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E-COMMERCE IN UKRAINE: TAXATION CHALLENGES AND GLOBAL TRENDS

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Abstract. The economic sector of Ukraine has experienced transformative shifts toward e-commerce. This prosperous sphere of the digital economy attracts much prominence among legislative bodies since its growth rates increase annually, making the issue of taxation urgent. The article is aimed at monitoring the status of e-commerce through the prism of the development and spread of e-commerce in the domestic segment of the Internet, the impact of e-commerce on the national economy, and also at developing proposals for improving certain aspects of the taxation of business entities in Ukraine with due regard for the positive international experience and minimising the risks of fraud in the sale of goods (services) on the Internet. The study employs a combination of general theoretical and economic-mathematical methods, which are fundamental to scientific inquiry. This article presents research findings related to several key aspects. First, it examines the development and proliferation of e-commerce within Ukraine. Second, it elucidates the impact of e-commerce on the national economy. Additionally, the article addresses pertinent issues regarding the taxation of entities engaged in e-commerce within contemporary contexts. Moreover, it delves into the complex problem of protecting e-commerce participants from online fraud. Finally, the article suggests measures that can positively affect the taxation framework governing e-commerce and minimize the associated risks of fraudulent activities within the online marketplace. The author provided general conclusions on legislative changes against the background of the development of online commerce, analysed the peculiarities of the development and functioning of e-commerce under martial law, and, based on data from other countries, formed a unified vision of further changes in this area. The materials presented in this article hold practical value for a diverse audience, including scholars and practitioners in the field of e-commerce, educators at higher education institutions, and stakeholders concerned with the continued development and regulation of e-commerce

Keywords: European Court of Human Rights, human rights, rule of law, source of law, European Court of Human Rights practice.

1. INTRODUCTION

The beginning of the 1950s marked the revolution in the technological sphere, signifying the shift from an industrial society to a post-industrial, or information, society. In a post-industrial society, the production of service, research, and education dominates over the manufacturing of tangible goods, and economic primacy transitions to the overall quality of life. A noteworthy development within this societal transformation is the ascendancy of the technocratic class as the principal professional group. Moreover, the adoption of innovations increasingly hinges upon advancements in theoretical knowledge (Bazylevych & Ilyin, 2008).

The advent of the information society and the proliferation of information and communication technologies have altered social relationships significantly. Informatization has played a pivotal role in redirecting business priorities and enhancing overall societal efficiency. The rapid evolution of information technologies and their integration into the economy redefined the traditional industrial landscape, and the Internet became an instrument for establishing a unified infosphere (Boreyko et al., 2017). This transformation has not only reshaped economic relationships but has also extended them into the virtual domain. In this context, the manufacturing of intellectual products and services and the speed of information dissemination have gained paramount importance.

The primary feature of an information society lies in the dominance of information-based values over material ones. In economic terms, knowledge capital has risen in prominence above capital invested in material assets. V. Pleskach (2006) characterizes an information society as a novel organizational form of society wherein information and knowledge represent the principal means of production. In such a society, the role of information and knowledge is increased, the Gross Domestic Product (GDP) largely depends on information-based products and services, and a unified infosphere is established.

Consequently, the influence of informatization observed on all fronts has promoted innovative modes of conducting traditional economic activities. A pivotal catalyst in this shift was the rapid global growth of the Internet. Businesses have taken up the initiative by integrating information and communication technologies and the Internet into their operations. These actions elevated the efficiency of economic activities and fostered the evolution of electronic business (e-business) (Malitska & Melnik, 2018). Over the past few decades, there has been a surge in global e-business activities, particularly in the realm of e-commerce. According to Garkushenko (2018), the following advantages of e-commerce help businesses enhance their competitiveness in the market:

1) a remote form of contract conclusion (negotiations, business correspondence, and

document exchange are done via the Internet);

2) the possibility to develop any business in accelerated mode;

3) the global search for business partners (the online mode throws up geographical barriers);

4) the facilitated global market entry and promotion;

5) fully or partially automated business processes;

6) the remoteness of the operation process in real-time mode;

7) equal opportunities for businesses despite their size.

Furthermore, the adoption of e-commerce brings the following substantial advantages to both the state and society:

1) online shopping (consumers gain the ability to browse and purchase products online, enhancing convenience and choice);

2) global access (access to products from various regions worldwide in real-time);

3) employment generation (e-commerce creates new employment opportunities, including jobs for people with disabilities, fostering greater social inclusion);

4) emergence of specialized roles (new specialties arise, such as e-commerce business consulting and internet marketing, stimulating professional diversification);

5) market segment expansion (e-commerce development leads to the growth of new market segments and attracts investments into the national economy).

In light of these advantages, it is evident that the transformation processes in modern society, notably the growth of e-business and e-commerce, exert a significant impact. The societal implications of e-commerce and its immense effects on the national economy necessitate in-depth study. Initially, e-business and e-commerce operated without substantial government intervention as businesses leveraged digital opportunities to augment traditional commerce. However, governments worldwide were fraught with the issue of e-commerce taxation due to its increasing prevalence. Consequently, e-commerce taxation represents a critical aspect of societal development that deserves comprehensive research.

