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PECULIARITIES OF ACTIVITY AND DEVELOPMENT OF SMALL ENTERPRISES IN UKRAINE AND IN THE WORLD

ANNOTATION

The article provides a comparative analysis of the definition of a small business in Ukraine and other countries of the world. The basic legal principles of activity of small business subjects, their peculiarities of taxation are considered, the value of small enterprises in the market economy is assessed. The author also examines national and European lending and small business development programs. Measures that will promote the development of the national sector of small enterprises are proposed.

Key words: small business, tax rate, development, interest rate, amount of profit.

АНОТАЦІЯ

В статті проведено порівняльний аналіз визначення малого підприємства в Україні та інших країнах світу. Розглянуто основні правові засади діяльності суб'єктів малого бізнесу, особливості їх оподаткування, надано оцінку значення малих підприємств у ринковій економіці. Автором також розглянуто національні та європейські програми кредитування та розвитку малого бізнесу. Запропоновано заходи, що сприятимуть розвитку національного сектора малих підприємств.

Ключові слова: мале підприємство, ставка податку, розвиток, відсотки по кредитах, розмір прибутку.

АННОТАЦИЯ

В статье проведен сравнительный анализ определения малого предприятия в Украине и других странах мира. Рассмотрены основные правовые принципы деятельности субъектов малого бизнеса, особенности их налогообложения, дана оценка значения малых предприятий в рыночной экономике. Автором также рассмотрены национальные и европейские программы кредитования и развития малого бизнеса. Предложены мероприятия, способствующие развитию национального сектора малых предприятий.

Ключевые слова: малое предприятие, ставка налога, развитие, проценты по кредитам, размер прибыли.

Formulation of the problem. Many laws regulating small business have been developed in Ukraine, but there is still no single approach to defining the concept of "small business". More than 90% of all enterprises are small in Ukraine and in the world but, in our country, there is a sharp issue of support for this particular sector of the economy.

Analysis of recent research and publications. The problem of state support for small businesses is researched in the scientific works of prominent Ukrainian scholars: Varnalij Z.S., Vasiltsiev T.S., Pokrykush T.G. [1], Polischuk O.V. [2] Modern Ukrainian scientists have studied the general characteristics of the functioning of small business in a transition economy. The question of the need to support this industry by the state apparatus is revealed. However, today the problem of small business support is complicated by the global financial and economic crisis.

The purpose of the article. To analyse the criteria for identifying small enterprises in Ukraine and other countries of the world. To identify features of taxation for small businesses. To study the experience of developed countries in supporting small business. To identify the main problems facing the development of this sector of the economy in Ukraine and propose ways to solve them.

The Basic legal documents that regulate the activity of enterprises are: the Commercial Code of Ukraine from 16.01.2003 № 436-IV, Law of Ukraine "On State Registration of Legal Entities and Physical Persons – Businessmen" from 15.05.2003 № 755-IV, the statute of enterprise, collective agreement.

The Commercial Code of Ukraine regulates the order of creation, registration, liquidation, and reorganization of enterprises; exposes general principles of management of an enterprise and self-government of labour team; examines the mechanism of formation and use of property of enterprises; determines types of economic and social activity of enterprises; fixes rights and responsibility in economic activity; regulates relationships with other firms and the state.

An enterprise is considered created and acquires rights for legal personality from the day of its registration. By separate types of activity, an enterprise can occupy only on the basis of the special permission (licenses). An enterprise operates on the basis of the statute.

According to p. 3 item 55 of the Commercial Code of Ukraine, small enterprises (not depending on the pattern of ownership) are enterprises and physical persons – businessmen who in a financial year have the following indicators: the middle-counted quantity of employees does not exceed 50 persons; the volume of gross receipt from realization of products (works, services) does not exceed 10 million euro after the average annual course of the National Bank of Ukraine. Microenterprises have up to 10 workers and profit in an equivalent no more than 2 million euro. Large are enterprises with a profit of over 50 million euro and over 250 person staff [3].

If to appeal to European classification, compatible determination of small enterprise will be not found. A basic criterion is a number of employees [2, p. 135].

In Israel, small- and medium-sized business is divided into a few categories. Small businessmen can retain up to 5 workers and have profit to 2 million shekels (480 thousand euro). Small business – to 20 workplaces and profit up to 10 million shekels (2,4 million euro), medium enterprises have up to 100 workplaces and to 100 million shekels profit. In Israel, priority is the amount of profit considered, for example, if an enterprise has more than 100 workers, but the volume of profit is less than 100 million shekels, it will be considered as a medium entity.

In some countries, the criterion of small enterprises, except the number of workers, is also the amount of profit. In Japan, the classification for large enterprises, small and medium depends on the brunch of the industry (Table 1) [4, p. 3].

