The Impact of Consolidated Value Added Taxation on Innovation and Investment Processes: European Experience and Prospects for Ukraine

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Abstract: Today Ukraine is on the path to European integration, which requires the introduction of the best practices of European countries, including in terms of taxation of consolidated groups of enterprises. At present, in European countries, consolidated value added taxation is one of the ways to solve the problem of reducing the tax burden on business, providing enterprises with additional investment resources and stimulating their innovative development. In addition, the consolidated tax system reduces the cost of tax administration for both the state and business. Therefore, the issue of introducing value added tax is relevant for Ukrainian practice. The purpose of the research is to study the content and determine the specifics of consolidated value added taxation in European countries and to consider the possibilities of its application in Ukraine for innovation and investment processes intensifying. The specifics of the scientific tasks that are the subject of the study required the use of a set of special methods, the application of which helped to analyze the impact of consolidated value added taxation on innovation and investment processes in European countries. The study was conducted using quantitative methods, including comparative analysis, and qualitative methods, including case study. The study identified the essence and basic principles of consolidated value added taxation. Two types of consolidated VAT taxation in European countries are analyzed: the regime of full consolidation and the regime of partial consolidation. The advantages and disadvantages of consolidated VAT taxation for the state and taxpayers are substantiated. It was found out that in European countries, consolidated value added tax is aimed at improving the conditions of doing business and providing taxpayers with additional opportunities to apply special tax rules. As a result of the study, it was proved that the introduction of approaches in Ukraine that correspond to the European experience of consolidated VAT taxation will help to solve important tasks of bringing its tax system closer to foreign standards and intensifying innovation and investment processes at the micro- and macro levels.

Key-Words: VAT; consolidated taxation; consolidated group of taxpayers; full consolidation regime; partial consolidation regime

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1 Introduction

In modern European countries, one of the leading roles in economic development, increasing production efficiency and ensuring innovation and investment development is played by association of enterprises. Such integrated economic structures, having significant resources and dominating in many areas of activity, are at the same time the large taxpayers, which allocate them to a special category for which many states introduce special tax regimes, including consolidated taxation.

In the XX century emergence and development of taxation of consolidated groups of enterprises, which was used to collect income tax, has contributed to its spread in the XXI century for value added tax. From this point of view, it is of practical importance to study the positive and negative aspects of the functioning of consolidated value added taxation in European countries, understanding the features of which will determine the possibilities of its application in Ukraine.

Many scientists, including Ilin V. A. & Povarova A. I. [1], Kushnerov D. N. [2], Rastegaeva F.S. & Shashkova T. N. [3], Zolotareva A.B. [4], showed scientific interest in the functioning of consolidated groups of taxpayers. Many scholars have focused on the content, advantages and disadvantages of consolidated taxation in terms of income tax, including Grinkevich L. S. & Bannova K. A. [5], Kizimov A. S. & Shegurova T. A. [6], Koroleva L. P. [7], Migukina N. E. [8], Ryumina Yu. A. & Bannova K.A. [9, 10], Smirnov D.M. [11], Smolenceva E. Yu. [12], Troyanskaya M. A. & Ermakova E. A. [13]. A significant number of works are associated with a long history of more than a century of operation and the widespread use of consolidated income tax in many countries around the world.

However, consolidated value added taxation was introduced in most European countries after 2008, so there are little scientific works on its operation. Thus, the content and specifics of consolidated VAT taxation in different countries were studied by Babenko D. A. [14], Cibin A. V. [15], Egholm Elgaard K. K. [16], Kuzmin D.V. [17], Lanza M.A., Zanetti M. [18], Maisto G. [19], Parolini A., Bechara C., Kruger D., Sinfield G., Van Hilten M. & Millar R. [20], Pfeiffer S. [21], Vyncke K. [22]. These scholars mostly considered the legal framework of consolidated value added taxation, the problems of its functioning in some countries, methods of optimizing consolidated VAT taxation for specific sectors of the national economy or individual consolidated groups of taxpayers. In particular, some techniques and models that can be used to improve consolidated VAT taxation can be found in the works of Xiaoyong Zhu & Hua Zhang [23], Zhuo Zhang & Jia Wang [24], Mamatova T.V., Chykarenko I.A., Moroz E.G., Yepifanova I.Y., Kudlaieva N.V. [25], Heyets V., Voynarenko M., Dzhedzhula V., Yepifanova I. & Trocikowski T. [26], Voynarenko M, Dzhedzhula V., Hurochkina V., Yepifanova I., Menchynska, O. [27].

