enterprises of professional, scientific and technical activities, whose investments in other countries amounted to \$ 5972.8 million. In the regional context, the largest volumes of investments were made in Donetsk region (\$ 5912.9 million) and Kyiv (\$ 238 million). [29]

Over the past three years, Ukraine's economy has experienced a rapid outflow of capital to offshore zones. This capital would be enough to repay public debt. First of all, the desire of investors to withdraw money from Ukraine is explained by inefficient government policy.

Business in Ukraine does not feel the support of the state, in a crisis, the tax burden is only growing, During this time, foreign investors have sold almost all investment portfolios in Ukraine. More than 90 percent of Ukrainian capital was exported to Cyprus.

The attractiveness of offshore is due to the fact that between Ukraine and Cyprus for many years there is an agreement to avoid double taxation. The proximity of Cyprus and the existence of this agreement make the country a convenient platform for investment. On the other hand, Cyprus is officially the largest investor in Ukraine's economy. We can also say that Ukrainian business most actively uses Cyprus as a tax haven.

Legally, Cyprus is not considered offshore, but the island authorities have established a favorable tax system so as not to lose large-scale profits.

In Ukraine, the legality of doing and taxing offshore business is controlled by government agencies: the tax and customs services, the SCFM, as well as the police, prosecutors and the SBU. As for the international level, everything is much more serious. The "dirty" money is being hunted by the relevant committees of the UN, the EU, the Organization for Economic Cooperation and Development, the Working Group on Financial Operations of the International Commission against Money Laundering (FATF) - unappealable and unequivocally strict institutions.

However, there are many other combinations and schemes with the use of offshore companies, specific methods depend only on the agility and competence of the businessman and his consultants. Offshore schemes are based on the use of opportunities provided by concluded double taxation agreements. Offshore schemes have increasingly relied not only on purchase and sale agreements, but also on leasing commissions, trusts, insurance and other contractual and legal forms of complex commercial transactions. Foreign offshore companies are used in the process of current and long-term financing of Ukrainian projects from abroad. In schemes of this type are usually widely used specialized companies located

in areas of tax benefits. Ukrainian banks and financial companies use offshore schemes in the global securities markets.

The role of offshore schemes in the formation of transnational economic systems has increased, when offshore firms are integrated into the network of external branches of Ukrainian enterprises. Offshore schemes are often aimed at overcoming foreign tax barriers.

However, it would be a mistake to assume that tax optimization is the only advantage of offshore business. According to some studies, half of the world's money circulation is somehow related to taking advantage of offshore zones. The most common are registration of judges under the flags of offshore countries, real estate transactions (buildings are sold through companies registered in a country with a zero real estate tax rate), captive insurance, etc.

For entrepreneurs, including and Ukrainian, the value of offshore lies in the possibility of absolutely legal movement of capital to politically and economically stable and secure countries. For example, using an offshore company is the most effective way to accumulate capital and invest confidentially in a new project. And it does not matter whether the project is implemented in Ukraine or abroad. In the first case, the funds are simply "pumped" through an offshore company and returned to the Ukrainian company in the form of investment in a new project. In the second, the offshore company also plays the role of an anonymous investor with the only difference that the funds are invested in a foreign business project [24, p.35-36].

There is a set of factors that stimulate the development of offshore business in Ukraine. These include: the burden of the tax burden and the inefficiency of fiscal policy, unfavorable investment climate and strong motives for exporting capital abroad, high investment risks and the use of offshore schemes to conceal the fact of ownership of investment objects in Ukraine for money laundering. According to experts, during the 1980s, billions of dollars were transferred to Switzerland from Central Europe and the former Soviet Union. The Swiss do not have an unequivocal opinion on whether all these contributions can be considered criminal. However, this money falls into the category of "suspicious" and can be blocked. Ukrainian businessmen are attracted to offshore zones by the possibility of tax evasion or money laundering (for these acts there is a criminal liability under Article 212 and Article 209 of the Criminal Code of Ukraine).

As a rule, in Ukraine the use of offshore companies to legally reduce the tax burden is limited to export transactions, when an offshore company is used as a "gasket" between a Ukrainian exporting firm and a real buyer abroad. Overstatement of import prices leads to

an increase in customs duties, VAT and income tax, respectively. Measures taken in recent years against benefits, non-payment of taxes, capital flight, unlicensed investments, as well as restrictions on transactions with offshore companies confuse supporters of legal business and reduce interest in offshore [22, p.112].