2.LITERATURE REVIEW

A comprehensive analysis of the scholarly literature devoted to e-commerce, its taxation, and its societal implications should commence by acknowledging the foundational work of M. Castells (1996-1998), a prominent scholar in the realm of post-industrialism. Castells examines the theoretical background of social transformation induced by scientific and technological progress and delineates three distinct epochs in human history, such as agrarian, industrial, and the current post-industrial era. The researcher emphasizes that the state played a vital role in cultivating this information society.

In the early stages of information society formation, governments of many states held a laissez-faire approach to emerging business areas driven by the widespread adoption of information and communication technologies. This approach resulted in e-commerce proliferation, a phenomenon of such magnitude that historical comparisons become challenging. E. Evod (2002) examined the social impact of e-commerce and noted that its prevalence left behind that of previous transformative technologies. Indeed, Evod compared the ubiquity of e-commerce to the invention of radio in the 1920s, television in the 1950s, and personal computers in the 1980s. Thus, e-commerce emerged as an exceedingly promising and influential economic activity with far-reaching consequences.

The foundational framework for classifying the diverse forms of e-commerce was established by Kalakota and Winston (1997). These scholars organized e-commerce into the following principal models:

a) Business-to-business (B2B) is a category that encompasses intercorporate processes conducted via the Internet;

b) Business-to-consumer (B2C) is a category focused on the end consumer and predominantly implies online retail trade.

c) Intranets - This class, oriented toward intra-firm operations within collective corporate networks, underpins e-commerce transactions among numerous entities, including manufacturers, suppliers, contractors, and consumers, within the confines of internal networks (Mishchenko et al., 2003).

However, some scholars believe the classification above requires specification and amendments since the following models of e-commerce should be considered under modern conditions:

1) Business-to-business (B2B) refers to the interaction between two business entities and encompasses all levels of engagement within the corporate market;

2) Business-to-consumer (B2C) involves the interaction between a business entity and consumers;

3) Business-to-government (B2G) describes the interaction between commercial enterprises and government bodies or agencies.

4) Government-to-business (G2B) signifies the interaction between government bodies or agencies and commercial enterprises;

5) Government-to-citizens (G2C) pertains to the interaction between citizens and government agencies facilitated through information and communication networks;

6) Government-to-government (G2G) characterizes online interactions between different government agencies or departments;

7) Consumer-to-consumer (C2C) implies interactions among individual consumers themselves;

8) Consumer-to-government (C2G) signifies interactions between government agencies and individual consumers;

9) Consumer-to-business (C2B) refers to interactions where individual consumers engage with businesses or sellers;

10) Business-to-employee (B2E) describes the internal corporate systems and interactions within a business entity (Boreyko et al., 2017).

These various models illustrate the comprehensive framework of online relationships among business partners and consumers. This framework has contributed to the proliferation of e-commerce. Many scholars explored the issue of e-commerce taxation, which was viewed as an advanced form of economic activity. Thus, Frolova (2009) suggests an alternative approach to e-commerce taxation; the approach implies adopting a specialized tax regime that relies on a single tax theory. Frolova advocates for the replacement of the conventional tax structure, comprising various taxes and fees, with a single tax mechanism tailored to the unique features of e-commerce transactions.

Koren (2010) investigated the challenges and potential of taxation in the realm of e-commerce. Koren believes that a new taxation approach based on indirect business income assessment can enhance the effectiveness of e-commerce taxation. This approach implies analyzing various criteria, such as the average income levels within specific segments of e-commerce (basic income), the conversion rate of the online store or marketplace websites, the citation index (an indicator of website traffic), and the range of goods, services, or works offered. However, there is a disagreement on this issue within the scientific community; it is believed that a new taxation approach is of little use, and the adaptation of the existing one is a rational decision. It is agreed that a unified global taxation mechanism for e-commerce entities is crucial to prevent potential abuses stemming from the virtual nature of such transactions.

Bryzhko and Shvets (2009) examined the normative and methodological foundations of the regulation of informational relationships in e-commerce. Their analysis centered on fundamental issues related to the legal regulation of e-commerce and the protection of personal data of those who participate in electronic transactions. The researchers also highlight the vital role small and medium-sized enterprises (SMEs) play in developing e-commerce and increasing national economic competitiveness.

Garkushenko (2018) determined the conceptual foundations of e-commerce taxation and considered the recommendations put forth by the Organization for Economic Cooperation and Development (OECD). The study concluded that international organizations, associations, and governments in developed economies are still fraught with challenges concerning the application of sales taxes and value-added tax (VAT) even though advancements in the legal frameworks governing e-commerce taxation are substantial. Furthermore, the continued development of e-commerce systems remains pertinent, particularly for developing countries, and requires further in-depth research. Thus, the dramatic growth of e-commerce has outpaced other sectors of management and impacted social transformation. Consequently, this issue remains pertinent and necessitates thorough scientific exploration.