There is a need for a comprehensive study of the theoretical and legislative foundations of consolidated value added taxation, comparative analysis of different regimes of consolidated VAT in European countries, summarizing of its advantages and disadvantages for the state and taxpayers, and substantiation of proposals for implementation prospects of consolidated value added taxation in Ukraine.

It is worth saying that in modern Ukrainian financial science the problem of value added taxation of consolidated groups of taxpayers is practically not paid attention, and it creates obstacles to the implementation of European best practices in VAT taxation.

The purpose of the research is to study the content and features of the consolidated value added tax in European countries and consider the possibilities of its implementation in Ukraine in order to intensify innovation and investment processes.

2 Problem Formulation

The main conceptual idea of the study is to substantiate the need to expand the role of consolidated taxation as a tool to stimulate innovation and investment activities of the largest taxpayers in order to ensure the neo-industrial development of Ukraine's economy. In our opinion, the strategic orientation of Ukrainian economic policy to ensure an innovation and investment breakthrough in key development indicators cannot be solved under the existing supportive tax system, which gives priority to the fiscal interests of the state. Maintaining the goals of liberalization and development of small business deprives of hope for strengthening the role of large business in ensuring the economic development of the country. Currently, representatives of large business are quite prosperous in a raw material-oriented economy and are interested not in its neo-industrialization, but in taking business offshore. Therefore, it is certainly impossible to resolve existing contradictions only by indirect methods of state regulation. However, it is necessary to change the approach to taxation from supportive to stimulating, at least. The key role in stimulating the growth of large taxpayers should be given to the institution of consolidated taxation.

3 Problem Solution

3.1. Theoretical principles of consolidated VAT taxation

The task of every state that participates or wishes to participate in the world economy is to create the most viable and competitive conditions for doing large business, in particular in terms of tax administration. After all, such important indicators as the growth of innovation and investment activity of large businesses, high competitiveness (especially in the international market), reducing transaction costs in the interaction of business structures associated with a single production process, necessitate consolidated payment of taxes, in particular value added tax.

Taking into account the importance of consolidated taxation for the state and taxpayers, its essence has been studied by many scholars. Thus, Kuzmin D. V. (2009) considers consolidated taxation as an opportunity to pay corporate income tax and VAT by the parent company on behalf of a group of interconnected companies, which is considered as the sole taxpayer for these taxes [17]. Smirnov D. M. (2010) believes that consolidated taxation is a regime established in tax law, in which a group of enterprises with absolute or predominant participation in each other is perceived as one economic unit for tax purposes [11]. Kushnerov D. N. (2012) characterizes consolidated taxation as the perception of a group of companies with absolute or predominant participation in each other as one economic unit for tax purposes [2]. Babenko D. A. (2014) under consolidated taxation means a special procedure for taxation of groups of companies, which provides for the combination of tax bases and (or) amounts of tax of group members, which is carried out to determine the general tax base of the group and / or the total amount of tax payable [14]. Troyanskaya M. A. and Ermakova E. A. (2015) interpret consolidated taxation as the taxation of a group of interconnected companies formed by several companies (two or more), one of which manages or controls the activities of others [13]. Ryumina Yu. A., Bannova K. A. (2015) argue that consolidated taxation is a way to stimulate the activities of the largest taxpayers, which provides a generalization of commercial and financial results of a group of organizations considered as a single entity [10]. Smolenceva E. Yu. (2016) defines consolidated taxation as a unified payment of tax by a voluntary association of interconnected enterprises (on the basis of participation in capital), which operates on a legislative basis and contractual relations [12]. Egholm Elgaard K. K. (2017) characterizes consolidated taxation as a scheme according to which several legally independent entities are considered as one person for tax purposes [16]. Ilin V. A. and Povarova A. I. (2019) under consolidated taxation understand the definition of the general tax base by summarizing the financial results of all members of the group of companies [1].

Taking into account the opinions of these scholars, we consider the consolidated value added tax (VAT) as a special tax regime that provides for the unification (full or partial) of the value added tax procedure by a group of interconnected enterprises, one of which (parent) manages the activities of other (subsidiaries) or controls them. Consolidated VAT taxation arises in connection with the operation of consolidated groups of taxpayers (CGTP) - highly integrated business structures established on the basis of a contract in the manner and under the conditions prescribed by law, for the purpose of calculating and paying VAT.