CONCLUSIONS TO SECTION 2

Despite the similarity of all offshore zones, there are some differences in their legislation, which has led to some specialization. Due to the large share of offshore business in global finance, offshore activities cause significant damage to the budgets of capital-exporting countries. Along with such negative aspects of the impact of offshore on the world economy as supporting illegal activities and reducing investment in the country of origin of capital, this naturally encourages individual countries and international organizations to limit opportunities for investors to use offshore in various ways. And yet, despite the many benefits of offshore companies, which have previously been observed in many countries pursued "anti-offshore" policy, it is to strengthen banking regulation, increase the transparency of corporate structures and the interstate exchange of tax information.

Thus, offshore business is not only flexible and dynamic, but also very diverse. There are constantly offers of new "offshore services", which often last only a limited amount of time. For their part, large states and international organizations are implementing a set of measures to counter offshore schemes, which affects the change in the specialization of offshore and their composition.

Ukraine actively uses offshore for business, as evidenced by the volume of trade and investment transactions where they are used. However, another way to use them is the practice of second citizenship. This gives the citizens of Ukraine a number of advantages and additional opportunities. Moreover, the residence of another state almost always remains a secret, because other countries very rarely inform Ukraine about granting its citizen a second citizenship.

SECTION 3. MAIN DIRECTIONS OF COUNTERING THE NEGATIVE CONSEQUENCES OF OFFSHORE JURISDICTIONS

3.1. Problems of offshore business and possible ways to solve them

Offshore business with proper control does not have an absolutely negative impact on the economy and the global economy. However, the reluctance or inability of many financial centers to control these activities in accordance with international standards poses a threat to global financial stability. Terrorist financing, money laundering from arms, drugs and human trafficking have a negative impact on the economic and financial systems of countries. That is why the international financial community supports measures to strengthen control over financial flows: strengthening measures to influence offshore areas that refuse to cooperate with authorized organizations; coordination of information exchange actions between these authorized organizations; amendments to the legislation of countries in the field of domestic currency regulation and control.

Also, one of the problems of offshore business is the outflow of funds. One of the most authoritative experts in tax havens, James Henry, a former chief economist at McKinsey, has prepared a study "Once again about the price of offshore." According to him, up to 21 trillion US dollars are concentrated in offshore zones.

Countries rich in natural resources and minerals, and especially oil, bear the greatest losses from offshore business. For example, \$ 798 billion has been exported from Russia over the past two decades. From Kuwait in 1970-2010 - 496 billion, Venezuela - 406 billion, Saudi Arabia - 308 billion, Nigeria - 306 billion. Russia is ahead of China with 1189 billion US dollars exported over 30 years. Over the past 40 years, \$ 779 billion has been exported from South Korea, \$ 520 billion from Brazil, \$ 417 billion from Mexico, and \$ 331 billion from Indonesia.

According to the UN Forum on Financial Stability, the assessment of offshore business in the world is based on a simplified approach. Many offshore jurisdictions adhere to international norms and standards in the field of regulation and control of offshore business. While there are countries that do not belong to the world community to offshore jurisdictions, but are "problematic" in terms of global financial stability. Los Angeles, New York, Montreal, London, Mexico City, and Zurich are also centers for money laundering.

The efforts of the international community must be aimed at achieving real goals. Attempts to eliminate offshore zones are doomed to failure. Success can only be achieved in terms of transforming offshore jurisdictions into "respectable" jurisdictions. Modern offshore legislation serves as a confirmation of the prospects of this area of international cooperation.

3.2. International deoffshore regulation: current status and prospects

Today, offshore zones are being actively fought at the international level. And all because low-tax or tax-free jurisdictions (so-called offshore zones or offshore territories, usually located in island states) are in serious competition for European countries with fairly high tax rates on the world market. In addition, they pose a criminal threat, as the lack of disclosure and reporting requirements thereby attracts individuals who have illegal purposes of tax evasion and money laundering.

Sovereignty does not allow to interfere in the domestic policy of the state, and each country has the right to establish its own "rules of the game" within the territory. Thus, it is difficult to resist offshore, but nevertheless the tools of influence on such territories are found, methods of struggle are lawful and various. Consider the main directions of anti-offshore regulation, trace their development and analyze the prospects for the near future.

Thus, in order to regulate offshore activities, international organizations such as the OECD, FATF and FinCEN and many others have been established at the regional level. It should be noted that the OECD and the FATF are not authorized to directly apply any measures of influence to violating countries. Their work is to make recommendations. And sanctions are already applied by member countries of the organization - in accordance with their national legislation. The main results of the "anti-offshore" policy were the strengthening of banking regulation, increasing the transparency of corporate structures and the interstate exchange of tax information [22].

