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ANALYSIS OF THE FINANCIAL MANAGEMENT AND BUSINESS PERFORMANCE IMPLICATIONS OF INCOME TAX ACCOUNTING POLICY

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Introduction. Amid economic instability, an increasing tax burden, and changing legislation, developing an effective accounting policy that optimises tax liabilities is crucial. Accounting policy in forming corporate income tax is a multifunctional tool that allows for taking into account tax risks, increasing financial transparency, and facilitating the development of an effective strategy for managing costs and financial resources.

Aim and tasks. This study examines the theoretical, practical, and legal aspects of income tax accounting policy to develop a model for determining the corporate income tax base and assess its impact on financial management and business performance.

Results. A model for forming an accounting policy aimed at determining the corporate income tax base based on the instruments of the tax system and accounting has been developed. The model ensures a balanced tax burden, compliance with state requirements, and legitimate tax reduction through an optimal choice of accounting methods. The structure of the regulatory framework is presented, and the impact of accounting policy on income tax revenues on Ukraine's budget and the state's fiscal stability is analysed. Although macroeconomic fluctuations significantly affected tax revenues (particularly the decline in 2022), the model contributed to a 34.3% increase in revenues to the state budget of Ukraine (+845.8 million euros) from 2019 to 2023. The most substantial growth was recorded in 2021 (+35.9%), coinciding with the active application of elements of the optimised accounting policy. This indicates the model's ability to adapt to a favourable economic environment and maximise the tax potential of enterprises.

Conclusions. The structure of the legal framework for accounting policy ensures increased transparency of accounting processes and efficiency of income tax administration in compliance with key accounting and taxation principles. Implementing this structure allows not only the elimination of inconsistencies between accounting and tax standards but also the development of a unified methodological approach to determining the corporate income tax base. The introduction of a model for accounting policy will allow the optimisation of tax obligations while ensuring transparency and legality in interaction with tax authorities.

Keywords: accounting policy, financial management, information support, object of taxation, income tax.

1. Introduction.

The development of the economic system is an important aspect of tax policy stability, which includes effective management of tax revenues and balancing the interests of taxpayers and the state. Income tax is one of the main factors influencing government budget revenues (Goldman et al., 2022). Therefore, a correct definition of taxation is important for tax authorities and enterprises.

However, when tax legislation is constantly changing, there is a need to improve mechanisms to help achieve an optimal balance between the state's need for financial resources and taxpayers' rights. Since accounting policy determines the basis for the correct tax base calculation, its development should be based on clear principles that consider both tax requirements and the economic realities of enterprises. An important aspect is ensuring a compromise between the state, which seeks to obtain full tax revenues, and taxpayers, who have the right to optimise their tax burden.

Accounting methods are key elements of accounting policy for determining analysis and ensuring the practical implementation of established rules (McGuire et al., 2023). Various methodological tools affect the income and expenses that form the financial results before tax and determine the income tax base.

An accounting policy is a set of principles, methods, standards, and procedures used by an enterprise to prepare and present financial statements. This policy covers all accounting aspects, from asset valuation to expenses and income determination. In the context of income tax, it can significantly impact the determination of the tax base, as the choice of inventory valuation, depreciation, or revenue recognition methods can change the amount of taxable profit.

2. Literature review.

Accounting policy is not only an important element of financial reporting but also plays a key role in the formation of tax liabilities, which in turn determines the financial condition and solvency of the enterprise (Bezdushna et al., 2024; McGuire et al., 2023). The methods used in accounting policies directly affect the amount of taxable profit.

Therefore, their correct application is critical to ensure compliance with tax legislation. No less important are the methodological tools of accounting policy, which affect the tax base for income tax, stand out as important topics for the development of accounting and financial reporting practices. The main emphasis is on the impact of accounting policies on enterprises' financial performance and tax liabilities.

According to Zhuk et al. (2022), accounting policy is an important tool for forming the object of taxation by income tax (OTIT), particularly in the methodology for estimating enterprise resources. One of the key elements of this policy is the approach to assessing the net realisable value of inventories, which directly affects the amount of expenses and, therefore, tax liability. This accounting approach affects financial reporting reliability. This changes the tax base of profit because expenses related to depreciation reduce the financial result before taxation. Therefore, the selected inventory valuation methodology within the accounting policy framework acts as a tax planning tool that can either optimise or increase the tax burden, depending on the conservatism or aggressiveness of accounting estimates.

Jiménez-Angueira et al. (2021) examined the relationship between conservatism in financial reporting and investors' assessment of unrecognised tax benefits related to income taxes. The study examines how different accounting approaches, from cautious to aggressive, affect the market's perception of tax positions not formally recognised in accounting. It also highlights the importance of accounting policies as an important risk management tool in the tax system, which affects not only the tax burden but also the market value of an entity.

Chung and Chae (2024) revealed the role of aggressive financial reporting as a mediating factor in the impact of corporate tax avoidance strategies on tax liabilities, particularly concerning income tax. Companies that adopt aggressive approaches to accounting policies, particularly in tax base formation and assessing items that reduce taxable income, have broader tools to reduce the tax burden.

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The main tax avoidance mechanisms include transfer pricing, complex financial instruments, shifting income to lower tax jurisdictions, and cost manipulation.

Lee et al. (2021) apply social exchange theory to analyse the relationship between firms and the government in the context of income tax compliance. They argue that companies' perceptions of fairness and trust in the government affect their tax behaviour in forming income tax liabilities. In particular, corruption, tax burden, and inconsistency in tax administration can reduce tax discipline. This study emphasises the importance of social factors in shaping tax policy and the need for compromise between the state and business in terms of forming OTIT.

The Guardian (2025) examines the increasing administrative costs of UK income tax administration, which are linked to the tax system's complexity. The National Audit Office highlights that the complexity of tax rules for the formation of income tax EOIs leads to increased costs for businesses and the state. This highlights the need to simplify tax legislation in the context of the formation of income tax liabilities (ITL) and to find a compromise between the efficiency of tax administration and reducing the burden on taxpayers. These measures aim to increase the efficiency of tax administration and ensure fair taxation for all business entities in the UK.

Prodanchuk et al. (2023) emphasise the importance of studying the process of implementing digital accounting policy tools for accounting and analytical support for the formation of OTIT. This issue is critical because the accounting policy of the enterprise determines the methods used to assess and recognise income, expenses, assets, and liabilities, which directly affect the tax base. Using digital technologies in this process opens new opportunities for accurately and efficiently calculating tax liabilities. The use of modern digital technologies in accounting contributes to a more effective analysis of the changes in the market value of assets and an increase in the accuracy of inventory valuation. Automated accounting systems help reduce the risks of inventory losses due to incorrect valuations or untimely updating of their value.

The study on the introduction of digital tools in accounting and analytical support for the formation of OTIT reveals a significant impact on the development of modern enterprises. Using digital technologies helps increase the accuracy of tax liability calculations and makes the process more transparent and efficient. Simultaneously, it is necessary to consider the obstacles and challenges in Ukraine associated with introducing these technologies and global economic changes.

