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COMPARATIVE ANALYSIS OF CORPORATE TAX RATE TENDENCIES

The Research Urgency. All the changes recently introduced into the Tax Code of Ukraine are to make functioning of the business entities more easy and to attract investments more effectively. However, the application of the Tax Code norms doesn't seem to be easy for the accountants. The important issues concerning the taxation policy in Ukraine are to be studied, as well as the grounded and sound decisions are to be made to ensure the high competitiveness of the Ukrainian business entities on the world market.

The purpose of the research is to study the overall tendencies in taxation, in particular corporate tax rates and their consequences for the Ukrainian businesses.

The United States has the highest corporate income tax rate among the 34 industrialized nations according the Organization for Economic Cooperation and Development (OECD). The U.S. corporate tax rate of 39.1 percent is the third highest in the world, behind only the United Arab Emirates and Chad, which have rates of 55 and 40 percent, respectively. The U.S. tax rate is 16.5 percentage points higher than the worldwide average of 22.6 percent.

Among countries with corporate income taxes, Turkmenistan and Uzbekistan have the lowest top marginal rate at 8 percent.

It's interesting to mention, that there are currently ten countries without a corporate income tax, or the rate is 0%. Most countries without corporate income tax rates are small island nations, namely Bahamas, Cayman Islands, British Virgin Islands, and Bermuda.

The recent research shows that the average worldwide tax rate has been declining over the past ten years and it's true for all regions of the world.

Taking into account that Ukraine is on its difficult way towards the European integration we will consider the tendencies of the taxation in EU. First of all, it's worth mentioning that tax policy in the European Union consists of two components:

1) direct taxation, which remains the sole responsibility of Member States, and
2) indirect taxation, which affects free movement of goods and the freedom to provide services.

With regard to direct taxation, Member States have taken measures to prevent tax avoidance and double taxation within the EU. At the same, tax policy ensures that competition between Member States on the internal market is not distorted by differences in indirect taxation rates and systems. Measures have also been adopted to prevent the adverse effects of tax competition if companies transfer money between European Union Member States.

If one takes a closer look at the corporate tax, the following can be found. In the highly developed European countries – France and Germany the situations is quite similar to the world tendencies.

At the present, in France a 3.3 percent social contribution is levied on the part of the corporate income tax that exceeds EUR 763,000, resulting in an overall maximum tax rate of 34.43 percent. In addition, a temporary 10.7 percent surtax is levied on the (full) corporate income tax for entities with a sales turnover greater than EUR 250 million. This temporary surtax, which brings the overall maximum tax rate to 38 percent, applies until 2015. Still, specific categories of income can benefit from a reduced corporate tax rate under conditions, in particular, licensing fees relating to certain IP rights can benefit from a 15 percent corporate tax rate, as well as small and medium size companies with a turnover of EUR 7.63 million or less owned at least 75 percent by individuals are subject to a corporate income tax rate of 15 percent.

In Germany the corporate tax rate is 29.58%. The overall income tax rate for corporations includes corporate income tax at a rate of 15%, solidarity surcharge, and local trade tax, which varies between 7% and 17.15%. The local trade tax is not deductible as a business expense.

In Ukraine, the Corporate Income tax rate is a tax collected from companies. Its amount is based on the net income companies obtain while exercising their business activity, normally during one business year.

The Corporate Tax Rate in Ukraine in 2015 stands at 18 percent (the dynamics of the corporate tax rates is shown in Figure 1). Corporate Tax Rate in Ukraine averaged 23.11 percent from 2006 until 2015, reaching an all time record low of 18 percent in 2014-2015.

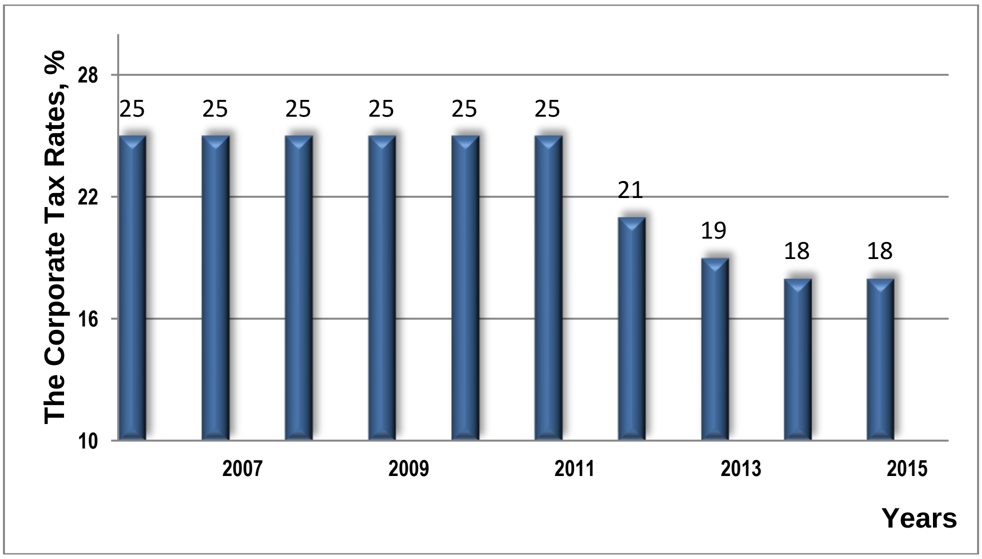

Figure 1. The Corporate Tax rates in Ukraine for the period 2006-2015
(Source: based on the materials from www.tradingeconomics.com)

Conclusions. It should be stressed that the corporate income tax rate is one of major elements of a state's tax code and it makes or makes not the economy of a particular country attractive for investments. As the study has shown, in general, the world's economies mature and, consequently, their tax rates on corporate income continue to decline. The same situation takes place in Ukraine, which can lead to the increasing of the competitiveness of the Ukrainian business entities and is hopefully to attract the foreign investments in the nearest future as well.