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Foreign Experience and Models of Managing the EU Tax System

Yevgenii Kulibaba [1] *

[1] SK PARTNERS Law Association (Ukraine). Founder, Lawyer.

* **Corresponding Author,** e-mail: mk5@tutanota.com

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ABSTRACT

An article dedicated to researching foreign experience and management models of tax systems of countries in the European Union (EU) to determine strategic guidelines for modernizing the public fiscal management field in Ukraine in the conditions of European integration. It is justified that the modern tax system encompasses a complex set of socio-economic relationships that are implemented through tools of administration, control and distribution of budget revenues. Based on analysis, current statistical data, European Heterogeneity has been proven to the Commission and the OECD, European fiscal space, lack of unified tax models, and availability of essential oscillation equal tax load (ratio taxes to GDP) between member states. It was found that key structural characteristics of EU tax systems, in particular long-term stability, fiscal models from dominant labor taxes, as well as high-level harmonization value-added tax cost under conservation conditions, national sovereignty of rate differentiation to solve social tasks. Special attention is given to modern global challenges and innovative approaches to modernization tax administration, including isolated counteraction evasion from taxation (reducing the VAT gap) and digital transformation within the concept of Tax Administration 3.0. Research results confirm that for Ukraine, European integration progress is not mechanical copying tools from individual countries, and in the systematic implementation of advanced technologies, automated data collection, risk-based analysis, and construction of a seamless digital environment for interactions with payers' taxes.

KEYWORDS

tax system, public management, European integration, tax administration, value added tax cost, digitalization, Tax Administration 3.0.

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Іноземний досвід і моделі управління податковою системою ЄС

Євгеній О. Кулібаба [1] *

[1] *Адвокатське об'єднання «СК ПАРТНЕРИ» (України). Засновник, адвокат.*

* ***Автор-кореспондент,*** e-mail: mk5@tutanota.com

СТАТТЯ

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АНОТАЦІЯ

Стаття присвячена дослідженням іноземного досвіду та моделей управління податкових систем країн Європейського Союзу (ЄС) для визначення стратегічних напрямків модернізації державного фіскального управління в галузі України в умовах європейської інтеграції. Виправдано, що сучасна податкова система охоплює складний набір складних соціально-економічних відносин, які реалізуються через інструменти адміністрування, контролю та розподілу бюджетних доходів. На основі аналізу поточних статистичних даних, доведених Європейською гетерогенністю, доведеною Комісією та європейським фіскальним простором ОЕСР, відсутність уніфікованих податкових моделей та доступність суттєвих коливання, рівне податкове навантаження (співвідношення податків до ВВП) між державами-членами. Було виявлено ключові структурні характеристики податкових систем ЄС, зокрема довгострокова стабільність, фіскальні моделі з домінування, податки на працю, а також високорівневі гармонізації, витрати на податок на додану вартість за умов збереження, національний суверенітет диференціації ставок для вирішення соціальних завдань. Особливу увагу приділяють сучасним глобальним викликам і інноваційним підходам до модернізації податкового адміністрування, серед яких ізольоване ухилення від оподаткування (зменшення розриву в ПДВ) та цифрова трансформація в рамках концепції «Податкова адміністрація 3.0». Результати досліджень підтверджують, що для України прогрес у європейській інтеграції полягає не в механічних інструментах копіювання окремих країн, а в систематичному впровадженні передових технологій – це автоматизований збір даних, аналіз на основі ризиків і створення безшовної взаємодії цифрового середовища з платниками податків.

КЛЮЧОВІ СЛОВА

податкова система, державне управління, європейська інтеграція, адміністрування податків, витрати на податок на додану вартість, цифровізація, Податкове адміністрування 3.0.

1. Introduction

The tax systems of the European Union countries are characterized by a high level of institutional diversity and, at the same time, common trends of harmonization, which are formed under the influence of the processes of European integration and globalization. In modern conditions, the analysis of tax administration models that combine effective mechanisms for mobilizing budget revenues, digital transformation of fiscal institutions and tools for minimizing tax risks is of particular importance. Studying the foreign experience of the EU is important for determining the directions of modernization of the tax system of Ukraine and increasing the efficiency of state fiscal management.