3.METHODOLOGICAL FRAMEWORK

In the course of this research, the authors of this article employed various methods of scientific inquiry, including general-theoretical and economic-mathematical methods. These methods encompass historical analysis and abstract-logical reasoning used to examine the prerequisites for e-commerce formation and development under transformative changes. Theoretical generalization, comparison, categorization, and empirical observation were employed to synthesize the theoretical framework and practical aspects of e-commerce taxation in both the Ukrainian context and the global arena.

Furthermore, the authors applied statistical analysis and synthesis techniques to examine data pertaining to the dynamics of e-commerce from 2014 to 2021 in Ukraine and worldwide. It also allowed the authors to establish causal relationships between internet accessibility, regional consumer populations, and e-commerce transactions within the domestic Internet market. Analogies and extrapolations were instrumental in suggesting strategies for enhancing e-commerce taxation and addressing internet-related fraud.

Graphical representations were incorporated into the text to enhance the clarity of the presentation of statistical data. These graphical representations elucidate the trends in consumer demand in various product categories from 2018 to 2020, the geographical distribution of online consumers in Ukraine in 2020, and the global sales trends in e-commerce from 2014 to 2021. This research draws upon diverse data sources, including:

1) Euromonitor International provided insights into the share of e-commerce in annual retail sales in 2020 and 2021;

2) Consumer and Business Research (CBR) and OLX helped to study the regional distribution of online consumers in Ukraine and profile their age range in 2020;

3) E-commerce Statistics for 2021 was used for expert analysis of sales dynamics in the e-commerce sector globally from 2014 to 2021;

4) the NGO „Union of Consumers of Ukraine" (2020) provided for research on the state of the e-commerce market in Ukraine;

5) various statistical sources were searched to provide data on sales of goods and services within the e-commerce sector from 2016 to 2021;

6) comparative analysis of e-commerce taxation policies across select countries.

The research underwent three key stages. The authors generalized theoretical foundations on methodological approaches found in economic, legal, and philosophical literature, dissertations, and monographs authored by domestic and international scholars during the first stage. The second stage implied establishing a framework to identify and organize the conditions that catalyzed social transformations through e-commerce development. This phase included an examination of the impact of e-commerce on the national economy and a thorough exploration of taxation challenges faced by e-commerce entities in a modern context. Since the protection of consumers of e-commerce from online fraud is essential for the prosperity of this sector of economic activity, the authors conducted a thorough examination of this issue. The third stage of the research culminated in the consolidation and categorization of findings, the formulation of conclusions, and the systematic synthesis of the results obtained.

4.RESULTS

4 1. E-COMMERCE IN THE UKRAINIAN SEGMENT OF THE INTERNET: ITS ORIGINS, EVOLVEMENT, AND SPREAD

In the Ukrainian legislation, specifically the Law of Ukraine "On E-commerce" (Verkhovna Rada of Ukraine, 2015), a distinction is made between the concepts of e-commerce and e-trade. E-commerce is defined as transactions involving the acquisition, alteration, or termination of civil rights and obligations conducted remotely using information and telecommunications systems, resulting in property-related rights and obligations for the involved parties. Meanwhile, e-trade is characterized as economic activity in the field of e-sales, the remote sale of goods to buyers through electronic transactions using information and telecommunications systems.

However, the authors find this differentiation to be somewhat illogical. A semantic analysis of the terms commerce and trade reveals their fundamental equivalence. Therefore, it is suggested to define e-commerce (trade) as a form of economic activity encompassing the purchase and sale of goods, services, or works, in which some or the entire commercial transactions are completed via information and communication systems. Consequently, the distinction can be as follows:

- remote trade in traditional goods, services, or works implies selling and advertising through conventional trading platforms and via information and communication systems, and the turnover of commodities is a defining feature.

- business transactions presuppose the exchange of digital documents only in electronic form; all interactions between suppliers and consumers are restricted to the exchange of electronic commercial documents, and payment is made in electronic mode (Boreyko, 2015).

E-commerce is experiencing global proliferation and progressively influences various fields of activities. It is essential to recognize that e-commerce has the potential to contribute to the sustainable development and the competitiveness of the domestic economy. SMEs extensively leverage e-commerce, which helps them to gain a substantial competitive edge. Large corporations also resort to e-commerce to explore new markets and maximize profitability. Notably, SMEs constitute the majority of participants in the B2B e-commerce sector (Bryzhko & Shvets, 2009).

Since e-commerce transactions are of a virtual nature, it is possible to enter this economic sector with relatively modest initial capital; consequently, the unemployment level can be mitigated, and the number of jobs can be increased. This has become especially pertinent in light of the recent global pandemic crisis, as many businesses switched to online operations. The e-commerce market gained over traditional offline sectors, such as the online sale and delivery of groceries, medicines, personal care items, household products, electronics, and appliances (see Fig. 1).