To the category of medium enterprises in defensive industry, in building, on a transport, in connection, communal economy, production, belong legal independent companies with a number of employees to 300 persons or by the amount of the stated capital to 300 million yen (2,3 million euro), in the wholesale – to 100 persons or to 100 million yen capital (762,8 thousand euro) [4, p. 3], in service business – to 100 persons or to 50 million yen, in a retail business – to 50 persons or to 50 million yen of capital. Small enterprises are considered as firms with a number of employees to 20 persons in production branch, in other industries – to 5.

The International Organization for Economic Cooperation and Development uses quantity of employees as the main criterion of classification. On the basis of this criterion, it determines firms with a number of employees to 19 persons – as small, to 99 – as small, from 100 to 499 – as medium, from 500 persons – as large. A similar situation in relation to the quantitative criteria is observed in the USA. By Federal law about small business: small is a firm that has one or a few proprietors, with a number of employees of 500 persons or less, by the size of assets of up to 5 million dollars and by an annual income of to 2 million dollars. From data of Administration of small business, all enterprises, including enterprises of small business, depending on the quantity of the workers hired are divided into such groups: the micro business – 1-24 persons, small – 25-99, medium – 100-499 persons. So, in Great Britain,

by law about companies, a firm that has two out of three offered criteria is a small business entity: turnover not more than 2,3 million euro; assets are no more than 1,5 million euro; a middle quantity has no more than 50 persons [5].

Analysing the criteria of determination for small enterprises in the world practice, it is possible to make a summarizing conclusion that small enterprises are considered with the number of employees of 50-100 persons, including microenterprises up to 20 persons. An enterprise is unanimously considered as large if the number of stuff is over 500 persons.

The legislation of Ukraine gives wide rights in relation to the creation of small enterprises. As founders of them, there can be leasing, collective, joint ventures, cooperative stores, joint-stock companies and other enterprises and organizations, and also citizens, members of families, other persons.

Small enterprises are a widespread and effective form of doing business. They have many lines that cannot be inherent to the large enterprises. A small enterprise is capable of reacting faster on the state of affairs in the market and thus gives necessary flexibility to the market economy. This small business characteristic is gained by the special value in modern terms, when rapid individualization and differentiation of consumer demand, acceleration of scientific and technical progress, expansion of manifest of goods and services take place.

In addition, small business mobilizes the considerable financial and productive resources of the population (including labour and raw material) that in its absence would not be used. About possibilities of small business testifies the experience of the industrially developed countries. 90-95% of the entities and 40-60% of GDP are the share of small business here. A special role is played by a small enterprise in the branch of services and trade. For comparison: in Ukraine in 2016 small enterprises constituted 95% of the total number of the entities, it is more than 247 thousand subjects of managing (including the micro entities – 80.8%), and a part of goods which is sold by them constituted 18.9 and 5.8%. They created only 15% of GDP [6].

Substantially small business influences the formation of a competitive environment that is very

Table 1

Classification of small- and medium-sized enterprises in Japan

№	Business type	Medium-sized enterprises		Small-sized enterprises
		stated capital, million yen or less	number of employees	number of employees
1	Manufacturing industry and others	300	300	20
2	Wholesale trade industry	100	100	5
3	Service industry	100	50	5
4	Retail trade industry	50	50	5

important for our high-monopolized economy. A small enterprise is antimonopoly on its nature. It shows up in the different aspects of his functioning. From one side, because of a great number of functioning entities and their high dynamics, small business yields a fewer measure monopolizations, than large enterprises. On the other side, a small enterprise comes forward as a perceptible enough competitor that undermined monopolistic positions of large corporations. Exactly this quality of small business, by the way, played in the industrially developed countries an outstanding role in realizing, and in overcoming of peculiar to the big business tendency to monopolization and delaying of technical progress.

A large role of small business is in the realization of breakthroughs in many important directions of scientific and technical progress, first of all in industries of electronics, cybernetics, and informatics. In the USA, small business creates close to 50% of science and technology developments [2, p. 135]. It is difficult to overestimate the value of this business for our economy because of having, in particular, a necessity of cardinal structural alteration of the economy and wide development of conversion process.

Development of small business also comes forward as an effective factor that softens social tension and assists democratization of market relations, because it is a fundamental basis of forming of "middle class", and easing of peculiar to the market economy tendency to social differentiation.

All properties of small enterprise, which are marked higher and other, testify convincingly that its development is a mighty factor of reformation of the economy: the creation of socially oriented market mechanism, overcoming of the present

crisis and providing of preconditions for economic growths. Certainly, speech goes not about some magic properties of small business. It gives an effect only in organic combination with middle and large enterprises.