Given the above, one of the key tasks of accounting policy is to guarantee the reliability of financial reporting indicators that reflect the real financial condition of the enterprise and effectively manage the quality of accounting information. This is particularly important in establishing the object of taxation by income tax, as it ensures data reliability and transparency, authorises it to avoid manipulation, and reduces the risk of tax offences. Optimising the process of determining OTIT is a task, and implementing this will ensure a balance of interests between the state and taxpayer (Davyduk, 2016). This indicates that within the accounting policy framework, it is necessary to provide mechanisms that can reasonably determine the tax base, considering both the state's revenue needs and the taxpayer's right to optimise the tax burden as per legislation.

3. Theoretical framework.

Methodological tools and analytical approaches were used to assess the effectiveness of the proposed accounting policy model in the formation of tax revenues for the budget. One of the key factors is the quantitative assessment method of tax burden, which is based on a comparison of alternative accounting options. The essence of the method is to determine the level of fiscal pressure on the enterprise depending on the chosen accounting solutions. In particular, in terms of depreciation policy, methods for recognising income and expenses, inventory valuation, etc. Several scenarios were simulated using this method, which enabled establishing optimal accounting policy configurations to minimise the excess tax burden while maintaining compliance with current legislation.

In addition, the tax manoeuvring method was applied to increase the model's adaptability, involving flexible management of accounting approaches to redistribute the tax burden over time legally. This method made it possible to determine periods for optimal accrual of expenses or income, contributing to balancing financial flows and ensuring stability of tax payments. In the long term, such a strategy minimises tax failures and ensures uniformity of budget revenues.

The use of these methods within the framework of the accounting policy model made it possible not only to assess its effectiveness quantitatively but also to demonstrate real mechanisms for achieving a balance between the interests of the government and taxpayers.

This study aims to develop a model of accounting policy formation to determine OTIT based on a compromise between the state and the taxpayer from both a theoretical and practical perspective. This provides a basis for optimising tax administration, ensuring transparency of financial transactions and creating a fair balance between the rights of taxpayers and the needs of the state for tax revenue. The theoretical aims, objectives, and research questions (RQs) are:

RQ1. Development of a theoretical basis for the integration of accounting and tax legislation. This theoretical aspect of this mechanism consists of synthesising the foundations of accounting and the tax system, which will allow the combination of these two areas to create a unified approach to calculating OTIT. This integration will allow formulation at the theoretical level of principles and standards to ensure the correct application of tax norms and relevant accounting methods.

RQ2. Reveal the basic principles of compromise between state and business interests. Determining the balance between the completeness of tax revenues and optimising the tax burden is a key theoretical task that requires a detailed analysis of the rights of taxpayers and the financial needs of the state. This will allow, at the theoretical level, the development of models of compromise between maximising state revenues and ensuring the economic sustainability of enterprises.

On the practical level, the objectives, and research questions (RQs) were as follows:

RQ3. Creating an effective mechanism for determining OTIT. The practical goal of the mechanism is to develop tools that allow enterprises to correctly calculate the tax base, which will help reduce tax risks and the likelihood of tax disputes.

RQ4. Justification for increasing the efficiency of tax administration. A clearly defined accounting policy will enable companies to calculate their tax liabilities correctly, and tax authorities will be able to monitor their compliance, which will lead to increased transparency of the tax system.

RQ5. Analysis of the optimisation of tax burden for enterprises. The compromise mechanism allows taxpayers to adjust their tax expenses without compromising compliance with the law. This will avoid tax pressure and ensure business stability, particularly for small and medium-sized enterprises.

4. Results.

4.1. Regulatory Principles of Accounting Policy in Income Taxation.

The research questions focus on developing an accounting policy model that ensures a balanced and fair process for determining OTIT, aiming to achieve a compromise between government and business interests. This will aid in ensuring the stability of tax revenues, increase the efficiency of tax administration and reduce the tax burden on businesses.

The formation of an accounting policy is an important aspect of an enterprise's activities because of its direct impact on the amount of tax liabilities, financial reporting, and economic efficiency of the business. Despite clear standards and regulatory requirements, enterprises have the right to choose between alternative accounting methods that can significantly affect financial results, particularly income tax calculation.

One of the main problems in developing accounting policies is the formality of application when enterprises copy standard approaches or provisions without considering their strategic goals.

The consequence of such a situation may be that the accounting policy does not help the enterprise optimise tax expenses and causes unjustified risks and complications in tax planning. The relevance of this study lies in highlighting the role of accounting policy as a mechanism for compromising the requirements of tax legislation and the interests of enterprises. This study reveals the legal and methodological aspects of the choice of accounting principles, analyses their impact on the taxation system, and provides recommendations for developing an effective model of accounting policy as a compromise tool in the formation of income tax.

The basis for building the specified model is the regulatory and legal framework that regulates an enterprise's accounting and tax systems. The main problem today is the inconsistency between regulatory and legislative documents of accounting and tax systems in determining OTIT. The identified problem is the lack of complete harmonisation between accounting and tax legislation requirements, which results in discrepancies in financial and tax reporting. It was proposed to structure the regulatory framework for the formation of income tax at the levels of two verticals, each providing development in the following key areas: theoretical foundations, law and practical application, administration, and control (Fig. 1).

The first covers the legal and conceptual aspects of defining OTIT, while the second focuses on the fundamental mechanisms of applying tax rules and controlling and administrating income tax. The methodological vertical defines the theoretical foundations and methodology of tax formation, while the organisational vertical ensures their practical application, administration, and control.

The methodological vertical included four levels.

1. The international level ensures the harmonisation of national accounting standards with international standards, which enables enterprises and states to integrate their accounting policies and reporting into the global economic system. The International Financial Reporting Standards (IFRS) define accounting principles for income, expenses, assets, and liabilities, significantly impacting the formation of OTIT.

According to Verkhovna Rada of Ukraine (1999), IFRS reporting must be prepared by "public interest entities, public joint-stock companies, business entities operating in the extractive industries, parent companies of groups that include public interest entities, parent companies of a large group that do not belong to the category of large enterprises, as well as enterprises that conduct economic activities in the types". To avoid double taxation, bilateral tax agreements are concluded to determine the specific principles and accounting methods used to determine public-interest entities in international transactions.

2. The national level is the basis for regulating taxation accounting policies, including determining the object of taxation by income tax. Methods for determining the object of taxation by income tax should be regulated by law, particularly income and expenses that can be considered for tax purposes and benefits applied by certain categories of taxpayers. The Law of Ukraine (Verkhovna Rada of Ukraine, 1999) allows enterprises to form accounting policies within the framework of regulatory legal documents with legal force and NP(S)BO, which defines the concept of accounting policies, the procedure for their publication and changes.

