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Nazar Tatenko

PhD Student of the Department of Financial Analysis and Audit, State University of Trade and Economics, Kyiv, Ukraine;
ORCID: [0000-0002-9713-5977](https://orcid.org/0000-0002-9713-5977)

Karina Nazarova

D.Sc. in Economics, Professor of the Department of Financial Analysis and Audit, State University of Trade and Economics, Kyiv, Ukraine;
ORCID: [0000-0002-5019-9244](https://orcid.org/0000-0002-5019-9244)

Tetiana Kopotienko

PhD in Economics, Associate Professor of the Department of Financial Analysis and Audit, State University of Trade and Economics, Kyiv, Ukraine;
e-mail: t.kopotienko@knute.edu.ua
ORCID: [0000-0001-6107-9937](https://orcid.org/0000-0001-6107-9937)
(Corresponding author)

Roman Ovcharyk

PhD in Economics, Associate Professor of the Department of Financial Analysis and Audit, State University of Trade and Economics, Kyiv, Ukraine;
ORCID: [0000-0001-6536-9712](https://orcid.org/0000-0001-6536-9712)

Valerii Rozdobudko

PhD in Economics, Associate Professor of the Department of Financial Analysis and Audit, State University of Trade and Economics, Kyiv, Ukraine;
ORCID: [0000-0003-1981-0831](https://orcid.org/0000-0003-1981-0831)

Natalia Novikova

D.Sc. in Economics, Professor of the Department of Management and Marketing, Kyiv National Linguistic University, Kyiv, Ukraine;
ORCID: [0000-0001-5219-9494](https://orcid.org/0000-0001-5219-9494)

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TAXATION AUDIT, TAX CONTROL AND DUE DILIGENCE OF LARGE ENTERPRISES: STATE, TRENDS, DETERMINANTS OF DEVELOPMENT

ABSTRACT

The article is to substantiate the essence, divergences and determinants of the evolution of taxation audit, tax control and tax due diligence of large enterprises, and to develop proposals for their improvement. There was distinguished the essence of the concepts of "taxation audit" as a service provided by an audit firm, and the concept of "tax audit" as a form of tax control by the State Tax Service of Ukraine (STSU). A definition of a tax audit of a large taxpayer is proposed. It was determined that tax due diligence includes a study of the taxation system of an enterprise, assessment of significant tax risks, and optimisation of tax burden, and is carried out before mergers or acquisitions of companies' capitals. It was defined that for the purposes of taxation audit, tax control and due diligence, the concepts of "large taxpayer" and "large enterprise" should be identified since the criteria for their recognition in economic and tax legislation are identical. An analysis of the statistical data showed an upward trend in detected cases of tax abuse in 2019-2023. The main share of violations is related to corporate income tax (42.5%), value-added tax (29.0%), and rent payment (13.5%), which increased during the martial law. The evolution of the dynamics of the volume of voluntary auditing services and taxation audits in 2019-2023 showed a negative trend towards its reduction, while the number of tax violations detected by government agencies increased. Taxation audit and tax due diligence are carried out voluntarily as a service provided by an audit firm, which combines both elements of an assurance engagement and elements of a consulting service. A conceptual model of taxation audit, tax control and due diligence of large enterprises was proposed, which will contribute to the growth of the services` quality and their synergy.

Keywords: audit, taxation and tax control, taxation audit and tax audit, due diligence and tax due diligence, analysis, financial and economic analysis, tax management of large enterprise

JEL Classification: M40, M42, M49, H20, H21, H25, H29

INTRODUCTION

One of the conditions for Ukraine's integration into Euro-Atlantic structures is the construction of an open and transparent system of cooperation between business, society and the state. An effective mechanism for increasing the level of confidence and trust in society is an audit, which is fully capable of meeting the growing needs of stakeholders providing the main objective, unbiased data on the economic and property status of business entities, economic stability, tax payments, development opportunities etc.

Users of financial information, represented by government agencies, are particularly interested in raising funds for the consolidated state budget by taxes and duties. Large enterprises are the systemic payers of taxes and duties in Ukraine, which, in turn, are interested in understanding and assessing the tax risks of their financial and economic activities. In practice, a number of audits and consulting services have been developed to investigate tax payment issues and assess tax risks. However, currently, there is no thorough theoretical research on taxation audit and tax control (due diligence), which leads to debate and misunderstandings.

In accordance with the classification of enterprises and legislation [1], large enterprises are determined as socially important and required to conduct a mandatory audit, which indicates the increased interest of society in general and of individual users such as in particular, government agencies and investors. That is why the subject of taxation audit, tax control and due diligence are relevant and require further scientific research in the future.

LITERATURE REVIEW

The subject of taxation audits and/or tax audits has been studied by many domestic and foreign scholars.

Such scholars as Holovatska S.I., Kurak A.I. [15], Hutsalenko L.V. [16], Pavlov V.V. [17], Kostinska V.M. [18] devoted their works to the study (research) of theoretical-methodical and real aspects of audit service and due diligence.

A significant group of scholars focused on the study of the peculiarities of organisation and functioning of the taxation system as a direction of state administration or financial control. Thus, Artyukh O.V., Kostiuk B.V., and Hotsuliak V.D. consider tax audits as a component of the financial control system [3; 6; 11]. Kraevskiy V., Kostenko O., and Skoryk M. hold the same position, considering the audit of tax as one of the measures of tax check, which is not properly regulated by law [7].

The scientific work of Tarashchenko V.A. considers the study of the essence of tax audit, as well as the definition of its tasks, subjects and objects [13].

Anfinohenetova N.Y., Voinova T.S., and Krasota O.H. in their article cover the issues of the functioning of the STSU and its function in the collection and payment of taxes [2; 4; 8].

Another school of scientists, for instance, Nazarenko I.M., Negodenko V.S., Melnychuk B.V., Hutsalenko L.V., Kostinska V.M. and others consider the subject of taxation audit and tax control (due diligence) as a type of audit services provided by audit firms without taking into account the needs of public authorities and the social importance of taxes and duties payments for society as a whole [10; 14; 16; 18]. Thus, Petryk O.A. focuses on the study of taxation audit as a service provided by an audit firm for a client company, the essence of which is to check the correctness of the display and mandatory taxes payment and fees payment by the enterprise [12]. Duhar T.E. is convinced that tax audit should be considered not at the level of examination of the taxation of an enterprise, but at the level of examination of one tax only, thereby somewhat narrowing the tools of this form of independent control [5].

