

## ADMINISTRATION, ACCOUNTING, REPORTING, AND MONITORING OF VALUE-ADDED TAX SETTLEMENTS WITHIN THE ENTERPRISE MANAGEMENT SYSTEM

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Value-added tax (hereinafter VAT) is one of the key revenue-generating taxes in Ukraine and, at the same time, one of the most complex in terms of its administration and accounting treatment. Its evolution—from the classical model of indirect taxation to the modern system featuring elements of electronic administration, automated control, and digital interaction between taxpayers and the state—has led to significant transformations in both tax regulation and accounting methodology. Despite a significant number of academic publications devoted to the economic essence of VAT, issues of its fiscal efficiency, and administration, domestic academic literature lacks a systematic treatment of the comprehensive accounting support for this tax, modern digital tools, and the role of an enterprise's accounting policy as an internal regulator of tax procedures. Under such circumstances, errors in the design of the accounting system or the absence of clearly defined internal VAT accounting rules lead not only to the distortion of financial statements but also to an increase in tax risks, financial penalties, and losses of corporate liquidity. In view of this, there is an objective need for a scientific justification of modern approaches to VAT accounting and their reflection in the company's accounting policy.

The issues surrounding the establishment, development, specific features of accounting treatment, and reflection of VAT in a company's accounting policies occupy a central place in contemporary academic research on the theory and practice of accounting and taxation. These issues are the focus of constant attention from both domestic and foreign scholars, due to the high fiscal significance of VAT, the complexity of its collection mechanism, and the growing role of information technology in tax administration. Scientific publications demonstrate that the effectiveness of the VAT system largely depends on the quality of accounting information, the level of its analytical detail, the timeliness of its preparation, and the accuracy of its presentation in financial and tax reports. Numerous scholars and practitioners have made a significant contribution to the development of theoretical principles and methodological approaches regarding the formation, specific features of accounting support, and the reflection of VAT in the accounting policies of individual enterprises; their works have laid the conceptual foundation for further research in this field: V. Bachynskiy [1], K. Bezverkhyi [2], I. Drozd [4], L. Ebrill [5], M. Keen [5], Y. Kovalenko [6], T. Melikhova [8], T. Melnyk [19], I. Nazarenko [10], H. Nazarova [4], N. Ovcharova [14], V. Plaksienko [15], O. Podolyanchuk [16], M. Shigun [17], and others. Their work focuses on aligning accounting and tax components, developing accounting policies, and documenting VAT accounting processes.

Bachynskiy V. and Pomuleva V. argue for the need for proper regulation and detailed guidelines regarding the accounting treatment of VAT at the national level. This primarily concerns the analytical accounting of this tax, which is linked to the specific nature of certain transactions. Until the relevant unified document is issued, a number of issues require legislative regulation, including the date of accrual of tax liabilities, the tax base, the specification of the procedure for recording offsetting tax liabilities (as part of expenses or initial cost), etc. [1].

Bezverkhyi K. examines the specific features of VAT accounting and reporting in the context of legislative changes. The author analyzes and summarizes amendments to domestic legislation regarding certain aspects of VAT accounting and reporting. The procedure for registering tax invoices in the Unified Register of Tax Invoices is described in detail. The specifics of submitting a request regarding the procedure for registering tax invoices in the Unified Register of Tax Invoices and the procedure for obtaining the corresponding extract are explained. It is argued that a business entity's funds in an electronic account within the VAT electronic administration system should be appropriately reflected in a separate subaccount [2].

Ovcharova N. argues that the effective operation of any business entity is impossible without a thoroughly thought-out accounting policy as a whole and its integral component—tax accounting policy. At the same time, enterprises must formulate their accounting policies in a balanced and thorough manner, taking into account all the specific features of VAT accounting as provided for by current tax legislation. [14].

In his research, Podolyanchuk O. notes that various factors influence the organization of VAT accounting. First and foremost, these include frequent changes in current tax legislation, which can have both positive and negative effects. In the vast majority of cases, these changes concern the organization of analytical

accounting, which is linked to the specific nature of accounting for specific business transactions. Accordingly, the goal of further research should be to clearly justify the methodology for accounting for VAT settlements and to properly regulate specific issues at the legislative level [16].

The Electronic VAT Administration System (EVAS) is a modern tool for state financial control that combines organizational, informational, and technical mechanisms to facilitate transparent, automated VAT accounting. The implementation of this system has become one of the key stages in the reform of tax administration in Ukraine, aimed at minimizing abuses related to the calculation of tax credits and illegal budgetary VAT refunds [10].

In his academic work, Plaksienko V. argues that the introduction of the electronic VAT administration system has led to the emergence of new, specific accounting items that were previously absent in the practices of domestic enterprises. Such objects include, in particular: an electronic VAT account opened with the State Treasury Service of Ukraine (STSU) for each taxpayer, as well as the Treasury's debt to taxpayers arising when the amount of funds transferred to the electronic account exceed the amount of agreed tax liabilities declared for payment. [15].

Research on the internal audit of tax calculations constitutes a distinct field of study. Shygun M. and Ullubieva K. emphasize the fact that, under current economic conditions, value-added tax serves as the primary source of revenue for the state budget (accounting for over 50% of all tax revenues). Consequently, in Ukraine, the development of controls over the accuracy of VAT calculations is primarily focused on improving control measures that will significantly impact the achievement of tax revenue targets. Internal control of VAT calculations can help ensure the completeness of accruals and the timeliness of payments, as well as minimize tax risks and losses and protect the business entity from penalties, which, in turn, will improve the tax compliance of each individual taxpayer. Effective organization of internal control over VAT settlements will allow for a balance of interests between both the state and the taxpayer. However, to achieve such a balance, the availability of adequate internal audit tools for VAT settlements is essential [17].

Yandulska Y. and Melnyk T. note that a comprehensive approach to monitoring VAT payments will help improve the financial condition of individual businesses and minimize the risk of significant violations that could result in financial penalties. The implementation of tax planning methodologies based on a comprehensive approach within the management systems of modern enterprises will reduce tax risk when making management decisions and will have a positive impact on the effectiveness of the further development of individual enterprises [19].

Melikhova T. and Shtepa V. proposed a VAT audit methodology to improve tax planning, which, unlike existing approaches, includes: a questionnaire, a general audit plan, an audit program, and the auditor's working papers. This audit methodology will enable the auditor to: cover all aspects of VAT taxation and accounting at the enterprise; examine the accuracy, timeliness, and legality of VAT accounting entries; promptly identify violations; conduct a high-quality audit; and improve the business entity's tax planning [8].

Drozd I. and Nazarova H. note that, in accordance with the requirements of the Tax Code of Ukraine, all VAT payers, when selling goods, works, or services to customers, must issue tax invoices for the sale amount including VAT in electronic form and must register them in the Unified Register of Tax Invoices (hereinafter the URTI) via the electronic office or using specialized software, such as "M.E.Doc," Art-Zvit Plus, "Accounting Online" from PrivatBank, iFin, and Sonata [4].

The introduction of martial law in Ukraine has led to changes in tax policy, particularly in the area of VAT administration. The problem is that a significant portion of business entities now face limited access to information systems, taxpayers' electronic accounts, and source documentation. This makes it impossible to comply with the deadlines and procedures established by law for determining tax liabilities (TL) and tax credits (TC), leading to violations of tax discipline, financial penalties, and the emergence of tax disputes [10].

Official documents, as amended in 2022–2025 (including the Tax Code of Ukraine, relevant Resolutions of the Cabinet of Ministers of Ukraine, Letters from the State Tax Service of Ukraine, and others). An analysis of scientific sources indicates that despite the existence of a significant body of work in the field of accounting, certain aspects of taxation, and internal audit, the issue of methodological support for the administration of VAT settlements during martial law remains insufficiently explored. Therefore, conducting a systematic study of the specific features of developing the accounting and information components of the administration and internal audit of VAT settlements will help fill this research gap and contribute to the development of practical recommendations for improving tax compliance, ensuring financial transparency, and strengthening the tax security of Ukrainian enterprises.

The purpose of this study is to systematize and critically analyze existing approaches, provide a scientific rationale, and develop practical recommendations for improving the administration, accounting, reporting, and control of value-added tax calculations within the enterprise management system.

VAT plays a leading role in the structure of tax revenues to the Ukrainian budget. The legal basis for its collection is defined in Section V of the Tax Code of Ukraine (Articles 180–211; hereinafter—TCU), which comprehensively regulates the scope of taxpayers, the object and tax base, the procedure for determining tax liabilities and tax credits, as well as the tax administration mechanism. The economic nature of VAT entails a combination of two key functions: a fiscal function, which consists in generating a significant portion of state budget revenues, and a regulatory function, aimed at influencing pricing, consumer demand, investment activity, and the development of specific sectors of the economy. A distinctive feature of this tax is its multi-stage collection mechanism, under which taxation occurs at every stage of the movement of goods, works, and services, while the final tax burden is effectively borne by the end consumer. The implementation of the tax credit principle eliminates the “tax cascade” effect and prevents the double taxation of the same value.