There was substantial growth in the e-commerce sector in Ukraine in 2020; sales of physical goods and services reached UAH 107 billion, which was 41% higher than in 2019. In 2021, this indicator grew up to UAH 137 billion, reflecting a 28% rise (Yarova, 2020). Notably, there was a notable shift in consumer behavior. Most buyers utilized personal computers for online shopping several years ago. However, the current trend has switched to mobile phones. Approximately 70% of online buyers now access online stores and marketplaces via mobile phones, while only 30% rely on personal computers. This trend is observed throughout the world; the share of retail sales via mobile phones reached 70.4% in 2020, marking an 18% increase from 2016 (52.4%). In 2021, e-commerce via mobile phones amounted to approximately 73% of global e-commerce retail (Yudin, 2020).

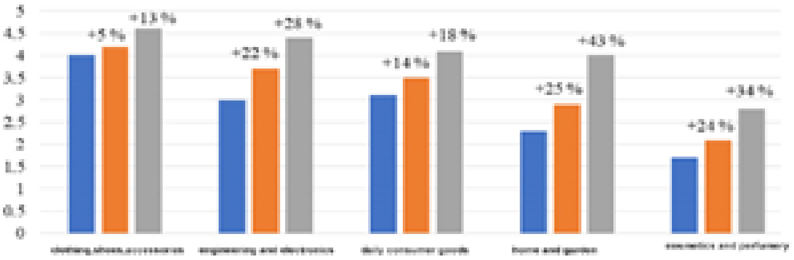


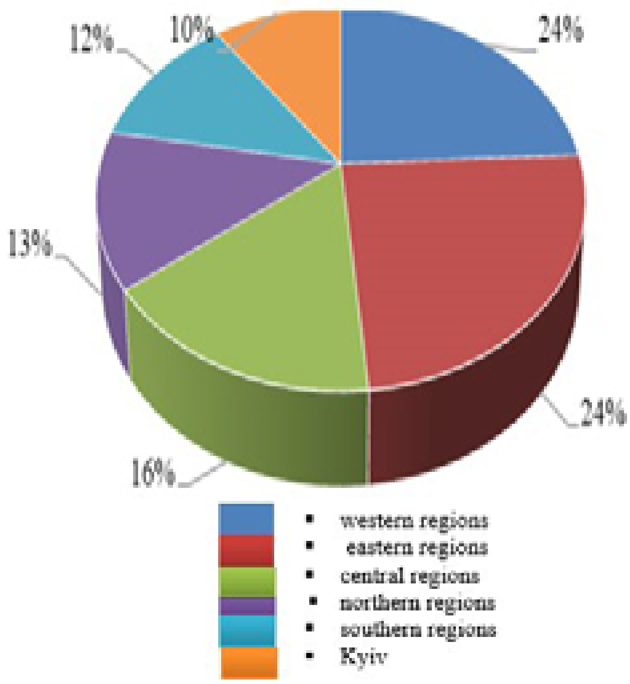
Figure 1. In-demand categories of online commodities in Ukraine in 2018–2020, mln.
Source: developed by the authors of this article based on Panchenko (2019), Tkachuk (2018), Yarova (2020)

The COVID-19 pandemic increased the demand for specific categories of goods in the Ukrainian online market since physical retail outlets were closed. It is noteworthy that online stores and marketplaces that had social media platforms saw sales grow by over 32% (Yudin, 2020). Euromonitor International evaluated that e-commerce in Ukraine constituted about 8% of annual retail sales in 2020, reflecting a substantial 45% year-on-year growth. In 2021, e-commerce increased by approximately 33% (Melnytska, 2021). The COVID-19 pandemic also was the reason behind the rising popularity of online services, such as online education, legal counseling, medical consultations, psychological support, and career advancement services. This shift in consumer behavior allowed individuals to shop and earn income from home.

Overall, the potential for e-commerce development is more pronounced in larger urban centers. Studies show that urban residents tend to shop online more. Factors such as internet connectivity quality, accessibility to online stores, delivery speed and cost, parcel tracking, and various payment options are typically more available to consumers in larger cities. Regional remoteness can also impact the cost of delivering goods. Figure 2 presents the distribution of online consumers in Ukraine by regions.

Figure 2. Online consumers in Ukraine in 2020 by region

Source: compiled according to marketing research in Ukraine conducted by CBR (Consumer and Business Research) and OLX (Delo.ua, 2020)



The age distribution of online consumers shows a dynamic trend over time. During the initial stages of e-commerce development, the main online consumers were typically 16 to 25 years old. However, the situation has changed, and presently, the age group of online consumers varies from 16 to 45 years, and even the older generation participates in online shopping. In Ukraine, approximately 80% of the population aged over 16 access the Internet on a regular basis. Among this group, around 36% engage in online purchases of goods and services. There is a notable preference among consumers for specific delivery methods. Approximately 35% of orders are fulfilled through courier address delivery services, while online store delivery services account for 18% of orders. There is also a segment of customers, roughly 10%, who opt to receive their goods at designated store pickup points (Delo.ua, 2020). Nevertheless, it is essential to acknowledge an emerging trend of rising delivery costs. This trend can be the reason that most online customers choose to collect their purchases directly from physical store locations.

