

STRATEGIES FOR PREVENTION AND MECHANISMS FOR COUNTERING TAX EVASION IN AN INTERNATIONAL CONTEXT

MEDYNSKA Tetyana¹, RUSCHYSHYN Nadiia², OLIYNYK Nadiya³

¹Lviv University of Trade and Economics
Institute of Regional Research named after M.I. Dolishnyi of the NAS of Ukraine

<https://orcid.org/0000-0002-7998-4107>

e-mail: tetyanamed16@gmail.com

²Lviv University of Trade and Economics

<https://orcid.org/0000-0002-1198-8582>

e-mail: nadiya_r@i.ua

³Lviv University of Trade and Economics

<https://orcid.org/0009-0007-2404-340X>

e-mail: febbssb@ukr.net

This article is dedicated to the study of strategies and mechanisms for countering tax evasion in the international context, with a particular focus on the experiences of EU countries, the OECD, and Ukraine. The main elements of combating tax abuses, including legislative, administrative, and technological aspects, are examined. The paper analyzes key mechanisms for combating tax evasion used in EU and OECD countries. Special attention is paid to the BEPS (Base Erosion and Profit Shifting) initiative, which is a crucial tool for international cooperation in this area. The main elements of the "BEPS pillars" and their implementation tools are discussed, enabling the identification of the most effective approaches to countering tax abuses. An analysis of tax evasion combat methods in EU countries with developed tax systems is conducted. Key features and advantages of international experiences that can be utilized by Ukraine are identified. Particular attention is paid to the problems of tax evasion, which are especially relevant in the face of contemporary challenges and threats. The main challenges and opportunities for Ukraine in the context of international cooperation and the implementation of international standards are examined. The main elements of combating tax evasion in Ukraine are identified and analyzed. The article is based on an analysis of a wide range of literary sources, including data from international organizations, scholarly articles, legislative acts, and analytical reports. Comparative and systems analysis, as well as empirical research methods, are used.

Keywords: tax evasion; tax abuses; international taxation; BEPS; European Union; tax administration; automatic exchange of information.

<https://doi.org/10.31891/mdes/2025-15-38>

INTRODUCTION

Tax evasion is a global issue that undermines the financial stability of nations, creates an uneven distribution of tax burden, and distorts the competitive landscape. With increasing globalization and the development of the digital economy, tax evasion methods are becoming more complex and transnational. This necessitates continuous improvement of prevention strategies and counter-measures against tax abuses by countries worldwide. Despite numerous international initiatives and agreements, such as BEPS (Base Erosion and Profit Shifting) and automatic exchange of tax information, the effectiveness of combating tax evasion remains a pressing concern. There is a need for constant monitoring of existing practices, exchange of experiences, and development of new approaches that consider the specifics of various jurisdictions and economic systems.

Research on this topic is essential for ensuring the financial stability of nations, establishing a fair tax system, and promoting sustainable economic development in the context of globalization.

LITERATURE REVIEW

Research on tax evasion in the international context requires consulting a broad spectrum of literary sources, including works from international organizations, scholarly articles, legislative acts, and analytical reports. A number of foreign scholars analyze the effectiveness of BEPS measures, particularly OECD experts in the field of tax policy: Cedric Andrew and Katherine Baer [3], Werner Haslehner and Aikaterini Pantazatou [12]. Заслужують на увагу праці українських науковців, таких як: Bodnariuk I. [11], Bondaruk T. [2], Ivanova R. [11], Kiyanka I. [11], Loboda N. [2], Medynska T. [2; 4; 5; 11], Melnychuk I. [2], Nikonenko U. [2], Oliynyk N. [5], Rushchyshyn N. [11], who study the problems of fiscal policy in wartime; tax administration and compliance with tax legislation in Ukraine; the impact of digital technologies on tax evasion methods, as well as the possibilities of their use to counter tax abuses.