From an accounting perspective, VAT is not recognized as an expense or revenue of the business entity, since the company acts solely as a tax agent of the state, collecting the tax as part of the selling price and remitting it to the budget. In the accounting system, VAT amounts are recorded as current tax liabilities or accounts receivable (the right to a tax credit or budget refund) provided they are directly related to the taxpayer’s economic activity. This approach is consistent with the principle of VAT neutrality. This principle is also enshrined in international tax practice, specifically in Council Directive 2006/112/EC of November 28, 2006, “On the Common System of Value Added Tax” [3], the provisions of which are being gradually implemented into Ukraine’s national tax legislation.

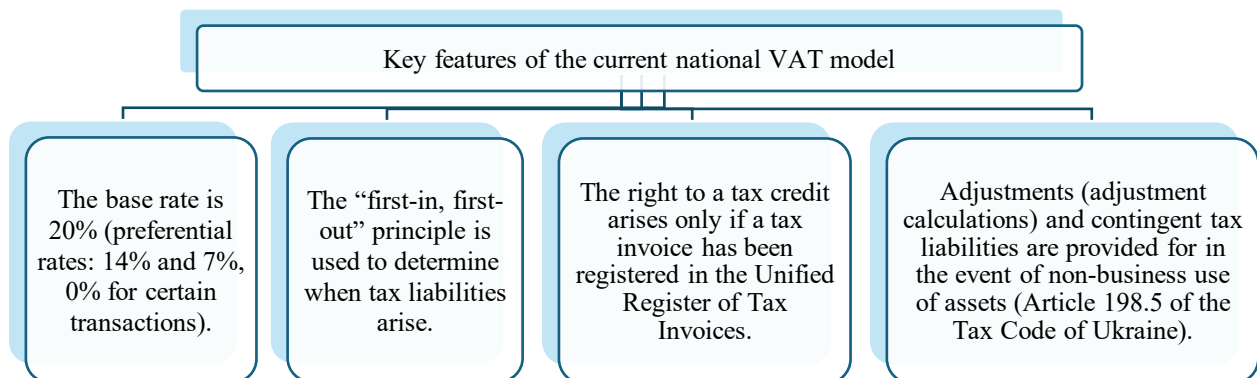
Value-added tax is one of the most important forms of indirect taxation in modern tax systems and a fundamental instrument of fiscal policy in most countries around the world. The development of this tax concept is associated with the name of the French economist and tax inspector Maurice Lauré, who in 1954 justified the feasibility of introducing VAT as an alternative to the turnover tax in order to eliminate the negative “cascade effect” of multiple taxation of goods as they move from the manufacturer to the final consumer [5].

In the second half of the 20th century, VAT became widely adopted in Western European countries and was subsequently implemented in most countries around the world. An important step in its institutionalization was the adoption in 1977 of European Economic Community directives on the harmonization of national consumption tax systems, the provisions of which were codified in Council Directive 2006/112/EC “On the Common System of Value Added Tax” [3]. Today, VAT is applied in more than 160 countries and is considered the dominant model of indirect taxation [13].

In Ukraine, VAT was introduced in 1992 as part of the transformation of the tax system and the transition from a command economy to a market economy. It replaced the turnover tax, which did not comply with the principles of neutrality and economic efficiency. The key characteristics of the national tax model are shown in

Figure

1.



**Figure. 1.** Key characteristics of the current national VAT model

Source: compiled by the authors based on [6].

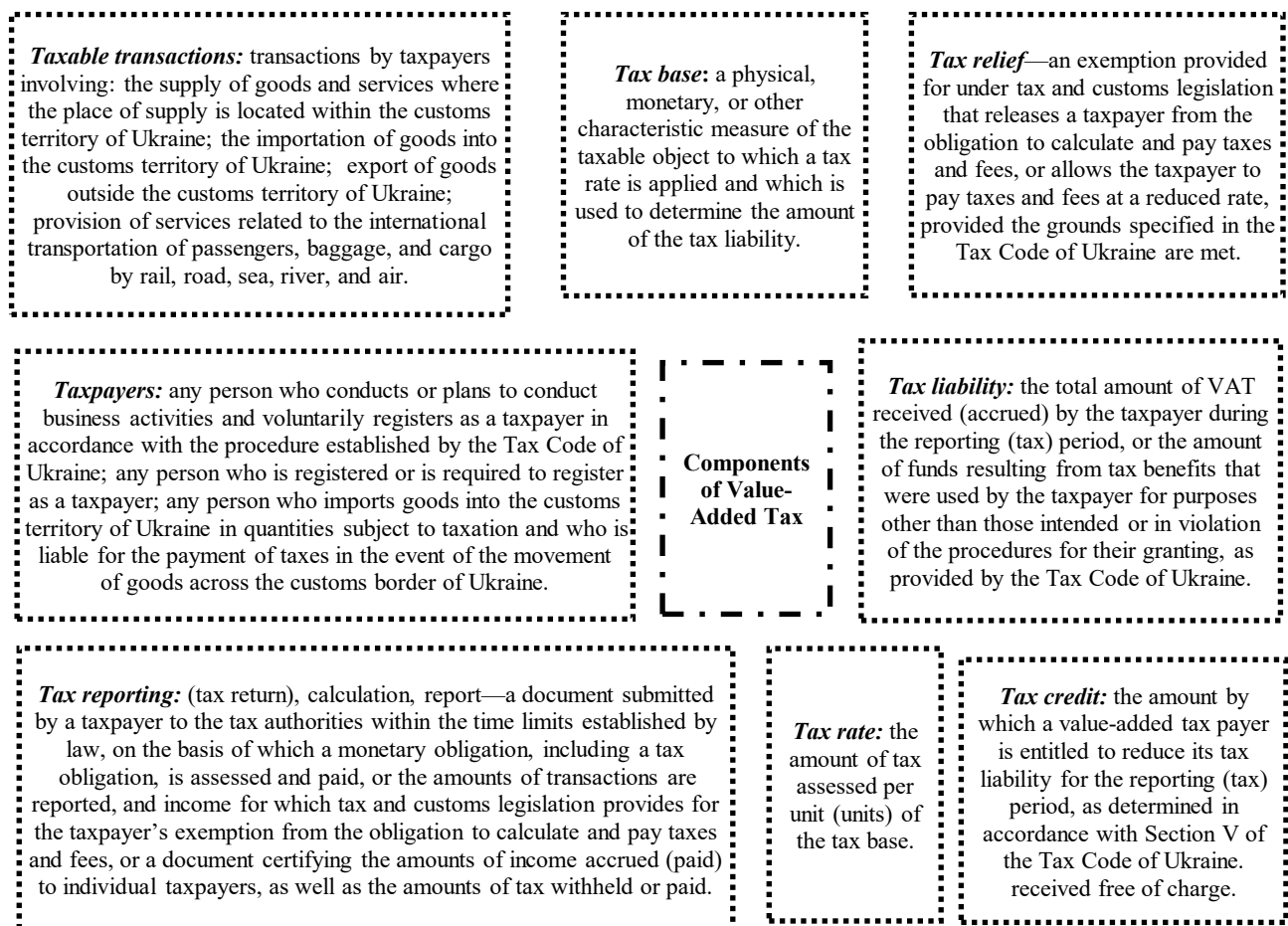
In today’s environment of digitized accounting processes, the organization of VAT accounting is characterized by significant variability in methodological approaches, which is due to differences in the scale

of operations of individual business entities, industry-specific characteristics, the structure of business transactions, and the level of development of accounting information systems. The approach to recording VAT in the accounting records of an individual business entity is shaped not only by the requirements of tax legislation but also by the needs of management accounting, internal control, and tax compliance.

The choice of a specific accounting model is directly linked to the existing technical capabilities of the software used by the company to automate its financial and business operations. Modern accounting software products and integrated ERP systems facilitate the implementation of various VAT accounting algorithms—ranging from basic ones focused on generating standardized tax reports to advanced ones that provide detailed analytics by transaction type, tax rates, organizational units, counterparties, and asset utilization categories. From a scientific and practical perspective, the choice of a VAT accounting model should be viewed as a separate component of a company’s accounting policy and the result of a trade-off between the costs of tax administration and the required level of reliability, analytical value, and controllability of relevant tax information. Insufficient detail in accounting increases the likelihood of tax errors and financial penalties, while excessive complexity of accounting procedures can lead to higher transaction costs without a proportional increase in the effectiveness of tax control components.

The procedure for accounting for VAT is determined by a set of provisions in tax and financial accounting legislation, with the Tax Code of Ukraine playing a central role. Its provisions establish the rules for recognizing tax liabilities and tax credits, the procedure for adjusting tax amounts, and the mechanism for paying them to the budget. For practicing accountants, the Tax Code of Ukraine serves as the fundamental regulatory framework for organizing VAT accounting and preparing tax returns.