3. The sectoral level allows enterprises in individual sectors of the economy to apply special rules to determine the object of taxation, which are reflected in specific regulatory legal acts. For example, preferential tax rates or special methods for calculating profits may be provided for agriculture. This level may include rules that encourage certain activities, such as research, innovative projects, or environmentally friendly enterprises, which allow for the optimisation of tax obligations within a certain industry.

4. The departmental level is limited to the interests of an enterprise. It provides for the approval of a regulatory document an order on accounting policy, which has specific components: a document flow chart, a working plan of accounts, regulations on the accounting service, and the organisation of management accounting at the enterprise.

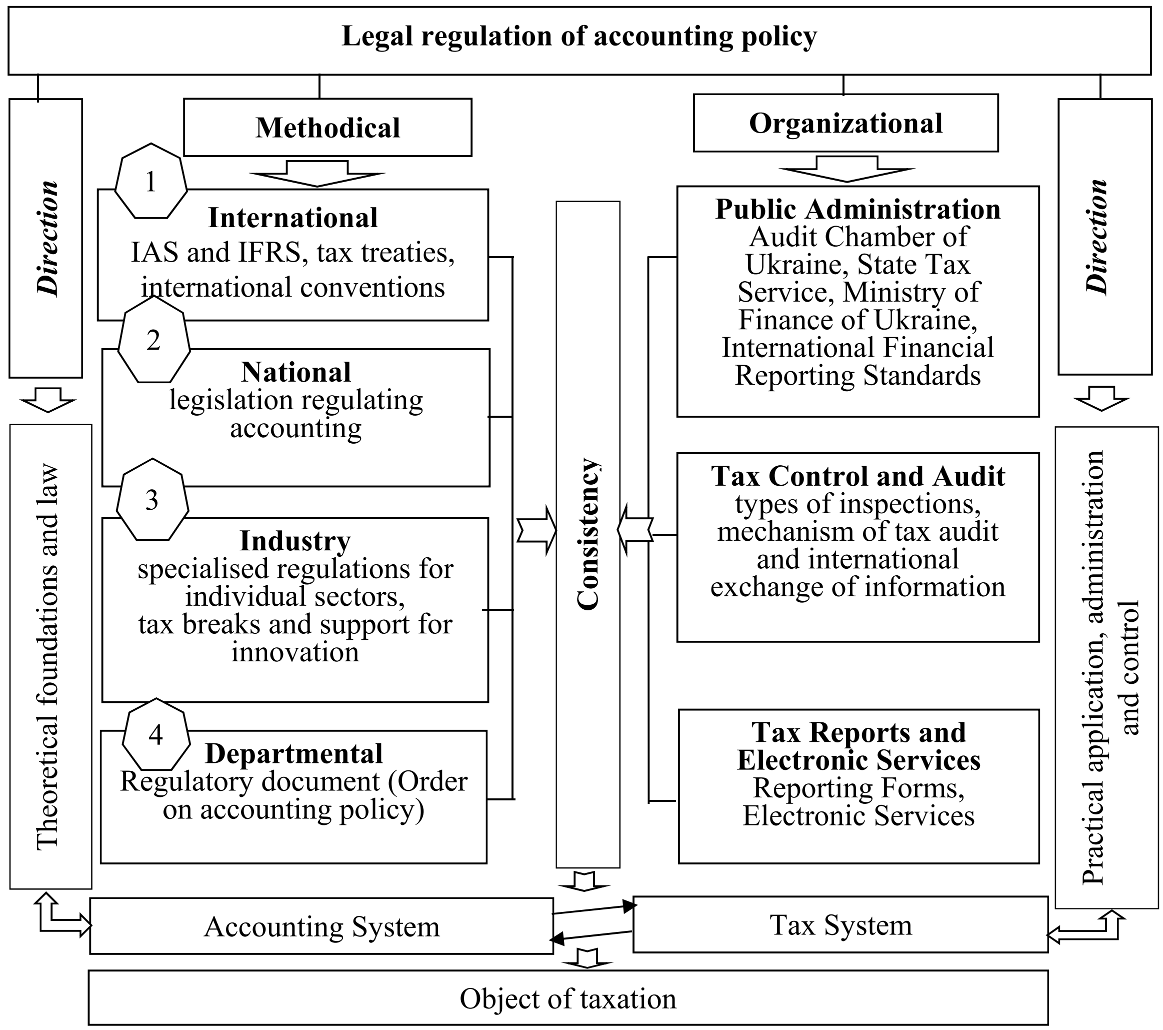

Fig. 1. Legal and Regulatory Framework for Accounting Policy Related to Tax Base Formation.

Source: based on the Ministry of Finance of Ukraine (1999).

Organisational vertical includes the following components:

- State administration includes state authorities that carry out inspections, tax administration, control over the correctness of accruals and payments, develop regulatory legal acts that detail the application of tax legislation, and provide methodological support to enterprises in applying accounting standards.

- Tax control provides for precise regulation of the rights and obligations of tax authorities in terms of verifying the correctness of determining the object of taxation, taking into account the criteria for conducting inspections (factual, documentary, office), which allows detection of abuse and helps taxpayers comply with the requirements of the law.

- Tax audits can be carried out by external auditors and internal enterprises and involve an independent verification of tax reporting and financial documentation of the enterprise for correctly accrued and paid tax payments.

- Tax reporting and electronic services include the obligation to submit profit tax declarations in the prescribed formats and to use software products (M.E.Doc, Sonata, and Liga: REPORT) to automate the reporting process.

These levels are built on the consistency of regulations in accounting, which are key to ensuring tax policy transparency, fairness, and efficiency. Harmonising international, national, sectoral, departmental, and information regulations guarantees a clear legal definition of taxpayers' tax obligations.

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It ensures harmonisation of accounting and the tax system, considering the state's and taxpayers' interests. The proposed structure performs an important function in the tax regulation system, contributing to increased transparency, administrative efficiency, and compliance with accounting and taxation principles. It allows the elimination of discrepancies between accounting and tax standards and the formation of a single methodological basis for determining the object of taxation, contributing to reduced tax burden and increased tax discipline of enterprises.

In view of the above, the following solutions are proposed:

1. Establish inter-agency working groups involving tax authorities, financial institutions, businesses and experts to review legislative initiatives and ensure consistency between tax and accounting systems, encouraging legislators to follow relevant standards.

2. Introduction of mandatory review of all tax bills for compliance with accounting standards, to be conducted by independent expert groups, including audit firms and academic institutions, and increased participation of professional organisations of accountants and auditors in the legislative process by conducting consultations and submitting expert opinions (Perevozova et al., 2019).

3. Approximation of tax legislation with IFRS through implementing European directives and recommendations of international financial organisations; raising lawmakers' awareness of international standards, including conducting training programs, seminars, and round tables.

4. The introduction of digital solutions for the synchronisation of accounting: automation of the tax system and accounting and integration with electronic systems of the State Tax Service, which will eliminate discrepancies between the two accounting systems; development of an electronic audit system, which will allow monitoring the compliance of tax calculations with accounting standards.

