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STATE ASSISTANCE IN SUPPORTING ENTERPRISES DURING MARTIAL LAW

Introduction

The last year turned out to be extremely difficult both for the Ukrainian state as a whole and for business entities in particular. Along with the existing problems of enterprises functioning, new threats to have been caused by the intensification of hostilities and the introduction of martial law appeared. Such risks are primarily related to the damage or destruction of enterprises, the need for their relocation, the involvement of the property of enterprises to ensure the country's defense capability, the disruption of business relations with partners, the aggravation of financial and economic risks as a result of the loss of a significant share of income, exchange rate fluctuations, blocking of bank accounts, power outages, mobilization of personnel, etc.

In view of the above, the policy of state support of the subjects of this sector and the use of effective instruments by the state to stimulate their stable development and functioning has become of great importance for the stabilization and sustainable development of entrepreneurship.

Aim: determination of key directions and effective instruments of state support for ensuring the stable functioning of business entities in wartime.

The subject and research methods

Active development of entrepreneurship is a necessary condition for ensuring sustainable economic development in a market economy. This is the main basis for forming an effective competitive environment, improving the quality of life and promoting scientific and technical progress.

Problems of state regulation, support and stimulation of the development of entrepreneurship have always been in the center of attention of both domestic and foreign scientists. In recent years, such scientists as Olena Dykan, Olga Diachun [2], Liudmila Prokopets [12], Nataliia Frolova, Oksana Yakusheva [15], Victoria Strelets [14] and others devoted their research to this topic.

Thus, Victoria Strelets believes that in modern practice it is appropriate to single out two key directions in the field of state provision and support for the development of entrepreneurship: the direct ensuring development (through the introduction of government programs and the creation of support infrastructure) and indirect one (with the help of tax influence and other levers of an economic nature) [14].

According to Olga Dyachun, state support should be understood as state regulation of the small business sector, which involves, first of all, the conscious formation by state structures of appropriate conditions for the formation and development of small business, the creation of incentives, the use of material and financial resources that are attracted for its subjects [2, p. 87].

Lyudmila Prokorets under the concept of “state support of small business” understands any state measures of financial assistance in the interests of business entities that create direct or hidden advantages for these entities and have a monetary value [12, p. 73]. Among the key laws defining the legal and economic foundations of state policy in the field of small and medium-sized entrepreneurship development there is the Law of Ukraine “On the Development and State Support of Small and Medium-sized Enterprises in Ukraine.” Part 1 of Article 15 of the Law defines that state support for small and medium-sized business entities includes financial, informational, advisory support, including support in the field of innovation, science, industrial production, support for small and medium-sized business entities engaged in export activities, support in the field of training, retraining and advanced training of management and business personnel [11].

It should be noted that the majority of scientific research is related to the functioning of small and medium-sized economic entities.

At the same time, the modern “wartime” stage of economic development determines the need to form a special view on the nature of state support and stimulation of the development of entrepreneurship as a sphere that, on the one hand, is key to the economic growth of the country, and on the other hand, is constantly oppressed and burdened ineffective reforms and limitations of laws. The full-scale invasion of russia caused the need for prompt adoption by the Government of our country of a number of regulatory and legal documents in order to implement measures and programs to support and stimulate the development of entrepreneurship during martial law.

Russia’s war against Ukraine has a negative impact both on the state of the economy of our country as a whole, and on the activity and development of entrepreneurship in particular. If we talk about small and medium-sized enterprises, then, according to the survey of the European Business Association in 2022, the majority of enterprises report a drop in their revenues in US dollars: 29% of them saw a drop of up to 20%, 54% – a drop of 21% and more. Only 6%

of respondents reported no change, and another 11% can boast of an increase in income in such a difficult year.

This result turned out to be completely opposite to pre-war forecasts and business expectations: before the full-scale invasion, 83% of the companies of the European Business Association expected positive dynamics of their business development in 2022. At the end of the year, 83% had a fall.

Compared to October, the number of companies that felt the impact of missile attacks on their activities increased almost twice in the month – from 47% to 89%. Russian shelling leads to interruption of work processes, reduction of the number of productive hours, difficulties in planning, accumulation of employee fatigue, increased costs due to the use of generators, and other negative consequences for the operational work of companies.