The current provisions of the Tax Code of Ukraine define value-added tax as an indirect tax that is assessed and paid in accordance with the provisions of Section V of the Tax Code. The structure of the components of value-added tax is illustrated in Figure 2.



**Figure. 2.** Components of Value-Added Tax  
Source: compiled by the authors based on [18]

The Tax Code of Ukraine sets VAT rates as a percentage of the tax base for various business transactions (20%, 14%, 7%, 0%) (Figure 3).



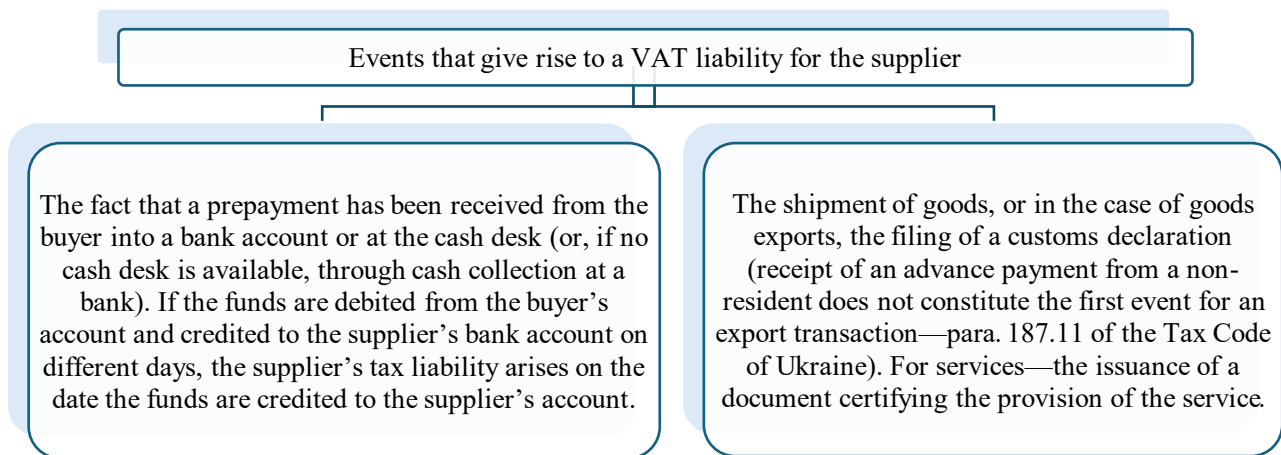
**Figure 3.** VAT rates for various business transactions  
Source: compiled by the author based on [18]

The VAT tax base for transactions involving the supply of goods or the provision of services is determined, in accordance with paragraph 188.1 of the Tax Code of Ukraine, based on their contractual value,

which includes national taxes and fees. This approach ensures that accounting and tax figures reflect the actual economic conditions of business transactions and contributes to the formation of a reliable tax base.

The legislation provides for a number of exceptions that are not taken into account when determining the tax base. In particular, the following are not included: excise tax on the sale of excisable goods by retail businesses; the mandatory state pension insurance contribution levied on the cost of mobile communication services; VAT amounts, as well as excise tax on ethyl alcohol used for the production of medicines, blood components, and preparations made from them, and others. When determining the tax base, special attention must be paid to transactions for which the Tax Code of Ukraine establishes minimum thresholds. Thus, the tax base cannot be lower than: the purchase price—for goods (services) previously acquired by the enterprise; the normal price—for goods (services) produced in-house; the book (residual) value—for non-current assets being sold, determined based on accounting data as of the beginning of the reporting (tax) period in which the supply takes place.

In accordance with the provisions of the Tax Code of Ukraine, under general circumstances, the supplier's VAT liabilities arise on the date of the first of the following events (Figure 4).



**Figure 4.** Events that give rise to a VAT liability for the supplier  
Source: summarized by the authors based on [7,18].

The reporting period for preparing and filing a VAT return for all registered taxpayers is the calendar month. The amount of tax liability declared by the taxpayer in the VAT return is payable to the budget within 10 calendar days following the deadline for filing such a return. The Tax Code of Ukraine defines a tax credit as the amount by which a VAT payer is entitled to reduce the tax liability for the reporting period. We will identify the conditions for recognizing the tax credit amount and the date of its recognition. Article 198 of the Tax Code of Ukraine sets forth the rules for the entitlement to a VAT tax credit (Figure 5).

In accordance with the provisions of the Tax Code of Ukraine, a tax credit is recognized regardless of the actual use of purchased goods, materials, works, services, or fixed assets within the scope of taxable transactions during the reporting period, and regardless of whether the taxpayer carried out such transactions during that period. This approach is consistent with the accrual principle established in the accounting system and ensures the continuity of the VAT payer's tax credit accrual.

The main condition for recognizing tax credit amounts is the existence of a tax invoice duly registered in the Unified Register of Tax Invoices (URTI). Registration of such an invoice confirms the payer's right to include the corresponding VAT amounts in the tax credit, regardless of when the goods or services are actually used in their own business activities. In the case of importing goods into the customs territory of Ukraine, the right to a tax credit arises on the basis of a customs declaration confirming the payment of VAT to the budget.

This applies to both primary and temporary, supplementary, and other types of customs declarations prepared in accordance with the requirements of customs legislation. In addition, the Tax Code of Ukraine specifies a list of documents that may serve as a basis for claiming a tax credit without a tax invoice. Such documents include:

- ✓ transportation tickets, hotel bills, bills for telecommunications or other services (the cost of which was determined based on meter readings) that include the total payment amount, the tax amount, and the supplier’s tax identification number (except for international-standard documents);
- ✓ cash register receipts that include the amount of goods or services received, the total VAT amount, as well as the supplier’s fiscal and tax numbers. However, the total amount of such transactions may not exceed 200 hryvnias (excluding VAT) per day [18].

The purchase or production of goods and services.	Receipt of services provided by a non-resident within the customs territory of Ukraine, and in cases where the place of supply of the services is the customs territory of Ukraine.
Amounts eligible for a VAT tax credit:	
The acquisition (creation) of non-current assets (including in connection with the acquisition or importation of such assets as a contribution to the authorized capital, or upon the transfer of such assets to the balance sheet of a taxpayer authorized to maintain records of the results of joint activities).	The importation of goods or non-current assets into the customs territory of Ukraine (including non-current assets under operating or finance lease agreements).

**Figure 5.** Amounts eligible for a VAT tax credit  
Source: compiled by the authors based on [18].

The date on which the actual right to a tax credit arises is determined according to the “earlier of” rule, i.e., it is the earlier of the following dates: the date on which funds are debited from the taxpayer’s bank account to pay for materials, goods, work, or services; or the date on which the taxpayer receives the relevant materials, goods, work, or services. At the same time, the date of the tax credit’s formation directly depends on the timing of the tax invoice’s registration. If the tax invoice is registered on time, the right to a tax credit arises in the period of its issuance. In the event of late registration, the right to a tax credit arises no earlier than the reporting period in which the actual registration of the invoice in the Unified Register of Tax Invoices (URTI) took place. In accordance with the requirements of the Tax Code of Ukraine, the obligation to prepare and register a tax invoice for transactions involving the supply of goods or the provision of services rests with the VAT payer—the seller. It is the seller who is responsible for the correct preparation of tax invoices, their timely entry into the Unified Register of Tax Invoices (URTI), and the consistency of the invoices’ content with the data in the primary accounting documents. Failure to fulfill this obligation gives rise to financial liability and may result in the buyer losing the right to a tax credit. Under martial law, the legislature has established temporary (special) deadlines for the registration of tax invoices and adjustment calculations, which differ from the general deadlines set forth in Section 201.10 of the Tax Code of Ukraine. For clarity, Table 1 provides a comparative overview of the regular and temporary (martial law) deadlines for registering tax invoices and adjustment calculations.