2. Literature Review

Studies of governance models, tax systems in the context of European integration and global fiscal transformations pay central attention to many modern theoretical foundations of the functioning and institutional design of the tax system. Politicians consider communities through the prism of the interaction of sovereign powers of states and supranational institutions. The issue of post-crisis integration in the European Union and the coordination of key powers of states in the fiscal sphere was carefully analyzed by Genschel and Jahtenfuchs [1]. Researchers argue that deepening coordination is a response to the systemic crisis, although direct administrative taxes in many aspects remain the prerogative of national governments. This idea is developed by authors, focusing on the EU's administrative tax policies, structural models of interaction and the role of "veto players" (veto players) on the path to unification legislation. They emphasize that institutional barriers and national interests of individual countries significantly slow down the processes of full tax harmonization in the domestic market.

A separate important direction in modern foreign literature is the adaptation of tax administration to the challenges of the digital economy and counteraction, minimization of tax liabilities of transnational corporations. Issues, taxation of the digital sector and institutional modeling, relevant management tools in the European context are studied in detail in the works of foreign specialists. Special attention deserves the analytical observatory of EU tax developments, aimed at assessing the effectiveness of modern fiscal reforms. In particular, analytical processes of profit shifting and global initiatives in the field of international taxation reform are presented by the authors of the working teams – Ferrari, Laffite, Parenti and Tubal [2]. In parallel, Ducept, Godard and Parrinello find that hidden factors reduce effective tax rates for transnational companies, revealing the hidden role of tax reforms that are being preserved in some European jurisdictions to increase their own competitiveness [3].

In the Ukrainian scientific discourse, the emphasis is shifting to applied aspects, the implementation of European experience in the modernization of domestic fiscal systems. A comprehensive comparative analysis of the architecture of tax administration was carried out by domestic researchers Holovai N. M. and Bei S. O. [4], who identified key models of tax management in EU countries and formulated practical lessons for increasing the efficiency of state tax services in Ukraine. In turn, the scientific studies of 5. Krysovatyi A. I. and Koshchuk T. V. justified the essence of tax convergence in the context of the progress of European integration [5], which allowed us to determine strategic guidelines for managing the transformation systems of public finances of Ukraine in accordance with community criteria. Current trends and reforms under the influence of global digitalization are also subject to detailed generalization. Medynska T. and Noginova N. proved that the modernization of tax systems in EU countries is directly related to the implementation of digital public administration concepts, which allows for a significantly lower level of shadow economy [6].

Fiscal dimension. European models of governance are relevant not only at the macro level, but also in the context of software, financial capabilities, regions and local government. The issue of developing tax bases of territorial communities in the context of implementing fiscal decentralization reforms in Ukraine, taking into account the European principles of subsidiarity, has been thoroughly researched in periodicals. Scientists Petrukha, N. and Paliychuk T. emphasize the importance of balancing local tax revenues to ensure the stable functioning of communities. In addition, spatial-economic modeling tools for assessing regional development and fiscal potential organize local self-government, which demonstrated the importance of effective powers over tax distribution. Thus, despite the availability of thorough work, a complex combination of foreign experience taking into account the latest digital trends and challenges, Ukraine's European integration requires further in-depth study [7].

3. Problem Statement

The problem of the study lies in the lack of a comprehensive generalization of tax administration models of EU countries in the context of their adaptation to the conditions of Ukraine, taking into account modern processes of digitalization and fiscal harmonization.

4. Methods and Materials

The methodological basis of the study is made up of general scientific and special methods of cognition, in particular, systemic and structural-functional approaches, comparative analysis and generalization. The information base was provided by analytical materials of the European Commission, OECD, as well as scientific publications on tax policy and administration in the EU countries. The application of the comparative approach allowed us to identify key features of the tax system models of the EU member states and to determine the directions of their adaptation in Ukraine.

5. Results and Discussion

Studying foreign experience in tax system management is a necessary stage in the formation of directions for improving public administration of the tax system of Ukraine, since modern taxation can no longer be considered only as a set of rates, benefits and payment procedures. In a broader sense, the tax system covers not only the list of national and local taxes and fees, but also the entire set of tax relations between the state, financial authorities and taxpayers, which are implemented through the administration, assessment, payment, control and distribution of tax revenues [8]. Therefore, foreign experience should be analyzed both from the point of view of the tax burden and the quality of management, the level of trust, digitalization of procedures, the effectiveness of control and the ability of the tax system to support economic development.

The experience of the European Union (EU) countries is of particular importance for Ukraine, since the European integration direction of development involves the gradual approximation of the Ukrainian tax system to European standards of legal regulation, administration, transparency and tax cooperation. In the scientific research of V. Kh. Khachaturyan [8] emphasizes that since 2015, one of the important stages in the development of the Ukrainian tax system has been the alignment of national and local taxes and fees with EU requirements. At the same time, the European experience does not mean mechanical copying of the norms of individual countries, since within the EU there is a significant diversity of taxation models, tax burden levels, budget revenue structure and tax administration organization [9].