Power outages currently top the anti-rating of pressing business challenges, with companies also complaining about communication and Internet outages and having problems booking employees and traveling abroad. Currently, 88% of companies have mobilized employees, among which in 73% they make up to 10% of the staff, and in another 15% – 10-20%. In addition, 39% of companies mobilized crucial specialists, mostly IT specialists, engineers and other representatives of technical specialties.

Despite the difficulties, today all the companies of the Association that participated in the survey are working, namely 54% in full, and 46% with some restrictions. It should be reminded that last year in October 44% of companies were fully operational. Among companies operating partially, 44% have currently limited the geography of their activity, 23% have closed part of their offices/retail points/departments, and 14% have moved their activities online.

As a result of hostilities, 40% of companies suffered direct losses, and 25% have assets in the occupied territories. Mostly it is equipment, machinery, real estate, transport. Business losses remain quite high, with 32% reporting losses of up to \$1 million, 36% reporting losses in the range of \$1-10 million, and 16% reporting losses of more than \$10 million.

At the same time, the number of companies that pay employees in full is growing – currently 89% of them, of which 25% do so with advance or additional payments. This is more than in October, when there were 79% of them. In 2023, 8% of companies will reduce wages, 2% will be forced to send employees on unpaid leave, and another 5% will resort to layoffs.

In addition, the financial stability of companies is improving – 27% of companies have financial reserves for half a year, 23% – for a year, and 36% for a year or more [4].

The active intervention of state authorities in Ukrainian business in order to support entrepreneurs is a significant criterion for both its further development and the growth of macroeconomic indicators as a whole. In view of this situation, today the Government faces one of the primary tasks, which concerns the

development and implementation of an effective state policy in the field of stimulating the development of entrepreneurship, in particular, the creation of a favorable environment for its support and functioning, because it is thanks to the functioning of business entities that a significant amount of money is received tax payments to the budget, creating jobs and forming a significant share in the GDP structure. Stimulating the development of entrepreneurship on the part of the state should reduce the problems of the functioning of enterprises and ensure quick adaptation to new military realities.

State support should be understood as the state regulation of entrepreneurial activity, which involves, first of all, the conscious formation by state structures of appropriate direct and indirect instruments to support entrepreneurship, in particular, the creation of incentives, the use of material, financial and other resources that are attracted to its subjects. The priority of state regulation and support of entrepreneurship in terms of war necessitates the transition from direct administrative assistance to the formation of a favorable economic and social environment for the improvement of mechanisms and instruments for stimulating the development of business entities.

Analyzing the current state of our country's economy, it can be noted that it is only now beginning to "recover." This is significantly facilitated by the policy of deregulation and liberalization of business, chosen by the state to stimulate the economy in a special period. Now the Government of our country has already launched several programs to support business during the war. Thus, one of the most important steps of the state is the changes in the tax sphere, which are designed to support the economy of business entities in the conditions of martial law. In particular, on March 15, 2022, the Verkhovna Rada of Ukraine, with the support of 340 votes, adopted Law of Ukraine No. 2120-IX "On Amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the validity of norms for the period of martial law", which provides for a radical tax reform on period of martial law.

The main changes introduced by the above-mentioned law regarding the payment of a single tax are [6; 7]:

– for the period from April 1, 2022 until the termination/cancellation of martial law, the right to use the simplified taxation system is granted to taxpayers of the single tax of group 3, namely individuals, entrepreneurs and legal entities of any organizational and legal form, whose amount of income does not exceed 10 billion hryvnias during the calendar year. Before that, the volume of turnover for group 3 amounted to 1,167 minimum salaries (which, as of January 1, 2022, amounted to UAH 7,585.5 thousand). At the same time, the single tax rate will be only 2% of the turnover without VAT, and not 3% with VAT or 5% without VAT, as in pre-war times. Accordingly, it will not be necessary to submit VAT reports on operations of supply of goods, works and services, the place of supply of which is located in the customs territory of Ukraine (this is expressly stated in the

regulatory document). For the period of transition to the simplified taxation system at the single tax rate of 2%, registration by the VAT payer is not canceled, but suspended.

Thus, most business entities (the law provides an exception for certain types of activities and individuals) pay a single turnover tax of 2% instead of income tax and VAT.

