

## ORGANIZATION OF SMALL BUSINESS ENTERPRISE MANAGEMENT: UKRAINIAN EXPERIENCE

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Today, small business is of great value to Ukraine, it is able to quickly overcome the problems associated with economic restructuring. However, small businesses face a number of problems, namely: inefficient business management, tax reform, obsolescence of technical equipment and significant risks with the purchase of goods. According to world experience, small business can create the conditions for economic development and reduce the negative effects of crises. However, its development is significantly influenced by a large number of factors. At the present stage, small business operates dynamically in various sectors of the economy and is considered one of the effective tools for the development of the national economy with a market mechanism of management. Studies of these issues are described in the works by such leading scientists as: Varnalii Z., Vyhovska V., Lychkovska M., Liapin D. and others. As business conditions are constantly changing, the topic is relevant and needs research.

The purpose of the article is to analyze the Ukrainian experience of small business organization.

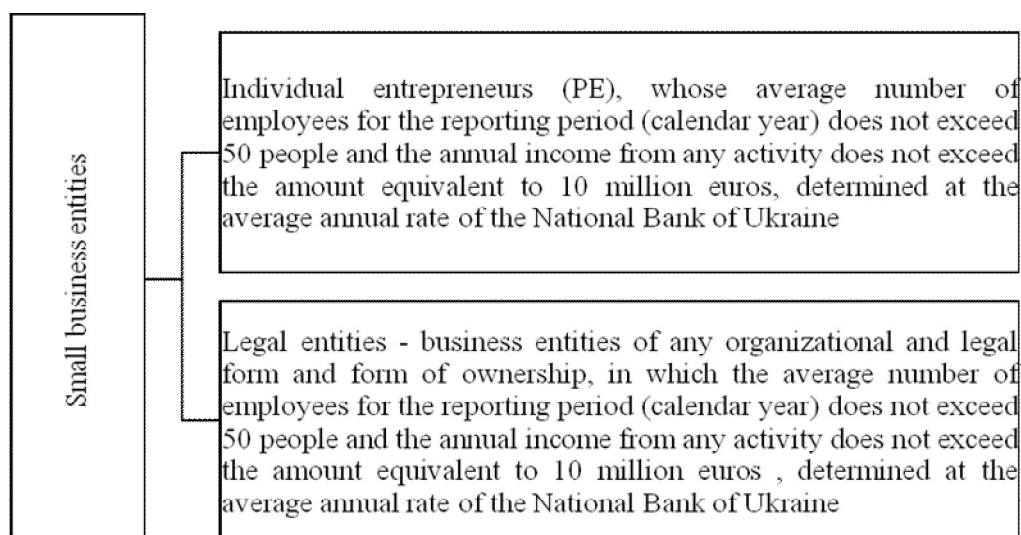
**Main part.** Examining the scientific work of modern experts, we found that in their work, the terms "entrepreneurship" and "business" are used mostly as synonyms. In some works, the concepts of "small business" and "small business" are identified. Therefore, it is expedient to address to the legislation. An analysis of official legal documents has shown that the law uses the term "small business". In particular, the Commercial Code of Ukraine (Article 42) defines entrepreneurship as an independent, proactive, and systematic, at their own risk economic activity, which is implemented by business entities with the intention to achieve certain economic and social results and get the maximum profit [1]. It is noted that small businesses include only those enterprises (regardless of ownership) in which the average number of staff for the reporting (financial) year does not exceed 50 people, and the gross income from sales of products (goods, works, services) for this the period does not exceed 70 million hryvnias [9].