**Table 1.** Deadlines for filing VAT invoices (VAT adjustment calculations)

Period for issuing tax invoices/credit notes	from the 1st to the 15th of the month (inclusive)	from the 16th to the last day of the month (inclusive)
Temporary registration deadlines in accordance with paragraph 89 of subsection 2 of Section XX of the Tax Code of Ukraine (applicable only during the period of martial law and for 6 months following its termination)	by the 5th day of the month following the month in which the tax invoice was issued	by the 18th day of the month following the month in which the tax invoice was issued
Permanent registration deadlines in accordance with Section 201.10 of the Tax Code of Ukraine (which were previously in effect and will be reinstated six months after the end of martial law)	by the last day (inclusive) of the month in which they were prepared	by the 15th (inclusive) of the month following the month in which they were prepared

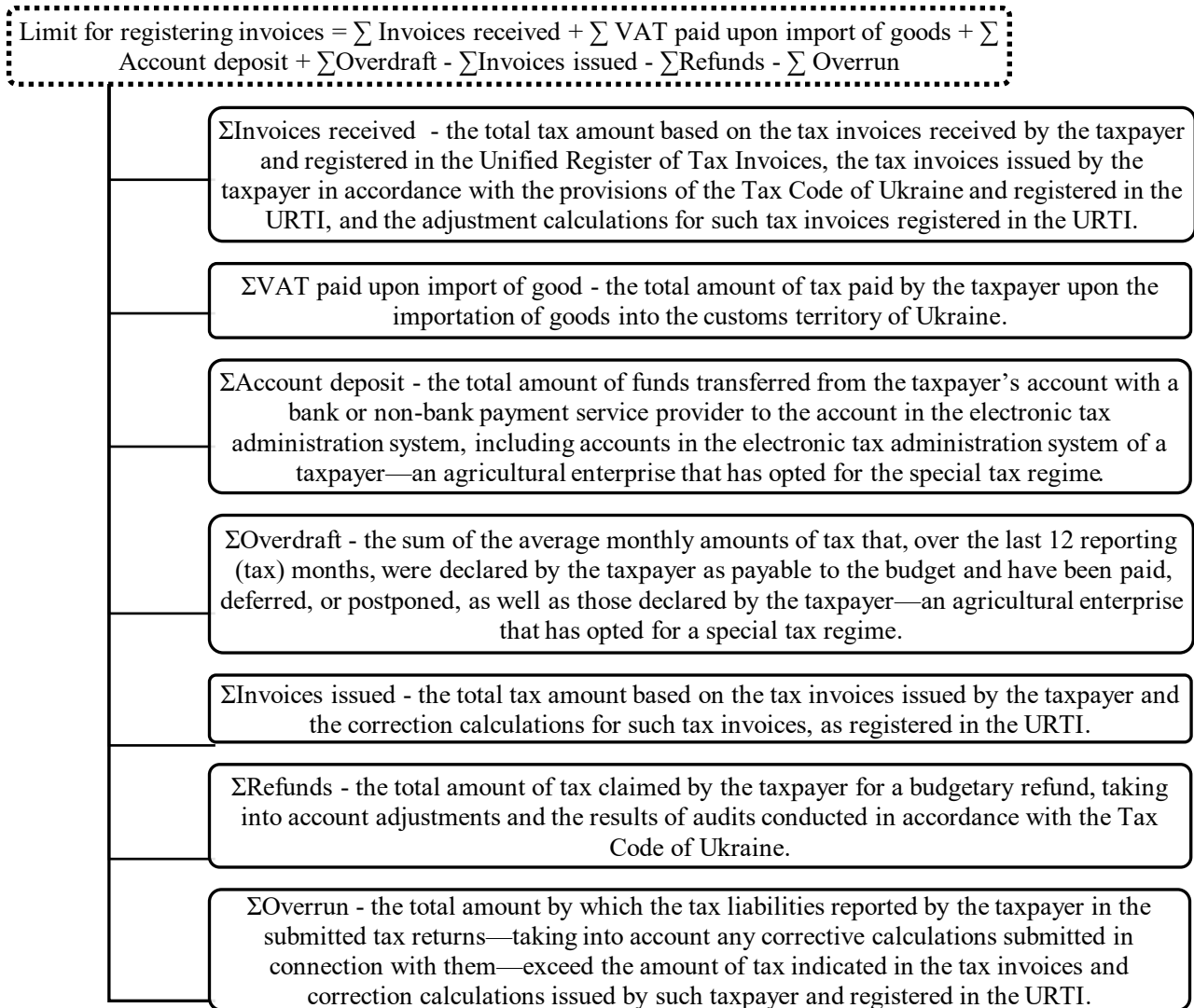
Source: compiled by the authors based on [18].

In the VAT system, the correct and timely preparation and registration of adjustment calculations (ACs) for tax invoices are of particular importance, as these documents ensure consistency between the underlying transactions and their tax implications. In accordance with the provisions of paragraph 201.10 of the Tax Code of Ukraine, the procedure for registering an AC depends on the nature of the adjustment (increase or decrease in tax liabilities) and the party making it. If the supplier issues a decreasing adjustment calculation, the obligation to register it falls on the buyer. The exact moment of registration of such a document determines the date from which the adjustment will affect the tax figures of both parties to the transaction. During the period of martial law, the legislation has introduced temporary (extended) deadlines for the registration of decreasing adjustment calculations—within 18 calendar days from the date of their receipt by the buyer. After the end of martial law and the transition period, the registration deadline reverts to 15 calendar days, in accordance with the general peacetime rules. Separate deadlines apply to compensatory and consolidated tax invoices, as well as adjustment calculations related to them. For such documents, registration must be completed within 20 calendar days following the last calendar day of the month in which they were issued.

The Electronic VAT Administration System (EVAS) is a modern tool for state financial control that combines organizational, informational, and technical mechanisms to facilitate transparent, automated VAT accounting. The implementation of this system has become one of the key stages in the reform of tax administration in Ukraine, aimed at minimizing abuses related to the calculation of tax credits and illegal budgetary VAT refunds. The main purpose of creating the VAT Electronic Administration System is to ensure transparency in the movement of tax amounts, improve taxpayers' compliance, and minimize the human factor in administrative processes. Pursuant to Article 200<sup>1</sup> of the Tax Code of Ukraine and the Procedure for Electronic VAT Administration, approved by Resolution of the Cabinet of Ministers of Ukraine No. 569 dated October 16, 2014, the VAT Electronic Administration System provides automated tracking for each VAT payer of the following indicators:

- ✓ tax amounts specified in registered (issued and received) tax invoices and correction calculations in the Unified Register of Tax Invoices;
- ✓ tax amounts paid upon importation of goods into the customs territory of Ukraine;
- ✓ amounts of replenishment and balances of funds in taxpayers' electronic accounts in the VAT EAS;
- ✓ tax amounts for which the taxpayer is entitled to register tax invoices and credit notes in the Unified Register of Tax Invoices (the so-called "registration limit").

A special electronic account is automatically opened for each VAT payer in the VAT Electronic Administration System (SEA VAT), which is intended exclusively for settlements with the budget. Timely funding of this account will ensure the ability to register tax invoices and pay agreed-upon tax liabilities. An important element of the system is the automatic control over the registration of tax invoices and correction calculations. All documents are verified online for authenticity, compliance with the format, and the availability of the registration limit. Within the framework of the VAT SEA, special attention is paid to calculating the registration limit ( $\sum \text{Invoices}$ )—a conditional (virtually calculated) indicator that determines the amount of VAT for which the taxpayer is entitled to register tax invoices and adjustment calculations in the Unified Register of Tax Invoices. The formula for calculating this indicator is shown in Figure 6.



**Figure. 6.** Formula for calculating the limit within which a taxpayer is entitled to register tax invoices or adjustment calculations in the Unified Register of Tax Invoices ( $\sum$  Limit for registering invoices)  
 Source: summarized by the authors based on [18].

The formula for calculating the registration limit includes a number of indicators, each of which affects the final value in a different way—some increase the available limit for registering tax invoices (correction calculations), while others, conversely, decrease it. Accordingly, the registration limit ( $\sum$  Limit for registering invoices) is not a real monetary amount, but a calculated indicator generated automatically in the information system based on data regarding the business transactions of an individual VAT payer. To facilitate control over their own tax indicators, each VAT payer has the opportunity to obtain information about the status of their registration limit in electronic form. To this end, a request is submitted using Form F/J1301206, after which the tax authority generates an extract from the VAT Electronic Administration System using Form F/J1401206. This extract contains detailed data regarding: the balance of funds in the electronic account; the current values of the calculation indicators for the limit formula; the amount of tax for which this taxpayer is entitled to register tax invoices; the amount of account replenishment and tax paid upon importation of goods (works, services).

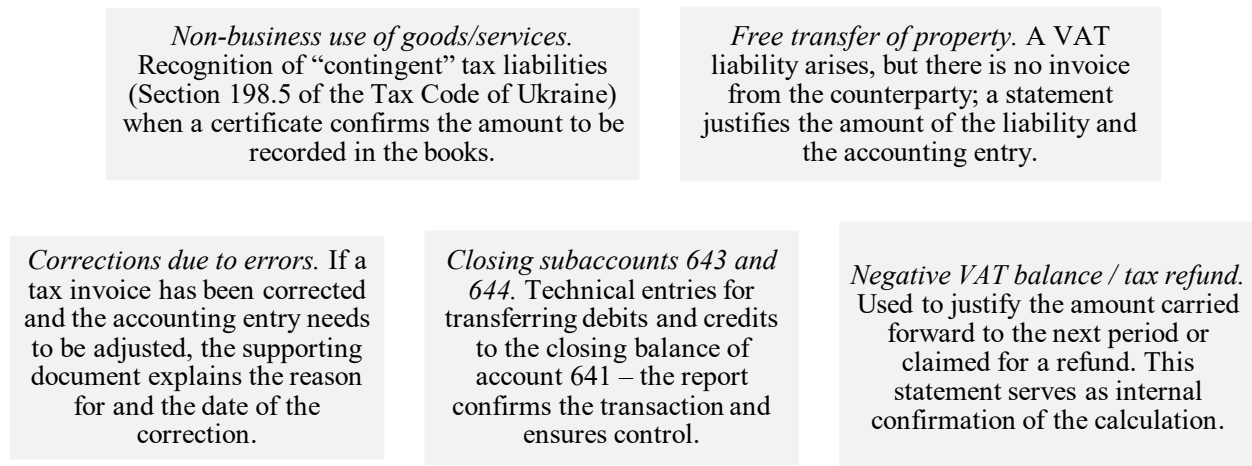
At the same time, the methodology for recording VAT transactions in the chart of accounts is governed by the provisions of the Instructions on the Application of the Chart of Accounts for the Accounting of Assets, Capital, Liabilities, and Business Transactions of Enterprises and Organizations, approved by Order of the Ministry of Finance of Ukraine No. 291 dated November 30, 1999 [9]. In accordance with the aforementioned

regulatory document, VAT amounts are accounted for using the following subaccounts: 641 “Tax Settlements”; 643 “Tax Liabilities”; 644 “Tax Credit”; 315 “Special Accounts in National Currency.”