In this regard, it is worth emphasizing that the tax systems of EU Member States are heterogeneous. In particular, a visual comparison of the ratio of tax revenues to gross domestic product (GDP) in EU Member States (Figure 1) confirms that even within the single European economic space, a unified tax model has not been formed.

According to the European Commission, in 2024, the EU-27 countries collected €7.1 trillion in tax revenues, up 5.6% from 2023; at the same time, the tax-to-GDP ratio increased only moderately, from 39.0% in 2023 to 39.4% in 2024. The highest tax burden among EU countries in 2024 was recorded in Denmark, France and Austria, while the lowest was in Ireland, Romania and Malta [100]. This shows that there is no single universal taxation model in the European Union. That is, countries combine common internal market rules with national priorities in social policy, economic development, business support and fiscal stability.

European experience demonstrates that the tax system performs not only fiscal, but also regulatory, social and institutional functions. The report of the European Commission on taxation emphasizes that modern tax systems of EU countries operate in the context of new challenges, which primarily include geopolitical instability, the need to increase defense spending, the consequences of the COVID-19 pandemic and the energy crisis, population aging, digitalization, climate change and the need to reduce inequality, etc. [10]. Thus, tax policy is increasingly associated with ensuring the competitiveness of the economy, social sustainability and long-term fiscal capacity of the state.