MAIN PART

Tax evasion has a strong impact on budgets and on the implementation of the principle of justice, especially for honest taxpayers who feel cheated by violations.. That's why strategies to combat tax evasion

are being developed in individual countries, regional organizations, and global organizations around the world. The primary strategic goal is to establish a foundation of four elements that will allow to disclose some of the existing violations and reach a new level in the fight against tax evasion, as shown in Fig. 1.

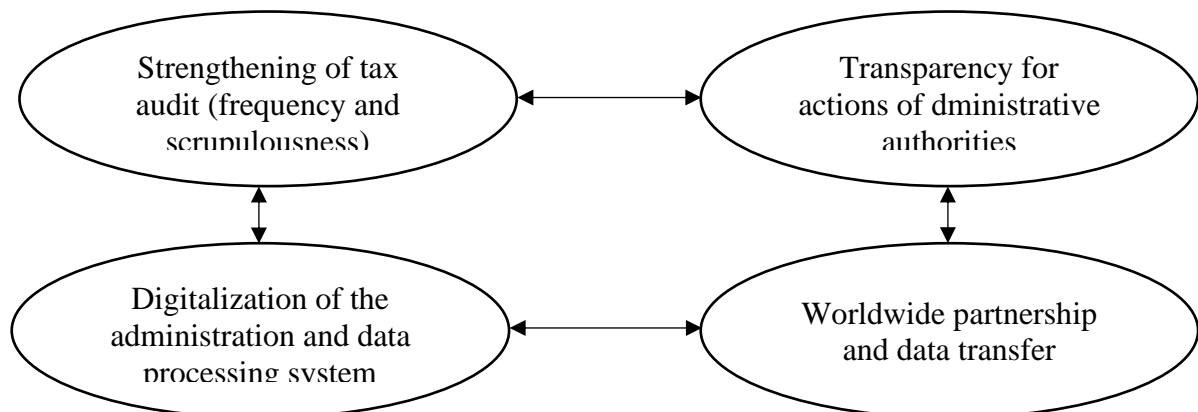


Fig. 1. The fundamental four elements of the counteracting tax evasion (made on the basis of [10])

Among the more detailed mechanisms for combating corruption were programs created in the EU and the OECD. They include directives, tax concepts for development, and penalties for violating these rules. These mechanisms must be followed by Ukraine in order to cooperate with economic and political partners, bring EU membership closer and improve its own tax legislation. These mechanisms are presented in Fig 2.

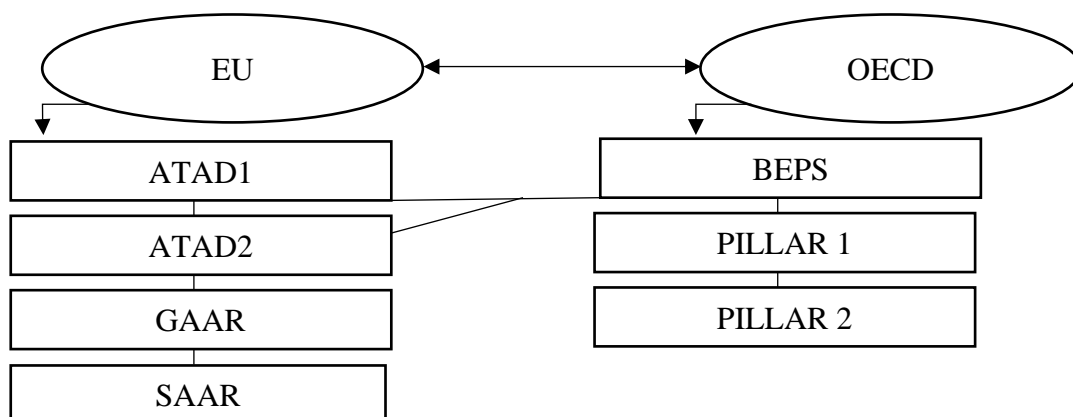


Fig.2. The main mechanisms for counteracting tax evasion in the EU, OECD and Ukraine (made on the basis of [12])

The mechanisms established in the EU are among the top priorities for Ukraine to adopt. However, due to the link between the work on the OECD and EU mechanisms, it is easier to conduct cooperation between Ukraine and the countries that are members of these organizations.