The main directions of anti-offshore regulation are set by international organizations, such as:

- Organization for Economic Co-operation and Development (OECD) - combating unfair tax competition;
- Financial Action Task Force on Money Laundering (FATF) - fight against money laundering;

- European Union (EU) - systematization of tax mechanisms in all EU countries.

[16].

The goals of these international organizations sound different, but they are all reduced in one way or another, including the fight against offshore zones.

These organizations, taking into account the sovereignty of states, can not impose their conditions and dictate requirements, so they are limited to issuing recommendations to all member countries, as well as defining the norms and standards of legislation of each state, outcast on the world market. That is, the main method of struggle is to create in the world market such conditions under which companies registered in the states, such that contrary to the standards set by international organizations become inoperable.

The following main methods of international control of offshore zones can be identified:

- Compilation of so-called "blacklists" of offshore zones;
- Ensuring openness and accessibility of information at the international level by concluding international agreements on the exchange of tax information and limiting banking secrecy through the control of national banking systems;
- Restricting the use of offshore by introducing restrictive provisions into the domestic law of many countries, as well as rules that prevent the benefits of using offshore zones. [9].

Consider in more detail these methods and trends in their application. Compilation of "blacklists" by international organizations. The OECD maintains its lists of countries that engage in unfair tax competition. In 2009, 30 countries, including the British Virgin Islands, Saint Vincent and the Grenadines, Panama, Belize. The "black list" of countries that have not confirmed their readiness to adopt a standard of tax cooperation included four countries: Costa Rica, Malaysia (Labuan), the Philippines and Uruguay.

As for the FATF "blacklists", they are aimed at protecting the international financial system from risks and promoting better compliance of national regimes with international standards. The FATF has identified a list of jurisdictions with strategic weaknesses and is working with them to address those weaknesses that threaten the international financial system.

The FATF urges all jurisdictions to pay special attention to their financial institutions' business relationships and transactions with the DPRK, including companies and financial institutions in the DPRK, as well as individuals acting on their behalf. In addition to enhanced influence, the FATF reiterates its call on Member States to take effective countermeasures, as well as targeted financial sanctions in accordance with United Nations

Security Council resolutions, to protect their financial sectors from money laundering, terrorist financing and proliferation financing. destruction coming from the DPRK. Jurisdictions should take the necessary measures to close existing branches, subsidiaries and representative offices of DPRK banks within their territories and to terminate correspondent relations with DPRK banks, if required by relevant UN resolutions. [25].

If a state is blacklisted, it means, first of all, that all roads in the international arena are closed, and companies registered in such states become a kind of "rogue." This is expressed in the fact that banks are not always ready to open accounts and issue loans to residents of these countries (if they agree to cooperate at all). The customs and tax authorities of states pay more attention to their activities, as well as closely monitor the agreements concluded with residents of such states by local companies and citizens. That is, companies become unfit to do business internationally because they are very limited in their freedom of action, even legal ones. That is why offshore states are ready to compromise in order to be excluded from the "black lists".

Another method we have identified for combating offshore zones is to ensure the openness and accessibility of information at the international level by concluding international agreements on the exchange of tax information and limiting banking secrecy through the control of national banking systems. This was partly said earlier when it came to the increasingly active conclusion by states of international agreements on the exchange of tax information. But this is not the only way to make information more accessible. Another, no less effective tool for obtaining information is to strengthen the requirements for banks to collect information about their customers on the principle of "know your client" (know your client).

When opening a bank account by a foreign company, it is necessary to provide complete information about the ultimate owner of the company (beneficiary), the sources of income of the company, counterparties. If you do not provide the requested information, you may be denied an account. All information is stored in the bank and is protected by bank secrecy. However, in certain cases, a credit institution has the right and even the obligation to provide this information to the competent authorities in accordance with the domestic law of each individual state. It should be noted that amendments are made to the domestic legislation of the countries on the basis of FATF recommendations. And the trend is that the grounds for disclosing such information are expanding. Transparency and anti-corruption policy of Russian private companies. [7].

After analyzing current world trends, it is quite easy to predict the picture of the near future, probably over the next four to five years.