4 2. E-COMMERCE AND TAXATION IN UKRAINE: PROBLEMATIC ASPECTS

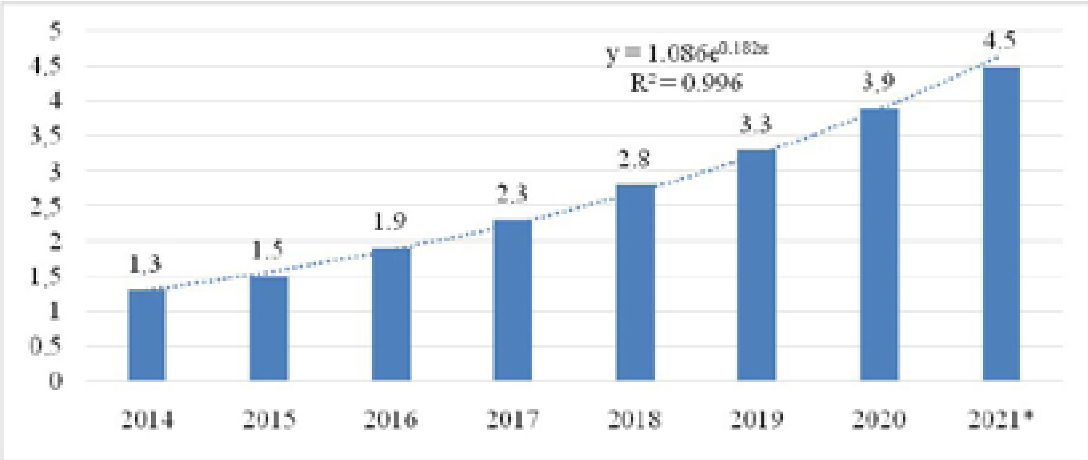
Even though the world taxation systems were not prepared for the dramatic growth of e-commerce, its impact had many positive consequences. The introduction of information and communication technologies and the growing Internet accessibility swept away the boundaries between countries and brought new opportunities for businesses. However, governments faced new challenges related to the need for novel taxation mechanisms. The imperfection of the legislative framework in the field of taxation requires an urgent response since the gaps in the taxation of this prosperous type of economic activity should be filled in.

Governments are obliged to develop such taxation mechanisms for e-commerce that would not discriminate against entities or be the reason to avoid taxpaying. These mechanisms should consider the specificity of e-commerce and prevent the emergence of tax havens. In particular, the following measures were suggested in response to the challenges posed by e-commerce:

1. The US government forbade implementing new taxes for e-commerce taxation; as a result, e-commerce developed rapidly, but state budgets ran out of funds;
2. There was an effort to collect taxes from entities engaged in e-commerce following traditional rules for taxation;
3. Every megabyte of data transmitted by an entity engaged in e-commerce should be fixedly taxed;
4. There was a suggestion to collect taxes based on the volume of data processed;
5. Entities engaged in e-commerce were obliged to pay taxes for the Internet usage;
6. The server of the company who was the entity engaged in e-commerce should have a registration according to the permanent establishment concept; the taxation depended on the jurisdiction it belonged (location or residence);
7. The Digital Services Tax was established and presupposed that income was taxed based on the volume of digital services provided.

Experts in the field of economy analyzed the growth rates of e-commerce sales and noted its positive dynamics. However, it entails increasing tax revenues, as can be observed in Figure 3. For instance, the worldwide e-commerce volume approximated USD 1.3 trillion in 2014. This number reached USD 3.9 trillion in 2020 grew up to USD 4.5 trillion in 2021. Notably, the top ten countries leading the global e-commerce market in 2021 included the People's Republic of China (USD 672 billion), the United States of America (USD 340 billion), the United Kingdom of Great Britain and Northern Ireland (USD 99 billion), Japan (USD 79 billion), Federal Republic of Germany (USD 73 billion), French Republic (USD 43 billion), the Republic of Korea (USD 37 billion), Canada (USD 30 billion), the Russian Federation (USD 20 billion), and Federative Republic of Brazil (USD 19 billion) (Maddy, 2021). E-commerce turnover reached approximately USD 4 billion in 2020 in Ukraine, and the annual growth rate constituted 17% on average (Union of Consumers of Ukraine, 2020). Thus, it is possible to benefit from e-commerce and replenish state budgets if taxation policy for entities engaged in e-commerce is harmonized and established.

Figure 3. E-commerce dynamics (global sales) in 2014-2021, USD trillion
Source: Developed by the authors of this article according to Maddy (2021).