The emergence and introduction of consolidated VAT taxation in European countries was primarily due to the interest of states in reducing the negative consequences of the functioning of enterprises as separate economic entities. Thus, Pfeiffer S. (2015) argues that the development of consolidated value added tax is due to the need to resolve the contradiction between economically rational business decisions as to vertical integration and the unfavorable consequences of VAT for its implementation [21].

The main principles of consolidated VAT taxation are defined by the Directive of the Council of the European Union, adopted on November 28, 2006 [28]. It states that each EU Member State may treat as a single VAT payer any legal entity established in the territory of that state which, despite its legal independence, is closely linked by financial, economic and organizational ties.

In the Report of the European Commission to the Council of the European Union and the European Parliament as to the choice of consolidated VAT taxation from July 2, 2009 was specified the content of financial, economic and organizational relations between enterprises - members of consolidated groups [29], in particular:

1) the financial relationship is determined by the presence of a share in the capital or voting rights (more than 50%), or the presence of a franchise

agreement that guarantees the actual control of one group member over the others;

2) economic connection is determined by the presence of at least one of the conditions of economic cooperation, as: the main activity of all members of the group has the same direction; the activities of group members are interconnected or complementary; one of the group members conducts its activities entirely or to a large extent in the interests of other members;

3) organizational connection is determined by the presence within group members of a general or partially general management structure.

Cibin A. V. (2013), Rastegaeva F. S. and Shashkova T. N. (2017) distinguish between the principles of consolidated VAT taxation, which include: the principle of legislative regulation of CGTP; the principle of certainty of elements and technology of creation of CGTP; the principle of systematization, existence of the purpose, hierarchy and structure of CGTP; the principle of the tax status of CGTP; the principle of the structure of relations in CGTP; the principle of certainty, uniqueness and rationality of value added taxation of CGTP; the principle of universality, fairness and equality of taxation of CGTP; the principle of fulfilling the obligations of the CGTP to pay VAT; the principle of changing the composition of participants and the liquidation of CGTP; the principle of application of legal optimization of forms, methods and terms of VAT payment on a consolidated basis [15, 3]. Grinkevich L. S. and Bannova K. A. (2014) add a number of other principles to these ones: joint and several financial responsibility of CGTP; unity of approaches to the formation of tax liabilities of CGTP; socio-budgetary efficiency of CGTP; organizational simplicity of CGTP; transparency of CGTP activity [5].

It should be noted that at present many European countries have reached the maximum limit of the economically justified tax limit (withdrawal of part of the national income by the state). Further increase in tax pressure may cause a decrease in economic growth. Therefore, there is a direct interest from both the state and large taxpayers in the introduction of consolidated value added taxation in order to increase the overall efficiency of consolidated groups of taxpayers functioning, optimize their cash flows, reduce government costs and risks of VAT refunds and facilitate its administration.

At present, consolidated VAT taxation has been introduced in Austria, Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, Germany, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Luxembourg, Malta, the Netherlands, Northern Macedonia, Norway, Romania, Slovakia, Spain, Sweden, Switzerland, and Great Britain. Moreover, consolidated VAT taxation has not been introduced in Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Greece, Lithuania, Moldova, Poland, Portugal, Russia, Serbia, Slovenia, Turkey, and Ukraine.

Therefore, in the future we can expect a significant spread of such a regime of value added taxation, as well as the development of processes of unification of the systems of different countries at the international level.

3.2. Characteristics of consolidated VAT taxation in European countries

In European practice, there are two types of consolidated VAT taxation: the regime of full consolidation and the regime of partial consolidation.

The full VAT consolidation regime, called the legal-fiction concept [20], or the VAT grouping regime [19], or the fiscal unity model [21], provides for the recognition of a group of enterprises as a single VAT payer, giving one of the group members (usually the parent company) the opportunity to act on behalf of the group in the performance of duties for the calculation and payment of tax, as well as the complete loss of other group members the status of taxpayer despite their status of an independent legal entity. In practice, the application of this concept provides for the exemption of intragroup transactions from VAT, as well as the imposition of responsibilities for calculating the tax base, tax payment and filing a single tax return per participant (parent company).