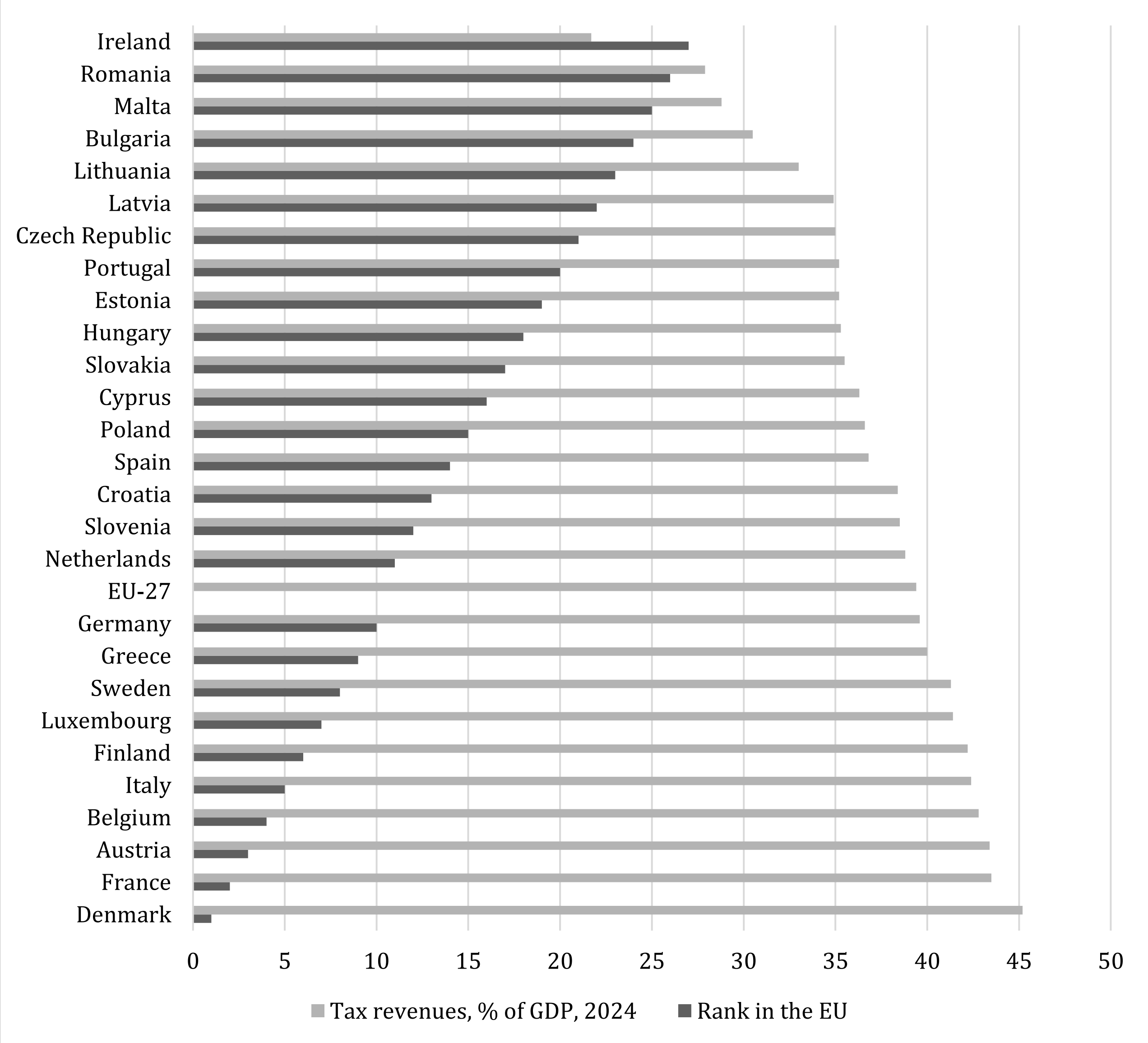

Figure 1. Ratio of tax revenues to GDP in EU countries

Source: Compiled by the author based on data from European Commission, Data on Taxation Trends, Summary tables by country, 2026 edition [9].

One of the characteristic features of the tax systems of the EU countries is the significant role of taxes on labor. The annual report of the European Commission states that taxes on labor still account for more than half of tax revenues in the EU, although their share in the tax structure is gradually decreasing. At the same time, the idea of a fairer and more effective shift of part of the tax burden from labor to environmental taxation, real estate taxation and other bases that are less suppressive of employment and entrepreneurial activity is gaining momentum in European discussions [10]. For Ukraine, this aspect is important, since in the conditions of war and post-war reconstruction, the tax system must provide budget revenues and not create excessive pressure on legal employment, small and medium-sized businesses and investment activity. On the other hand, the long-term dynamics of the structure of tax revenues of the EU confirm that the largest share over the past ten years (2014-2023) has been stably formed by taxes on labor. At the same time, the share of taxes on consumption remained relatively stable, while taxes on capital fluctuated around one-fifth of total tax revenues. The dynamics of the structure of EU tax revenues (Figure 2) indicate the structural stability of the European tax model, in which the fiscal burden is largely related to taxation of labor.

Value-added tax occupies an important place in the European experience. Within the EU, it is the value-added tax (VAT) that is one of the most harmonized elements of the tax system. The European Commission [12] notes that the VAT Directive establishes a general framework for VAT rates, but each Member State independently determines the number and level of rates within this framework. The standard VAT rate in EU countries cannot be lower than 15.0%, while from 2022 Member States may apply up to two reduced rates of not less than 5.0%, as well as separate super-reduced or zero rates for limited categories of goods and services covering the basic needs of the population, in particular food, medicines and pharmaceutical products.