Thus, the division of enterprises by size in accordance with the legislation of Ukraine into micro, small, medium and large enterprises is based on the following criteria: book value of assets, net income from sales of products (goods, works, services), the average number of workers (Fig. 1). These indicators, according to the size, must meet at least two of the above criteria for the previous year as of the date of preparation of the annual financial statements for the year.

| Division of enterprises by size  | Book value of assets   | net sales revenue   | average number of employees  |
|--|--|---|--|
| <ul style="list-style-type: none"> <li>• Micro-enterprises</li> <li>• Small businesses</li> <li>• Medium enterprises</li> <li>• Large enterprises</li> </ul> | <ul style="list-style-type: none"> <li>• до 350 тисяч євро</li> <li>• до 4 мільйонів євро</li> <li>• up to 20 million euros</li> <li>• more than 20 million euros</li> </ul> | <ul style="list-style-type: none"> <li>• up to 700 thousand euros</li> <li>• up to 8 million euros</li> <li>• up to 40 million euros</li> <li>• more than 40 million euros</li> </ul> | <ul style="list-style-type: none"> <li>• up to 10 people</li> <li>• up to 50 people</li> <li>• up to 250 people</li> <li>• more than 250 people</li> </ul> |

Fig. 1. Criteria for the division of enterprises into micro, small, medium and large (compiled by the author according to [9-11])

In practice, a small enterprise can carry out any business activity provided by law (production, commercial, financial, insurance, etc.), which is aimed at realizing the own economic interests of the enterprise. The subjects of small business are participants (legal entities and individuals) who perform economic activities in compliance with the rights and obligations, have separate property and are responsible for their obligations within the property, except as provided by law (Fig. 2) [9].



**Fig. 2. Small business entities (compiled by the author according to [9])**

Thus, small business includes natural persons – entrepreneurs and enterprises that are registered as legal entities. The process of their creation is the same. The only difference is what benefit they are trying to get from the organizational and legal form. In Ukraine, small business is represented by individual entrepreneurs. Therefore, we will describe the main stages of their creation [6].

I stage – determine the type of business activity and the taxation system. To begin with, you need to choose the type of entrepreneurship activity that small businesses plan to carry out and determine the appropriate codes in classification of entrepreneurship activities. After all, according to the law, the future entrepreneur has the right to carry out the entrepreneurship activity within which he chose and registered it.

II stage – submit the relevant documents to the state register to obtain an extract from the Unified State Register. To register, you must apply with an application and relevant documents (in paper or electronic form) to the subject of state registration or notary. In addition, in order to carry out business activities, an already registered natural person-entrepreneur must be registered with the following authorities: Pension Fund – as a payer of the Single Social Contribution, the State Fiscal Service (SFS) – as a payer of taxes and debts and to the statistics body.

II stage – open a business bank account. An individual entrepreneur may, at his own request, open accounts in various banks to carry out his business activities. In turn, the bank opens a current account for the entrepreneur under a bank account agreement, during this procedure identification and verification is carried out. At the same time, entrepreneurs are required to report their status to banks, as well as to other financial institutions that have opened their own accounts.

IV stage – registration and receipt of books of income and expenses (in paper or electronic form). Regardless of the chosen system of taxation (general or simplified), small businesses must keep records of the results of their own business. Entrepreneurs of the general system of taxation write down the book of the account of incomes and expenses. The payers of the single tax of groups I-III (do not pay value added tax) keep only the book of the account of incomes, and payers of the III group who pay value added tax they keep a book of income and expenses. Small businesses must register the books with the State Fiscal Service, where they are registered. One of the important factors for small business is the tax system.

The main normative document on small business taxation is the Tax Code of Ukraine, according to which small businesses have the right to choose the tax regime: general or simplified (single). The main factor influencing the decision to switch to a single tax is economic efficiency, which allows you to reduce tax payments due to changes in the tax system. In particular, two taxation systems are used.

The first type of taxation is the general system. This system of taxation is chosen by legal entities regardless of the type of entrepreneurship activity, the amount of annual income and the number of staff – the choice of such a system is not limited by any criteria. In this case, the tax is paid from the amount of net income of the entrepreneur. The tax rate is fixed. At single social contribution must be paid for each employee. This system is useful for those entrepreneurs who have significant costs during their business activities. Under this tax system, these costs are taken into account when calculating the percentage of tax. Therefore, in most cases, these entrepreneurs carry out production activities (i.e. purchase raw materials for production) or directly trade in goods (because the bulk of the costs are the cost of production, transportation costs, wages, etc.).