In our opinion, Ukraine doesn't give enough attention to small business development yet. Today, clear conception and all-around reasonable program of development of this form of mñnage are not worked out actually. The system of financing and logistical support for becoming and development of small business is not ideal now. There are also many organizational questions of activity of microenterprises.

As already marked higher, for a small enterprise, a tax environment, in which it operates, is extraordinarily important. A firm can choose the system of taxation independently: general that envisages the payment of income tax at a rate of 18% or simplified, with payment of the united tax. Groups and rates of tax are considered in Table 2 [7].

Advantages of application of the united tax are the possibility of choice to be VAT payer or not (applying the general system, the entity in a mandatory manner becomes a VAT payer when the turnover reaches 1 million hryvnias), a simple system of determination of the object of taxation, simplified accounting. The simplified system allows justly optimizing the taxes for enterprises with a cost-effective business.

It should be noted that the maximal amount of profit that gives a right to apply the simplified system is a 5 million hryvnias that averages a 156 thousand euro only. By the definition of the Commercial Code, even micro enterprises can have an annual volume of profit of 2 million euro. Thus, possibilities of the simplified system

Table 2

Groups and criteria of accordance for the right to be on the simplified system of taxation in Ukraine in 2018

Groups	Amount of the hired workers	Maximum income per year, UAH	Business types	Rates of tax (% to the minimum wage as of January 1) or % of income)
1 (physical persons-businessmen)	without the hired workers	300 000	retail sale of goods from trading places in the markets, provision of household services to the individuals	1%–10% of the subsistence minimum (176,20 UAH)
2 (physical persons-businessmen)	at the same time, does not exceed 10 persons	1 500 000	provision of services, incl. household, united tax payers and/or individuals; – production and /or sale of goods; – restaurant business	2%–20% of minimum wage (744,60 UAH)
3 (physical persons-businessmen and legal entities)	not limited	5 000 000	All business types	a) 3% of the income in the case of VAT is also payed; b) 5% of income if VAT is included in the single tax
4 (legal entities agricultural producers)	not limited	not limited	the share of agricultural commodity production in the previous tax (reporting) year is equal to or exceeds 75 percent;	from 0.19 to 6.33% of the monetary value of land appropriate type of land

even for microenterprises are considerably limited to the maximum size of profit.

At the same time, the tax burden in Ukraine cannot be named the highest. In 2017, Ukraine took the 43rd place in the rating of "Paying Taxes 2018" that is created by the World Bank and consulting company "PwC". In 2012, our country herein occupied the 181st place in rating; it is possible to assert that takes place considerable progress. According to the research, the average tax burden on business in Ukraine was 37.8%, while in the European Union – 40.5% [8].

Why do domestic small businesses lag behind in their performance from European ones? In our opinion, the main reason is lack of state financial support, which should be aimed at stimulating business activity, expansion of production volumes.

Support for the development of the small business from the side of the state comes true in two ways: financial help in forming of primary capital for the creation of small enterprises and providing of favourable terms for the development of operating of small enterprises. Financial support for small businesses in Ukraine can be divided into two main directions: direct and indirect.

Direct support comes true through such forms: grant of subsidies, subventions, formation of state funds, creation of specialized financial institutions.

Subsidies are financial assistance from the state at the expense of the budget for financing capital expenditures, which are necessary for the development of the state economy but are not profitable for the enterprise.

Subventions – financial assistance of the state to local authorities for the financing of specific objects. Must be returned in case of inappropriate use.

The financial support of small business support programs is carried out at the expense of state and local budgets, extrabudgetary funds, including funds received from privatization of state property and other sources of financing, private and foreign investments. It is envisaged that public authorities and local self-government can allocate funds for support of small business in the amount of not less than 0.5% of annual revenues of corresponding budgets.

Another direction of state financial support for the development of entrepreneurship is indirect. It is gradually replacing the levers of direct administrative influence. The main forms of state financial support for entrepreneurship include: tax discounts (or full tax exemptions); tax privileges; accelerated depreciation; discounts on research work; discounts on expenses that related to training for entrepreneurship and others.

These forms of state support are used in Ukraine to varying degrees. One of the last legislative acts in this area is the Law of Ukraine "On Development and State Support to Small and Medium Enterprises in Ukraine" No. 4618-17 dated March 22, 2003 [9].