In the present circumstances, international practice employs the concept of permanent establishment, wherein the tax residency of a company engaged in e-commerce determines its tax obligations in a specific country. In alignment with the recommendations of the OECD (2018), a different approach is offered for digital companies, known as Significant Economic Presence. Significant Economic Presence considers the cross-border nature of e-commerce transactions to define the appropriate tax jurisdiction for a company's obligations. The following criteria are applied to ascertain this approach in a particular tax jurisdiction:

1) The service provision invoice should drawn in national currency or through the national payment system;

2) A website of an entity engaged in e-commerce should be in the language of the country of presence;

3) Orders should be delivered directly to consumers, or post-sale support services should be provided, such as repairs, warranty, etc.;

4) An entity engaged in e-commerce should conduct marketing activities to reach new consumers (Blagodir & Filatova, 2020).

Governments across the globe have recognized that discriminatory tax practices can intensify tax competition among nations and incentivize e-commerce companies to optimize tax liabilities by relocating their operations to more favorable tax jurisdictions. In the era of globalization and cross-border economic activities, particular attention is devoted to devising a taxation mechanism for digital services within the e-commerce sector. Ukraine is no exception and is actively engaged in addressing this matter. In 2013, the OECD released the Action Plan on Base Erosion and Profit Shifting (BEPS), encompassing 15 areas or actions. The first action identifies issues on digital economy taxation. The development of these measures is expected to consider the unique features of individual national economies.

To date, more than sixty countries have taken steps to address this issue and have accumulated valuable experiences. Thus, the GAFA tax was implemented in France to impose a 3% income tax on entities engaged in e-commerce. The United Kingdom followed the same example but cut down the tax to 2%. The United States announced a digital tax that depends on the state, and its rate varies from 1% to 7%. Rates of a digital tax in Canada vary from 6% to 9%, depending on the province. Poland does not introduce such taxes but is planning; this tax is referred to as a contribution for online advertising, proposed at a rate of 5%, with the revenue allocated for healthcare, cultural development, and the preservation of national heritage (Yuzhanina, 2021).

E-commerce is subject to taxation as any other form of business activity is. Under the prevailing tax regulations in Ukraine, legal entities and individual entrepreneurs have the prerogative to select their preferred taxation system (the general regime or the simplified one). The simplified taxation system, as stipulated by the current Tax Code of Ukraine, replaces several taxes and fees with a single tax payment, provided certain criteria are met. In the context of the Classifier of Economic Activities DK 009: 2010 (referred to as NACE), e-commerce entities fall under section G, specifically class G 47.91, which encompasses „Retail trading by mail order company or via the Internet" (Official site of Derzhkomstat, 2021). If a business entity intends to opt for the simplified tax system, its line of business should align with those eligible for simplified accounting and reporting, as delineated in paragraph 291.5 of Chapter 1, Section 14 of the Tax Code of Ukraine.

Chapter 14 of the Tax Code of Ukraine states that e-commerce entities that select the simplified tax system may belong to either the second or the third group of a single tax. The requirements for the second group are as follows: annual income of individual entrepreneurs does not exceed 834 minimum wages; no more than ten employees are employed; a tax rate is set at 20% of the minimum wage. When an e-commerce entity belongs to the third group of the single tax, it means that the annual income of individual entrepreneurs and business entities does not exceed 1,167 minimum wages and is subject to tax rates of 3% or 5% of income. Under the circumstances specified in paragraph 293.5 of the Tax Code of Ukraine, a tax rate can be 6% with VAT payment and 10% without VAT payment (Verkhovna Rada of Ukraine, 2021). Should e-commerce businesses opt for the general taxation system, they are liable to pay a range of taxes, including corporate income tax, VAT at a rate of 20%, personal income tax at 18%, a military tax at 1.5%, and other applicable taxes contingent on the nature of their goods or services transactions.

Taxation of e-commerce companies in Ukraine follows the rules laid down in the Ukrainian Tax Code, which generally avoids discriminatory practices but ignores the specific characteristics of the e-commerce sector. While domestic businesses tend to face fewer challenges when it comes to taxpaying, there is an urgent need for new rules on the taxation of digital services provided by non-domestic international companies. Companies like Amazon, Google, and Facebook are prime examples. These companies provide digital services to individuals who pay VAT. The concept of Action Plan BEPS 2.0, developed in 2019, was called upon to overcome challenges related to e-commerce taxation (Praymakova, 2020).

As a result of these considerations, the Verkhovna Rada of Ukraine (2020) considered the

Bill designed to regulate the VAT tax system for electronic services provided to individuals by non-state entities, commonly referred to as Google taxes. This legislative proposal, if adopted, entails changes to the Tax Code of Ukraine. There would be no taxation of non-resident income from activities related to the production and distribution of advertisements, and a mechanism for VAT application to transactions involving electronic services provided to individuals would be ensured. The objective of this Bill is to establish a uniform VAT position for all consumers of the digital services industry. It also seeks to facilitate the VAT payment system by allowing taxpayers to register remotely through online portals to enable them to pay taxes in foreign currency, all without the need to physically reside in Ukraine. However, the following shortcommings can be distinguished:

1) the cost of digital services can increase by 20% because VAT rate is added to it;
2) taxpayments made by e-commerce entities are insufficiently supervised;
3) it is difficult to trace the consumer of digital services due to their application of VPN.