The regime of full VAT consolidation has been introduced in most European countries, which is shown in Table. 1.

For the most European countries that apply the full VAT consolidation regime, it is typical for a parent company to file a single VAT return (except for Spain and the Netherlands). This regime provides for the payment of VAT and receipt of budget VAT refunds by the parent company on behalf of the consolidated group. In European countries that apply the full VAT consolidation regime, the consolidated group receives a single VAT registration number, except in Luxembourg, where each member of the consolidated group has an auxiliary individual VAT number. In most European countries, term of operation of the consolidated VAT group is not legally established, with the exception of Belgium, Iceland, Spain, Liechtenstein, Romania, the Czech Republic and Switzerland, where there is a minimum period for applying group VAT.

Table 1. **Full VAT consolidation regime in European countries ***

Country	Requirements for the application of consolidated VAT taxation						
	Filing a VAT declaration	Payment of VAT	VAT refund	Joint and several liability for payment of VAT	Exemption of intra-group transactions from taxation	The only registration number of the VAT payer	Minimum period of application
Austria	P	P	P	Yes	Yes	Yes	Not specified
Belgium	P	P	P	Yes	Yes (there are exceptions)	Yes	3 years
United Kingdom	P	P	P	Yes	Yes	Yes	Not specified
Denmark	P	P	P	Yes	Yes	Yes	Not specified
Estonia	P	P	P	Yes	Yes	Yes	Not specified
Ireland	P	P	P	Yes	Yes (there are exceptions)	Yes	Not specified
Iceland	P	P	P	Yes	Yes	Yes	5 years
Spain	P or I	P	I	Yes	Yes	Yes	3 years
Italy (Gruppo IVA)	P	P	P	Yes	Yes	Yes	3 years
Cyprus	P	P	P	Yes	Yes	Yes	Not specified
Latvia	P	P	P	Yes	Yes	No	Not specified
Liechtenstein	P	P	P	Yes	Yes	Yes	1 year
Luxembourg	P	P	P	Yes	Yes	Yes	Not specified
Malta	P	P	P	Yes	Yes	Yes	Not specified
Netherlands	P or I	P	P	Yes	Yes	Yes	Not specified
Germany	P	P	P	Yes	Yes (there are exceptions)	Yes	Not specified
Norway	P	P	P	Yes	Yes	Yes	Not specified
North Macedonia	P	P	P	Yes	Yes	Yes	Not specified
Slovakia	P	P	P	Yes	Yes	Yes	Not specified
Hungary	P	P	P	Yes	Yes	Yes	Not specified
Finland	P	P	P	Yes	Yes	Yes	Not specified
Czech Republic	P	P	P	Yes	Yes	Yes	1 year
Switzerland	P	P	P	Yes	Yes	Yes	1 year
Sweden	P	P	P	Yes	Yes	Yes	Not specified

Note: P – parent company on behalf of the VAT group; I – individually each company is a member of a consolidated VAT group.

* Source: Compiled by the authors based on [30]

Despite a number of common features, some European countries have their own specifics of the regime of full consolidation of VAT. In Austria, Germany and the Netherlands, when fulfilling the grouping criteria, companies are required to form a VAT group necessarily. Belgium, Iceland, Spain, Liechtenstein, Romania, the Czech Republic and Switzerland have set a minimum period for the application of group VAT. In addition, in some European countries, in particular Austria, the Czech Republic, Denmark, Germany, Latvia, apply the effects of VAT grouping only to enterprises located in their territory, i.e. do not apply to foreign branches.

In Belgium, intra-group financial services and real estate leasing are subject to VAT, while in Ireland intra-group transactions involving the transfer of real estate are subject to VAT. In the Netherlands and Spain, group members can file a single VAT return or each member individually.

In Germany, the VAT grouping does not apply to certain obligations to comply with the rules in force within the European Union. Each subsidiary must have its own separate VAT identification number and submit its own European sales list if it supplies within the European Union.

In Spain, there is a double group VAT regime: a simple consolidation regime ("basic level") and an optional grouping regime ("advanced level"). Although the latter does not correspond to the idea of a single tax entity, it allows achieving a similar economic result. The regime is voluntary, so that even within a certain group, some companies may choose to use it, while others remain outside the group [31].