Holovatska S.I. and Kurak A.I. in their studies reveal the essence of due diligence as an effective tool for managing business risks and prove the effectiveness of this audit and consulting service in the private sector of the economy [15].

From a scientific point of view, there are significant results of the research conducted by the authors' team [17] on the possibilities and peculiarities of using control and analysis methods while conducting the audit service of due diligence. Lysenko A.M. [9] pays attention to the study of methodological tools for forecasting and planning for the development of strategic decisions in audit, analysis and taxation.

Acknowledging the importance of the scientific achievements of the scholars, we note that the study of the status, trends, determinants and tools of taxation audit and tax control (due diligence) of large enterprises is currently very relevant. There is a need for a comprehensive comparative analysis of such concepts as "tax audit", "taxation audit", and "control of tax". It is also relevant to study the role, importance, and tasks of an audit and due diligence in the management of taxation of large enterprises, to develop a conceptual model of taxation audit, tax control and due diligence of large enterprises to ensure their synergy.

AIMS AND OBJECTIVES

The purpose of the article is to substantiate the essence, trends and determinants of the development of taxation audit, tax control and due diligence, and to develop proposals for improving the theory and practice of taxation audit, tax control and due diligence of financial and economic activities of large enterprises.

Achievement of the research objective is possible through the fulfilment of the following tasks:

- to clarify the difference between the concepts of "taxation audit" and "audit of tax";
- to study the theoretical essence of the concept of "taxation audit" based on a comparative analysis of scientific literature, and to propose the author's vision of the content of this term in relation to the examination of a large taxpayer;

- to define the criteria as a company as a "large enterprise" under the Law of Ukraine On Accounting and Ukraine Financial Reporting (Law On Reporting) and the Economic Code of Ukraine
- to investigate the facts of tax abuse and risk criteria that indicate the need to conduct taxation audits of large enterprises;
- to analyse the trends in the provision of a volume of services on taxation audit, and other tax advisory services by audit firms;
- to develop a conceptual model of taxation audit, tax control and due diligence of large enterprises.

METHODS

The combination of general and special methods of knowledge is the theoretical and methodological basement of the exploration. The general research methods used in the study include induction, deduction, synthesis, analysis, abstraction and concretization. Special research methods were used to confirm the theoretical results of the study by practical calculations: the method of averages, analysis of dynamics, and coefficient analysis. The applied research methods allowed the formulation of conclusions that will be useful both for the development of the theory of taxation audit and for conducting audits by practitioners. To confirm the theses set out in the article, there were used the publications of scientists on the subject of taxation audit, tax audit and due diligence, statistical data, reports of state agencies, official Internet resources and regulatory legal acts on taxation.

RESULTS

Conducting taxation audits, tax control and due diligence to ensure effective management of the financial and economic activities of large enterprises and optimisation of their tax burden, requires a proper understanding of the essence of these economic concepts. The usage of the concept of "taxation audit" indicates that it is often identified with tax audit and tax control, giving these terms identical economic content. However, an analysis of the legislation provisions and scientific publications on this subject shows that there are certain differences between the above-mentioned concepts (Table 1).

Table 1. Defining the essence of the concepts of "taxation audit", "tax audit" and "tax control" in scientific and regulatory sources.

No.	Author, source	Definition of the concept
1	Tax National Code of Ukraine (Article 61) [19]	Tax state control is a system of actions of state bodies, which are carried out to carry out control: <ul style="list-style-type: none"> ▪ according to the correctness of the display, timeliness and completeness of tax payments; ▪ for the goal of establishing compliance with the legislation on the circulation of cash, cash transactions, patenting, licensing and other legislative acts, the control of compliance with which is entrusted to the control bodies.
2	Artiukh O.V. [3]	Tax audit is: <ul style="list-style-type: none"> ▪ this is the study of accounting and reporting of the enterprise as a taxpayer in order to form an independent opinion on the reliability of tax reporting, completeness and compliance with current legislation in all essential aspects; ▪ to help management staff make optimal decisions regarding taxes.
3	Anfinohenetova N.Y. [2]	Tax control is an independent area of state financial control. It is characterised by a certain stage of financial activity - the stage of mobilisation of cash to public monetary funds.
4	Voinova T.S. [4]	A tax state audit is a set of actions, approaches and methods used by employees of control bodies in the field of taxation. The purpose of the tax state audit is: <ul style="list-style-type: none"> ▪ to establish the correctness of tax declarations and calculations and their compliance with the actual data of financial and economic activity; ▪ increase the degree of public trust in compliance by taxpayers with the current legislation.
5	Hotsuliak V.D. [11]	A tax state audit is an effective means of financial control that is widely used by state regulatory authorities.
6	Duhar T.E. [5]	State tax audit is an independent state control of accounting: 1) the purpose of which is to assess the correctness of the display and payment of taxes to the state and local budget; 2) to display accounting data of enterprises as taxpayers in the regulated reporting of the enterprise.
7	Kraevskiy V.M., Kostenko O.M., Skoryk M.O. [7]	A tax audit is an independent examination to understand whether taxes are calculated and paid correctly by the company.
8	Krasota O.H. [8]	A tax audit is an independent examination of tax accounting.
9	Nehodenko V.S., Melnychuk B.V. [14]	A state tax audit is an independent review of the company's reporting for the purpose of forming an opinion on the reliability and risks of loss of financial resources when sending additional payments to the budget in the form of taxes and fines that may be charged in the future during an inspection by supervisory authorities.
10	Tarashchenko V.A. [13]	State tax audit — a system of cooperation between representatives of state authorities and taxpayers regarding the organization and implementation of an audit of the financial statements of taxpayers regarding compliance with the requirements of the regulatory and legislative framework, studying the correctness of the calculation and payment of mandatory payments, the correctness of drafting and submitting of tax and financial reports, summarising the results of the examination, and studying its results [11, p. 4].