As experts assess, if the "Google tax" is approved, the national budget will receive an annual influx of approximately UAH 3 billion because such multinational corporations as Google, Facebook, Microsoft will be obliged to pay it. Nevertheless, it is noteworthy that in various European states the "Google tax" has been in force for an extended period and has regularly provoked concerns and discontent. These concerns revolve around tax avoidance on the part of certain multinational giants, for instance, incidents involving Facebook in 2013 in Ireland and in 2020 in the United States, as well as Google in 2011 in the United Kingdom, among other cases (Nekrasov, 2021).

The enactment of the aforementioned legislation in Ukraine marks the formal delineation of the term "electronic services" within the legal framework. Under this legislation, non-resident corporate entities engaged in the provision of electronic services to natural and legal persons within the jurisdiction of Ukraine will be classified as taxpayers, iirespective of their location. Therefore, this bill introduces the proposition that the location of the service recipient shall determine the place of electronic services supply. The list of taxable electronic services includes such categories as the distrubution of visual materials (photographs, e-books, and journals); the provision of audiovisual content (videos, games, gambling services); the availability of electronic resources (informational, commercial, and educational images and texts); the provision of cloud computing for information processing; the distribution of software and its maintenance; the organization of advertisement campaigns through the internet.

Non-resident enterprises engaged in the provision of electronic services within the customs territory of Ukraine, lacking a permanent representative office, will be mandated to undergo VAT registration via a specialized online platform. The failure to complete this registration may result in a penalty equating to 100% of the service value (Verkhovna Rada of Ukraine, 2020). Meanwhile, it is important to mention that such a specialized online platform has not been incorporated into the operational procedures of tax authorities. Consequently, its development necessitates specific investments. Therefore, taking into account the established practices in advanced economies, the introduction of these innovations in Ukraine should initially be carried out as a trial. The full-scale implementation should follow only if these initial trials yield positive outcomes.

Nonetheless, it is essential to recognize that the EU has effectively employed the Mini-One Stop Shop (hereinafter referred to as MOSS) since 2015. This system is regulated by Directive 2006/112/EC (The Council of the European Union, 2006) and Council Regulation No. 967/2012 (The Council of the European Union, 2012). According to Garkushenko (2018), "MOSS presupposes that the enterprise, acting as a goods or services supplier, submits quarterly reports througg electronic communication channels to MOSS detailing transactions involving non-VAT registered customers from the EU countries and the corresponding sums of tax liabilities". MOSS functions in all EU states and facilitates the collaboration among tax authorities in these countries concerning VAT payment. It also ensures the equitable distribution of tax revenue from VAT to each participating state and facilitates the reimbursement of any extra tax payments. Consequently, exploring the prospect of Ukraine's integration into the Mini-One Stop Shop system, or introduction of select components for domestic implementation, can be useful, particularly in light of Ukraine's aspirations for European integration.

As for the period of 2022-2023, it was a turning point for e-commerce due to the active hostilities taking place in Ukraine. In fact, March 2022 was the month when the process of e-commerce development in Ukraine came to a halt. However, within a few weeks, everything began to return to normal. This was due to the fact that Ukrainians had recovered from the initial shock, logistics had somewhat recovered, and the active phase of resettlement was over. In May, some categories of commerce even returned to pre-war levels.

Some Ukrainians who moved to a safer place faced the absence of their usual brands in offline stores and chose from what was available. Some have abandoned premium brands and are saving money. And some are acting contrary to the strict hierarchy of needs and switching to Ukrainian brands to support society. This gives the green light to online shopping (Yarova, 2022).

Overall, the share of e-commerce in Ukrainian business increased from 9% to 11-12% in 2022. For example, in 2020, EVO estimated the Ukrainian e-commerce market at UAH 107 billion, and at that time the percentage of online purchases by Ukrainians was 9% of all purchases. In December 2022, the number of orders on Prom.ua, EVO's largest marketplace, recovered to the previous year's figures. Turnover increased by 55% over the same period (Melnyk, 2023).

It is important to note that under martial law, certain privileges were granted to businesses, including commercial ones. Taxation was partially cancelled, while it could be paid in advance for the following tax reporting periods if desired. Such actions by the authorities were aimed at supporting business during the war, including in the online sphere.

4.DISCUSSION

The enactment of Law of Ukraine No. 675-VIII "On E-commerce" of 03.09.2015 effectively legitimized operations in the area of electronic commerce. This legal document governs the protocols for executing transactions in electronic commerce, the formalization of electronic agreements, and the respective obligations and accountabilities of involved parties concerning misconduct within this economic sector. Nonetheless, safeguarding electronic commerce entities from online fraudulent activities continues to present a key challenge.