Industrialized countries will force all current offshore zones to pass laws that would suspend the registration of offshore companies. They will be asked to have their real location, office, staff, etc. at the place of registration, which will lead to a significant increase in the cost of tax schemes. The reality of the presence at the place of registration will be verified. In addition, the reasons for locating a business on an island will be taken into account: if they are recognized mainly as tax, the business will not be able to enjoy benefits. This requirement will apply to offshore banks in the first place. Finally, the difference between the taxation of local and non-resident businesses will be eliminated, which may result in a low tax rate. However, it will not be zero. Processes in this direction are already underway.

The legislation of the USA and Europe will be considerably improved so that at the international trade and rendering of services it was impossible to transfer the center of profit to the tax-free or low-tax territory.

The fight against money laundering will mean that there will be no legally guaranteed confidentiality of information about the beneficial owners of companies and their directors in any country. Bearer shares in outdoor offshore areas will be canceled.

The confidentiality of banking operations will be abolished everywhere. It will remain only at the level of prohibiting access of civilians to data on someone else's account.

Thus, in order to regulate offshore activities, international organizations such as the OECD, FATF and FinCEN and many others have been established at the regional level. It should be noted that the OECD and the FATF are not authorized to directly apply any measures of influence to violating countries. Their work is to make recommendations. And sanctions are already applied by member countries of the organization - in accordance with their national legislation. The main results of the "anti-offshore" policy were the strengthening of banking regulation, increasing the transparency of corporate structures and the interstate exchange of tax information [31].

3.3. Use of methods to restrict operations conducted through offshore zones

The development and application of measures to combat tax evasion using offshore centers has become one of the main goals of the financial authorities of many countries. It is generally accepted that such actions should be both domestic and international. The second of these options requires the coordination of efforts within existing international

organizations, as well as the conclusion of special agreements between two or more states [29].

A wide range of information on the payment of taxes for exchange was provided for in the OECD Model Agreement, which forms the basis for concluding bilateral agreements on the avoidance of double taxation. The vast majority of such agreements (and they were concluded before the preparation of the model agreement of about a thousand) contain instructions for the exchange of information on taxes. However, for states that have not concluded tax treaties (and this applies to many offshore centers), the provisions of the model treaty do not matter.

OECD member countries share experiences in combating the illegal practice of tax abuse, as well as provide each other with materials and documents on this issue. But despite these efforts, they have difficulty agreeing to joint directives to prevent tax evasion and escape. This is due, among other things, to the serious problem of respect for national sovereignty, on the one hand, and to purely formal linguistic difficulties on the other, due to the need to use at least 15 languages, including Finnish and Japanese. .

Therefore, the OECD Convention on Mutual Administrative Assistance in Tax Matters has not received much recognition from the signatories. Some of them later opposed the document, including countries such as the United Kingdom, Australia, Luxembourg, Germany and Switzerland.

The United States and Canada are examples of close cooperation between the two countries in the field of tax collection. It practices accounting control over taxpayers who make a profit in these two countries at the same time. In a growing number of lawsuits, the U.S. Internal Revenue Service is putting pressure on U.S. and Canadian banks to gain access to the accounts of customers who use offshore centers. US pressure extends to other countries, such as Switzerland, England, Hong Kong [21, p.187].

CONCLUSIONS TO SECTION 3

Work to limit the impact of offshore zones on the profitability of each individual state is carried out both at the state level of each individual country and at the international level by various relevant organizations. The history of anti-offshore legislation dates back to the beginning of the last century, and continues to this day. Significant steps have been taken to regulate offshore influence, but the effectiveness of national offshore policies is still low. The main reason for this situation is that despite the outward resistance and attempts to cover offshore in the light of the source of global crime, in fact, their services seek to use all big business and just rich people to save and increase their capital. Therefore, offshore support is provided. Governments, in practice, do little real cocaine until tax havens cease to exist, even if they constantly voice similar intentions.

The reluctance or inability of many financial centers to control these activities in accordance with international standards poses a threat to global financial stability. Terrorist financing, money laundering from arms, drugs and human trafficking have a negative impact on the economic and financial system. That is why the international financial community supports measures to strengthen control over financial flows: strengthening measures to influence offshore areas that refuse to cooperate with authorized organizations; coordination of information exchange actions between these authorized organizations; amendments to the legislation of countries in the field of domestic currency regulation and control.