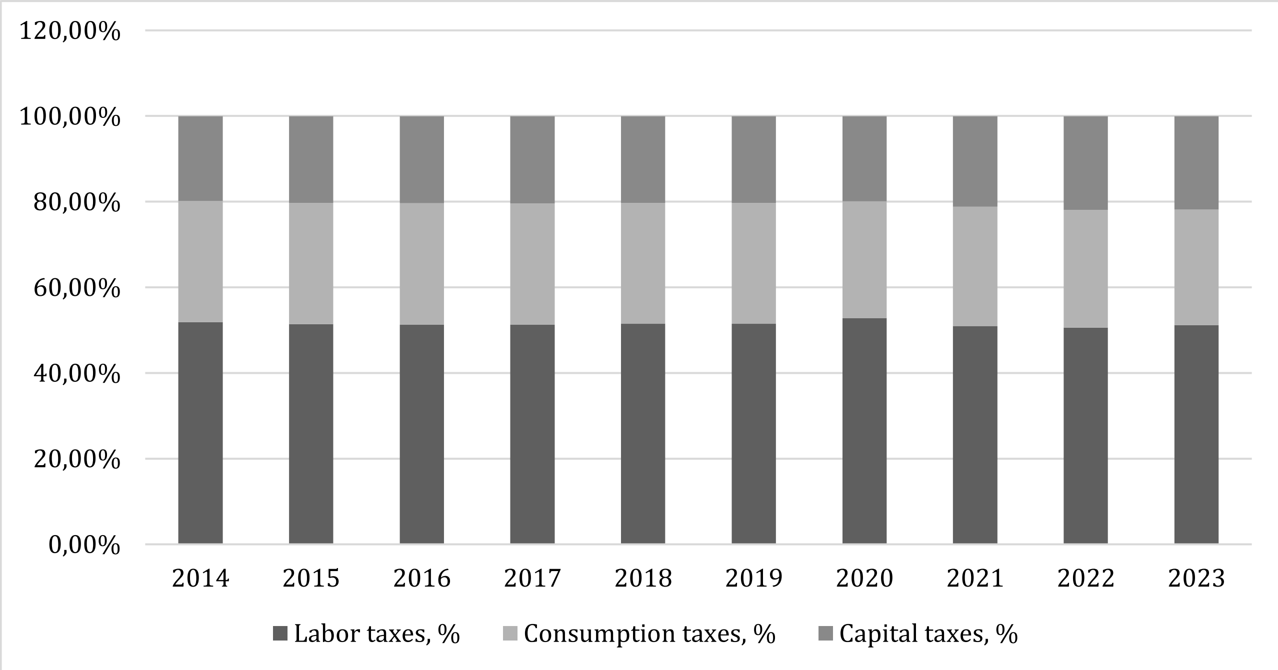

Figure 2. Dynamics of the structure of EU tax revenues by type of tax in 2014–2023

Source: [11].

Materials of the State Tax Service of Ukraine on international experience [13] also confirm that in Western European countries, the practice of differentiating VAT rates for goods and services of social, cultural, or socially important purpose is widespread. In particular, lower rates or exemptions may be applied to food products, medicines, children's clothing, educational, medical, banking, financial and cultural services. Such practice reflects the social orientation of taxation, but at the same time requires high-quality tax administration, since the application of several rates complicates control, accounting and verification of the correctness of tax obligations.

In this context, it is indicative that the European experience considers VAT not only as a fiscal instrument, but also as an area of constant modernization of tax administration. Considerable attention is paid to reducing the so-called VAT gap (English: value-added tax) – the gap between expected and actually collected VAT revenues. According to the European Commission, in 2022 the total gap in VAT revenues in the EU was €89.3 billion, or 7.0% of theoretically expected revenues [14]; which demonstrates the current situation in which even in countries with developed institutions, tax administration faces problems of evasion, errors, non-payment and fraud, so the main task is to improve the quality of administration and control, provided that prior formal rate setting is carried out.

One of the most important areas of modernization of tax administration in the EU is the digitalization of administration. Organisation for Economic Cooperation and Development (OECD) in the Tax concept Administration 3.0 defines digital transformation as a transition to a model in which taxation gradually becomes more "seamless" and less burdensome for the taxpayer, and the processes of calculating and paying taxes are integrated into the digital systems that taxpayers already use in their business activities [15]. This approach changes the very logic of tax administration: from post-facto filing and subsequent control to automated data collection, pre-filling of forms, risk-based analysis and reduced manual intervention [16].

6. Conclusions

Researching foreign experience in the functioning and management of tax systems of countries of the European Union allows us to formulate a few conceptual conclusions important for reforming public governance systems in Ukraine. First, the European fiscal space clearly demonstrates the absence of a single universal or harshly unified tax model. Even under the conditions of existence of a common market, EU member states demonstrate deep heterogeneity in levels of tax load and structure income, flexibly combining basic supranational directives with their own national priorities, economic development, investment attractiveness and social support for the population. For Ukraine, it means necessity refusals from the practice of mechanical loan regulatory acts, individual foreign jurisdictions in favor of weighed adaptations of European standards to domestic ones, realities of martial law and tasks of post-war recovery.

Secondly, the analysis of structural elements of European taxation indicates the high role of taxes on labor, which accounts for more than half of the fiscal EU revenues, although modern European discussions are increasingly inclined towards the idea of transferring parts of this environmental load to real estate. At the same time, in the field of indirect taxation, in particular VAT, the EU experience demonstrates an effective combination of a hard general framework with the widespread practice of rate differentiation for goods' socio-economic destination. However, implementation of such differentiated mechanisms in Ukraine has to be accompanied by an essential increase in quality tax control, because complex multi-quarter or reusable betting systems objectively complicate administration and need minimization of human factors to prevent abuse.

Thirdly, the main vector of modernization of fiscal governance both in the EU and at the level of global OECD standards is comprehensive digital transformation. Modern challenges in the form of avoidance of payment taxes and the availability of a significant tax gap (VAT gap) prove that formal settings without proper technological support are unable to provide stability in public finance. A strategic reference point for Ukraine in this context should become a gradual transition to the conceptual foundations of the model Tax Administration 3.0. This provides transformation tax administration from the institute of retrospective control and paper declaration in a seamless digital process where automated gathering of primary data, previous filing reporting forms and risk-based monitoring are fully integrated into everyday life informational systems, significantly lowering administrative burden on businesses and ensuring high transparency of state income.

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