Subaccount 641 is used to summarize information on an individual enterprise’s settlements with the budget for all types of taxes and fees, which makes it advisable to break it down in analytical accounting. From a practical standpoint, it is reasonable to open separate analytical accounts for value-added tax (for example, 641.1 “VAT Settlements,” 641.2 “Income Tax Settlements,” 641.5 “Other Taxes”. Subaccounts 643 “Tax Liabilities” and 644 “Tax Credit” serve to temporarily accumulate information on existing VAT amounts subject to payment to the budget or refund (offset) as part of the tax credit. Their use allows for the differentiation of tax figures based on the timing of tax consequences and ensures control over the correct preparation of the VAT tax return.

Business entities independently establish their own accounting policies based on the National Accounting Standards (NAS) or International Financial Reporting Standards (IFRS), as well as other regulatory and legal acts in the field of accounting. The enterprise is responsible not only for determining the methods of valuation and recognition of accounting items but also for establishing the procedure for analytical and synthetic accounting, including the possibility of introducing additional subaccounts. It is advisable to codify the procedure for implementing new subaccounts and specific rules for their application in the accounting policies of individual business entities, which will ensure consistency in accounting methodology, internal consistency of information, and enhance the reliability of accounting data in the event of tax audits or financial audits.

In the practice of value-added tax accounting, it is quite common for business transactions or accounting events not to be supported by source documents in the traditional sense (such as delivery notes, work completion certificates, tax invoices, etc.), yet they must still be recorded in the accounting system. This applies, in particular, to cases of internal settlements, tax credit reallocation, accrual of offsetting tax liabilities, correction of errors, annual recalculation of the proportion of goods/services used in taxable transactions, and other adjustment procedures. In such circumstances, the appropriate instrument for documentation is an accounting certificate, a type of primary document prepared by the enterprise itself. The legal grounds for its use are defined by Article 9 of the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” dated July 16, 1999, No. 996-XIV, according to which the basis for accounting for business transactions is primary documents containing mandatory details and recording the fact of the transaction. Typical cases of using an accounting certificate when performing VAT accounting operations are summarized in Figure 7.



**Figure 7.** Typical cases of using an accounting reference when performing VAT accounting transactions  
Source: summarized by the author based on [6,18].

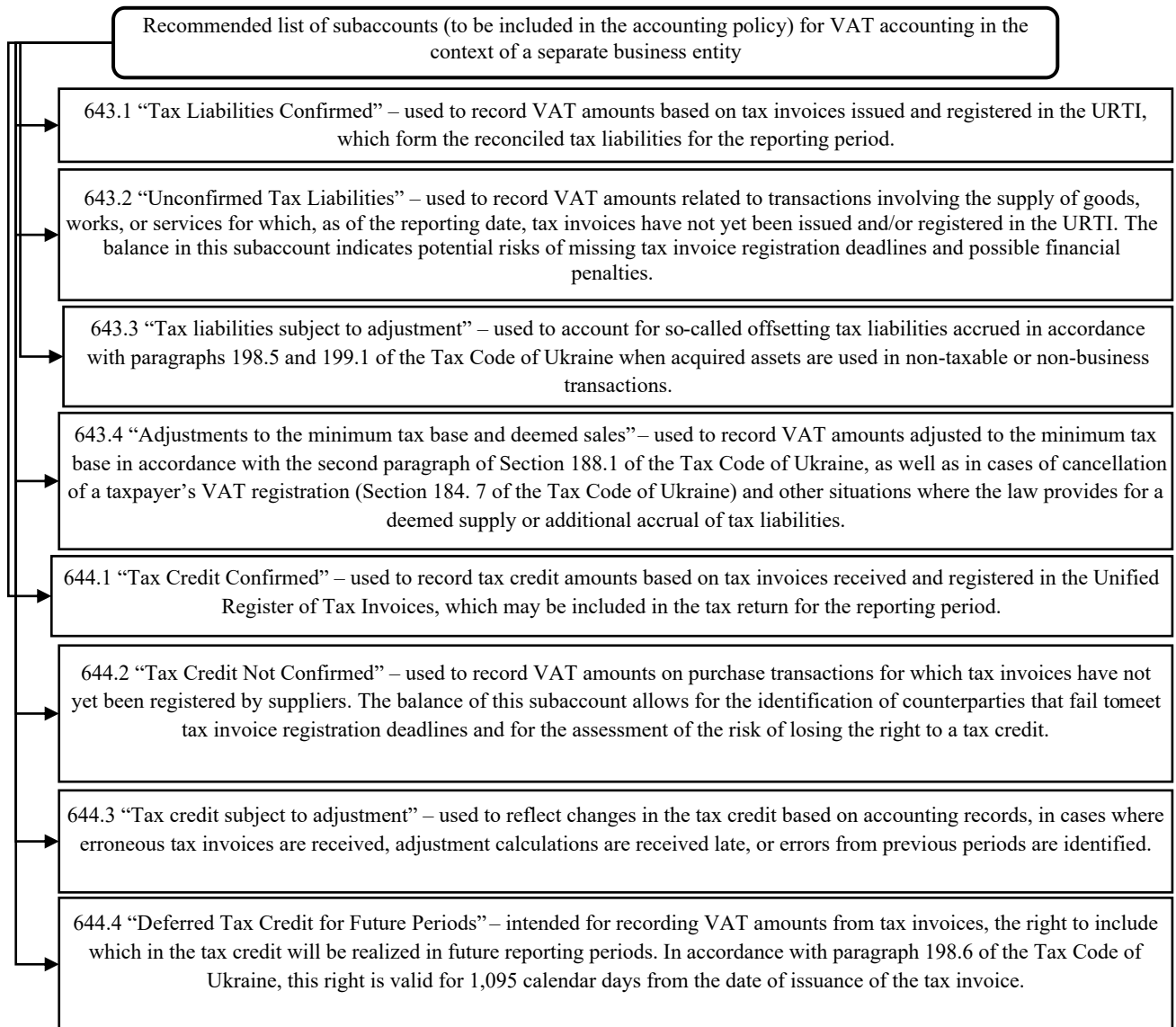
In the practice of VAT accounting, an accounting note serves as an important internal source document used to properly document transactions that are not always supported by separate source documents or that require additional calculations and justifications. In such situations, an accounting note serves as a tool for the accountant’s professional judgment, allowing for the formalization of calculations, the recording of the basis and algorithm for determining amounts, and ensuring logical consistency between the financial and tax components of accounting. The need to prepare accounting notes in VAT accounting is illustrated in Figure 8.

<p><i>Documentary evidence of a business transaction.</i> In the event of a tax audit, an accounting statement serves as valid proof of the legitimacy of entries made in the accounting records. It includes calculations, references to regulatory provisions, and an explanation of the economic substance of the transaction, thereby minimizing the risk of additional tax assessments.</p>	<p><i>Ensuring the transparency and soundness of accounting decisions.</i> The supporting documentation demonstrates the logic behind the accountant’s professional judgment, identifies the sources of the figures, and explains the methods used to calculate them. This enhances the quality of internal controls and promotes the clarity of accounting information for management, auditors, and regulatory authorities.</p>
<p>The Need to Prepare Accounting Documents for VAT Accounting:</p>	
<p><i>Strengthening the control function of accounting.</i> The systematic preparation of accounting reports helps prevent the accumulation of “unresolved” or economically unjustified balances in subaccounts 643 and 644, enables the timely detection of errors, and ensures the accuracy of VAT analytical accounting.</p>	<p><i>Legal protection for businesses.</i> An accounting statement serves as a primary document provided that it complies with the established requirements for its preparation. It has evidentiary value in administrative and judicial disputes, confirming the taxpayer’s good faith and the proper organization of the accounting process.</p>

**Figure. 8.** *The need to prepare accounting reports for VAT accounting support*  
 Source: summarized by the author based on [6,18].