The GAAR rules are among the basic ones and only a part of them is generally accepted, but many related rules have been issued. Another part of GAAR rules is set individually in each country. The main disadvantage of the concept is that it is quite subjective and this may lead to certain abuses by the tax authorities, but it has many advantages. The main GAAR rules are shown in Fig. 3.

To understand the difference between SAARs and GAARs, it's essential to break down their respective roles in tax law.

Core Similarity. Both SAARs (Specific Anti-Avoidance Rules) and GAARs (General Anti-Avoidance Rules) are designed to prevent taxpayers from engaging in abusive tax avoidance practices. They aim to ensure that taxation aligns with the economic substance of transactions, rather than their legal form.

Key Differences:

- Scope:

1) SAARs. These are highly specific rules that target particular types of tax avoidance schemes. They address clearly defined loopholes in the tax code. For example, a SAAR might target a specific type of financial instrument or a particular arrangement used to shift profits.

2) GAARs. These are broader, principle-based rules that empower tax authorities to challenge a wider range of tax avoidance arrangements. They are designed to catch any abusive scheme that may not be explicitly prohibited by SAARs. They are "catch-all" rules.

- Areas of Control:

1) SAARs. They operate within narrowly defined parameters, providing greater legal certainty to taxpayers. However, they can be circumvented by new or innovative avoidance schemes.

2) GAARs. They provide tax authorities with more discretion to challenge transactions that are deemed to be primarily motivated by tax avoidance. This flexibility allows them to adapt to evolving avoidance practices. However, this increased discretion can also lead to uncertainty for taxpayers.

- Practical Application:

1) SAARs offer more predictability. If a transaction falls within a SAAR's definition, the tax consequences are relatively clear.

2) GAARs often involve a more subjective analysis of the taxpayer's intent and the economic substance of the transaction, which can lead to disputes and litigation.

- Example breakdown:

1) Imagine a SAAR that disallows tax deductions for interest payments on loans from related parties in low-tax jurisdictions. This is very specific.

2) GAAR, on the other hand, might allow tax authorities to disregard any transaction whose primary purpose is to obtain a tax advantage, even if that transaction doesn't violate any specific rule.

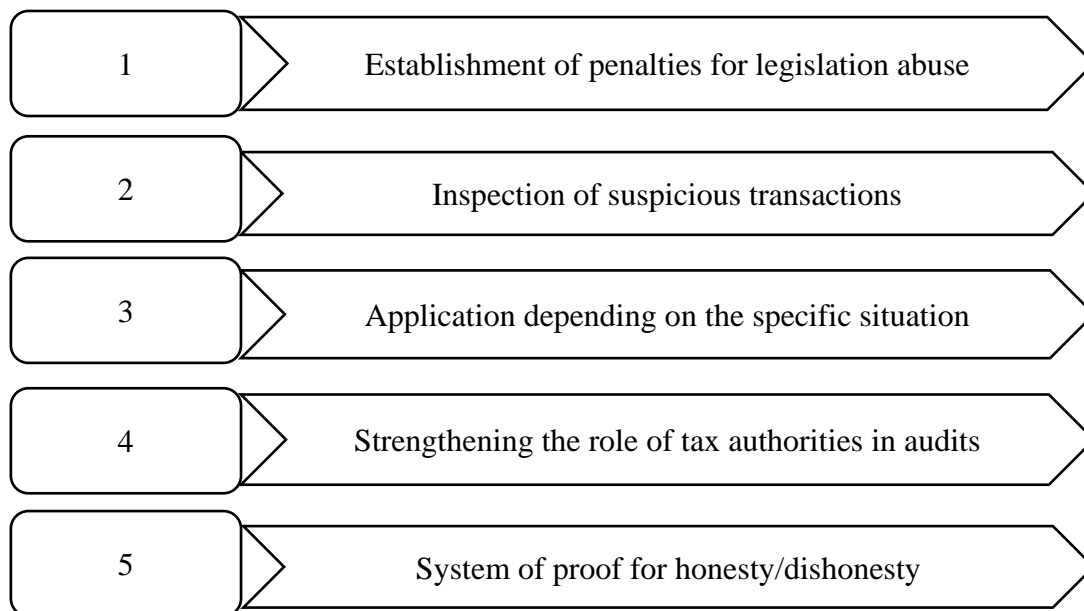


Fig. 3. General principles of GAAR (made on the basis of [6])

Therefore, SAARs provide greater legal certainty in specific instances, whilst GAARs provide the ability to combat tax avoidance in a wider range of applications.