Disregarding accounting standards when developing tax legislation leads to legal uncertainty, tax disputes and financial instability.

The solution requires a systemic approach: institutional changes, digitalisation and expert legislative initiatives. In international practice, the problem of consistency in regulatory and legal support for accounting and the tax system is solved by implementing complex mechanisms to harmonise financial and tax reporting. In Germany, harmonisation of the tax system and accounting is based on the "Maßgeblichkeitsprinzip" principle, meaning accounting determines taxable profit, minimising differences between accounting and the tax system, and simplifying tax administration. International companies also face additional requirements under the International Financial Reporting Standards (IFRS, 2005).

The consistency of regulatory documents of the accounting system and the tax system in determining OTIT is important from both theoretical and practical points of view. Theoretically, such consistency leads to the following:

1. The formation of a base based on a single conceptual framework for further research in the field of taxation and accounting and the development of new methods for assessing financial results that consider accounting and tax aspects.

2. Economic and legal science development has contributed to deepening tax policy research. It encourages the development of new approaches to harmonise financial and tax legislation with international standards.

The advantages of the practical activities are as follows:

1. Reduction of administrative burden due to the precise coordination of accounting standards and the tax system;

2. Transparency of financial and tax reporting owing to a mechanism for forming the tax base, which increases the predictability of tax liabilities.

3. Simplification of interaction with tax authorities, which will contribute to reducing the number of tax audits and disputes between businesses and tax authorities.

4. Harmonisation with international standards will facilitate Ukrainian enterprises' access to international markets, ensuring the attraction of foreign investors.

4.2. Accounting Policy Tools in Ensuring Fiscal Compromise.

By adhering to these principles, it becomes possible to create a favourable environment for the consistent development of business, reduce the number of cases of tax risks and improve tax discipline.

The principles of the tax system, including transparency, clarity, predictability, flexibility, cooperation, and fairness (Fig. 2), form the foundation for developing approaches to a tax compromise (Fig. 3). This ensures a balance of interests between both parties and creates a level playing field for all economic actors.

Transparency	Ensuring openness and accessibility of information for all participants in the process, which allows for avoiding misunderstandings and ensuring fair tax administration
Clarity and predictability	Ensuring the stability of tax regulations and requirements, which allows businesses to effectively plan their activities
Flexibility	The possibility of adjusting accounting policies and tax obligations in accordance with changes in the economic environment and regulatory framework
Collaboration and Dialogue	Active interaction between enterprises and government agencies to resolve disputes and ensure effective fulfillment of tax obligations
Justice	Guaranteeing equal conditions for all participants in the economic process, preventing discrimination or abuse of tax authorities

Fig. 2. Principles of Achieving a Compromise between the State and Business.

They balance the requirements of tax legislation and the needs of enterprises to ensure financial stability. The compromise between the state and taxpayers aims to ensure that the optimal tax burden meets the interests of both parties. In this context, the role of accounting policy is vital because it serves as the basis for the correct definition of OTIT and ensures the transparency of tax relations.

Tools related to the formation of OTIT play a significant role in the development of accounting policies as they affect the overall financial position of the enterprise. The key aspects of this impact include the following.

- Accounting accuracy, since the introduction of modern accounting tools, guarantees high accuracy in reflecting income and expenses, which is critical for the correct calculation of the object of taxation;
- Optimise tax liabilities through accounting tools, which allows the enterprise to optimise the amount of tax liability using legal ways to reduce tax expenses.

The primary tools to formulate an enterprise's accounting policy are as follows.

1) Theoretical provisions are based on accounting principles and legal norms that govern recording an enterprise's business transactions in accounting and reporting (Ministry of Finance of Ukraine, 2013). These principles are regulated at the national level of accounting policy and are uniform and mandatory for all enterprises. The accounting and financial reporting principles are regulated in the Verkhovna Rada of Ukraine (1999).

2) The methodology is characterised by a set of procedures and methods used for accounting. Procedures are data processing technologies related to the features of an enterprise's work. Accounting methods authorise evaluation resources, organise accounting for synthetic and analytical accounts, carry out depreciation, determine sales volumes, and evaluate components of financial results, particularly income and expenses.

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3) According to the current Chart of Accounts, the organisation includes direct accounting through registration in primary documents and the processing and recording of business transactions.

It also involves systematising data in accounting registers by the selected form of accounting, establishing internal control, and ensuring accounting cooperation with other enterprise divisions.

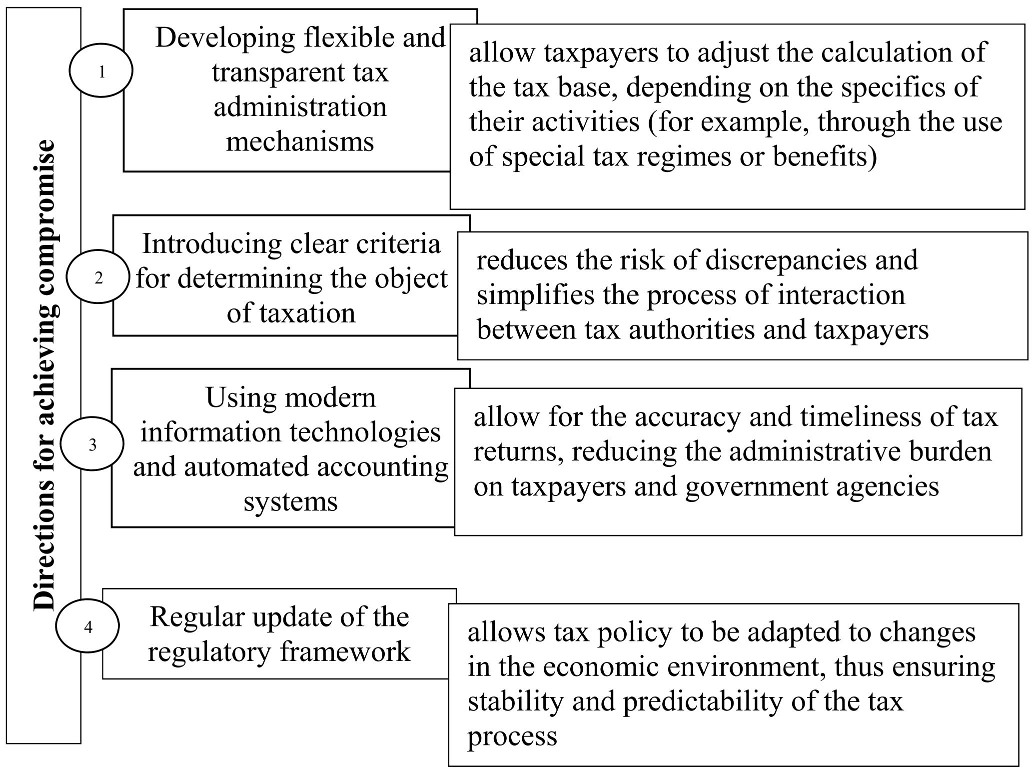

Fig. 3. Approaches to Harmonising State and Business Interests.