Italy has introduced two regimes of consolidated VAT taxation: full consolidation (since 2018) and partial consolidation (since 1979). The full consolidation regime stipulates that a group of VAT payers is considered to be the sole VAT payer, and all its members are jointly and severally liable for the payment of VAT (as well as penalties) before the tax authorities. Domestic transactions of members of such a group are not taken into account in VAT taxation, while supplies by a member of a group of VAT payers to a third party or by a third party to a member of VAT group are considered as supplies made for this group [18].

In Liechtenstein, there is Swiss legislation on VAT taxation, but grouping for VAT purposes is only possible for Liechtenstein companies. This situation is due to the fact that Liechtenstein and Switzerland have independent tax authorities, so it is impossible to form a VAT group that includes companies from both countries.

In Finland and Sweden, limited VAT grouping is used exclusively in the financial and insurance sectors. In Finland, companies that provide mainly taxable services may be members of the Finnish VAT group, but only if the company is controlled by a member of the VAT group who either provides mainly financial or insurance services that are exempt from VAT or is holding company of a financial or insurance group. In Sweden, taxable companies operating under the supervision of the Swedish Financial Services Authority (i.e. in the financial and insurance sector) or companies providing most of their supplies (approximately 70-80%) to the above mentioned taxable persons may form a group for VAT purposes [32].

Partial VAT consolidation regime, called the financial consolidation concept [20, 21] or VAT consolidation regime [19], which involves the parent company submitting a consolidated periodic VAT return, which is the sum of all periodic VAT returns from business entities belonging to the consolidated group. As a result, input VAT and output VAT can be reimbursed within such a consolidated group, and only a negative balance will be reimbursed by the state. The VAT consolidation regime (VAT consolidation), unlike the VAT grouping regime (VAT grouping), does not provide for the creation of a single VAT payer, so businesses that are part of such a consolidated group are not jointly and severally liable for VAT payment to the state [32].

The regime of partial consolidation of VAT has been introduced in some European countries, which is shown in Ttable. 2.

Table 2. **Regime of partial consolidation of VAT in European countries ***

Country	Requirements for the application of consolidated VAT taxation						
	Filing a VAT return	Payment of VAT	VAT refund	Joint and several liability for payment of VAT	Exemption of intra-group transactions from taxation	The single registration number of the VAT payer	Minimum period of application
Italy (IVA di Gruppo)	P and I	P	I	No	No	No	3 years
Malta	P	P	P	No	No	Yes	Not specified
Romania	P	P	I	No	No	Yes	2 years
France	P and I	P	I	No	No	No	3 years

Note: P - parent company on behalf of the VAT group; I – individually each company is a member of the VAT group.

* Source: Compiled by the authors based on [30]

In France, a group of VAT payers is considered to be a single entity solely for a consolidated VAT payment (or refund), so it cannot be considered a full-fledged consolidated VAT group. When creating a group, each participant retains the status of a VAT payer and independently calculates the amount of tax, including for intra-group transactions that are not exempt from taxation. And after each participant calculates its tax amount, the parent company by summing up the results of the participants determines the total amount of tax for the group as a whole, which will be transferred to the budget or claimed for refund. Each group member must submit a VAT return and other documents (eg Intrastat) for information purposes.

In Italy, together with the full VAT consolidation regime (Gruppo IVA), there is a partial VAT consolidation regime (IVA di Gruppo), under which each member of the VAT group remains not only legally independent but also a separate taxpayer. The parent company adjusts the input and output VAT items, which are periodically determined by each member of the group of payers, in order to calculate the VAT refund and generate a VAT return. Virtually every member of the group continues to work with their own VAT number, independently determine the tax credit and tax liabilities for VAT, as well as file a VAT return [18].

In Romania, the partial consolidation regime does not exclude intra-group transactions from VAT. Instead, the regime simply allows each member to consolidate VAT returns. Such a group may consist of at least two taxable entities established in Romania, more than 50% of the shares of which are directly or indirectly owned by the same persons. The tax authorities have the discretion to refuse any registration of the group or to suspend the registration of a person in the group for reasons of protection of budget revenues. Moreover, no foreign company can be included in the group.

In Malta, legal entities can form a VAT group if they are taxable companies established in Malta and at least one of them is licensed to conduct banking, insurance, investment, lottery and gaming activities. The members of the group must appoint an accountable person who will exercise all the rights and fulfill all VAT obligations that will arise in the group. In this case, intra-group transactions are not exempt from VAT payment. As soon as the VAT group is registered, all individual VAT numbers of the respective members are deactivated and a group VAT number is issued.