Along with GAAR, there is another set of rules that is more often adopted in domestic tax legislation – SAAR. SAARs have a similar purpose to GAARs, but differ in their scope and control areas. The difference between GAAR and SAAR is shown in Fig. 4.

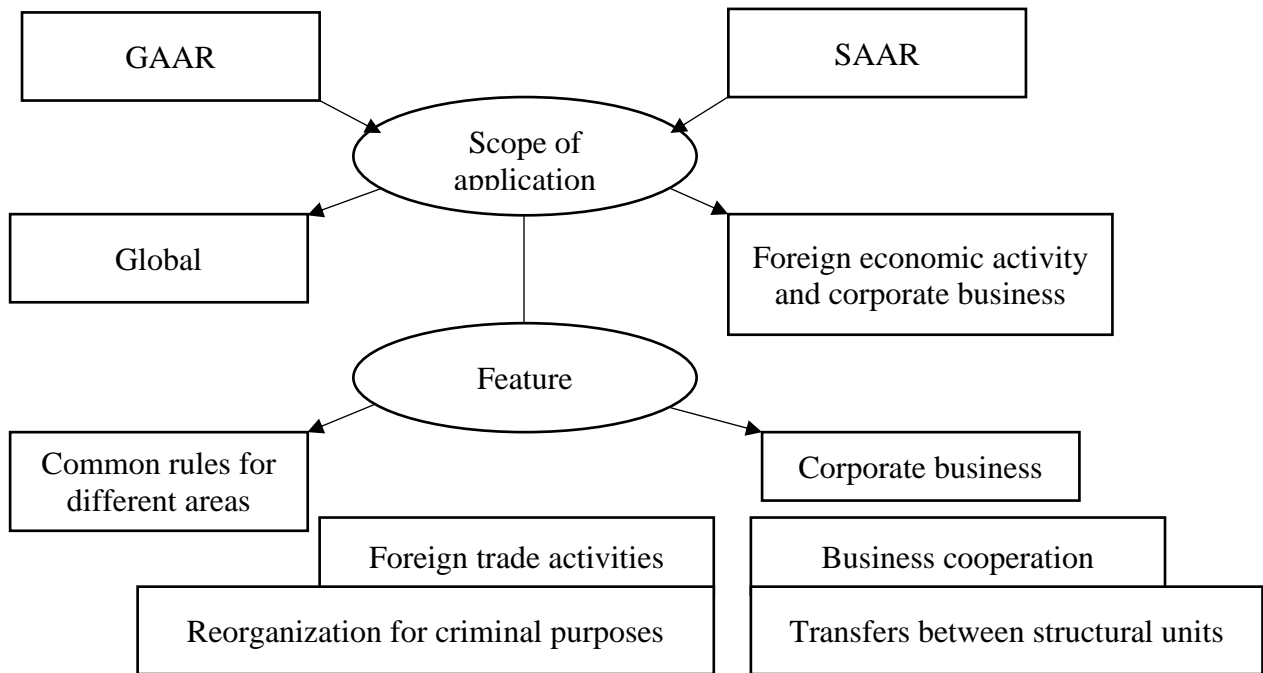


Fig. 4. Differences between GAAR and SAAR (made on the basis of [9])