It should be noted that in order to switch to the simplified taxation system, the taxpayer must submit an appropriate application by the last day of the month preceding the period of transition to the simplified taxation system to the supervisory authority at the place of the tax address, i.e. there is no automatic transition. Newly established business entities that wish to choose a simplified taxation system, taking into account the features of taxation specified above, submit an application according to the general procedure; – exemption from payment of the single tax for taxpayers of groups 1 and 2. Such taxpayers will have the right not to pay a single tax, and they will not need to fill out a declaration for the period of non-payment of tax.

The corresponding norms will also be in effect temporarily from April 1, 2022 until the termination / cancellation of martial law [7].

Therefore, according to the changes, the single tax is paid by business entities that are payers of groups 1 and 2 voluntarily. If the economic entity has sufficient funds based on the results of economic activity, it can pay a single tax and, thus, replenish and support the local budget of the relevant community.

Also, the Law of Ukraine [7] introduced certain changes regarding the payment of the single social contribution (hereinafter referred to as the SSC) for individual entrepreneurs. Temporarily, from March 1, 2022, until the termination or cancellation of martial law in Ukraine and within twelve months after the termination or cancellation of martial law, natural persons-entrepreneurs (including FOP on a single tax) and persons engaged in independent professional activity (attorneys, notaries, etc.) have the right not to charge, calculate and pay the tax for themselves. But it should be taken into account that self-employed persons and persons who carry out independent professional activities without paying SSC for such periods will lose the right to insurance length of service for the appointment of a pension. In addition, they will lose the status of insured persons and will not be able to use social insurance for the period of temporary disability.

Payers of a single tax (including legal entities) also have the right not to pay a single contribution for employees called up during mobilization for military service. It is necessary to pay for all other employees of the SSC.

The economic stability of our country depends primarily on taxpayers who continue to work today. Introduced tax changes provide an opportunity for business entities to save money on paying taxes and invest them in further economic activity and, thus, maintain and develop it. At the same time, business

entities must support the economy of Ukraine and, if possible, pay taxes (on a voluntary basis) and replenish the budget so that the state can perform its functions. After all, the system of taxation of business entities, on the one hand, should be aimed at stimulating the conduct of economic activity in modern realities, on the other hand, at the further filling of state and local budgets at the expense of tax revenues from enterprises. Basic limits and rules of work for individual entrepreneurs during the martial law.

It should be noted that, despite the introduced changes, according to the State Tax Service of Ukraine, in December 2022, UAH 49.5 billion of the single contribution to mandatory state social insurance was paid, which is UAH 10.9 billion, or 28.2%, exceeds the corresponding indicator of the last year. In general, UAH 698.7 billion was paid to the state budget in 2022, which is UAH 46.6 billion or 7.2% more than in the corresponding period last year. Local budgets received UAH 392.7 billion. This is UAH 51.5 billion, or 15.1% more than in 2021. Thus, in this difficult time of war, taxpayers continue to support our state and pay taxes conscientiously. Thanks to their civic stance and patriotism, the Ukrainian budget is steadily replenished [13].

The next decision of the Government, which is directly related to facilitating the activities of business entities during martial law, is the cancellation of inspections. It should be noted that at first the decision was made to cancel almost all inspections related to the activities of business entities, including cameral and actual inspections. But then the adopted decisions were corrected and appropriate amendments were made to the laws. Thus, one of the innovations to have been introduced during the period of martial law and the state of emergency and within three months after its termination/cancellation – it is the establishment of moratorium on control regarding the completeness of accrual, declaration, and payment of ESS. Accordingly, inspections started before February 24, were suspended. Penalties and fines for violation of the rules of calculation, declaration and payment of SSC for the relevant period are not applied [7].

Another change that was introduced by the Government to facilitate and stimulate the activities of business entities for the period from March 7 and for the entire period of martial law is the cancellation of any sanctions for violating the requirements of the Law of Ukraine “On the use of registrars of settlement transactions in the sphere of trade, public catering and services” in the field of application of settlement transaction registrars / software settlement transaction registrars (STR / SSTR) [8]. Virtually, it means that the application of the STR / SSTR during martial law is canceled because:

- any payments (payment by card, cash on delivery, POS terminal, etc.) can be received without the use of STR / SSTR;
- if the business entity does not have a STR / SSTR and it has not been established – there will be no fines;

- if the business entity has a STR / SSTR, he can continue to use it in his economic activity, but if he stops using it, he will not receive fines;

- if the business entity continues to use the STR / SSTR, but makes some mistake (failure to issue a check, handing over a check not for the full amount, etc.), then there will be no fines.