Thus, the existence of different regimes of consolidated VAT taxation is related to the national peculiarities of determining the perimeter of consolidation and establishing their own tax requirements for members of consolidated groups.

3.3. Advantages and disadvantages of consolidated VAT taxation

The most important issue of any qualitatively new tax regime is the question of its application, i.e. the benefits that its use brings and the interest of the state in the application of this mechanism. Consolidated VAT taxation, according to many scholars, brings the state a number of significant benefits, including:

1. Prevention of abuse in the form of artificial division of medium and large enterprises into small enterprises, the turnover of which is below the registration threshold, in order to use the VAT exemption for small enterprises.

2. Simplification of VAT administration due to the reduction of the number of VAT returns that need to be processed and the number of taxpayers that are subject to tax control.

3. Increasing guarantees of VAT payment to the budget due to the joint and several liability of each member of the group for the debts of other members.

4. Minimize the risk of fraudulent VAT payment schemes established on the basis of intra-group agreements through VAT exemptions for intra-group transactions.

5. The introduction of VAT consolidation is much cheaper for the state, as it does not lead to a general reduction of tax revenues or their redistribution between budgets, as VAT is usually fully credited to the state budget.

6. Elimination of the cumulative (cascade) effect arising from the exemption from taxation of certain operations in the chain of production and sale of goods and preventing the full transfer of the burden of VAT to the final consumer.

7. General unification of the tax system and its harmonization with European tax legislation [4, 7, 8, 14].

For the state, the main advantage of using consolidated VAT taxation in the case of a full consolidation regime is the reduction of risks and costs of VAT refunds. If the amount of input VAT of one of the companies − members of the consolidated group in the reporting period exceeds the amount of output VAT, consolidated taxation allows to reduce the amount of VAT claimed for reimbursement from the budget, at the expense of other companies − members of the consolidated group among which for this period, the amount of output VAT exceeds the amount of input VAT. In this case, the payment of the final amount of VAT to the budget on behalf of the consolidated group is provided by the joint and several liability of all its members.

For taxpayers, consolidated VAT taxation also has a number of advantages, although not without some disadvantages (Table 3).

For taxpayers, the main advantage of consolidated VAT payments is the optimization of cash flow and reduction of costs associated with the delay of VAT refunds from the budget. The existence of a time lag between the occurrence of the taxpayer's right to a VAT refund and the actual receipt of a budget VAT refund is a significant problem, which leads to the diversion of funds of economic entities and the restraint of innovation and investment processes. Consolidated VAT taxation allows to solve completely or partially the problem of temporary lag in receiving a budget VAT refund in cases where in one of the companies - members of the consolidated group in the reporting period the amount of input VAT exceeds the amount of output VAT and it has the right to VAT refund from the budget while other companies - members of the consolidated group form VAT before payment to the budget, which fully or partially covers the amount of budget VAT refund of the first participant.

In general, the possible effects of consolidated value added taxation are different for the state and taxpayers. From the state's point of view, the application of consolidated taxation improves the collection of VAT and simplifies its administration by reducing the number of taxpayers and controlled agreements between them. From the point of view of taxpayers, the use of consolidated taxation not only simplifies the submission of tax returns and optimizes VAT payments, but also contributes to the formation of a more efficient mechanism for consolidated groups of taxpayers functioning by pooling and releasing group funds. Optimization of cash flows of VAT payers - members of the consolidated group allows directing the released funds to innovation and investment activities, which ensures sustainable development of enterprises.