Thus, correctly using tools when creating an accounting policy is a key factor in ensuring the legality and reliability of OTIT formation, considering the interests of the enterprise and state authorities. The relationship between accounting policy tools is shown in Fig. 4.

Accounting policy tools in the formation of OTIT are a system of procedures, principles, and methods that can ensure effective and correct reflection of financial results when calculating tax liabilities.

Principles establish general rules and guidelines that form the basis for determining the object of taxation, methods to implement these rules in practice, and the methods of accounting, evaluation, and analysis (Pang, & Xiao, 2022).

These methods include specific techniques and ways of documenting business operations and determining the principles that will be applied in the practical activities of an individual enterprise. Procedures ensure the implementation of methods through specific operational actions established by an enterprise's internal regulations. They determined the steps and actions for implementing accounting methods using the approved principles.

Thus, principles establish general rules and guidelines, implement these rules in practice, and ensure the implementation of methods in specific accounting transactions. The interaction of principles, methods, and procedures creates a holistic system of accounting policies, which contributes not only to the correct calculation of the object of taxation but also to optimising tax expenses within the framework of current legislation.

For taxation purposes, accounting policies should reflect the methods chosen by the enterprise to account for assets, liabilities, income, and expenses used to determine.

Key elements of accounting policies include recognition and valuation methods, which directly influence tax calculation procedures. These elements vary depending on the procedure for determining the tax base and income tax accounting methodology (Nitsenko et al., 2024; Prodanchuk et al., 2023; Zayed et al., 2022). The selection of accounting policy tools directly impacts income, expenses, and pre-tax financial results, thereby influencing the income tax base.

According to Zhuk et al. (2022), the most common methods for determining the net realisable value are:

• Analysis the market value of the inventory product range using an individual approach for significant balances.

• Inventory depreciation based on an analysis of their turnover using a group approach for minor items or in cases where an individual approach is impractical or impossible.

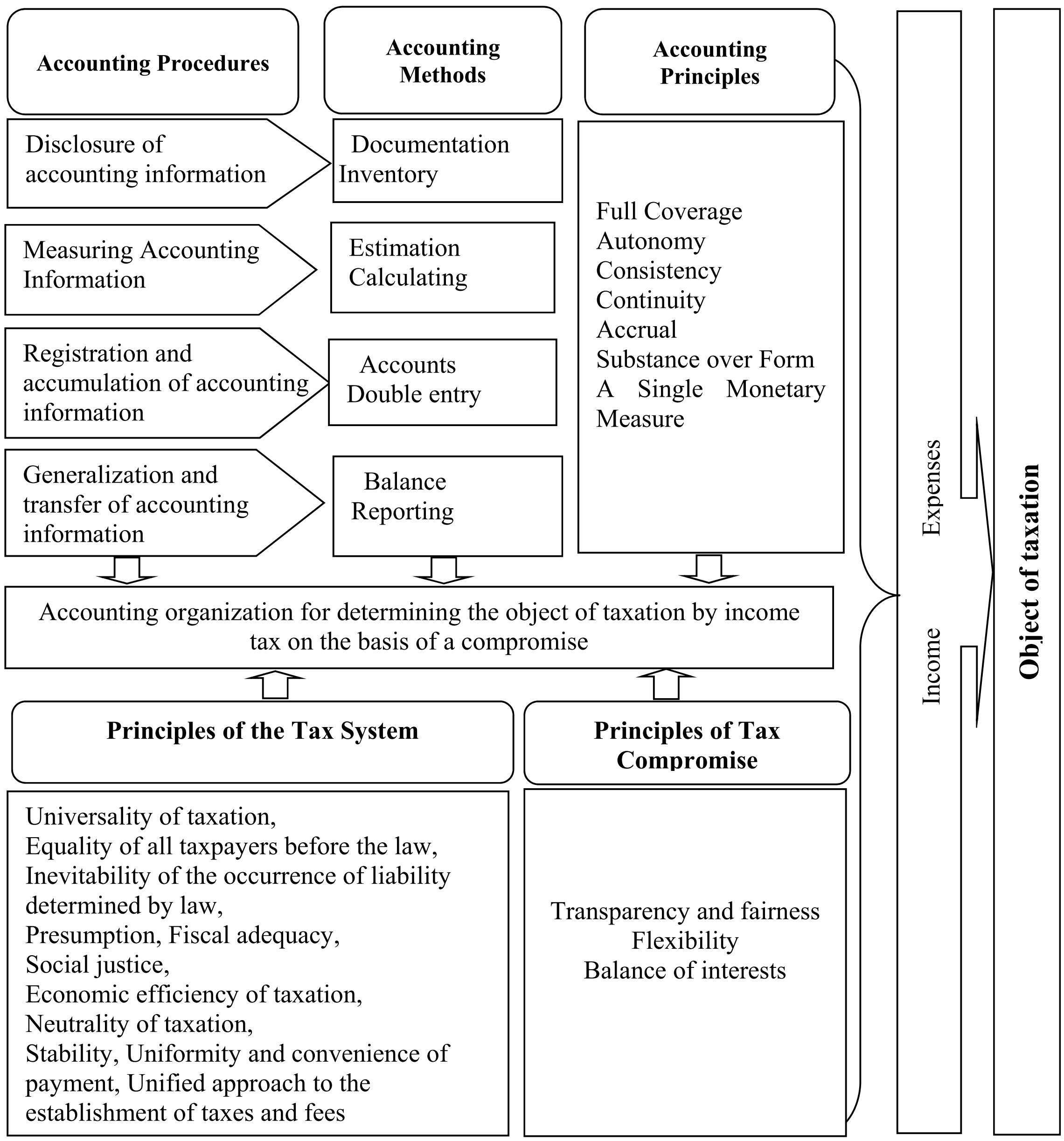

Fig. 4. Accounting Policy Tools in the Formation of OTIT.
Source: based on the Verkhovna Rada of Ukraine (1999; 2010).

Any partial write-down of inventories to their net realisable value and all inventories' losses should be recognised as expenses in the period in which such mark-up occurs.

Thus, the literature review indicates the importance of choosing effective methods to value inventories as part of an enterprise's accounting policy. The relevance of this issue increases under conditions of economic instability, which require enterprises to be flexible in applying accounting methods to ensure the accuracy of financial reporting and compliance with tax regulations.

When developing an accounting policy for an individual enterprise, it is necessary to consider the peculiarities of applying the accounting policy tools for the formation of the OTIT (procedures, principles, methods), which will influence the construction of its accounting policy model, which will be unique for each enterprise, taking into account the specifics and features of the enterprise's financial and economic activities.