Analytical accounting for value-added tax is maintained by each subaccount and individual accounting objects (counterparties, contracts, tax invoices, adjustment calculations, etc.), for example, in the format “641.1 VAT by Suppliers.” This approach helps ensure the ability to identify the source of each tax credit or tax liability, establish a link between accounting entries and the corresponding source documents, and verify the fact and timing of tax invoice registration in the URTI. From a methodological standpoint, analytical accounting performs explanatory and control functions, answering the question “where does the amount come from,” while synthetic accounting summarizes the available information in a condensed form to generate financial and tax reporting indicators. The interaction between the analytical and synthetic levels of accounting is a necessary prerequisite for ensuring the accuracy of tax calculations and minimizing the risk of errors when preparing VAT returns.

To optimize the informative value of accounting and strengthen internal tax control, it is advisable to implement a detailed breakdown of additional subaccounts for tax liabilities and tax credits, specifically within accounts 643 “Tax Liabilities” and 644 “Tax Credits” (Figure 9). Such a breakdown should be appropriately reflected in the accounting policies of the individual business entity [11].



*Figure. 9. Recommended list of subaccounts (as reflected in the accounting policy) for VAT accounting in the context of a separate business entity's operations  
Source: compiled by the author based on [6,9,18]*

The implementation of this system of synthetic and analytical accounts will enable the creation of a structured database tracking VAT transactions, ensure transparency in tax calculations, improve the quality of internal controls, and reduce the likelihood of tax disputes with regulatory authorities.

Subaccount 315, “Special Accounts in National Currency,” has taken on particular scientific and practical significance; it was introduced into accounting practice in connection with the implementation of the Electronic VAT Administration System (EVAS). This account records funds held in the electronic VAT account opened by the State Treasury Service of Ukraine for each taxpayer. The economic essence of this account lies in the segregation of funds intended exclusively for settlements with the budget regarding value-added tax, which limits the possibility of their alternative use in the operational activities of an individual business entity. The introduction of electronic VAT administration has significantly transformed both the mechanism of tax control and the methodology of accounting for relevant transactions. As a result, account 315 has become a key element of the tax compliance system, ensuring the interconnection between accounting, tax reporting, and cash flows within the VAT Electronic Administration System. Accordingly, the organization of VAT accounting in Ukraine is based on a combination of current tax legislation, IFRS National Accounting Standards, and the Chart of Accounts. Subaccount 315 is intended exclusively for recording funds in the

electronic VAT account and is not used for direct control of the registered VAT amount. The main transactions on the electronic VAT account are shown in Table 2.

**Table 2.** Movement of Funds in the Electronic VAT Administration System

№	Operation	Debit	Loan
1	Funds have been transferred from the checking account to the electronic VAT account	315	311
2	The agreed amount of tax liabilities has been debited from the electronic VAT account	641.1	315
3	Funds have been returned to the current account from the electronic VAT account (budget refund or overpayment)	311	315

Source: compiled by the authors based on [9].

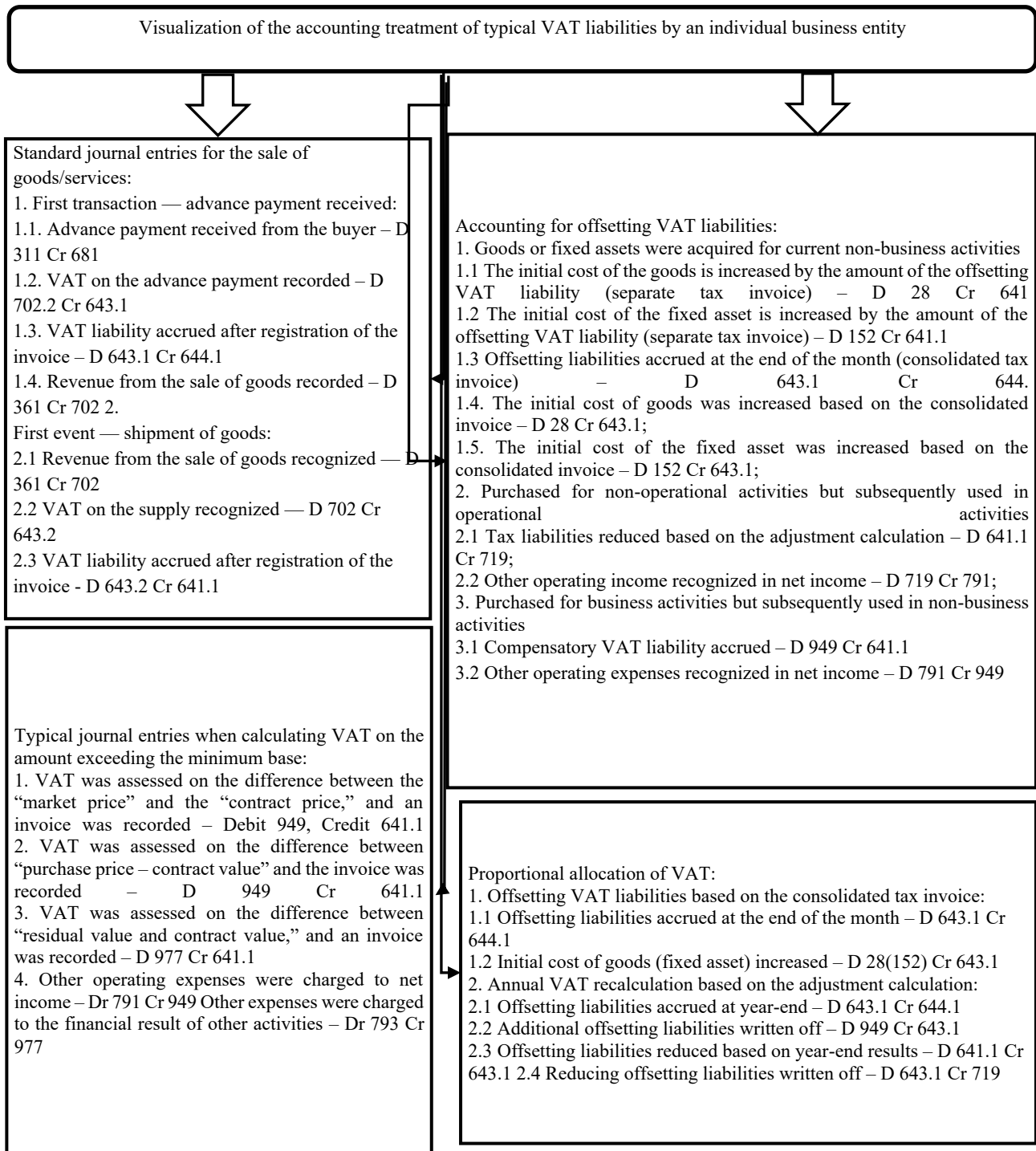
Figure 10 illustrates the accounting treatment of input VAT by an individual business entity.

As with the calculation of tax credits, analytical subaccount 643.2, “Unconfirmed Tax Liabilities,” is used to record VAT amounts that have not yet been confirmed by tax invoices registered in the URTI. Figure 11 illustrates the accounting treatment of typical VAT tax liabilities for a separate business entity.

At the same time, compliance with the requirements regarding the minimum tax base is of key importance in the context of VAT taxation. According to paragraph 188.1 of the Tax Code of Ukraine, the tax base for transactions involving the supply of goods and services cannot be lower than: the purchase price—for purchased goods and services; the normal price—for self-produced goods; or the book (residual) value—for non-current assets [18]. Thus, when recognizing revenue and calculating VAT liabilities, the accountant is required to perform a comparative analysis of the contract price against the established minimum tax base. If the contract value is lower than the minimum tax base specified by the Tax Code, there is an obligation to adjust VAT liabilities upward. From an accounting perspective, such amounts must be recorded as part of the company’s expenses. If the adjustment is not related to transactions involving non-current assets, subaccount 949 “Other Operating Expenses” is used. However, in cases where the additional assessment relates to the supply or disposal of non-current assets, subaccount 977 “Other operating expenses” is used.

The procedure for calculating the VAT tax credit is of particular importance. According to paragraph 198.3 of the Tax Code of Ukraine, the amount of “input” tax paid or accrued as part of the cost of purchased goods, works, services, or non-current assets is included in the tax credit in full, regardless of the nature of their subsequent use—whether in economic activities, in transactions exempt from taxation, or in those not subject to VAT. At the same time, if assets acquired subject to VAT are intended for subsequent use in non-business activities or in non-taxable transactions, the taxpayer is required to recognize offsetting tax liabilities, a concept referred to in economic literature and practice as a “conditional sale” (para. 198.5 of the Tax Code of Ukraine). The timing of such liabilities depends on the nature of the assets’ use: upon initial acquisition for non-taxable transactions—on the date of acquisition; upon a change in use from taxable to non-taxable—on the date of the actual commencement of such use. All amounts of “input” VAT are initially reflected as part of the tax credit. However, in the case of partial use of goods, services, or non-current assets in taxable and non-taxable transactions, the enterprise is required to accrue tax liabilities in proportion to the share of non-taxable use. This mechanism is designed to ensure compliance with the principle of VAT neutrality and prevent unjustified tax credits. The final step is an annual recalculation of the proportion of asset usage in taxable transactions, based on the results of which previously accrued tax liabilities or tax credits are adjusted. This adjustment is formalized by preparing and registering the corresponding adjustment calculation in the URTI in accordance with the requirements of paragraph 199.4 of the Tax Code of Ukraine. This ensures the reconciliation of data between the accounting and tax components of record-keeping and enhances the reliability of the figures in the company’s relevant reporting forms.