The next step of the Ukrainian Government, which was designed to support and stimulate the development of domestic entrepreneurship, is the introduction of a program for the temporary relocation of enterprises from war-torn regions. According to this program, Ukrainian business entities located in the zone of active hostilities can receive state assistance in moving their facilities to the western regions of Ukraine. Currently, the program is implemented on the basis of the following legal acts:

- Government Resolution No. 305 of March 17, 2022 [10], which regulates the free transportation of property of domestic enterprises, institutions and organizations according to the list formed by the Ministry of Economy and transferred to the Ministry of Infrastructure;

- Government Order No. 246 dated March 25, 2022 [9], which provides for a plan of emergency measures to relocate, if necessary, the production facilities of business entities from territories where hostilities are taking place and/or there is a threat of hostilities to a safe territory.

The program for the relocation of Ukrainian productions with the support of the state is aimed at preserving production and labor potential and is aimed at all enterprises that wish to relocate production. The participant of this program can be not only large production, but also small enterprises with 10-20 employees in the state. First of all, state aid for forced displacement is received by strategically important enterprises and enterprises that produce essential goods to meet the needs of the civilian population, the military and territorial defense fighters.

In order to apply, the enterprise needs to use the platform of digital interaction for business relocation assistance, which was launched by SE "Prozorro. Sales" on the initiative of the Ministry of Economy, with the support of the Ministry of Digital Transformation of Ukraine and the national project for the development of entrepreneurship and export Diya. Business. Transportation is carried out free of charge by "Ukrzaliznytsia" and "Ukrposhta", which is responsible for bringing the equipment to the railway station, as well as ensuring prompt passage of checkpoints, issuing transport invoices. At the same time, relocation is only part of the process of moving an enterprise from a war zone. The support of the local authorities is also important, namely the search for areas for the location of production, provision of uninterrupted power supply and accommodation of workers.

According to official data, 761 enterprises were relocated to safer regions under the relocation program, 80% of them have already resumed work at their new location. [4].

Among the relocated enterprises that have already resumed their activities at the new location, the largest share is:

- enterprises in the field of wholesale and retail trade, repair of motor vehicles and motorcycles (40.24% of the total number of relocated enterprises);
- processing industry (31.71%);
- information and telecommunications (6.34%);
- professional, scientific and technical activities (5.85%);
- construction (4.15%).

Most enterprises relocated to Lviv (30% of relocated enterprises), Zakarpattia (17%), Chernivtsi (11%), Ivano-Frankivsk (8%), Khmelnytskyi (7%) and Ternopil (7%) regions.

Thus, thanks to the relocation program introduced by the Government of Ukraine, a significant number of enterprises were able to work in new conditions, save their business and jobs.

Under today's challenges, it is important for the Government to develop and implement financial support programs for the stimulation and development of entrepreneurship. Such support can be provided on the basis of the implementation of crediting programs for economic entities.

The state can promote lending to enterprises in two ways. The first option is the creation of special state institutions or non-profit organizations for business lending and financing.

At the same time, the cost of the loan (which can be interest-free) may depend on the age, type of economic activity, location of the enterprise, etc. In this way, it is possible to create more favorable conditions for newly created firms, enterprises of a certain industry, depending on the national strategy of economic development or for the development of certain local resources, etc. For example, today in Ukraine, the German-Ukrainian Fund (NUF), established by the Government together with the National Bank of Ukraine and the German State Development Bank, is successfully engaged in financial support of micro, small and medium-sized enterprises [1].

The second option is state assistance in the development of credit relations between business and commercial banks. In order to implement this direction of state policy, on March 18, 2022, by decision of the Government, changes were made to the State program "Affordable loans 5-9%", which consist of the following:

1. The program is extended to medium-sized enterprises with an annual income of up to 50 million euros (previously it was 20 million euros) and to large enterprises with an annual income of more than 50 million euros, regardless of the number of employees;

2. The maximum loan amount for all business entities has been increased from UAH 50 to 60 million, taking into account the group of related companies;
3. Interest rate: 0% per annum during the period of martial law and one month after its termination; 5% per annum after the end of the above period and until the end of the loan term;
4. Lending purposes: investment loan for the purchase of fixed assets; credit for replenishment of working capital for entrepreneurial activities;
5. Lending term: investment loans – 5 years; loans for replenishment of working capital – 3 years;
6. The deadline for submitting an application for participation in the program is during the period of martial law;
7. The size of the credit guarantee is 50% of the amount of the loan of the subject of micro, small and medium entrepreneurship (except for subjects of large entrepreneurship) [5].