Thus, it is possible to identify several recurrent transgressions, namely: non-delivery of purchased goods after prepayment; dispatch of low-quality products; deceptive practices involving the unauthorized usage of consumers' personal information; and unlawful exploitation of clients' payment cards.

The Internet fraud risk exerts a detrimental influence on the advancement of e-commerce, instigating a sense of apprehension among consumers regarding making online purchases on e-commerce platforms and stores. It is true that consumers possess the option of declining payment if they receive low-quality products and can return the item to the seller. Yet, this can be complicated if prepayment was realized for the requested product or service. In this case, consumers are exposed to dual risks: the prospect of obtaining a product or a service of inadequate quality and the potential loss of their finances. The fraudulent prepayment schemes for goods and services has been on the rise during the COVID-19 pandemic.

In accordance with research findings, roughly 63% of consumers opt for cash on delivery as their favored payment method for ordered goods. Approximately 50% of consumers prefer utilizing electronic payment systems integrated into online platforms of e-commerce stores and marketplaces, while about 40% of buyers opt to transfer funds to the seller's card upon receipt of the ordered items (Delo.ua, 2020). Fraudulent fabricate websites that mimic well-known brands, thereby deceiving consumers and illegally obtaining their funds. Identifying and apprehending these fraudulent entities poses substantial challenges. This challenge arises in this case because such wrongdoers often create short-lived websites and provide misleading company information. It is believed that potential risk mitigation regarding financial losses associated with advance payments for ordered goods or services could be achieved through legislative measures. This approach would be based the positive regulatory practices observed in the EU countries.

For instance, the USA and the EU have the practice that involves a legal requirement for online retailers to display officially registered telephone numbers on their e-commerce websites. The failure to comply with this regulation categorizes such a retailer as high-risk and susceptible to legal action for fraudulent activities. Moreover, such countries as the USA and China implemented a mechanism through which consumer funds can be securely deposited when making online purchases. These deposited funds are only transferred to the shop's account once the consumer confirms the receipt of goods. To further enhance consumer's protection during online transactions, another potential measure could involve placing a unique barcode on shoppings websites. Consumers could scan this barcode to verify the legitimacy of the store. It is important that the barcode should be officially registered with regulatory authorities that verify the provided information.

However, the current Ukrainian legislation governing e-commerce falls short of providing full protection for consumers against online fraud. Consequently, we believe that Law of Ukraine No. 1023-XII "On Consumer Protection" (Verkhovna Rada of Ukraine, 1991) should be amended with a section specifically dedicated to guaranteeing legal safeguards for e-commerce participants such as online consumers, stores, and marketplaces. In addition, it is crucial to establish regulations of e-banking in Ukraine. This becomes vital due to instances of unethical conduct by certain banking personnel who illicitly disclose customers' information to the third persons. Such fraudulent activities compromise customers' accounts and destroy their trust in online payment systems (Tykhonova et al., 2019).

Finally, it is obvious that the development of a comprehensible information policy is an integral element of combating online fraud. An effective state information policy holds the potential to address a fundamental problem of ensuring information security by protecting data acquired and employed on the internet (Lytvyn & Lytvyn, 2015).

5. CONCLUSION AND RECOMMENDATIONS

The phenomenon of e-commerce, recognized as a vital component of present-day life, exhibits a remarkable degree of complexity. The process of formulating taxation policies for e-commerce is ongoing, not only in Ukraine but also on the global stage. This is due to the relative novelty of this field, its limited prior research, and its consistent year-on-year growth. Given the distinctive characteristics of e-commerce, questions concerning its development and taxation are important to nations worldwide. In the globalization context, e-commerce does not pertain to any country. Consequently, it becomes essential to develop a unified international legislation on e-commerce taxation. This harmonization serves to prevent conflicts and minimize tax evasion risks by enterprises. As Ukraine declared its commitment to European integration, it is actively engaged in bringing its domestic tax legislation close to European standards, in particular, those governing e-commerce taxation.

In this regard, it becomes evident that Ukraine faces several imperative challenges that must be addressed for the prosperous advancement of e-commerce and the effective imposition of taxes. These challenges embrace safeguarding consumers against online fraud; reducing the risks associated with e-banking; forming strategies for overseeing VAT applied to digital goods supplied by non-resident entities within Ukraine's customs territory; implementing supervising institutions for controlling enterprises involved in e-commerce; and developing a well-balanced information policy. Furthermore, Ukraine's progression towards European integration accentuates the necessity of refining the e-commerce legislation and taxation.

It can also be concluded that even in times of war, the e-commerce sector continues to develop and reach relatively new levels, while filling the state budget and supporting the economy. During the war, businesses, including online ones, were granted privileges and the opportunity to pay taxes in advance to support the state in difficult economic and financial periods. Moreover, the process of improving the legislation in this area, which began several years ago, is now actively continuing. This provides the basis for the development of the online business sector.

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