The second type of taxation is a special (simplified) system. This system was created in order to reduce the tax burden and stimulate the development of small business in Ukraine. The size of the single tax can be fixed or change depending on the income. In addition, a special tax system uses special reporting regime, which also simplifies the organization and management of their business. In most cases, this system is chosen by those entrepreneurs who have low costs. Under this tax system, these costs are not taken into account when calculating the percentage of tax. Thus, this system is beneficial for entrepreneurs who are engaged in activities related to the provision of any services. In order to use the simplified taxation system it is necessary to meet certain criteria, namely: to be a resident of Ukraine, to have no debt to the state, to engage only in business activities provided by law, to meet all standards of one of the IV groups of the single tax. In Ukraine, the simplified taxation system provides for 4 groups of taxpayers, which differ in the types of activities with an annual income limit and restrictions on the number of employees (Fig. 3).

According to Law №540, the new amounts of income of "units" of groups I-III come into force on April 2.

|           |   |
|-----------|---|
| I group   | <ul style="list-style-type: none"> <li>• self-employed persons engaged in retail sales in the markets or providing household services</li> <li>• annual income limit - up to 300,000 UAH per year</li> <li>• the tax for this group is up to 10% of the subsistence level</li> </ul>  |
| II group  | <ul style="list-style-type: none"> <li>• persons where the number of employees is not more than 10, who are engaged in the provision of services, production, sale of goods, carry out restaurant activities</li> <li>• annual income limit - 1 million 500 thousand UAH</li> <li>• the tax for this group is up to 20% of the minimum wage</li> </ul>  |
| III group | <ul style="list-style-type: none"> <li>• these are persons who carry out any type of economic activity that is not directly prohibited for single taxpayers</li> <li>• annual income does not exceed 5 million UAH per year</li> <li>• the number of employees is not limited</li> <li>• tax for for this group is not fixed in contrast to the 1st and 2nd groups. The rate is 3% of the income for pay value added tax payers, 5% of income for not payers value added tax</li> </ul> |
| IV group  | <ul style="list-style-type: none"> <li>• payers of the fixed agricultural tax for which the separate 4th group of the uniform tax since 2015 was created</li> <li>• agricultural producers, where the share of production per year exceeds 75%</li> <li>• without restrictions on the amount of income or number of employees</li> <li>• the amount of tax for this group depends on the category of land owned by entrepreneurs and their location</li> </ul>                          |

Fig.3. Four groups of simplified taxation system (compiled by the author according to [compiled by the authors on the basis 9-11])