The analysis evidences that there is no common interpretation of the essence of the taxation audit as a separate economic category. Mostly, the essence of these terms is equated to a single basis - verification of correctness: determination of the tax base, tax rates, tax calculation and payment terms at the company. In addition, some scholars consider taxation audits to be a priority compared to other types of audits [2; 6]. When studying tax audit, many authors point out its main shortcomings, relying on tax legislation, and ultimately equating it with procedural actions [3; 12]. The tax legislation defines the concept of "tax control" and emphasises that such control in Ukraine is carried out by national (state) agencies authorised to examine the correctness of calculation, completeness and timely payment of taxes and duties by enterprises [19]. The STSU is a state agency authorised to carry out tax control in Ukraine. However, in official letters from the STSU, the term "tax audit" is used to refer to tax control measures. In addition, the department of the STSU authorised to conduct tax examinations is named the "tax audit department". Thus, tax control is exercised by the departments of the STSU in the form of tax audits, which indicates that the meaning of these concepts is identical. A similar position is held by Tarashchenko V.A. [13] and Hotsuliak V.D. [11], who consider tax audits to be the prerogative of the state agency authorised to exercise tax control. We agree with these authors and believe that the need to arrange the terminology and classify tax examinations provides for a need to use the concept of "tax audit" separately from the term "taxation audit". In our opinion, contrary to tax audit, the concept of "taxation audit" is a type of voluntary independent audit conducted by audit firms at the request of companies. A taxation audit is conducted to express an independent auditor's opinion on the correctness of tax calculation and payment includes recommendations on tax planning, and tax optimisation, and provides an action plan for correcting errors to avoid fines. The basic difference between a taxation audit and tax consulting, which is also performed by audit firms, is that a taxation audit (like any other type of audit) involves performing an assurance engagement. According to International Standards on Auditing, an assurance engagement should include the auditor's independent opinion, in all material respects, on the reliability of the complete set of the company's statements to increase the level of assurance. While in the case of an independent financial audit, the object of study is the financial statements, in the case of a taxation audit, the object of examination is the tax reporting.

In the tax consultation dated 21.07.2021 No. 2855/ITC/99-00-07-08-01-06 [20], the STSU draws attention to the fact that starting from August 2021, the use of electronic audit was introduced as an integral part of the documentary audit of large taxpayers. The tax consultation also mentions the obligation of big taxpayers to submit a Standard Audit Tax File (SAF-T UA) at the request of the regulatory authority while conducting the examination. Thus, to verify the reliability of taxation of a large taxpayer, it is necessary to provide a definition of taxation audit, which includes elements of mandatory conditions for such audit.

In view of the above, the authors of this article came to a conclusion and propose the definition of *a large taxpayer's taxation audit* as an independent examination by an audit firm of the reliability of the taxes and duties calculation and timeliness of their payment by a large taxpayer as required by the national Ukrainian legislation in order to express the auditor's opinion on the correctness of reflection of the taxes and duties in tax reporting and the electronic information system taking into account information cybersecurity. This interpretation, in our opinion, specifies the essence of taxation audit in the context of its digitalisation and emphasises the role and importance of information generated as a result of the examination and protection from an unauthorised user. The improvement of the categorical apparatus made it possible to distinguish between the concepts of "taxation audit" and "tax control" (Figure 1).

According to the regulations of the Ukrainian Law on Audit of the full package of a company's reporting and activities of the subject of audit [21], taxation audit of large enterprises, as an independent form of control, is carried out at business entities in the form of a substantive audit (checking the display and payment of taxes, fees), as well as in the form of providing consulting services on the issues of display and correct payment of taxes [21].

It should be noted that today, in addition to the classical audit of statements, audit firms provide a large number of related services. Due diligence is relatively new in the local market and creative service offered by audit firms.

In the course of activities, companies gain experience in various examinations: companies are examined by government agencies and institutions, creditors and partners, but full-fledged due diligence is usually a deeper and more complex procedure that always requires significant transparency from the company, its management and owners [22].

	"Taxation audit"	"Tax audit" "Tax control"
<i>distinctive features:</i>		
Service customer	Company manager (owner)	State Tax Service of Ukraine
Availability of an auditor's certificate	Required	Not required, control (audit) is carried out on the basis of a referral for examination
Quality of services	Audit Chamber of Ukraine	State Tax Service of Ukraine
Audit costs	At the business entity's own expense	The examination is carried out at the expense of the regulatory authority.
Calculation of examination costs	Contractual principles (based on a contract and establishing the cost of services for 1 hour)	According to the examination plan issued by the STSU
Implementation of results	Error correction is voluntary	Correction of errors is mandatory or can be challenged in court
<i>common features:</i>		
Object of examination	Company's tax accounting data, financial accounting data, tax calculations, tax returns, accounting ledger cards, transaction ledgers, information, and financial and tax reporting of the company.	
Legal regulation	Tax Code of Ukraine, Laws, letters of the STSU, International Standards	
Auditor's responsibility	Disciplinary, administrative, criminal	

Figure 1. Common and distinctive features between the definitions of "taxation audit", "tax audit" and "tax control".

In general practice, due diligence is the action of gathering and analysing information about a business object before entering into a contract, transaction or asset acquisition. Transactions requiring preliminary due diligence can vary greatly in nature and are listed below.

- *Mergers and acquisitions (M&A)*: the acquirer conducts a comprehensive pre-acquisition examination, including focusing on the tax risks of carrying out financial and economic activities;
- *Issuance of securities*: initial public offering (IPO) or bond issuance – the company's expertise is carried out with the involvement of professionals (legal, financial and other consultants);
- *Obtaining international financing* (for example, a loan from the EBRD or IFC) or a grant – the examination is carried out by a financial institution with the involvement of professional consultants;
- *Entering into partnership agreements*, starting work as a supplier with large international companies, etc.

A mandatory element of the assessment is the transparency and honesty of the recipient of funding in terms of social responsibility and cooperation with government agencies on paying taxes and duties [22].

Depending on the object of the examination, different types of due diligence are distinguished, in particular: economic and legal due diligence; due diligence of statements and special purpose reporting; due diligence of financial position and cash flows of a business entity; tax due diligence; operational due diligence; due diligence of technical documentation of a business entity; marketing due diligence; environmental due diligence; due diligence of the functioning of information systems of a business entity.

A specific due diligence service provided by an audit or consulting firm usually combines at least several of the above types. For the purposes of our study, attention should be paid to the essence and objective of tax due diligence.

Tax due diligence is a review of the company's taxation system, assessment of significant tax risks, and study of opportunities to optimise tax burden, which is carried out before the acquisition of the stocks or shares in the authorised capital. For the purposes of tax due diligence, it is worth noting that not only the Tax National Code of Ukraine is used while a company which is a "large enterprise" is carrying out its financial and economic activities. The companies also rely on the provisions of the Economic National Code, the Ukrainian Law of Accounting etc.

The law relevant to audit activities [21] makes reference to the economic category of a "large enterprise" guided by the provisions of the State Ukrainian Law On Joint Stock Enterprises No. 2465-IX of 27.07.2022 [23] and the State Ukrainian Law No. 3587-IX of 22.02.2024 [24]. When analysing the criteria for classifying a business entity as a "large company" for the purpose of auditing the calculation of taxes and tax payments, the authors considered the Economic Code of Ukraine [25] and the specialized accounting law [1]. Based on the data of the study of the economic content of "large enterprise" for the purposes of tax audit, some differences in the criteria were revealed (Figure 2).