The selection and justification of principles, methods, and procedures should be based on national accounting regulations or international financial reporting standards considering tax requirements. Accounting policies should ensure that:

- Transparency and reliability in financial reporting as key for management, investors, and regulatory authorities;
- Optimising taxation by selecting asset and liability assessment methods to manage the tax burden within legal limits effectively;
- Flexibility and adaptability to changes in legislation and the financial and economic activities of the enterprise;
- Risk management, in particular, tax risks related to the recognition of income and expenses, the allocation of financial flows, and the application of accounting estimates.

Thus, a unique model of the enterprise's accounting policy should consider not only the general requirements of accounting and tax accounting but also the specific features of the activity, which will allow for achieving the strategic goals of the enterprise, optimising tax expenses, and minimising possible risks of financial sanctions.

For example, manufacturing enterprises can choose a depreciation method that optimises costs within the life of the equipment, trading enterprises should pay attention to methods of inventory valuation that affect the cost of sales, and financial institutions can form special reserves that change the structure of tax expenses. Prodanchuk et al. (2023) indicated that accounting policy tools such as automated accounting systems, financial management software, and analytics can significantly facilitate the calculation of OTIT. With the help of these tools, it is possible to

• Digital systems allow immediate changes to accounting policies that are considered in automated calculations of tax liabilities.

• Integration with other business systems (planning, personnel management, production, etc.) to obtain more accurate data for calculating tax liabilities.

• Digital tools help create transparent processes and control calculating taxable objects, which is important in reducing the risk of errors and abuse.

Digital technologies help increase the accuracy and efficiency of the tax base calculation as follows:

• Digital tools enable modelling of tax liabilities under various scenarios and accounting policy changes.

• Under the conditions of modern digital platforms, it is possible to effectively manage tax liabilities by analysing various tax optimisation strategies that can be implemented in the accounting policy of the enterprise.

An accounting policy is a document that regulates accounting and is a tax-planning tool. Hence, a competent approach to its development allows enterprises to optimise the tax burden, minimise the risks of tax audits, and increase the efficiency of financial management.

The developed structure of regulatory and legal support for the accounting policy in forming OTIT and the proposed structuring of the accounting policy toolkit for income tax became the basis for creating a model (Fig. 5) considering specific directions for achieving a compromise between the state and the enterprise.

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The specified model contributes to improving this concept and adopting effective management decisions. A well-founded choice of its components will allow for the development of an effective order regarding the accounting policy of a particular business. This will maximise accounting data accuracy, improve tax payments, ensure the effectiveness of developing accounting policies, reduce the risk of sanctions by tax authorities, and improve the accuracy of financial and tax reporting.

Bezdushna et al. (2024) suggested including the “Accounting Policy” section in the integrated reporting structure, which increases transparency and clarity for stakeholders, shareholders, investors, and tax authorities. When an enterprise discloses the applied accounting methods and the impact of these methods on tax liabilities, it adds confidence that the enterprise operates by standards and does not abuse the opportunity to evade taxes. This allows for the following:

- To explain to reporting users how different accounting methods affect financial indicators and tax liabilities;
- Create conditions for greater coordination with tax authorities, which can help avoid disputes and sanctions.

In light of globalisation and harmonising accounting standards, it is important to adapt national accounting systems to International Financial Reporting Standards (IFRS, 2017). Accounting policies that consider international standards allow for a better reflection of the real financial situation of a company, particularly its tax obligations, which are important for international investors and partners. Compliance with international standards can also help to avoid double taxation in different jurisdictions.

The main task of domestic enterprises and state authorities in forming OTIT is to establish a compromise solution regarding the amount of tax liability on income tax. To effectively operate enterprises and fill the state budget with profit tax, it is necessary to balance the interests of the state and business. When determining the elements and methods of accounting policy, the management of the enterprise must consider both its economic interests and comply with the requirements of tax legislation.

This will allow for reaching a compromise, contribute to the optimal tax base calculation, and ensure a fair profit tax.

The fiscal efficiency of income tax collection and the ability of the state to perform a regulatory function depend on the balance of interests of these entities (Hutorov et al., 2020). An imbalance in tax relations indicates problems with tax evasion, uneven tax burden and excess distribution, and insufficient fiscal efficiency in collecting individual taxes.

Many business entities seek to reduce their tax expenses, and the state is interested in maximising tax revenues. Therefore, the common task of both subjects in forming the object of taxation by income tax is to achieve a compromise of interests by establishing the optimal level of taxation without reducing the fiscal and regulatory functions but by reducing the number of cases of tax evasion.

The development of regulatory and legal support for accounting policy regarding the formation of the object of taxation by income tax and the proposed organisation of accounting policy instruments became the basis for creating an accounting policy model. Implementing this improved model in practical activities will allow systematising and improving approaches to forming enterprises’ accounting policies and identifying key areas for achieving a compromise between the state and the enterprise.

Thus, the main principle of this model is the development of dialogue between business and the state authorities. This involves establishing communication channels for exchanging information and coordinating actions that ensure the stability of the tax environment and reduce tax conflicts.

4.3. Income Tax in the Tax Compromise Strategy: A Theoretical Model and Fiscal Analysis.

The accounting policy model, which is based on the principles and directions of achieving a compromise between the state and enterprise, is an important aspect of the overall strategy for the effective development of enterprises’ financial and economic activities.