Table 1

## Characteristics of single tax payers [compiled by the authors 10]

| Tax rate                     |  | Payers should not engage in:   |   |
|------------------------------|--|--|---|
| A group of single tax payers | I group<br>natural persons - entrepreneurs who carry out exclusively retail sale of goods from outlets in the markets and / or carry out economic activities to provide household services to the population   | 10% of the subsistence level for able-bodied persons (210.20 UAH *)                          | <p>According to paragraph 291.5 of the tax code of Ukraine [9]:</p> <p><b>Entrepreneurs and legal entities that carry out:</b></p> <p>activities for the organization, conduct of gambling, lotteries, betting (bookmaker bet, betting bet); currency exchange;</p> <p>production, export, import, sale of excisable goods (except for retail sale of fuels and lubricants in containers up to 20 liters and activities of individuals related to the retail sale of beer, cider, Perry (without alcohol) and table wines); extraction, production, sale of precious metals and stones, including organogenic formation (except for production, supply, sale (sale) of jewelry and household products made of precious metals, stones, precious stones of organic formation and semi-precious stones);</p> <p>mining, sale of minerals, except for the sale of minerals of local importance;</p> <p>activities in the field of financial intermediation, except for activities in the field of insurance, which are carried out by insurance agents defined by the Law of Ukraine "On Insurance";</p> <p>enterprise management;</p> <p>provision of mail (except for courier activities) and communication services (except for activities that are not subject to licensing);</p> <p>sale of art and antiques, activities for the organization of auctions (auctions) of works of art, collectibles or antiques; organization, touring events;</p> <p>Other activities.</p> <p><b>Individual entrepreneurs who:</b></p> <p>conduct technical tests and research, auditing activities;</p> <p>Lease land plots with a total area of more than 0.2 hectares, residential premises and / or their parts, the total area of which exceeds 100 square meters. m, non-residential premises (buildings, structures) and / or their parts with a total area of over 300 square meters;</p> <p>Insurance (reinsurance) brokers, banks, credit unions, pawnshops, leasing companies, trust companies, insurance companies, investment funds and companies, other financial institutions specified by law;</p> <p>securities registrars;</p> <p>state-owned economic entities, in the authorized capital of which the set of shares owned by legal entities that are not payers of the single tax is equal to or exceeds 25%;</p> <p>representative offices, branches, offices and other separate subdivisions of a legal entity that is not a single tax payer;</p> <p>Other activities.</p> |
|                              | II group   | 20% of the minimum wage (944.60 * UAH)   |   |
| III group                    | Defined as a percentage of income:   | For legal entities in the cases specified in paragraph 293.5 of the tax code of Ukraine [9]: | <p>According to item 291.5-1 of the tax code of Ukraine [9] economic subjects:</p> <p>in which more than 50% of the income received from the sale of agricultural products of its own production and products of its processing is income from the sale of ornamental plants (except for cut flowers grown on land owned by agricultural producers or provided to him in use, and products of their processing), wild animals and birds, fur products and fur (except for raw materials);</p> <p>which carry out activities for the production of excisable goods, except for grape wine materials, produced at primary wine-making enterprises for secondary wine-making enterprises which use such wine materials for the production of finished products, grape wines, fruit and berry wines and / or honey beverages produced and bottled by small-scale production of wine products from wine materials exclusively of own production, (not purchased) obtained by processing fruits, berries, grapes, honey of own production, as well as other than electricity produced by qualified cogeneration units and / or from renewable energy sources (provided that the income from the sale of such energy does not exceed 25 percent of income from the sale of products (goods, works, services) of such an entity);</p> <p>Who as of January 1 of the base (reporting) year have a tax debt, except for bad tax debt, which arose because of force majeure (force majeure).</p>   |
|                              | - 3% of income;<br>- 5% of income;   | - 6% with value added tax;<br>- 10% without value added tax.                                 |   |
| IV group                     | The amount of tax rates on 1 ha of agricultural lands and / or lands of the water fund depends on the category (type) of lands, their location. As a percentage of the base, it is:  |  |   |
|                              | - for arable land, hayfields and pastures (except for arable land, hayfields and pastures located in mountainous areas and in Polissia territories, as well as agricultural lands in closed soil conditions) the tax rate per hectare will be set at 0.95; |  |   |
|                              | - for arable land, hayfields and pastures located in mountainous areas and in Polissia territories - 0.57;   |  |   |
|                              | - for perennial plantations (except for perennial plantations located in mountainous areas and in Polissia territories) - 0.57;  |  |   |
|                              | - for perennial plantations located in mountainous areas and in Polissia territories - 0.19;   |  |   |
|                              | - For water fund lands the rate will remain at the level of 2.43;  |  |   |
|                              | - for arable land, hayfields and pastures belonging to agricultural producers specializing in the production (cultivation) and processing of crop products in the greenhouse or provided to them for use, including rent - 6.33.                           |  |   |

From April 2, 2020, changes were made to the amount of taxation. Therefore, from April 2, the amount of income is:

- for the first group – 1 million UAH (until April 2 – 300 thousand UAH);
- for the second group – 5 million UAH (by April 2 – 1.5 million UAH);
- for group III – 7 million UAH (until April 2 – 5 million UAH).

Also, the same Law provides for amendments to the Law №129 to exclude the rate of increase in income for group II from 1.5 million to 2.5 million UAH [9-11].

It is worth noting that for each group the size of the minimum and maximum rates of the single tax is determined. The types of activities that cannot be assigned to each group are established (Table 1).

The procedure for moving to another tax group has changed. In the information letter № 9 the tax authorities emphasized that in accordance with par. 298.1.5 tax code of Ukraine single tax payers have the right to change the group of single tax payer (due to the increase in income limits), but only from the third quarter of 2020, subject to other requirements of Chapter I of Section XIV of the tax code of Ukraine. The relevant application for transfer to another group must be submitted no later than June 15, 2020. Separately, the tax authorities noted that the transition of a group III taxpayer (value added tax payer) cancels the registration of a value added taxpayer in the manner prescribed by the Tax Code of Ukraine, if he chooses the first or second group.