Table 3. **Advantages of applying consolidated VAT taxation for taxpayers ***

Advantages	Disadvantages
1. Increasing the efficiency of cash flows of group members, on the one hand, by reducing the amount of incoming and outgoing cash flows from VAT and, on the other hand, by compensating the budget VAT refund at the expense of other group members.	1. Joint and several liability for VAT arrears of any member of the group, in particular a former member of the group shall be liable for any VAT arrears due during the membership period.
2. Complete or partial solution of the problem of temporary gap in receiving VAT refunds from the budget in cases when in a group of enterprises one of its members has the amount of input VAT exceeds the amount of output VAT and is entitled to a VAT refund, while other participants form VAT payable which fully or partially covers the amount of compensation of the first participant.	2. It may take time to obtain all necessary data to complete the consolidated financial statements, which may lead to a violation of its reporting deadlines.
3. Reducing the cost of VAT, which is usually covered by each member of the group separately, as well as simplifying the payment of VAT due to the fact that the obligation to file a tax return for the group and pay (refund) of VAT throughout the group rests with the parent company.	3. The difficulty of forming consolidated statements, because it is much broader in scope, content, structure and value than the tax return of an individual VAT payer with insignificant volumes of activity, relative ease of management and a limited number of owners.
4. Stimulating the development of integrated structures, which contributes to the competitiveness of interconnected producers in the domestic and international markets.	4. Problems of organizational and administrative work related to obtaining a new registration number of the VAT payer, which involves the change of any forms, letters and similar correspondence containing the original VAT numbers.

* Source: Compiled by the authors based on [2, 9, 14, 22]

Thus, the real benefits of VAT consolidation for both the state and taxpayers allow us to question the feasibility of such consolidation in Ukraine. It should be noted that consolidated VAT taxation is not currently used in Ukraine due to the likelihood of a decrease in tax revenues to the budget as a result of the exemption from taxation of intra-group transactions. However, as practice shows, the loss of VAT revenues to the budget is limited, because in the absence of consolidated taxation, companies find other ways to minimize the costs associated with the accounting, calculation and payment of VAT.

3.4. Prospects for the introduction of consolidated VAT taxation in Ukraine

The formation of an effective tax system of the country for many years is the primary goal of Ukraine's fiscal policy. Its implementation is aimed at ensuring the balance and stability of the budget, as well as the intensification of innovation and investment processes. These tasks necessitate the introduction of the European practice of consolidated VAT taxation in Ukrainian fiscal practice.

In our opinion, the introduction of approaches in Ukraine that are in line with the European experience of consolidated value added taxation can help solve important problems of bringing the domestic tax system closer to foreign standards and improving the investment climate in the country. For Ukrainian enterprises, the application of consolidated VAT could create additional conditions for development through increased economic efficiency of the entire consolidated group and each of its members separately, high competitiveness (especially in the international market) and reduced transaction costs in the interaction of enterprises associated with a single production process, which would accelerate the pace of economic growth in the country and, accordingly, would increase tax revenues in the future.

When studying the issue of introducing consolidated VAT taxation in Ukraine, it is necessary to find a balance between the interests of business and the state. In this case, the main tasks of legislators in the introduction of this tax regime, according to Kizimov A. S. and Shegurova T. A. (2009), are as follows [6]:

- creation of acceptable conditions for taxpayers when submitting consolidated tax returns;
- maximum limitation of the possibilities of "aggressive tax planning" with the use of the consolidation mechanism by taxpayers;
- formation of conditions for ensuring effective tax control of consolidated groups of taxpayers by tax authorities.

Thus, the expediency of introducing a consolidated VAT regime in Ukraine should be determined by the results of an in-depth analysis of socio-economic processes taking place in the country, taking into account the impact of such a regime on the efficiency of value added distribution.

Conclusions

Summarizing the results of the study, it should be noted that the development of consolidated value added taxation in European countries is generally focused on improving the working conditions of taxpayers and providing them with additional opportunities to apply special rules of taxation of enterprise groups. In Ukraine, the introduction of consolidated value added taxation would create additional benefits for large enterprises, increase their innovation and investment activity and investment attractiveness of the country as a whole. The main positive effect of the introduction of consolidated VAT taxation, in our opinion, should be manifested in stimulating innovation and investment activities of companies - members of consolidated groups of taxpayers by optimizing their cash flows as a result of avoiding or reducing budget VAT refunds. The introduction of consolidated VAT taxation will be especially relevant for export-oriented enterprises, which have the right to a budget VAT refund as a result of zero-rate taxation of transactions for the export of goods outside the customs territory of Ukraine.

Innovative breakthrough, which is a key goal of long-term development of Ukraine, can be provided only by the largest vertically and horizontally integrated structures with large capital needed for large-scale innovation and investment projects, and their investment in modernization and innovation can directly depend on state policy in the field of taxation. At the same time, the assessment of the expediency of introducing VAT taxation in Ukraine on a consolidated basis cannot be carried out without taking into account the specifics of the Ukrainian tax system and the peculiarities of the socio-economic development of the state.

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