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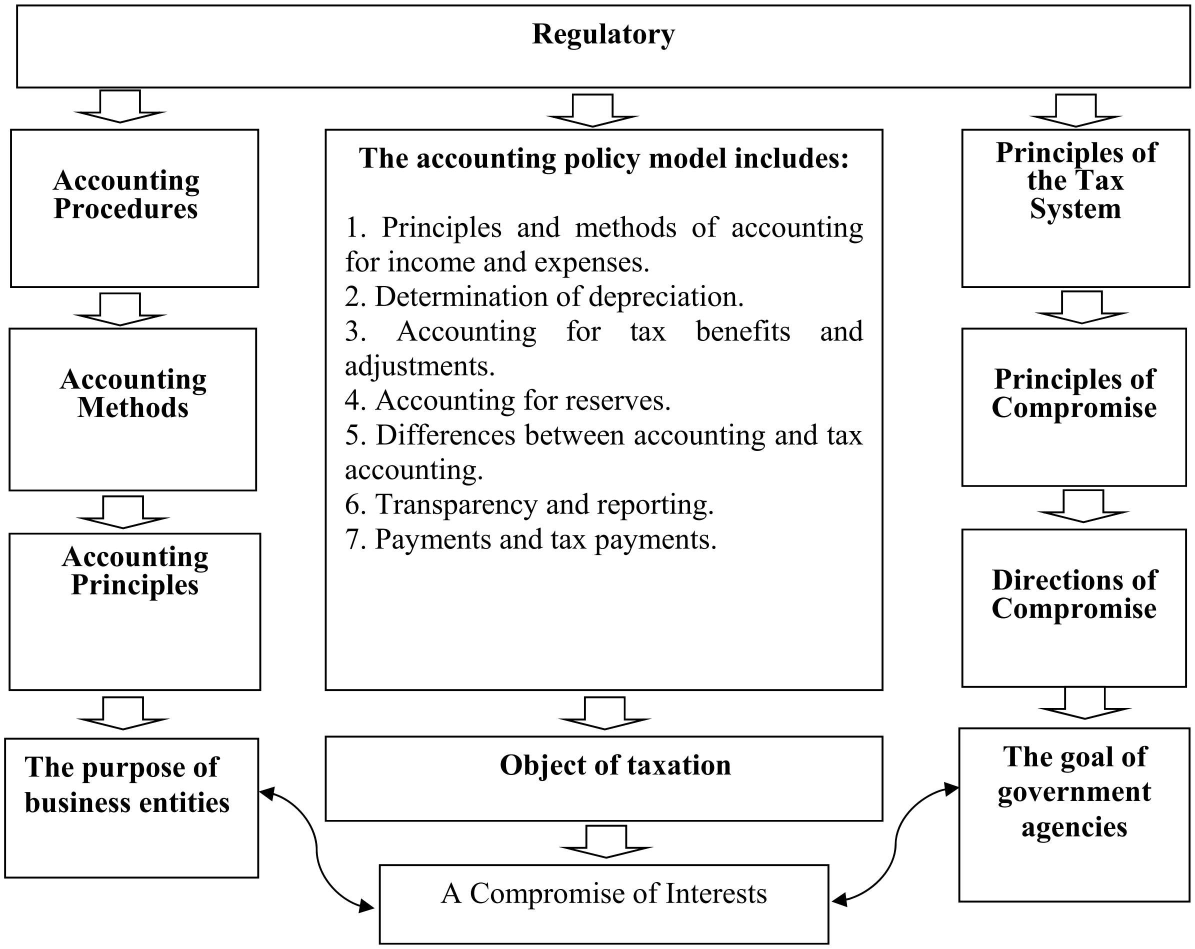

Fig. 5. Conceptual Model of Accounting Policy in the Context of Stakeholder Trade-Offs.

This contributes to stable state budget revenues, national economic growth, and improved socioeconomic conditions. This model implementation helps companies minimise tax risks, ensure long-term financial stability, and improve the efficiency of tax administration.

The dynamics of income tax revenues in the consolidated budget of Ukraine, which reflects the impact of the model on the budget system, is shown in Figure 6. These trends demonstrate how accounting policy changes and tax optimisation directly impact budget revenues and macroeconomic indicators (Minfin, 2025). These changes increase investment attractiveness, ensure stable economic development, and strengthen a country's financial security.

Figure 6 demonstrates the income tax dynamics as an important component of Ukraine’s consolidated budget. The specified period is characterised by relatively high revenue volumes, which indicates a significant contribution of the specified tax to the formation of the budget. Revenues have grown steadily from 2019 to 2023, indicating positive dynamics. However, the maximum level was reached in 2021 (3770.87 billion euros), which may be the restoration of economic activity after the COVID-19 pandemic, high profits of enterprises due to adaptation to new economic conditions and improved tax administration. In 2022-2023, the pace of tax revenue is slowing somewhat due to military operations, a decrease in enterprise profitability, and a slowdown in the economy.

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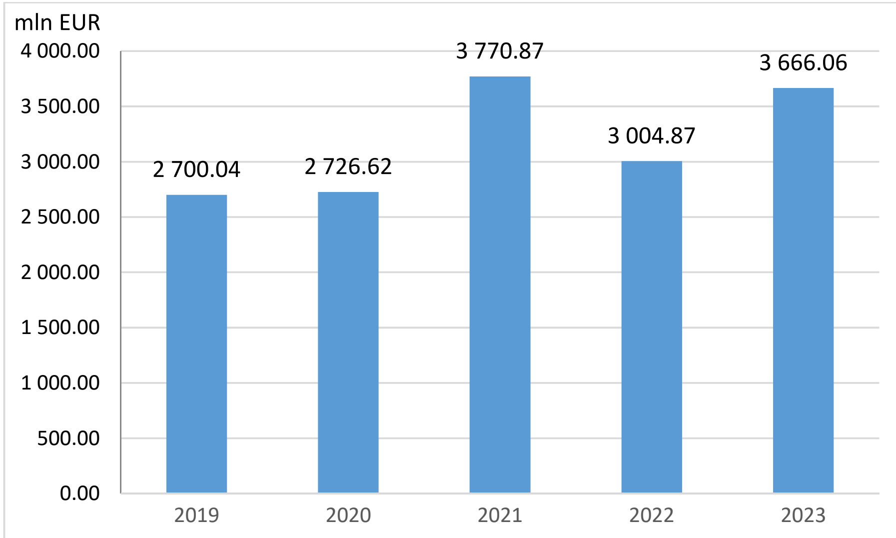

Fig. 6. Dynamics of Income Tax Revenues to the Consolidated Budget of Ukraine for 2019-2023, million euros.

Source: based on data Minfin (2025).

Table 1 presents the distribution of income tax revenues between the components of the consolidated budget of Ukraine. The data in Table 1 demonstrate the fluctuations in income tax revenues during this period.

Regarding the tax distribution between budgets, the share of the tax that goes to the state budget fluctuates between 89.7% and 91.7%. The highest share was recorded in 2020 (91.7%), and the lowest in 2022 (89.7%).

Table 1. Allocation of Income Tax Revenues Across Components of Ukraine's Consolidated Budget (Excluding Intergovernmental Transfers), 2019–2023.

Corporate income tax revenue	Consolidated	State		Local	
	million euros	million euros	%	million euros	%
2019	2700.04	2464.6	91.3	235.5	8.7
2020	2726.62	2501.6	91.7	225.0	8.3
2021	3770.87	3400.5	90.2	370.4	9.8
2022	3004.87	2694.0	89.7	311.0	10.3
2023	3666.06	3310.4	90.3	355.7	9.7

Source: based on Minfin (2025).

The share of revenues in the local budget gradually increased from 8.3% in 2020 to 10.3% in 2022; but, it decreased to 9.7% in 2023. Over five years, the state budget revenues increased by 34.3% (+845.8 million euros). The most significant increase occurred in 2021 (+35.9%), and the largest decrease in 2022 (-20.8%). This dynamic mirrors revenues in the consolidated budget, indicating the impact of general economic factors on tax revenues. During 2019–2023, local budget revenues fluctuated, with decreases in 2020 and 2022, partial recovery in 2023, and revenue increased by 51% (+120.2 million euros).

The most significant increase was in 2021 (+64.6%), and the largest decrease in 2022 (−16%). It is worth noting that such revenues to local budgets depend on the economic situation and changes in the business environment. The trend in 2023 shows recovery, which is a positive signal for local budgets. The share of the state budget remains stable, exceeding 89%, and the local budget receives less than 11% of the tax revenues from income tax. The reduction in total revenues in 2022 to 89.7% is associated with the country's economic situation. The value of income tax as an element of tax revenue is shown in Table 2.