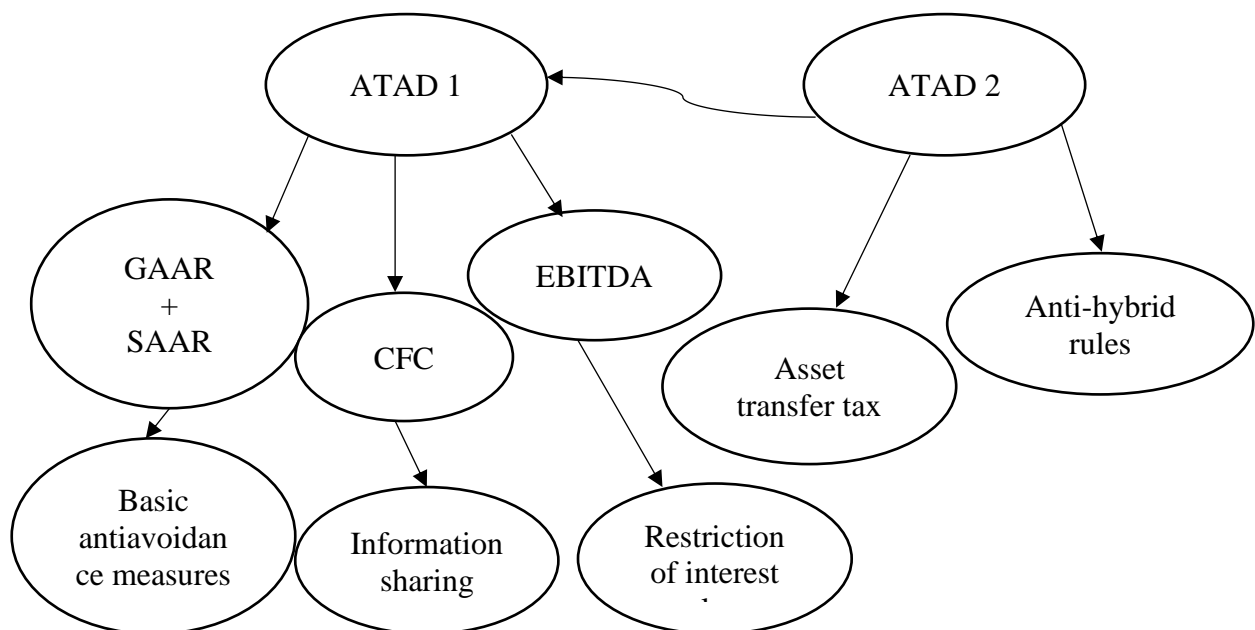


Fig. 5. Components of the ATAD position 1-2 (made on the basis of [12])

BEPS is an extremely useful project of the OECD, which overlaps in some respects with EU directives. BEPS consists of two pillars - Pillar 1 and Pillar 2 - and they are key in the project's strategy. The first pillar is designed to implement new rules for multinational corporations related to the digitalization of the economy. Pillar two regulates the taxation of controlled foreign companies. The main elements of the two pillars are shown in fig. 6

