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**DEVELOPMENT OF REGULATORY AND LEGAL PROVISION FOR  
AUTOMATIC EXCHANGE OF INFORMATION IN TAX MATTERS IN THE  
CONTEXT OF FURTHER FORMATION OF THE TRANSPARENT AND  
FAIR TAXATION SYSTEM**

Ukrainian economy suffers significant losses as a result of Russia's military aggression. Taxation and other fiscal incentives are key policy tools for attracting investors for post-war economic recovery. The role and importance of fiscal regulation in order to attract investments and ensure tax transparency is the subject of active actions taken by international organizations and governments. Also, the countries' financial institutions are involved in these actions.

Current agenda includes the issues of establishing the functioning of the international automatic exchange of information in tax matters. The financial institutions play an important role in this process. The automatic exchange of information on financial accounts between countries is directly related to billions of additional tax revenues for countries budgets. Automatic exchange allows the tax authorities of the participating countries to obtain all the necessary information on their residents. The analysis of such data helps to identify the cases of erosion of the tax base and tax evasion.

The Common Reporting Standard (CRS) (2014) serves as the institutional basis for ensuring a more transparent and fair taxation system. The standard was developed by the Organization for Economic Cooperation and Development (OECD) as the one of the components of the Action Plan on BEPS. CRS is a global standard for the automatic exchange of financial accounts for tax matters, designed to combat tax

evasion and ensure the transparency and fairness of the tax system [1].

The first automatic exchange of information for tax matters under the CRS standard took place in 2017 and 47 jurisdictions exchanged information; in 2022 there were 100 countries exchanging information automatically on more than 111 million accounts worldwide (the total amount of involved assets is about 11 trillion euros). As of January 2024, about 110 jurisdictions have initiated automatic information exchange. The number of countries participating in the automatic exchange of information is expected to grow to 120 in the nearest future.

The implementation of the CRS Common Reporting Standard is one of Ukraine`s international obligations as a member of the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes. Ukraine is actively moving forward on this path.

On August 19, 2022, the State Tax Service of Ukraine, as a competent authority, joined the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (the CRS Multilateral Agreement). The procedure for implementation also required amendments to the Tax Code of Ukraine (the TCU). Such changes were made by the Law of Ukraine “On Amendments to the Tax Code of Ukraine Regarding the Implementation of the International Standard for Automatic Exchange of Information on Financial Accounts” dated March 20, 2023 No 2970-IX (Law No 2970-IX). The TCU regulates the issues of compliance and interaction of financial agents with controlling bodies. Issues presented in the CRS Standard are not implemented to the TCU. The TCU directly refers to the CRS Standard as the applicable document within the domestic jurisdiction. The changes entered into force on April 28, 2023. These changes provide that from July 1, 2023, accountable financial institutions of Ukraine must apply due diligence measures to financial accounts to determine whether the accounts are accountable. The first reporting period in Ukraine began on July 1, 2023.

The core provisions of the Law No 2970-IX establish: the functions and rights of supervisory bodies to ensure the receipt of information necessary for exchange, in accordance with the CRS Standard; requirements for financial agents to apply the rules of the CRS Standard when performing due diligence on financial accounts; requirements regarding the minimum period of storage of documents and the procedure for providing such documents to the supervisory body; the procedure for obtaining information for tax purposes by the controlling body; an effective control mechanism for compliance with the requirements of the CRS Standard by financial agents [2].

Banks and other financial institutions are the source of automatic exchange of information for tax matters in accordance with the CRS standard. National financial institutions are obliged to submit information on their reporting accounts to the tax authorities by July, 1 each year. Ukrainian tax authorities will exchange information with other partner states. The first report on accountable accounts for the period July – December 2023 will be done by July 1, 2024 [3].

Accordingly, the national institutional framework for starting the automatic exchange of information on financial accounts was established in 2023. At the same time, the continuation of military aggression creates risks of such an automatic exchange between Ukraine and other partner states within the multilateral agreement.

### References

1. Common Reporting Standard (CRS). URL: <https://www.mof.gov.ua/uk>
2. Закон України «Про внесення змін до Податкового кодексу України щодо імплементації міжнародного стандарту автоматичного обміну інформацією про фінансові рахунки» від 20.03.2023 № 2970-IX. URL: <https://zakon.rada.gov.ua/laws/show/2970-20#Text>
3. [Порядок застосування загального стандарту звітності та належної перевірки інформації про фінансові рахунки \(Common Standard on Reporting and Due Diligence for Financial Account Information\)](#), затверджений наказом МФУ від 26.05.2023 № 282. URL: <https://zakon.rada.gov.ua/laws/show/z1090-23#Text>