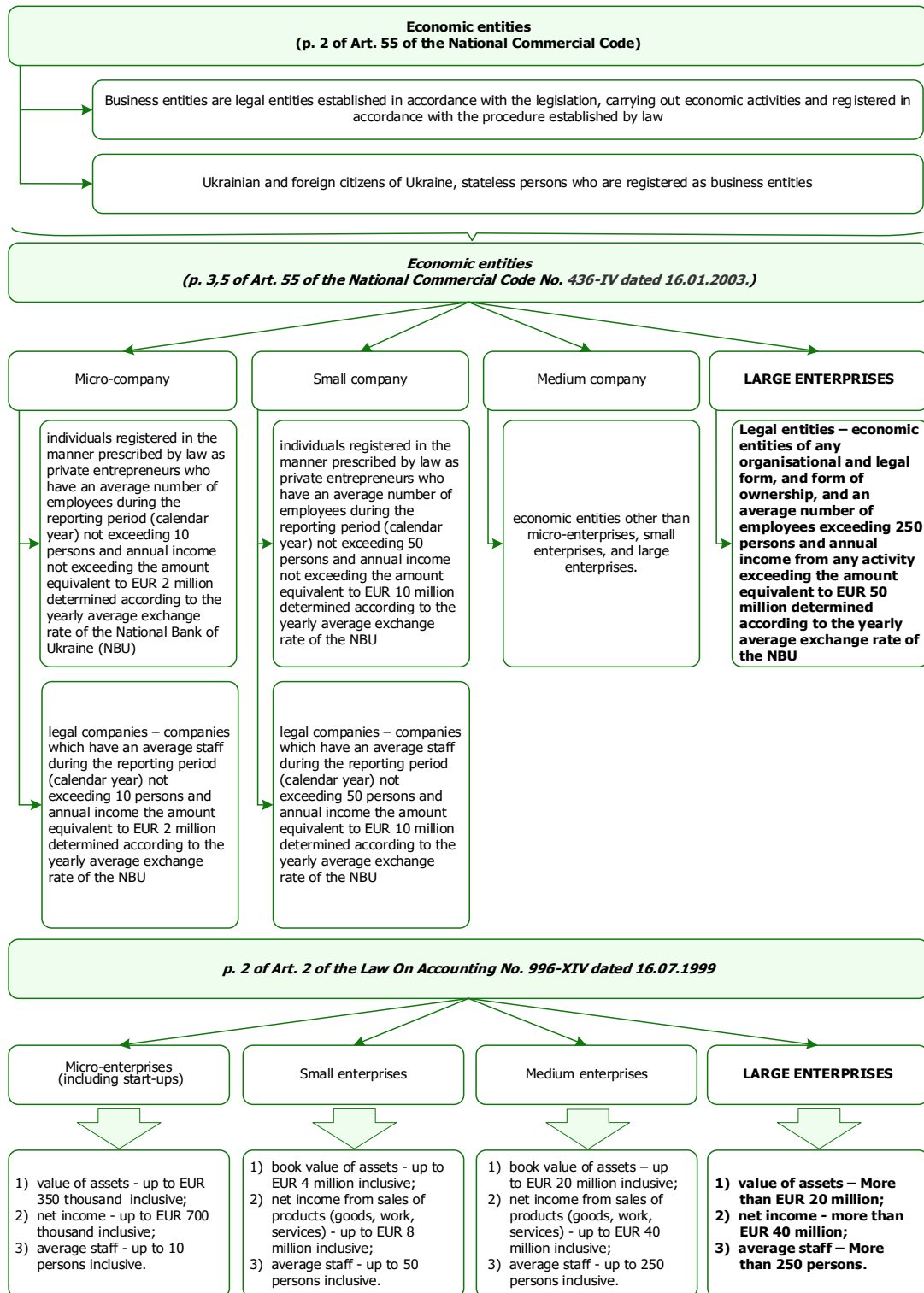


Figure 2. Criteria for classifying a business entity as a "large enterprise" in accordance with the law. (Source: piled by the authors, based on [1; 25])

That the Economic Code defines "*large enterprise*" as an economic entity of any organisational and legal form, which has an average staff exceeding 250 people and annual income exceeding the amount equivalent to EUR 50 million determined according to the yearly average exchange rate of the NBU [25]. In the Law On Accounting, a large enterprise is a legal entity with a value of assets exceeding EUR 20 million, net income exceeding EUR 40 million and an average staff exceeding 250 persons [1].

In addition to the concept of "large enterprise", the Tax Code provides for a separate category of "large taxpayers", which must be taken into account during the audit of tax calculation and payment and tax due diligence. According to the definition of the Ukrainian Tax National Code, a "large taxpayer" is a legal entity whose income from all types of activities for the last reporting quarters exceeds the equivalent of EUR 50 million, or the total amount of taxes, duties to the Ukrainian State National Budget (except for customs payments) for the same period exceeds the equivalent of EUR 1.5 million [19]. In other words, a "large taxpayer" is the same as a "large enterprise". Such interpretations and criteria for recognizing a "large enterprise" sometimes lead to confusion, in particular, the latter is reflected at the macro level of the organization of independent audit as a form of control in Ukraine. Summing up the activities of independent audits in general in Ukraine, it will be difficult for audit firms to group their income, determine the structure of the services provided and come to a single basis of "large enterprise". We would like to note that this also applies to the mandatory independent audit carried out at public interest enterprises, which include "large enterprises" and "large business entities". The results of the study confirm the fact of the imperfection of the current legislation in terms of the classification of legal entities. Therefore, for the purposes of taxation audit of large enterprises and their tax consultation due diligence, we conclude that it is advisable to identify the concepts of "large enterprise" and "large taxpayer" on the basis of the same criteria for their recognition in the legislation [19; 25].

Importantly, the STSU, by its Letter No. 1962/99-99-29-01-01 dated 07.08.2019, provides clarification on the recognition of the risk criteria of a taxpayer. Accordingly, a large taxpayer meets the risk criteria if according to the information available in the departments of the STSU [26]:

- the taxpayer was registered based on invalid documents;
- the taxpayer was registered with subsequent transfer (registration) into the possession or under management of non-existent, deceased, missing persons;
- the taxpayer was registered with the state registration authorities by individuals who did not intend to conduct activities;
- the taxpayer was registered and conducted activities without the knowledge of its founders and managers;
- a court verdict of conviction;
- decisions on determining the riskiness of the taxpayer.