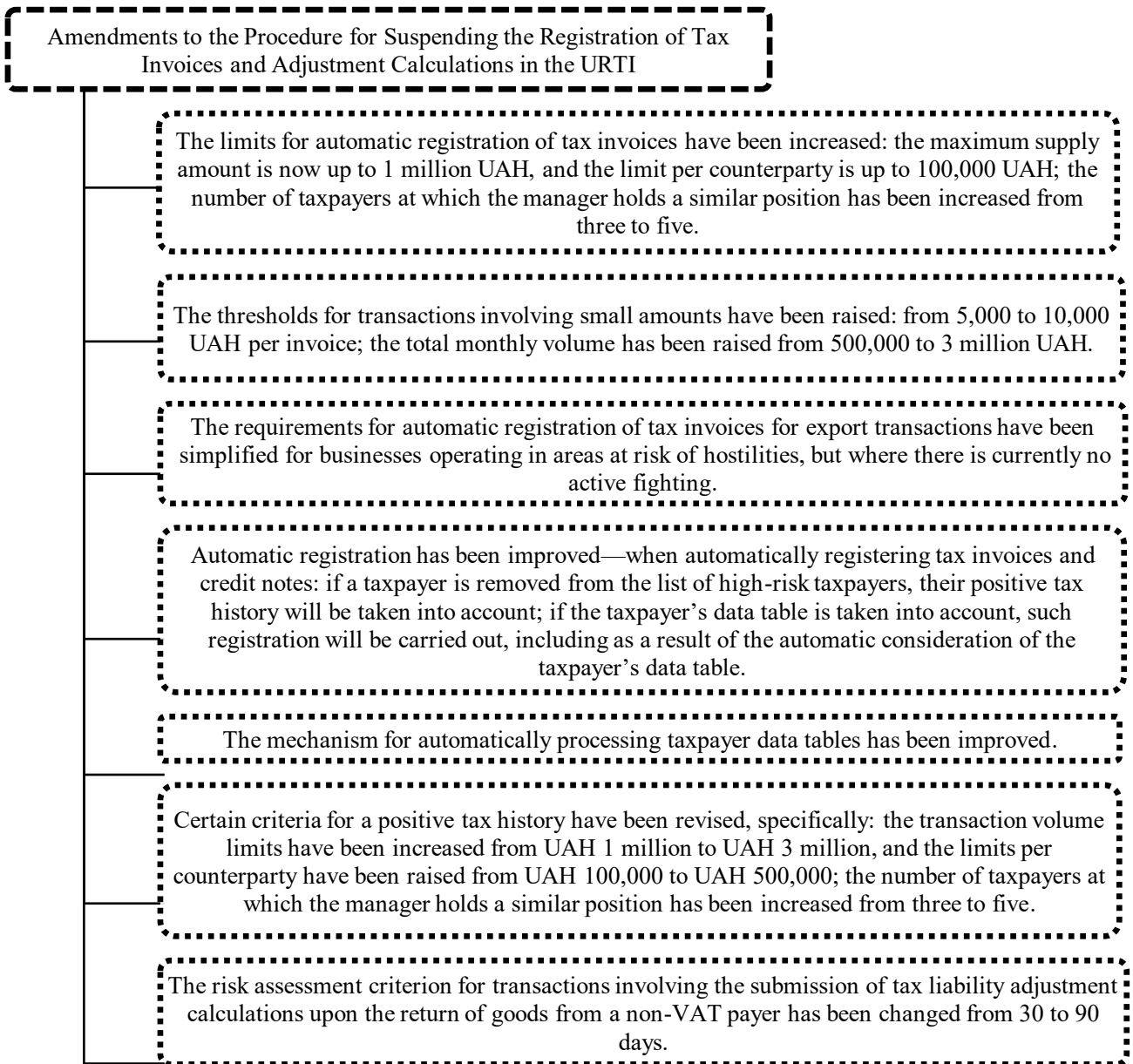


**Figure. 11.** Visualization of the accounting treatment of typical VAT liabilities by an individual business entity

*Source: compiled by the author based on [9,18].*

Effective September 27, 2025, amendments to the “Procedure for Suspending the Registration of Tax Invoices and Adjustment Calculations in the URTI,” approved by Resolution No. 1048 of the Cabinet of Ministers of Ukraine dated August 26, 2025, came into force. These changes represent another step by the state toward improving the VAT administration system and enhancing trust between businesses and tax authorities. The primary goal of the updated Procedure is to reduce the number of cases of unjustified blocking of tax invoices, as well as to increase the transparency and predictability of the process for monitoring high-risk transactions. Legislators aim to

ensure a fairer balance between the needs of fiscal control and the rights of conscientious taxpayers. The main transformative changes to this Procedure are grouped and illustrated in Figure 12



**Figure. 12.** *Amendments to the Procedure for Suspending the Registration of Tax Invoices and Adjustment Calculations in the URTI*

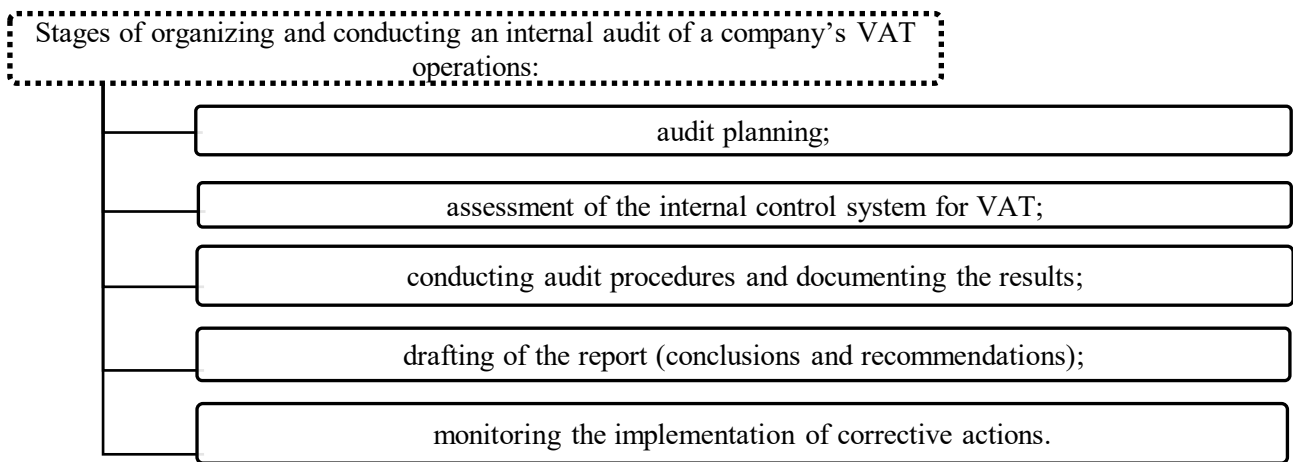
*Source: compiled by the authors based on [18].*

In the context of the development of a modern tax administration system, these innovations can be viewed as a step toward the digital transformation of VAT control processes and the creation of a more favorable tax environment for honest businesses. In the face of instability and changes to the regulatory framework during martial law, internal audit becomes a key element of a company’s tax security. The main areas of VAT audit for individual modern business entities are illustrated in Figure 13.

Verification of the correctness of determining tax liabilities based on the date of the first event (in accordance with Section 187.1 of the TCU).	Assessment of the validity of including VAT amounts in the tax credit (Sections 198.3–198.6 of the TCU).
Key Areas of Internal Auditing of a Company’s VAT Transactions:	
Analysis of the Timeliness of Tax Invoice Registration (Section 201.10 of the TCU).	Verification of the completeness of accounting records and reconciliation with the VAT return.

**Figure. 13.** Main areas of internal audit of a company’s VAT transactions  
 Source: summarized by the authors based on [18].

The stages of organizing and conducting an internal audit of a company’s VAT operations are shown in Figure 14.