Thus, each tax system for small business has its advantages (Table 2).

**Table 2**

**Comparison of general and simplified taxation system for small business [11]**

| Comparison criterion                           | Simplified system                 | General system  |
|--|-----------------------------------|---|
| Tax calculation base                           | Income (or fixed monthly payment) | Profit (for individuals: net taxable income = income - expenses)                |
| Registration as a value added tax payer        | Possible only in groups 3 and 4   | In the general order (if the volume of transactions is more than 1 million UAH) |
| Payment of land tax                            | not                               | yes   |
| PPO  | Does not use 1 group              | in general  |
| Barter transactions, promissory notes, offsets | No, it is forbidden               | yes   |

**Table 3**

**Dynamics of small business development in Ukraine in 2017–2018**

| №  | Criterion  | Value by years |              |
|----|--|----------------|--------------|
|    |  | 2017           | 2018         |
| 1. | Small businesses:  | 1789406        | 1822671      |
|    | of which are small businesses (individual -entrepreneurs)                      | 1466486        | 1483297      |
| 2. | Number of employees, thous. of people:   |                |              |
|    | small enterprises  | 3956331        | 4173665      |
|    | of them small entrepreneurship (individual entrepreneurs)                      | 2297390        | 2532668      |
| 3. | Volume of sold products (works, goods, services), mil. UAH:                    |                |              |
|    | small enterprises  | 2067799291,6   | 2496947692,2 |
|    | of them small entrepreneurship (individual entrepreneurs)                      | 585798554,6    | 730797248,2  |
| 4. | Financial results (net) before tax, mil. UAH                                   | -10724,8       | 46870,8      |
| 5. | Percentage of entities that made a profit in the total number of enterprises   | 72,7           | 74,1         |
| 6. | Percentage of entities that suffered losses to the total number of enterprises | 27,3           | 25,9         |

\*compiled by the authors on the basis 7

Thus, a simplified system is advantageous when:

- the business is highly profitable, i.e. the entrepreneur has low costs. In this case, less tax is paid than in the general system; revenue for the year is relatively small;
- the company uses the land (there is an exemption from paying for the land);
- the main consumers of the company's services are also on the simplified system or the population (this is more true of 1-2 groups of the single tax);
- there is no need for barter settlements.

Therefore, the number of small businesses has increased over the past 10 years. In particular, for the last two years ( table 3).

It should be noted that today in Ukraine there is a tendency to increase the number of small businesses, which in turn demonstrates the dynamic development of this sector of the economy. It should also be noted that due to the increase in the number of small businesses, the number of employees in these enterprises has also increased. New jobs are being created, which contributes to improving the development of the state, economic growth and the well-being of citizens. But in recent years, the efficiency of small businesses is declining, due to the following factors: inconsistency of current legislation, growing tax burden, low level of cooperation between local authorities and business, constant growth of administrative barriers, constant change of "rules of doing business", lack of clear policy on small business development.

This affects an indicator such as ease of doing business. In 2002, the World Bank launched the Doing Business project – a ranking of countries on the ease of doing business. This ranking covers 190 countries and is formed on the basis of 10 indicators used in order to identify successful reforms in the field business regulation and for determining exactly where and why they were effective.

According to the study «Doing Business-2018» [12](as of June 1, 2017) in rating prepared by the World Bank for level of ease of doing business in 2018 Ukraine took 76th place (between Bhutan and Kyrgyzstan), which is the best result of our state for the last 5 years. Compared to the situation in 2017 (80th place), Ukraine rose in the ranking by 4 units, and in total during 2014-2018 – by 24 positions among 190 countries. During this period, Ukraine has achieved the largest progress among all post-Soviet countries in the ranking of Doing Business. Ukraine managed to improve its overall position in the Doing Business ranking by achieving success in 4 out of 10 categories.