Data on the inclusion of a taxpayer in the list of risky taxpayers or exclusion of a taxpayer from this list is available to the taxpayer in the Electronic Cabinet.

Thus, an independent taxation audit, tax control and due diligence of large enterprises, which have proved to be necessary today in terms of prevention and confirmation of the reliability of information, shall be carried out with a high degree of accuracy and taking into date the following features (Figure 3).

Taking into account risk criteria will help ensure a high level of transparency in conducting taxation audits, tax control and due diligence of large business entities, minimize tax risks, fulfilment of tax obligations by large enterprises, and prevent possible claims from tax authorities.

The role and importance of taxation audit of large enterprises is enhanced by the introduction from 2023 in Ukraine of electronic audit (e-audit) as part of the documentary examination of large taxpayers. E-audit is conducted at the request of regulatory authorities based on the Standard Audit Tax File (shortened name - SAF-T UA). The introduction of e-audit into domestic practice is associated with the implementation of clause 2 of the terms of the Memorandum between Ukraine and the EU regarding Ukraine's receipt of macro-financial assistance. Starting from January 2025, subject to the adoption of relevant amendments to the tax legislation of Ukraine, the submission of the SAF-T UA file for large taxpayers is planned as a mandatory requirement.

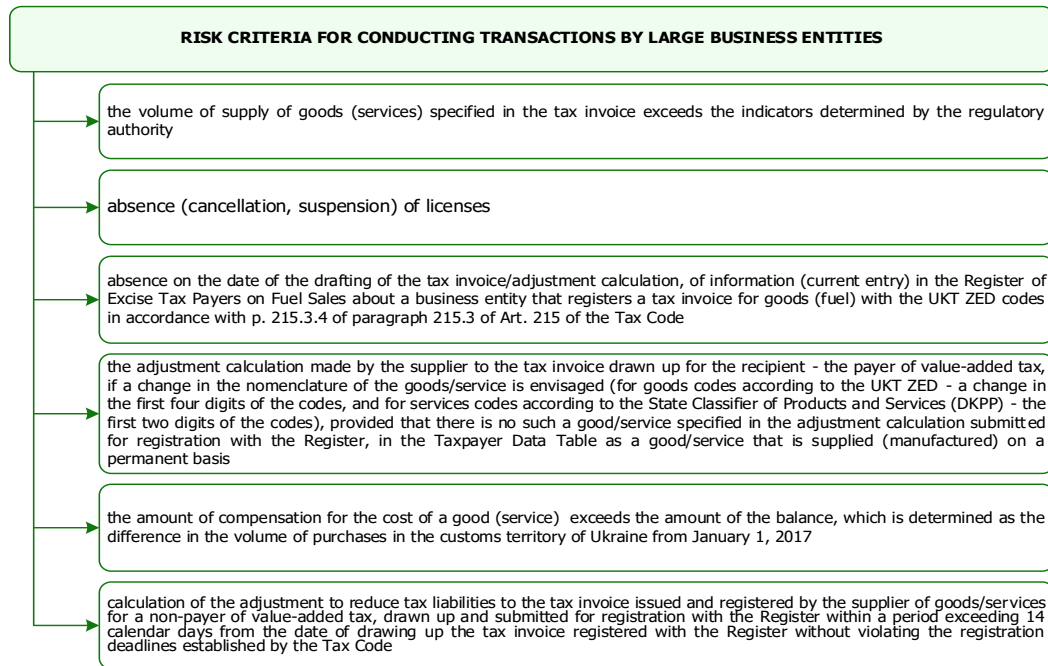


Figure 3. Risk criteria for conducting transactions by large business entities for the purposes of taxation audit, tax control and due diligence. (Source: compiled by the authors based on [26])

The need for tax audit and tax due diligence of large enterprises is confirmed by numerous facts of abuse and violations in taxation of business entities. The facts of abuse of tax legislation are confirmed by official data from Ukrainian agencies: the STSU and the Ukrainian Office of the Prosecutor General (Table 2).

Table 2. Dynamics of violations of tax legislation (according to the STSU and the Ukrainian Office of the Prosecutor General) and the cost of non-audit services (including taxation audit) provided by audit firms in 2019-2023. (Source: compiled by the authors based on [27-29])

Indicator	2019	2020	2021	2022	2023	Total
Violations in the calculation and payment of taxes, recorded based on the information of financial control by the Ukrainian State Tax Service [27] (Y), UAH million, including:	-	15,658.8	-	16,045.5	41,741.1	73,445.4
corporate income tax	-	8,783.1	-	4,204.0	18,248.0	31,235.10
value added tax	-	5,808.3	-	4,128.7	11,329.0	21,266.00
excise tax	-	65.6	-	2.3	9,375.0	9,442.90
environmental tax	-	-	-	-	474.8	474.80
rent payment	-	-	-	7,688.6	2,263.0	9,951.60
property tax	-	-	-	-	50.6	50.60
unified tax	-	-	-	-	0.7	0.70
personal income tax	-	817.1	-	12.8	-	829.90
military tax	-	61.8	-	0.7	-	62.50
unified social contribution	-	122.9	-	8.4	-	131.30
t	-2	-1	0	1	2	0
t2	4	1	0	1	4	10
Yt	0	-15,658.8	0	16,045.5	83,482.2	83,868.9
Y(t) = 14,689.1 + 8,386.9t	-2,082.9	6,303.1	14,689.1	23,075.1	31,461.1	73,445.5
Number of payment evasion of tax, duties (mandatory) payments (Y) ... [28], cases	708	910	43	237	54	1,952
t	1	2	3	4	5	15
t2	1	4	9	16	25	55
Yt	708	1,820	129	948	270	3,875
Y(t) = 984.7 - 198.1t	786.6	588.5	390.4	192.3	-5.8	1,952
Cost of rendered non-audit services (including taxation audit) provided by audit companies [29], UAH million	244.7	-	-	-	118.0	362.7
t	-2	-1	0	1	2	0
t2	4	1	0	1	4	10
Yt	-489.4	0	0	0	236	-253.4
Y(t) = 72.5 - 25.3t	21.9	47.2	72.5	97.9	123.2	362.7

The data of the analysis show a trend towards an increase in tax abuses for the period 2019-2023 detected by the STSU. The main share of violations is related to enterprise income tax (42.5%), VAT (value-added tax) (29.0%), and rent payment (13.5%). Note that a particular increase in the volume of distortions and abuses in the field of taxation occurs during martial law. Starting from 2023, the Ukrainian State Tax Service has recorded the amounts of underpayment of taxes and duties at the level of UAH 41,741.1 million, which is 166% higher than the pre-war figures in 2020. The facts of tax evasion are also confirmed in the official reports by the Office of the Ukrainian Prosecutor General for the period 2019-2023. This trend is negative for the national economy of Ukraine. Its correction is possible only by preventing violations and timely correction of distortions in financial accounting and accounting of tax, which will be carried out through taxation audit, tax control and due diligence by independent financial control entities.