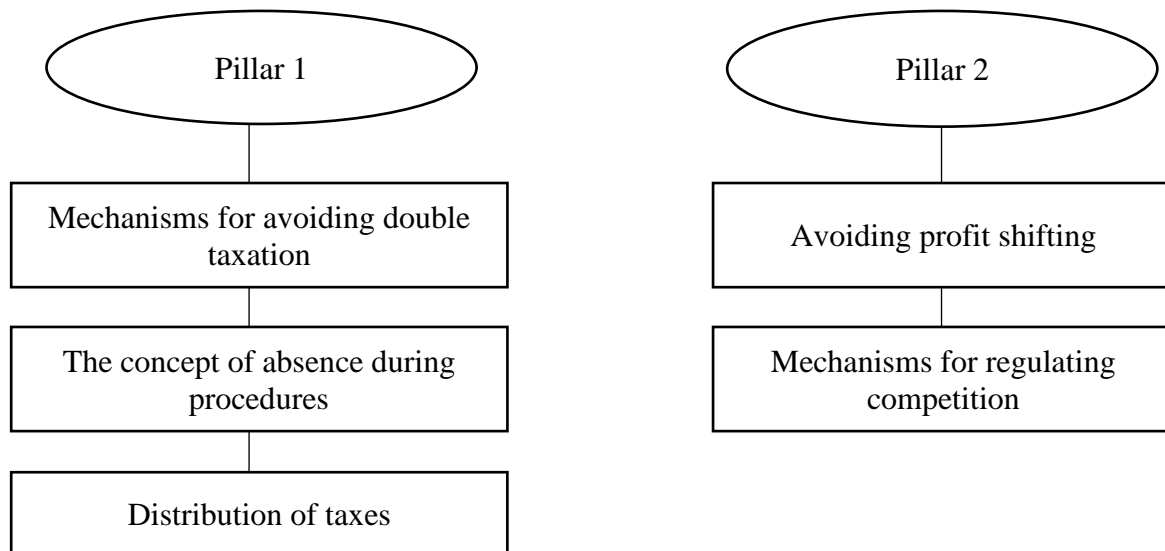


Fig. 6. The main elements of BEPS columns (made on the basis of [1])

BEPS, as a project created to combat tax evasion, is more focused on offshore schemes. This is because in economically developed countries, most businesses use offshore companies as a way to avoid taxation. Most of the problems with tax avoidance or tax reduction are still common to Ukraine, but they are used less frequently. BEPS affects the tax planning of enterprises, which is checked for ways to illegally withdraw capital. Among the participants are the OECD group and the G20 group [14].

BEPS consists of 15 measures to combat tax evasion schemes. Some of these remedies converge with the content of the EU directives, but there is another explanation for this - some countries are members of both organizations. The main remedies and the problems that BEPS solves are presented in table 1.

Table 1

BEPS Security system*		
Taxation problems arising from digitalization	Neutralizing hybrid mismatches	Problems with controlled foreign companies
Limit on tax deduction of interest on loans	Combating harmful tax activities	Combating abuse of international conventions and treaties
Status of a permanent establishment	Transfer pricing of intangible assets	Transfer pricing of risks and capital
Transfer pricing of high-risk transactions	Collecting and analyzing information	System of compulsory disclosure of information
Reporting by a country to another country on the work of corporations	Mutual agreement to resolve taxation issues	A versatile tool for resolving taxation issues

*Note. Table 1 made on the basis of [1]

In addition to the well-known strategies to combat tax evasion, there are isolated cases where one country may have successfully addressed certain types of evasion with a preventive solution system.

In addition to the most popular problem of offshore companies, European countries still have problems with foreign economic activity, i.e. violations that occur at customs. A striking violation that simultaneously affects the payment of customs duties and VAT is export operations with fake partners or, in other words, the "lost trader carousel".

This problem still exists in EU countries, but the UK was able to find a way to combat this scheme back in 2009. The UK's methods of combating it are shown in fig. 7.

In particular, to prevent one party from losing out in the administration process, a reverse VAT system was established. VAT reverse charging transfers the obligation to pay the original tax from the supplier to the customer, but the customer retains the right to deduct VAT from purchases. This means that at each stage, the business is in a zero-tax situation, and the possibility of fraud is excluded. Therefore, this makes certain situations impossible [7]:

- A disappeared trader cannot disappear with the VAT paid by a customer but owed to the tax authority.
- Traders cannot divert VAT due from their suppliers through third-party payments.
- An exporter cannot claim a VAT refund from a tax authority.