Due to the reduction of the Single Social Contribution and its unification, Ukraine has significantly improved its position in the ranking in the category of "taxation" by 41 units (from 83 places to 43). In addition, the positions of our state have changed according to the following indicators: "connection to energy supply systems" – by 2 points (from 130 places to 128) and "solving insolvency problems" – by 1 position (from 150 places to 149). As for all the other six categories, Ukraine's position in the ranking of ease of doing business has deteriorated. According to the indicator "enterprise registration", our state lost the most positions - 32 and dropped in the ranking from 20 to 52 place. In the category of "protection of minority investors" Ukraine – fell by 11 points (from 70th place to 80th); according to the indicator "obtaining a loan" - by 9 units (from 20 places to 29); in the category of "international trade" – by 4 positions (from 115 places to 119) and 1 position by our state lost on such indicators as "property registration" (from 63 places fell to 64) and "ensuring the implementation of contracts" (from 81 places – on 82). Of all the regions of Central and Eastern Europe, Ukraine ranks penultimate, only 1 position ahead of Kyrgyzstan.

Thus, small enterprises play an important role in the development of Ukraine's economy, create new jobs, fill the budget, meet the urgent needs of the population, reduce unemployment. However, there are now a number of barriers to development for small businesses that need to be explored and addressed. However, in the context of globalization and the development of the global financial crisis, difficult political situation, military conflict in the country intensifies the negative processes and requires the formation of a unified state policy for the development of small business.

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**Глебова А.О.**, кандидат економічних наук, доцент. **Солодовник М.О.**, магістр. Національний університет «Полтавська політехніка імені Юрія Кондратюка». **Організація управління підприємств малого бізнесу в сфері послуг: українські реалії.** Досліджені характеристики нинішніх умов організації управління підприємств малого бізнесу й сучасний стан розвитку малого бізнесу на теренах України. Розглянуто етапи створення та управління малим бізнесом у сфері послуг. Визначено основні 4 етапи створення, де стратегічну роль буде відігравати саме система оподаткування. Найбільшого поширення набули дві системи оподаткування. Перший вид оподаткування – це загальна система. В більшості цю систему оподаткування обирають саме юридичні особи в незалежності від виду підприємницької діяльності, суми річного доходу та чисельності персоналу – вибір такої системи не обмежується ніякими критеріями. Другий вид оподаткування – це спеціальна (спрощена) система. Розмір єдиного податку може бути фіксованим або коливатися залежно від доходу. Крім цього, до спеціальної системи оподаткування використовується й спеціальний режим звітності, котрий також спрощує підприємцю організацію та управління своїм бізнесом. Обґрунтовано актуальність наукових досліджень щодо організації управління малим бізнесом у сфері послуг, яка передбачає використання III і IV групи оподаткування. Проаналізовано динаміку розвитку малого бізнесу в Україні за останні роки. Визначено, що в Україні відстежується тенденція до збільшення кількості суб'єктів малого підприємництва, котра у свою чергу демонструвала динамічний розвиток даного сектору економіки.

**Ключові слова:** бізнес, малий бізнес, єдиний податок, критерій, оподаткування.

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**Hliebova A.**, PhD (Economics), Associate Professor. **Solodovnyk M.**, master student. National University «Yuri Kondratyuk Poltava Polytechnic». **Organization of small business enterprise management: Ukrainian experience.** The article examines the conditions for the development of entrepreneurship at the present stage. The stages of creation and registration of small business in Ukraine are described. The modern taxation systems used in small business are analyzed.

**Key words:** business, small business, single tax, criterion, taxation.

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**Глебова А.О.**, кандидат экономических наук, доцент. **Солодовник М.О.**, магистр. Национальный университет «Юрий Кондратюк, Полтавский политехнический институт». **Организация управления предприятием малого бизнеса: украинский опыт.** Рассмотрены условия развития предпринимательства на современном этапе. Описаны этапы создания и регистрации малого бизнеса в Украине. Анализируются современные системы налогообложения, используемые в малом бизнесе.

**Ключевые слова:** предпринимательство, малое предпринимательство, единый налог, критерий, налогообложение.