We deem it necessary to focus attention on the fact that large enterprises belong to the category of enterprises that, according to the Law on Audit No. 2258-VIII dated 21.12.2017, have the goal of confirming the reliability of economy indicators of reports. The data of the study showed that today, taxation audit is characteristic mainly of small enterprises, medium enterprises, and micro-enterprises in the form of consultations on tax calculation and payment. In our opinion, taxation audits should occupy a more significant place in the system of independent financial control, but due to the reluctance of management and the lack of free funds, it is not the main type of audit.

Figure 4 presents the general trend in the development of taxation audits in comparison with the trend of tax violations detected by the agencies of the STSU and the Ukrainian Office of the Prosecutor National General for the period 2019-2023.

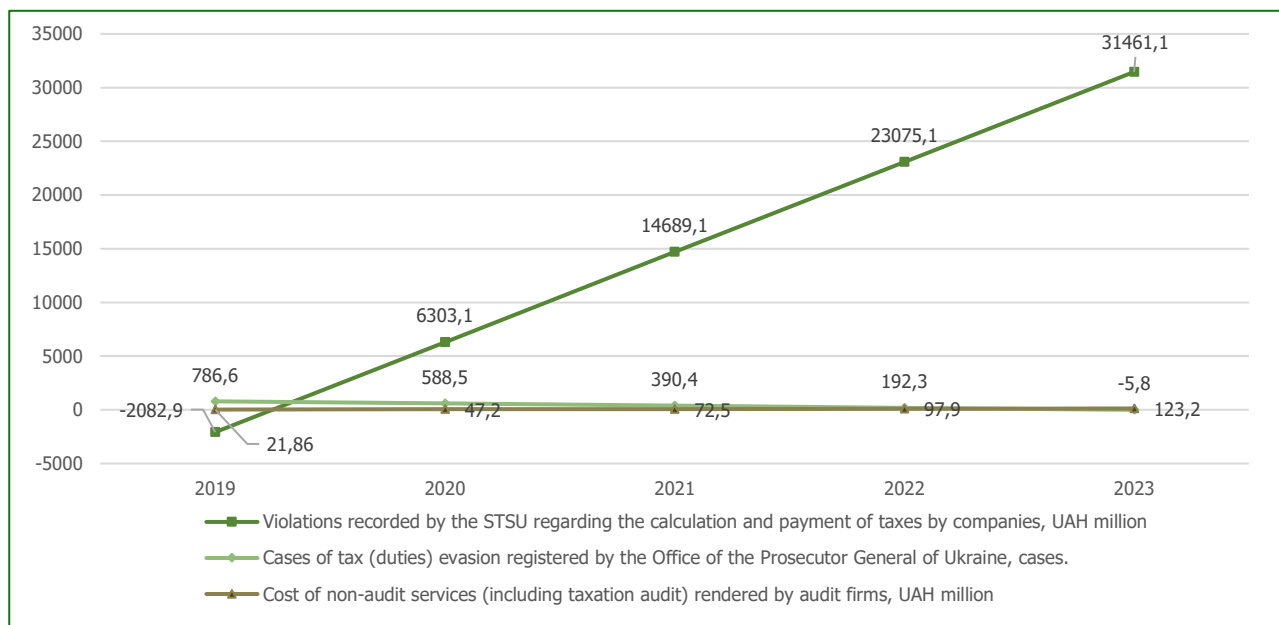


Figure 4. Trends in the development of taxation audit as a voluntary audit service in comparison with the dynamics of tax violations in 2019-2023. (Source: compiled by the authors based on [27-29])

Thus, it can be confidently stated that the pace of provision of voluntary audit services (including taxation audit) for the period 2019-2023 has a tendency to decrease. In our opinion, this trend was formed under the influence of martial law and the behaviour of taxpayers prone to committing violations. Accordingly, this can only be corrected by changing the economic behaviour of enterprises or introducing stricter sanctions for violations detected by state regulatory authorities.

Thus, in the practice of domestic auditing, taxation audit, tax control and due diligence are currently carried out in the form of a consulting service accompanying the audit. In our opinion, the effective provision of such services and ensuring their synergy will be facilitated by the development and implementation of a conceptual model of taxation audit, tax control and due diligence for large enterprises. Such a model should consider the objectives, meaning, and tasks of audit and due diligence in the management of taxation of large enterprises. In our opinion, the mandatory system elements of the conceptual model of taxation audit, tax control and due diligence should be: users of information during taxation audit, tax control and due diligence; tasks of taxation audit, tax control and due diligence; objects of taxation audit, tax control and due diligence; stages of taxation audit, tax control and due diligence; results of taxation audit, tax control and due diligence (Figure 5).