**Figure. 14.** Stages of organizing and conducting an internal audit of a company’s VAT operations  
 Source: summarized by the author

In the context of war-related risks, the likelihood of errors in tax reporting increases significantly due to limited access to documents, disruptions in electronic systems, and frequent changes to the regulatory framework. Internal audit is designed to identify risks of inaccurate VAT reporting in accounting and financial statements, as well as to improve tax compliance within a specific business entity. The application of analytical procedures at every stage of the internal audit enables the auditor to comprehensively assess the level of audit risk and materiality, determine the entity’s ability to continue operations on a going-concern basis, and analyze the impact of internal and external factors on deviations of actual indicators from normative, optimal, or legally established values. This approach allows not only for the timely identification of potential problem areas in the accounting and control system but also for the formulation of well-founded recommendations to address identified deficiencies and improve the effectiveness of managing the enterprise’s financial and economic activities. [12]. To facilitate effective quality control of VAT transactions, among other important components, the internal auditor must develop a risk matrix that identifies potential violations, consequences, and appropriate corrective actions. An excerpt from the relevant working document (risk matrix) is presented in Table 3.

Based on the study conducted, we can note that a significant portion of tax compliance violations during martial law are linked specifically to inadequate internal audit processes. It has been established that the timely implementation of control procedures (daily reconciliation of the Unified Register of Taxpayers, audits of debtor-counterparties, and electronic monitoring of tax returns) helps reduce the risk of penalties.

**Table 3.** Risk Matrix for the Internal Audit of VAT Accounting Records (excerpt)

No	Potential violation	Potential consequences	Auditor's Recommendations
1	Failure to register tax invoices in a timely manner	Fines, loss of the right to a tax credit	Keep a record of tax obligations
2	Lack of proper supporting documents	Denial of a tax credit	Backing up copies to cloud storage
3	Errors in the codes of the Ukrainian Classification of Goods for Foreign Economic Activity	Amendments to tax returns	Automated verification of tax invoices
4	Double-entry bookkeeping	Misrepresentation of financial statements	Breakdown of analytics by counterparty
<i>Other potential violations, consequences, and recommendations from the internal auditor</i>			

Source: compiled by the authors

The implementation of the proposed system of synthetic and analytical accounts for VAT accounting creates the conditions for establishing a comprehensive, logically structured information base regarding the movement of tax liabilities and tax credits. Clear breakdown of accounting indicators by transaction type, counterparties, asset usage categories, and tax periods ensures an adequate level of data analysis and consistency with tax reporting figures. High-quality interaction between the analytical and synthetic levels of accounting is a necessary prerequisite for ensuring the reliability of tax calculations and minimizing the risk of errors when preparing the VAT return. The consolidated accounting and reporting support, as well as the components of control over a specific business entity's VAT calculations, are presented in Table 4.

**Table 4.** Accounting and reporting procedures, and components of VAT calculation controls for an individual business entity

Accounting and Reporting Support	Individual reconciliation components			
	Tax credit	Tax liabilities	Determining the result	Payment / Reimbursement
Analytical accounting (tax invoices / adjustment calculations, counterparties)	Received tax invoices registered in the URTI	Tax invoices issued and registered in the URTI	Difference: tax liability – tax credit, as shown in the tax invoice register	–
Synthetic accounting (accounts)	Debit 641/VAT (account debit balance)	Credit 641/VAT (account credit balance)	Balance of subaccount 641/VAT	Reversal: Debit 641 – Credit 315/311
VAT Return (Selected Lines)	10 (Acquisition (manufacture, construction, erection, creation) of goods/services and non-current assets within the customs territory of Ukraine), 11 (Goods and non-current assets imported into the customs territory of Ukraine).	1.1 (Transactions subject to the standard tax rate), 1.2 (Transactions subject to a 7% tax rate), 1.3 (Transactions subject to a 14% tax rate); (Appendix 1).	18 (The positive amount of the difference between the tax liability and the tax credit for the current reporting (tax) period, payable to the state budget), 19 (The negative amount of the difference between the tax liability and the tax credit for the current reporting (tax) period), (Appendix 2).	20.1 (Offset against the amount of VAT tax liability) (Appendix 2) / 20.2 (Eligible for budgetary reimbursement), (Appendices 2, 3).

Source: compiled by the author based on [6,18].

Having detailed accounting records makes it possible to substantiate the accuracy of the tax base, tax credit amounts, and tax liabilities, as well as the figures in the VAT return, which significantly reduces the likelihood of tax disputes with the tax authorities.

One of the most common issues in accounting practice is the incorrect recording of tax invoices. In some cases, a tax credit may be recognized immediately upon receipt of goods or services, even if the tax invoice has not yet been registered in the URTI. Such a practice contradicts the provisions of current tax legislation, according to which only a registered tax invoice serves as the basis for claiming a tax credit. The result of such actions is an overstatement of the tax credit and the creation of discrepancies between the data presented in the accounting records and the figures in the electronic VAT administration system.

Errors related to the accounting of VAT transit accounts are quite common. In particular, accounts 643 “Tax Liabilities” and 644 “Tax Credit” are sometimes not closed at the end of a given reporting period. The absence of adjusting or journal entries to transfer the relevant amounts to account 641 “Tax Settlements” leads to the emergence of unjustified balances, which distorts accounting figures and complicates their reconciliation with the tax return. In addition, in practice, the return is sometimes prepared based on auxiliary ledgers or spreadsheets without properly verifying the trial balance for account 641. As a result, discrepancies may arise between accounting and tax data, which regulatory authorities consider a violation during audits.

A separate category of risks involves transactions involving the recognition of contingent tax liabilities that arise when goods or services received are used in non-business activities. If such transactions are not documented with the appropriate accounting documentation and are not recorded in the relevant accounting entries, this leads to an understatement of tax liabilities and potential additional assessments following subsequent tax audits. Significant difficulties also arise when recording adjustment calculations for tax invoices. A common error is recording such transactions in the period when the business transaction occurred, rather than in the period when the adjustment calculation is registered in the URTI. This practice leads to a distortion of the data presented in the accounting records and discrepancies with the information in the generated tax registers. The accounting for transactions involving advance payments received also remains problematic. In some cases, accountants record only the receipt of funds from the buyer as a receivable, without accruing VAT liabilities under the current “first event” rule. This error leads to an understatement of tax liabilities in the business entity’s tax return. Monitoring the balance of funds in the special VAT account, recorded in subaccount 315, is of great importance. In the absence of regular reconciliation with data from the electronic VAT administration system, discrepancies may arise between the company’s accounting data and the corresponding information held by the tax authorities.

### **Conclusions**

This study analyzes the origins and stages of development of the value-added tax (VAT), identifies the key characteristics of the current national VAT model in Ukraine, and concludes that accounting policies, documentation, reporting, and control of VAT settlements are the focus of attention for both scholars and practitioners today, since the effectiveness of the VAT system largely depends on the quality of the accounting information generated. It was established that the operation of the electronic tax administration system has significantly transformed both tax procedures and the accounting methodology for relevant transactions. It is argued that modern accounting software products support the implementation of various VAT accounting algorithms—ranging from simplified models focused primarily on generating standardized tax reports to advanced systems that provide multidimensional analytics by type of business transaction, tax rates, structural units, counterparties, and asset utilization areas. This approach creates methodological prerequisites for increasing the informational value of accounting data and strengthening the control function of accounting. It has been proven that, from a scientific and practical perspective, detailed VAT accounting should be viewed as a component of tax compliance and an element of an enterprise’s tax risk management system.

It has been established that the accurate recording of transactions involving electronic VAT invoices in accounting creates the conditions for improving the reliability of tax calculations, reducing the likelihood of financial penalties, and ensuring an appropriate level of tax compliance among business entities. The paper illustrates the accounting treatment of input and output VAT using the example of a specific business entity, confirming the practical applicability of the proposed approaches.

It is substantiated that the systematic incorporation of provisions regarding VAT accounting support into an enterprise’s accounting policy contributes to increasing the transparency of accounting procedures, unifying methodological approaches, minimizing tax risks, and generating reliable information about financial performance. It is determined that an accounting reference in the field of VAT accounting is not a formal procedure, but an important element of the system of internal control, tax risk management, and legal protection of an individual enterprise. Its proper preparation indicates a high level of accounting organization and the professional responsibility of the accountant.

A list of subaccounts for synthetic and analytical VAT accounting in the context of an individual enterprise's operations is proposed, which can serve as a methodological basis for improving accounting practices and internal tax control.

The study revealed that the main risks in VAT accounting are associated with violations of requirements regarding documentary evidence for tax credits, improper use of transit accounts, a lack of regular reconciliation of accounting data with tax returns, as well as errors in recording adjustments, advance payments, and contingent tax liabilities. To minimize such risks, it is advisable to ensure that tax credits are generated exclusively on the basis of registered tax invoices, to conduct systematic reconciliation of analytical and synthetic VAT accounting with the figures in the return, to close transit accounts 643 and 644 in a timely manner, document all technical and adjusting transactions with accounting notes, and regularly reconcile the balances in account 315 with the data from the electronic VAT administration system.

Improving the VAT accounting system should be viewed not only as a technical element of the accounting process, but as a strategic tool for managing tax risks, increasing the transparency of accounting information, and ensuring the financial security of the enterprise amid growing fiscal control.

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