Table 2. Dynamics of Income Tax within the Tax Revenues of Ukraine's Consolidated Budget, 2019–2023.

Income	2019	2020	2021	2022	2023
Tax revenues, million euros	24633.4	26160.8	33459.2	30914.3	37700.5
Profit tax, million euros	2700.04	2726.62	3770.87	3004.87	3666.06
Profit tax ratio, %	10.96	10.42	11.27	9.72	9.72

Source: based on data Minfin (2025).

According to Table 2, the period 2019 to 2023 is characterised by fluctuations in the share of income tax within total tax revenues. It fluctuated from 9.72% (2022, 2023) to 11.27% (2021). The frequent change demonstrates the sensitivity of this income source to economic fluctuations. The 2021 figure (11.27%) indicates active economic growth.

The lowest share was observed in 2022–2023 (9.72%), indicating potential crisis phenomena and the predominance of other taxes in the revenue structure. Despite overall budget revenue growth in 2023, the income tax share remained unchanged, suggesting a slow business recovery after the economic downturn (Fig. 7).

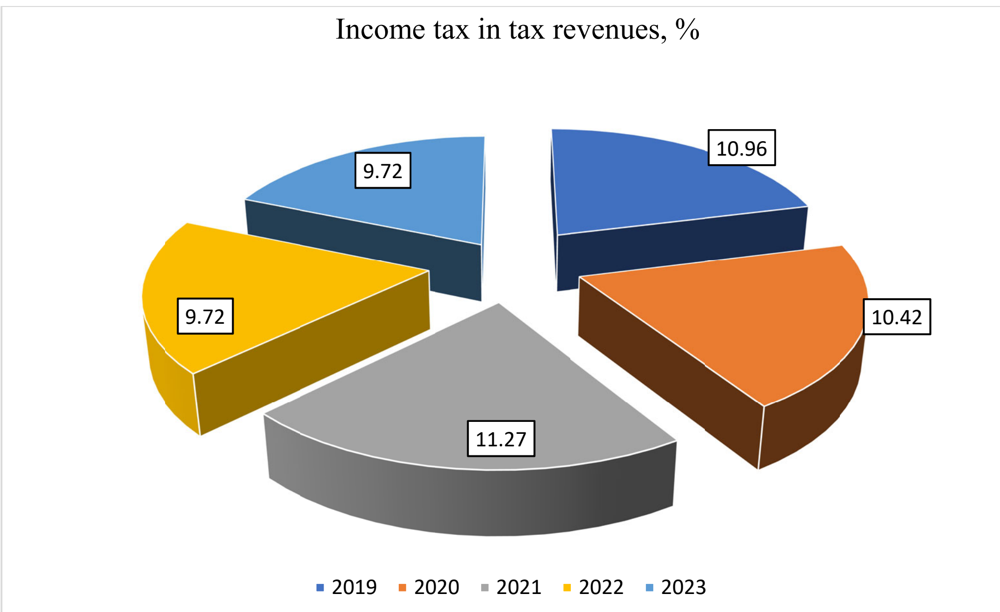

Fig. 7. Share of income tax in tax revenues for 2019-2023, %.

Source: based on Minfin (2025) and the State Statistics Service of Ukraine (2023).

Thus, from 2019 to 2021, the tax share was maintained at 11%; in 2022, it decreased to 9.72% because of the deterioration of the situation with the receipt of this tax. In 2023, the share of income tax remained at the 2022 level at 9.72 % despite an increase in absolute figures for tax revenues and income tax itself. Given this, the restoration of tax revenues in 2023 after the decline in 2022 indicates the practical application of stabilisation measures to improve the economic situation.

Although positive dynamics were seen in 2023 after the decline in 2022, the tax share remained lower than before the war. This may indicate structural economic changes, a decline in profitable enterprises, the use of benefits, and tax avoidance. These factors reduce tax revenues and highlight shortcomings in the tax system and administration. The proposed accounting policy model for businesses aims to address these issues based on a compromise between the state and business.

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It will promote harmonising tax legislation and accounting, provide a fairer and more transparent approach to determining tax liabilities, and reduce tax risks. This will improve fiscal discipline and economic stability and increase trust in the tax system for both businesses and the state.

5. Conclusions.

To achieve the accounting policy goal of an enterprise, considering the state's interests, tasks were identified that led to the development of a model ensuring effective tax liability management and contributing to the goal, particularly in OTIT formation.

The basis for building this model is the regulatory and legal support structure developed for accounting policy and the proposed organisation of accounting policy instruments.

Since the preparation of financial statements and accounting at enterprises is carried out based on regulatory and legal acts, based on the studied regulatory framework, two verticals of regulatory and legal support have been identified, which include the main methodological and organisational approaches, each of which provides development in the following key areas: theoretical foundations and law and practical application, administration, and control.

The coordinated functioning of verticals will minimise tax risks, simplify accounting, and improve the tax discipline of enterprises through the effective organisation of accounting, taking into account dynamic external and internal patterns when forming an accounting policy focused on providing accurate and objective information about the object of taxation by income tax.

Tools related to the object of taxation by income tax play a significant role in forming enterprise accounting policies because they affect overall financial conditions. The relationship between procedures, methods, and principles of accounting policies regarding the formation of the object of taxation is determined, ensuring the integrity and efficiency of the accounting organisation.

The correct selection of elements of the methodological tools of accounting policies will affect the amount of income and expenses, which are components of the financial results before taxation and, simultaneously, the object of taxation by income tax.

Considering that the accounting policy, for taxation purposes, should reflect the methods chosen by the enterprise to reflect assets, liabilities, income, and expenses in accounting and that the elements of the accounting policy are the methods of recognition and valuation of objects for which there is a choice and which affect the tax calculation procedures, have developed an accounting policy model for determining the object of taxation by income tax based on a compromise between the interests of the enterprise and the state.

It should include all aspects that ensure the accurate and timely determination of the tax base, adapt to the legislation requirements, consider various types of enterprise activities, and contribute to optimising tax obligations while maintaining the transparency and reliability of financial statements.

All component models should interact to balance the state's and taxpayer's interests. The proposed model aims to ensure an effective and fair calculation of income tax data while maintaining an enterprise's financial stability. It is built based on a compromise between the state and the enterprise, which ensures a balance between the economic interests of the business, supporting its competitiveness and ensuring stable filling of the state budget.

Implementing this model will contribute to the stable filling of the budget and the creation of favourable conditions for the development of enterprises. It will enable enterprises to optimise tax obligations, minimise tax risks, and reduce the administrative burden while ensuring compliance with the requirements of tax legislation. As a result, the proposed model will contribute to increasing fiscal discipline, confidence in the tax system, and the stable development of the country's economy.

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