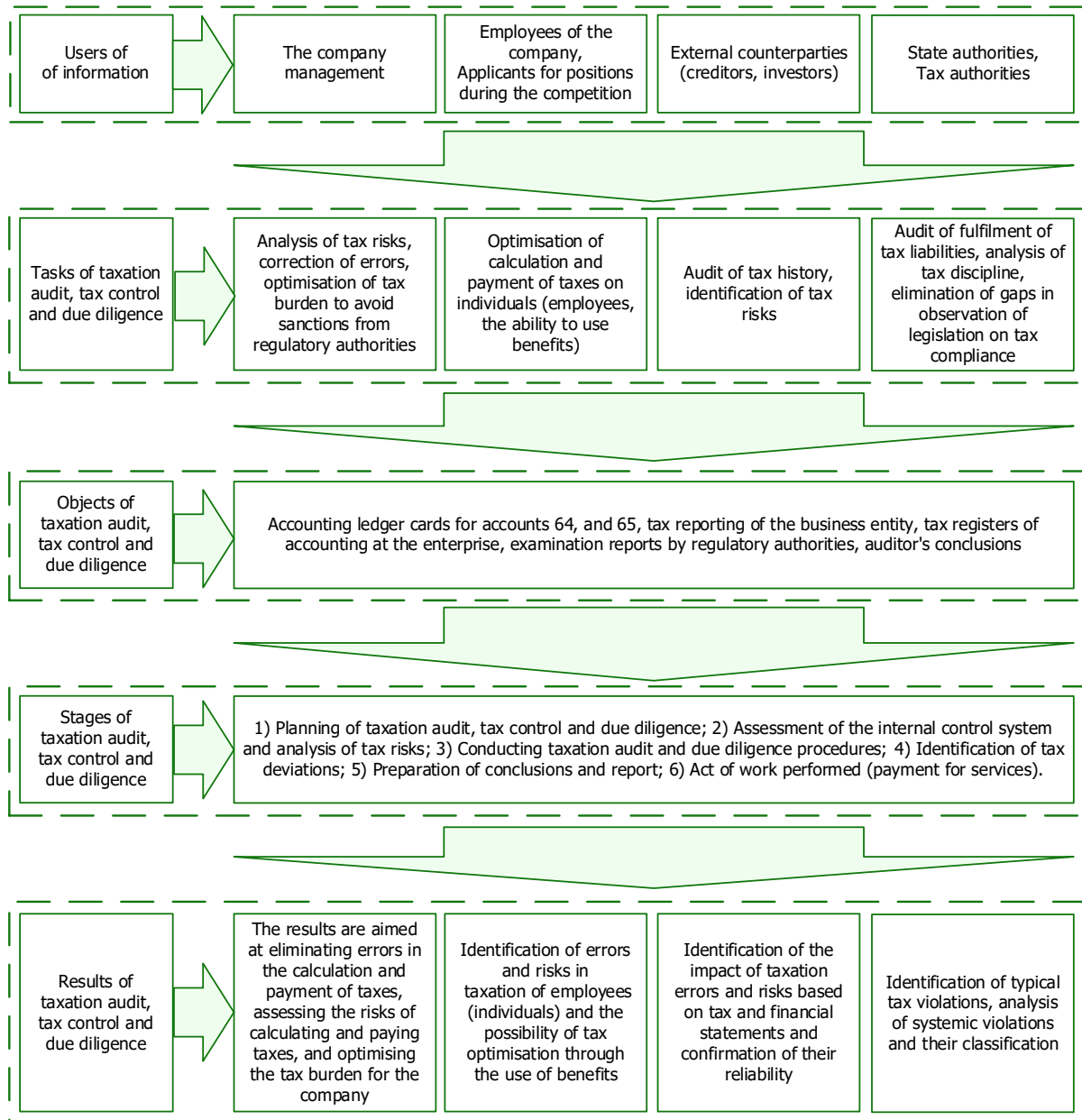


Figure 5. Conceptual model of taxation audit, tax control and due diligence for large enterprises.

The proposed conceptual model of taxation audit, tax control and due diligence of large enterprises will:

- define the principles that are the basis for preparing for taxation audit, tax control and due diligence;
- serve as the basis for developing internal standards for taxation audit, tax control and due diligence at large enterprises;
- assist accountants, managers and auditors in assessing the compliance of tax calculation and payment by large enterprises with current legislation;
- contribute to the harmonization of accounting practices, audits and due diligence.

DISCUSSION

Since this study is devoted to theoretical, methodological and practical aspects of taxation audits, tax control and due diligence of large enterprises, special attention was paid to improving the conceptual apparatus. Such scientists as Kraevskiy V., Kostenko O., and Skoryk M.V. [7] rightly emphasize that today there is a dualism of approaches to determining the essence of tax audit: some believe that it is carried out by experts of state tax authorities, and some consider tax audit

to be a type of independent audit service. However, it should be noted that tax audits by state authorities and tax audits by an audit firm differ by several criteria: purpose, subjects, grounds for conducting, regulatory and legal support, consequences of such control for a business entity, etc. In order to specify and improve the terminology in this study, we propose to distinguish these concepts. We propose to consider tax audit as a form of control by state tax authorities, which is generally consistent with the opinion of such scientists as Anfinohentova N.Y. [2], Artiukh O.V. [3], Voinova T.S. [4], Kostyuk B.V. [6], Krasota O.H. [8], who also consider it as a form of state tax control. At the same time, we propose to consider taxation audit as a control carried out by an independent audit firm, which is consistent with the position of Nazarenko I.M. [10], Nehodenko V.S., and Melnychuk B.V. [14]. At the same time, we proposed a definition of taxation audit of a large taxpayer, which, unlike existing ones, specifies the essence of taxation audit in the conditions of its digitalization.

Recognizing the significant contribution of such authors as Duhar T.E. [5], Hotsuliak V.D. [11], Tarashchenko V.A. [13], Nazarenko I.M. [10] to the development of the theory and practice of tax audit and taxation control, we would like to note that the scientists did not study large taxpayers and large enterprises, which, according to the legislation, are important objects of taxation audit. Accordingly, in our study we paid attention to this issue and established that for the purposes of taxation audit, tax control and due diligence it is advisable to identify these concepts: although they are regulated by different legislation, they are determined by the same criteria.

Appreciating the scientific contribution of Nazarenko I.M. [10], especially the conceptual understanding of taxation audit proposed by this author, we believe that the characterization of taxation audit as a service of an independent audit firm should be supplemented with such elements as information users, stages and results. In addition, large enterprises are often the object of mergers and acquisitions, and therefore, in such cases, it is advisable to conduct due diligence. Taking this into account, we proposed a comprehensive approach in which the combination of taxation audit and due diligence will ensure the quality and efficiency of tax management of large enterprises.

CONCLUSIONS

The study conducted on taxation audit, tax control and due diligence of large enterprises allowed us to make a number of theoretical generalizations and practical suggestions.

1. Based on data from a comparative analysis of scientific literature the essence of the economic concepts was distinguished so that "taxation audit" refers to an independent control and consulting service provided by an audit firm, while "tax audit" is a form of control conducted by the STSU. Taxation audit is conducted with the aim of expressing an auditor's independent opinion on the correctness of the calculation and payment of taxes, includes recommendations on tax planning, and optimization, and also provides an action plan for correcting errors in order to avoid fines. The basic difference between a taxation audit and tax consulting, which is also provided by audit firms, is that a taxation audit involves performing an assurance task (expressing an auditor's opinion on the reliability of tax reporting). In addition, due diligence as a service provided by audit firms, was presented in terms of its peculiarities, standing out by its purpose and circumstances under which due diligence is required. Tax due diligence is a study of the company's taxation system, assessment of significant tax risks, and study of opportunities to optimise the tax burden, which is carried out before the acquisition of the company's stocks or shares in the authorised capital.
2. Given that the object of this study is the taxation process of a large enterprise (large taxpayer), as well as the digitalization process, which currently applies to these enterprises (as a requirement to conduct an e-audit), the authors proposed an improved definition of a large taxpayer's taxation audit as an independent examination by an audit firm of the reliability of the taxes and duties calculation and timeliness of their payment by a large taxpayer as required by the current legislation of Ukraine in order to express the auditor's opinion on the correctness of reflection of the taxes and duties in tax reporting and the system of electronic databases, taking into account the relevant data cybersecurity nodes. This interpretation, in our opinion, specifies the essence of taxation audit in the context of its digitalisation, emphasises the role and importance of information generated as a result of the examination and protected from an unauthorised user.