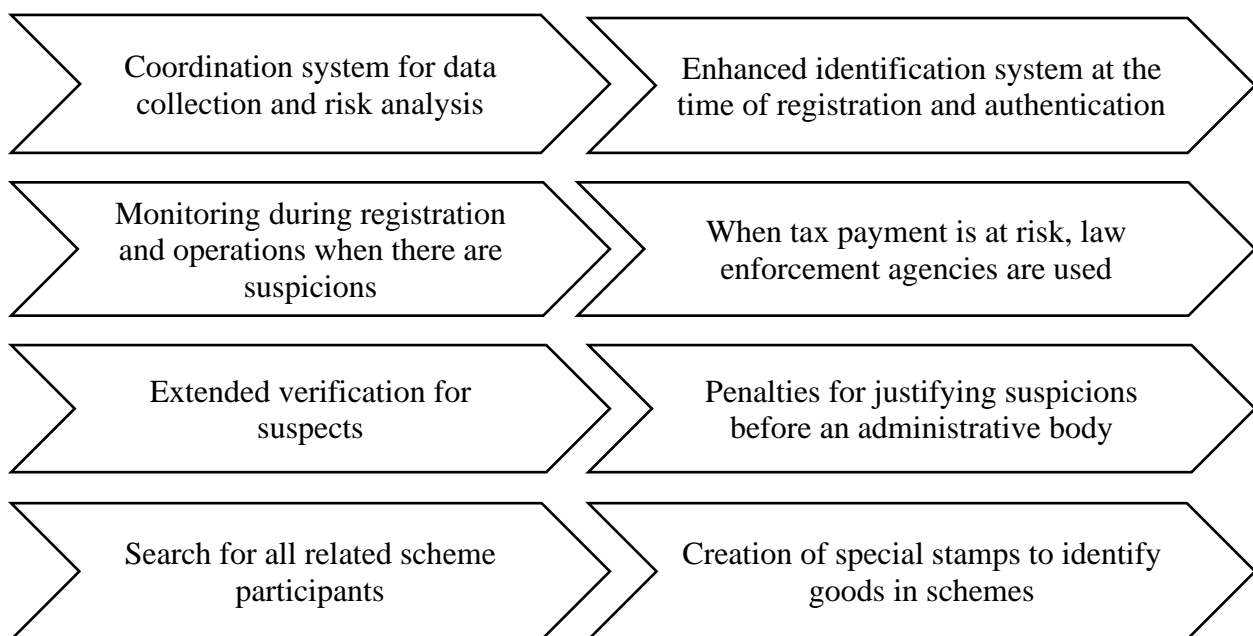


Fig. 7. Methods of the UK's fight against the lost trader carousel (made on the basis of [7])

CONCLUSION

Research has shown that tax evasion is a complex and multifaceted problem requiring a comprehensive approach at both the international and national levels. An analysis of international experience indicates the need for enhanced cooperation between countries, particularly through the exchange of tax information and the implementation of international standards, such as BEPS.

The effectiveness of prevention strategies and counter-measures against tax evasion depends on many factors, including the quality of tax legislation, the efficiency of tax administration, the level of corruption, and tax culture. The digitalization of the economy creates new challenges for tax authorities but also provides opportunities for the implementation of innovative control and audit methods.

For Ukraine, it is essential to further improve national legislation in the area of countering tax evasion, as well as to strengthen international cooperation and the exchange of experiences.

The prospects for further research include in-depth studies on the impact of digitalization on tax evasion methods and the development of appropriate counter-measures; analysis of the effectiveness of artificial intelligence and big data in detecting and preventing tax abuses; and an in-depth study of transfer pricing and its impact on tax evasion at the international level and in Ukraine.

REFERENCES:

1. BEPS actions. URL: <https://www.oecd.org/tax/beps/beps-actions/>.
2. Bondaruk, T., Medynska, T., Nikonenko, U., Melnychuk, I., Loboda, N. Fiscal policy as a guarantee of sustainable development under military conditions. *International Journal of Sustainable Development and Planning*. Vol. 18, No. 4, 2023. Pp. 1097-1102. DOI: <https://doi.org/10.18280/ijstdp.18041>.
3. Cedric Andrew, Katherine Baer. How to Combat Value-Added Tax Refund Fraud 2023. URL: <https://www.imf.org/en/Publications/>.
4. Medynska T. V., Humeniuk V. R. Tax evasion: reasons, consequences and fighting mechanism. *Social entrepreneurship as a tool for restoration of Ukraine: abstracts of reports of the International Forum of Stakeholders*, (June 20, 2024). Chernihiv, 2024. C. 71-73.
5. Medynska T. V., Oliynyk N. R., Vasylyshyn S. A. Suchasni tekhnolohiyi administruvannya podatkov i platezhiv: vitchyznyany ta zarubizhnyy dosvid. *Visnyk L'vivs'koho torhovel'no-ekonomichnoho universytetu*. 2024. Vyp. 75. S. 86-94. DOI: <https://doi.org/10.32782/2522-1205-2024-75-12>.
6. Ofitsiynyy sayt Liha zakon. URL: <https://ligazakon.net/>.
7. Ofitsiynyy vebportal Derzhavnoyi podatkovoyi sluzhby Ukrainy. URL: <https://tax.gov.ua/>.
8. Ongoing Use of Offshore Tax Havens Demonstrates the Need for the Global Minimum Tax. URL: <https://itep.org/offshore-tax-havens-corporate-tax-avoidance-demonstrates-need-for-global-minimum-tax/>.
9. Special anti-avoidance rules (SAAR) and general anti-avoidance rules (GAAR). URL: <https://acuitylaw.co.in/saar-vs-gaar/>.
10. Tax avoidance practice. URL: <https://fastercapital.com/keyword/tax-avoidance-practices.html>.
11. Tetyana Medynska, Nadiya Rushchysyn, Roksolana Ivanova, Iryna Bodnariuk, Iryna Kiyanka. Taxation as an Instrument of Stimulation for Business in the Conditions of COVID-19. *International Journal of Computer Science and Network Security*. Vol. 22, №1, 2022. Pp. 602-608. DOI: <https://doi.org/10.22937/IJCSNS.2022.22.1.79>.
12. Werner Haslehner, Aikaterini Pantazatou. *Assessment of recent anti-tax avoidance and evasion measures (ATAD & DAC6)*. Think Tank European Parliament. March 2022. URL: https://orbilu.uni.lu/bitstream/10993/50639/1/IPOL_STU%282022%29703353_EN.pdf.

СТРАТЕГІЇ ЗАПОБІГАННЯ ТА МЕХАНІЗМИ ПРОТИДІЇ УХИЛЕННЮ ВІД ОПОДАТКУВАННЯ У МІЖНАРОДНОМУ КОНТЕКСТІ

МЕДИНСЬКА Тетяна^{1,2}, РУЩИШИН Надія¹, ОЛІЙНИК Надія¹

¹Львівський торговельно-економічний університет

²Державна установа "Інститут регіональних досліджень ім. М. І. Долішнього НАН України"

Стаття присвячена дослідженню стратегій та механізмів протидії ухиленню від оподаткування в міжнародному контексті, з особливим акцентом на досвід країн ЄС, ОЕСР та України. Розглянуто основні елементи боротьби з податковими зловживаннями, включаючи законодавчі, адміністративні та технологічні аспекти. У роботі проаналізовано ключові механізми боротьби з ухиленням від оподаткування, що використовуються в країнах ЄС та ОЕСР. Особливу увагу приділено ініціативі BEPS (Base Erosion and Profit Shifting), яка є важливим інструментом міжнародної співпраці у цій сфері. Розглянуто основні елементи "колон BEPS" та засоби їх реалізації, що дозволяє виявити найбільш ефективні підходи до протидії податковим зловживанням. Проведено аналіз методів боротьби з ухиленням від оподаткування в країнах ЄС з розвинутою податковою системою. Виявлено ключові особливості та переваги міжнародного досвіду, що можуть бути використані в Україні. Особлива увага приділяється проблемам ухилення від оподаткування, що є особливо актуальною в умовах сучасних викликів і загор. Розглянуто основні виклики та можливості для України в контексті міжнародної співпраці та впровадження міжнародних стандартів. Виявлено та проаналізовано основні елементи боротьби із ухиленням від сплати податків в Україні. Стаття базується на аналізі широкого спектру літературних джерел, включаючи дані міжнародних організацій, наукові статті, законодавчі акти та аналітичні звіти. Використано порівняльний та системний аналіз, а також методи емпіричного дослідження.

Ключові слова: ухилення від оподаткування; податкові зловживання; міжнародне оподаткування; BEPS, Європейський Союз, податкове адміністрування, автоматичний обмін інформацією