The law proclaimed the main directions of state policy in the field of small and medium enterprises in Ukraine:

a) improvement and simplification of the accounting procedure for tax purposes;

b) introduction of a simplified system of taxation, accounting, and reporting for small business entities that meet the criteria set forth in tax legislation;

c) involvement of small businesses in the implementation of scientific and technical and socio-economic programs, the supply of products (works, services) for state and regional needs;

d) providing financial state support to small and medium enterprises through the introduction of state lending programs, provision of guarantees for obtaining loans, partial compensation of interest rates on loans, etc.;

e) facilitating the simplification of permitting procedures and procedures for the implementation of state supervision (control), obtaining permit documents for small- and medium-sized enterprises and shortening the term of such procedures;

f) organization of training, retraining and professional development of personnel for small and medium enterprises;

g) introduction of mechanisms for promoting and encouraging the use of advanced technologies in the production of small- and medium-sized enterprises.

But what do small business owners face in real life? The complexity of obtaining permits and licenses, lack of sufficient information support, lack of financial support from the state. Among the positive changes in recent years, we can mention the simplification of the business registration procedure and the development of a system of free submission of tax reports – the Electronic Taxpayer Service.

Our country has joined several international programs that provide business development grants; one of them is the COSME European Union financing program, with a budget of €2.3 billion for all member countries. In 2017, 117 million euros were allocated to Ukraine under this program. Most of these funds are planned to be spent on training Ukrainian entrepreneurs and on communication between Ukrainian business and the EU.

Ukraine has also become a member of the European Commission's "Horizon 2020" program, which mainly deals with the support of academics and business in the field of innovation.

Extremely important conditions for the development of small business are available loans. The interest rates that Ukrainian entrepreneurs are forced to pay for using credit funds is very high – 20-25%. For comparison – in Poland, the percentage for using the loan is 0.5% and it is free for the first year. Now in Poland, the state bank provides 60% of all loans to small and medium businesses. Available loans are for US businesses; the Small Business Administration (SBA)

plays an important role here, which has been promoting business development for over 60 years and providing financial and advisory support to businesses. The organization also acts as the company's guarantor to creditors and lends up to \$2 million on its own. The average interest rate on a loan is 2-4%.

High-interest rates are not the only obstacle to obtaining a loan for small businesses. Banks do not see the prospect of cooperating with such entities, preferring large corporations. Therefore, small businesses often simply do not have an opportunity to get a loan, even at high-interest rates, over the lack of collateral or other restrictions set by the bank. For example, some banks lend credit only to companies, which doing business more than 2 years.

Therefore, in our opinion, the issue of available loans for entrepreneurs should be reviewed in detail by the state. Currently, in the issue of lending, there is no general state position regarding the compensation of the cost of credit rates. We believe that Ukraine needs a proper program of insurance and hedging risks for small and medium businesses. For successful lending, the government needs the political will of the government and the support of the National Bank of Ukraine.

Conclusions. Small business is a powerful driving force for the development of a market economy. Its role is extremely important in creating a competitive environment, eliminating disparities in certain commodity markets, it contributes to creating additional workplaces and reducing unemployment, takes on a significant part in intensifying investment processes, rapid saturation of markets with goods and services, and innovative technologies; it is more flexible and more adapted to abrupt changes in the environment.

The study analysed the criteria for identifying small enterprises in Ukraine and other countries of the world, such as the USA, Japan, Israel, EU countries, and it was determined that the main criterion is the number of employed workers – 50-100 people. Unlike most countries, in Ukraine, the maximum amount of income is set to 10 million euro, which significantly limits the possibility of applying a simplified system of taxation to small business entities. The maximum amount of income, which gives a chance to be a payer of a single tax (with the exception of enterprises – agricultural producers) is only 5 million UAH, which is only 156 thousand EUR. Therefore, the possibility of optimizing the tax burden for small businesses is very limited.

Nevertheless, according to a World Bank study in 2017, the average tax burden on business in Ukraine was 37.8%, while in the European Union it was 40.5%. However, the economic efficiency of the activities of small business entities in Ukraine is relatively low compared to developed countries. Only 15% of the GDP is brought by domestic small businesses, while in EU it is 30-60%.

We identified a number of key factors that hinder the development of small business in our country: insufficient support from the state, rather tight tax legislation, hard-to-reach loans at high-interest rates.

The main ways of overcoming the above problems are offered:

- a) deepening cooperation with international organizations that grant grants for small business development;
- b) reduction of tax pressure on small enterprises;
- c) the introduction of a grace period in the first year after creating enterprise, the application of minimum tax rates;
- d) development of a program of insurance and hedging of risks of small and medium business;
- e) reduction of interest rates on loans, especially for enterprises engaged in production;
- e) complete and comprehensive information provision for business owners;
- g) study of the international positive experience of the state policy of support for small business.

These steps, in our opinion, will help make the activities of small businesses more productive and contribute to the establishment of a market economy in general.

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