3. A critical review of the legislation revealed that the interpretation of the category of "large company" in accordance with the Economic Code and the Law On Accounting, contains significant discrepancies in terms of recognition criteria, which requires legal regulation. It was revealed that the criteria established in the Tax Code of Ukraine for classifying an enterprise as a "large taxpayer" fully comply with the criteria by which the Economic Code of Ukraine defines a "large enterprise" (the average staff for the reporting period exceeds 250 persons, annual income exceeds the equivalent of EUR 50 million), which allowed these to identify those two concepts for the purposes of taxation audit? tax control and due diligence.
4. An analysis of dynamics of violations and abuses of tax legislation according to official data from the STSU and the Office of the Prosecutor National General of Ukraine showed a trend towards an increase in recorded tax abuses for the period 2019-2023. The main share of violations is related to enterprise income tax (42.5%), VAT (value-added tax) (29.0%), and rent payment (13.5%). Note that a particular increase in the volume of distortions and abuses in the field of taxation occurs during martial law. Starting from 2023, the STSU has recorded the amounts of underpayment of taxes and duties at the level of UAH 41,741.1 million, which is 166% higher than the pre-war figures in 2020. This trend is negative for the national economy of Ukraine. Its correction is possible only by preventing violations and timely correction of distortions in financial accounting and tax accounting, which will be carried out through taxation audit, tax control and due diligence by independent financial control entities. Taxation audit and tax control (due diligence) of large enterprises should be conducted taking into account the risk criteria for conducting transactions by large enterprises, which will help ensure a high level of transparency in conducting taxation audit and tax control (due diligence) of large business entities, minimize tax risks, fulfilment of tax obligations by large enterprises, and prevent possible claims from tax authorities.
5. Analysis of the dynamics of the volume of voluntary tax audit services in 2019-2023 showed a tendency to decrease. At the same time, the number of tax violations detected by the STSU and the Office of the Prosecutor National General for the period 2019-2023, on the contrary, has a tendency to grow. In our opinion, this trend was formed under the influence of martial law and the behaviour of taxpayers prone to committing violations. Accordingly, this can only be corrected by changing the economic behaviour of enterprises or introducing stricter sanctions for violations detected by state regulatory authorities.
6. Today, taxation audit, tax control and due diligence are carried out as a voluntary tax audit service provided by an audit firm, which combines both elements of an assurance engagement and elements of a consulting service. To ensure synergy between these two services and improve their quality, a conceptual model of taxation audit, tax control and due diligence of large enterprises was proposed. The model includes the following components: users of information during taxation audit, tax control and due diligence; tasks of taxation audit, tax control and due diligence; objects of taxation audit, tax control and due diligence; stages of taxation audit, tax control and due diligence; results of taxation audit, tax control and due diligence. The proposed model will contribute to the harmonization of the practice of taxation audit, tax control and due diligence of large enterprises.

Prospects for further research in this area may include the development of organizational and methodological recommendations for the implementation of the conceptual model in the practice of examinations of large enterprises by audit firms.

ADDITIONAL INFORMATION

AUTHOR CONTRIBUTIONS

All authors have contributed equally.

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CONFLICT OF INTEREST

The Authors declare that there is no conflict of interest.

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Татенко Н., Назарова К., Копотієнко Т., Овчарик Р., Роздобудько В., Новікова Н.

АУДИТ ОПОДАТКУВАННЯ, ПОДАТКОВИЙ КОНТРОЛЬ І ДЬЮ-ДИЛІДЖЕНС ВЕЛИКИХ ПІДПРИЄМСТВ: СТАН, ТРЕНДИ, ДЕТЕРМІНАНТИ РОЗВИТКУ

У статті обґрунтовано сутність, відмінності та детермінанти розвитку аудиту оподаткування, податкового контролю та податкового дью-дилідженс великих підприємств, а також надано пропозиції щодо їх удосконалення. Розмежовано сутність понять «аудит оподаткування» як послуга аудиторської фірми та «податковий аудит» як форма податкового контролю з боку Державної податкової служби України (ДПСУ). Запропоновано визначення аудиту оподаткування великого платника податків. Визначено, що податковий дью-дилідженс включає дослідження системи оподаткування підприємства, оцінку значних податкових ризиків, оптимізацію податкового навантаження та проводиться перед злиттям чи поглинанням капіталів компаній. Установлено, що для цілей аудиту оподаткування, податкового контролю та дью-дилідженс поняття «великий платник податків» і «велике підприємство» доцільно ототожнити, оскільки критерії їх визнання в господарському та податковому законодавстві є ідентичними. Аналіз статистичних даних засвідчив тенденцію до зростання зафіксованих зловживань у царині оподаткування у 2019-2023 рр. Основна частка порушень припадає на: податок на прибуток (42,5%), податок на додану вартість (29,0%), рентну плату (13,5%), – демонструючи зростання під час періоду воєнного стану. Аналіз динаміки обсягу ініціативних аудиторських послуг (зокрема з аудиту оподаткування) у 2019-2023 роках засвідчив негативну тенденцію до його скорочення при одночасному зростанні кількості податкових порушень, виявлених державними органами. Аудит оподаткування й податковий дью-дилідженс проводять у формі ініціативної послуги аудиторської фірми, яка поєднує й елементи завдання з надання впевненості, й елементи консультаційної послуги. Запропоновано концептуальну модель аудиту оподаткування та податкового дью-дилідженс великих підприємств, що сприятиме підвищенню якості послуг та їх синергії.

Ключові слова: аудит, оподаткування та податковий контроль, аудит оподаткування та податковий аудит, дью-дилідженс і податковий дью-дилідженс, аналіз, фінансовий та економічний аналіз, податковий менеджмент великого підприємства

JEL Класифікація: M40, M42, M49, H20, H21, H25, H29