CONCLUSIONS

In the master's work the theoretical and organizational bases of offshore zones, features of functioning of offshore jurisdictions in modern conditions and the basic directions of counteraction to negative consequences of activity of offshore jurisdictions, namely:

1) The economic essence of offshore jurisdictions is determined and their classification is formed. The list of offshore zones recognized by Ukraine is given in the "List of offshore zones" approved by the order of the Cabinet of Ministers of Ukraine of March 14, 2001 N 79-r. with changes and additions from April 1, 2005 № 82 and from February 1, 2006 № 44.

2) The preconditions for the emergence of offshore zones and their evolution are determined.

3) In the third point of the first section the normative-legal bases of activity of offshore zones and the companies of different types are investigated

4) In the first section of the second paragraph the gradation of offshore zones by specialization is given, the place of offshore zones in world financial flows is analyzed. The impact of offshore zones on the world economy, both positive and negative, is analyzed. The list of reasons for legal use of offshore zones is given.

5) Use offshore to register offshore banks, which are divided into three types according to the range of operations that can be performed; financial and investment companies and funds (factoring companies, hedge funds); offshore trusts; offshore holdings; offshore traders; for shipowners; offshore airlines; offshore casinos; rotating companies; criminal use. The reasons, conditions and possibilities of carrying out the specified activity are resulted.

6) The mechanism of money laundering through offshore jurisdictions, its purpose, schemes and main features and criteria that may indicate money laundering through offshore territories are defined. The main points of the fight against this phenomenon are also highlighted.

7) The fourth paragraph of the second section describes the use of offshore zones by Ukrainian businessmen in retrospect and its volume in recent years. The most popular offshore territories for Ukraine have been identified. The practice of second citizenship as a way to avoid taxation, preserve private property, etc. is studied. The basic schemes of use of offshore zones are painted.\8) Examples of intensification of national policies of states concerning counteraction to offshore zones are investigated

9) The directions and current state of struggle against offshore zones of such international organizations as OECD, EU, FATF are studied.

In connection with the option of the above material, I will make recommendations to correct the situation:

- international interference in the national legislation of some offshore zones that do not show initiative for international cooperation in order to complicate their financial legislation and establish a stable practice of international cooperation. This will help reduce the risk of criminal use of these areas;

- clearly organize international law and define those provisions that must be complied with by the international community, including offshore areas, under penalty of international sanctions up to the embargo on financial transactions;

- creation of a specialized, highly qualified international body that will have the exclusive right to review and study all international financial flows;

- strengthening the legal framework of national governments;

The following recommendations can be identified for Ukraine:

- introduction of the letter of credit form of settlements;

- development of an integrated mechanism for controlling the movement of investments, loans, placement of currency values on accounts outside Ukraine;

- signing agreements between the governments of Ukraine and the governments of offshore zones on the prevention of double taxation and notification of the registration of companies by Ukrainian citizens;

- improvement of currency control by banks;

- deepening of relations between currency control bodies;

- the use of factoring as a method of solving the problem of non-payment in foreign economic activity, etc ..

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APPENDIX

APPENDIX A

Table 1.1 - Stages of offshorization of the world economy

Until the 1970s	1970s	1980s	1990s
Switzerland, Austria, Liechtenstein, Luxembourg, Bahamas, Dutch Antilles, Monaco, Delaware (USA) Uruguay	Vanuatu (1970), Panama (1971), BVO, Cayman Islands, Costa rica, island. Jersey, island Guernsey, island Man, Gibraltar, Grenada, Hong Kong, Singapore (1973), Bahrain (1975), Liberia, Nauru, St. Kitts, St. Vincent and The Grenadines (1976), Barbados (1979)	Antigua and Barbuda, Bermuda, Cook Islands, Turks and Caicos Islands (1981), Anguilla (1982), Singapore (1983), Mauritius, islands Maine and Nevis (1984), Montserrat (1985), Virgin Islands (USA) and the island of Madeira (Portugal) (1986), Dublin (Ireland) (1987), Aruba and Western Samoa (1988), Belize, Guernsey and Malta (1989)	Grenada, Labuan and the Marshall Islands (1990), Hungary, Niue, Canary Islands (Spain) and the Seychelles (1994), Anguilla (1995), Dominica, Montenegro and the UAE (1996), Saint Kitts and Nevis (1997), Saint Lucia (1998), Macau and Iceland (1999)