According to the goals of this program, state and commercial banks should intensify lending activities so that thousands of entrepreneurs could restore and modernize their economic activities, adapting them to new conditions. As of the beginning of May, under the State Program “Affordable Loans 5-9%”, the Entrepreneurship Development Fund concluded cooperation agreements with 42 banks.

At the same time, the shortcomings and difficulties faced by economic entities in the process of functioning indicate the need to simultaneously develop both the state system of business support and the initiative of entrepreneurs, small and medium-sized enterprises to combine efforts in the field of state and financial activity.

Currently, the issue of improving the system of informational and advisory state support for business in order to stimulate its development is relevant. State informational support for business entities can be provided by:

1) creating and ensuring the functioning of state, regional and local information systems, information and communication networks, promoting the start of business activities using the Internet;

2) provision of information: on the state of implementation of state, regional and local entrepreneurship support programs and the level of effectiveness of state support; about the state of business development; about infrastructure facilities supporting entrepreneurship; other information (economic, legal, statistical, production-technological, marketing) necessary to ensure the development of business entities.

Consultative state support should be carried out by: promoting the launching of entrepreneurship support infrastructure facilities that provide consulting services to business entities and ensuring their activities; simplifying access to information in real time.

Conclusions

Summing up, it can be noted that the main and most priority instruments for the development of the economy under martial law are the development of measures to stabilize the business climate and reform the system of state regulation of business activity. The problem of the need to stimulate and ensure the further development of entrepreneurship is relevant today in Ukraine at all levels: state, regional and directly in the field of business itself. Solving this problem opens up opportunities for accelerating the process of recovery and modernization of the economy and transferring it to an innovative path of development, based on finding the most effective models of support for enterprises of any size in modern realities. The conducted studies show that to date, the Ukrainian Government has developed and implemented programs that provide for temporary relaxation and support of entrepreneurship during martial law. The main goal of such measures is the maximum possible reduction of time for the administration of activities and financial obligations of business to the state and stimulation of its development in today's complex conditions. However, today, at the state level, it is necessary to continue to provide support to business entities, in particular by creating an appropriate legal framework, financial and credit and material and technical support, scientific and methodological, informational and advisory and personnel support for business. It is also important to create equal opportunities for access of small, medium and large business entities to business support and stimulation programs introduced by the Government during wartime; monitoring the effectiveness of the use of budget funds provided for the implementation of the specified programs; openness and transparency of state support procedures.

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Abstract

The Russian-Ukrainian war, unleashed by the Russian Federation in 2014, caused destabilization of the development of the regions: the occupation of the Crimea and hostilities in certain areas of the Donetsk and Luhansk regions as well as led to economic decline due to the loss of control over the part of the territory and its economic potential. During the last eight years, the Ukrainian economy and the Ukrainian people got used to the state of hybrid warfare to have become a significant factor in the gradual changes in the development of entrepreneurship in the country. On February 24, 2022, Russia launched a full-scale and unprecedented war against Ukraine, which harmed people, infrastructure, and caused a devastating impact on Ukraine's economy. At the same time, the work of Ukrainian entrepreneurship during the war is a particularly important source of filling the state budget and creating jobs. Therefore, the development and implementation of a well-founded and effective state policy of supporting the development of entrepreneurship in order to create favorable conditions for its organization and management are currently particularly relevant for Ukraine. Taking into account the above, the article is dedicated to the study of programs of state support and stimulation of the development of entrepreneurship adopted by the government in terms of war. On the basis of the conducted research, it is substantiated that state support must be understood as state regulation of entrepreneurial activity, which involves the conscious formation by state structures of appropriate direct and indirect tools to support entrepreneurship.

Keywords: entrepreneurship; development; business stimulation; state support; martial law; relocation.

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