APPENDIX B

Table 1.2 Positive and negative effects of offshore zones

Level (subjects)	Positive sides	Negatives sides
Micro level (company)	Improving the competitiveness of companies at the national and global levels through the use of more flexible development strategies	Providing unjustified competitive advantages to individual companies
Mesolevel (industry, region, market)	Promoting the development of financial markets; creating conditions for investment diversification	Promoting the outflow of capital and the destruction of industries and regions
Macro level (country)	Reducing the risk of expropriation and creating conditions for the protection of property rights, which, in turn, can initiate increased economic growth, especially in donor countries; promoting the prosperity of those countries where offshore is located	Unfair tax competition, takes away income from offshore countries; support for the shadow economy; reduction of employment in donor countries
Global level (world economy)	Activation of cross-border financial flows and acceleration of financial assets turnover on an international scale; incentives to reduce the overall tax burden and on this basis to stimulate economic activity in the global economy	Creating an element of instability in the world economy and finance due to the possible accumulation in offshore areas of large amounts of capital, especially speculative

Source: compiled by the authors for [12;19; 20]

APPENDIX C

Table 1.3 Classification of offshore zones according to their level of reliability

Offshore zone		
The first group (the most reliable)	The second group (average reliability)	The third group (the least reliable)
Luxembourg, Man island, Jersey island, Singapore. Hong Kong, Guernsey	Gibraltar, Labuan, Barbados, Behrain, Andorra, Monaco, Macau, Bermudas	British and Virgin Islands, Dominican Republic, Lebanon, England, Aruba, Antigua

Source: compiled by the authors for [25].

APPENDIX D

Table 1.4. Top 20 countries in the world for ease of paying taxes (ranking of countries)

Country	Ease of paying taxes in general	Number of tax payments	Time for tax administration	Total tax burden
Maldives	1	1	1	2
Singapore	2	5	3	14
Hong Kong	3	3	13	15
UAE	4	31	2	3
Oman	5	31	5	11
Ireland	6	15	9	23
Saudi Arabia	7	31	12	5
Kuwait	8	31	26	4
New Zealand	9	10	7	45
Kiribati	10	7	28	31
Mauritius	11	7	52	12
UK	12	10	22	52
Denmark	13	15	37	40
Botswana	14	46	39	8
Switzerland	15	8	6	24
Norway	16	3	16	86
Luxembourg	17	58	4	47
Vanuatu	18	83	28	1
Jordan	19	72	20	27
Latvia	20	7	78	37

Source: compiled by the authors for [26].

APPENDIX E

Table 1.5 Countries with the lowest rates of repatriation tax on the main types of income

Country	Dividends,%	Interest,%	Royalty,%
Austria	5/10	2/5	5,0
United Kingdom	5/10	0	0
Cyprus	0	0	0
Korea	5/15	5,0	5,0
Kuwait	5,0	0	10,0
Morocco	10,0	10,0	10,0
UAE	5/15	3,0	10,0
PAR	5/15	10,0	10,0
Russia (Russia)	5/15	10,0	10,0
Singapore	5/15	10,0	7,5
USA	5/15	0	10,0
Germany	5/10	2/5	5,0

Source: compiled by the authors for [5].

APPENDIX F

Table 1.6 Comparative characteristics of offshore zones.

Indicator	Name of the offshore zone		
	Offshore in Gibraltar	Offshore in Belize	Offshore in Cyprus
The cost of registration, including the first year of service, USD USA	3 850	1 300	2 450
The cost of service, starting from the second year, USD USA	2 650	1 250	1 700
Minimum number of shareholders, persons	1	1	No requirements
Disclosure of information about the beneficiary	No	No	No
The minimum amount of paid-in capital, USD	-	-	-
Capital increase tax,%	absent	absent	0-20
VAT,%	absent	12,5	19
State duty, USD USA	-	100	Dismissal is possible
Open access to reporting	No	No	Yes
Existence of an agreement on avoidance of double taxation with Ukraine	No	No	Yes

Source: compiled by the authors for [24; 27].

APPENDIX G

Table 2.1 Distribution of direct investment (equity) in Ukraine by major investor countries.

The name of the country	Volumes of direct investments, million dollars USA		
	2017	2018	2019
Russian Federation	5 038	4 530	2 900
Cyprus	4 474	9 132	25 061
Germany	4 138	3 413	901
Netherlands	3 792	9 230	7 259
Poland	1 405	1 427	2 103
USA	1 078	1 270	1 090
Other countries	17 004	15 548	1 929
Total	36 929	44 550	58 604

* (data are given without taking into account the temporarily occupied territory of the Autonomous Republic of Crimea, Sevastopol, for 2017–2019 – also without a part of the temporarily occupied territories in Donetsk and Luhansk oblasts)

Source: compiled by the authors for [23].