

Causes of occurrence and ways of combating violations of customs rules

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Abstract. Violations of customs regulations by subjects of foreign economic activity and the smuggling of goods are pressing issues for the socio-economic development of Ukraine. The purpose of the article was to investigate the main causes of smuggling and to develop ways to prevent violations of customs regulations. The work analyses the statistics of customs violations and the volumes of smuggling, which are one of the factors in the significant shortfall of tax revenues to the budget. The method of generalisation was used to summarise the results of a survey by the Institute of Economic Research and Policy Consulting of foreign economic activity subjects regarding the impact of “grey import” problems and smuggling on their performance indicators. Using the chronological method and the analysis method, the chronological changes in the objects of smuggling were analysed according to criminal law, which affects the directions of customs authorities’ work in the customs control process. The study summarises the foreign experience of criminal liability for smuggling, indicating more severe punitive measures than in Ukraine. The volumes of cigarette smuggling and the budget revenue losses from such smuggling were analysed using the statistical method. The results of the analysis indicate that the volume of cigarette smuggling in Ukraine is one of the largest in Europe. The causes of smuggling are identified and can be divided into those related to the activities of customs authorities and those related to the legislative and executive bodies of Ukraine. The main ways to counter smuggling and reduce violations of customs regulations are substantiated, which should be systematic and comprehensive and not only involve the control function of customs authorities but also improve the socio-economic development indicators of the state. The practical significance of the results lies in summarising the causes of smuggling and customs regulation violations and developing

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proposals for their prevention, which can be used in the work of customs authorities and in the implementation of the strategic goals of the National Income Strategy

Keywords: foreign economic activity; smuggling; illegal trade; loss of budget revenues; counterfeit products; motivation; unemployment

● INTRODUCTION

One of the important tasks in the work of customs authorities is ensuring customs security and counteracting violations of customs regulations. Thanks to the work of customs authorities, two functions of the state's customs policy are realised: fiscal (replenishing the budget through customs duties and tariff regulation measures) and protective (establishing restrictions and prohibitions on the import/export of goods and implementing non-tariff regulation measures: licenses, permits, quotas, certificates, etc.). Violations of customs regulations have various origins. Firstly, they include imperfect tax and customs legislation, the norms of which are not always clear to taxpayers. Secondly, the high tax burden leads to the search for ways to evade paying taxes and customs duties, resulting in the growth of the shadow economy (the latest official data from the Ministry of Economy for 2021 indicated that the shadow economy in Ukraine amounted to 32% of GDP) and the decrease in budget revenues (Shadow economy trends, 2022). Thirdly, the high level of poverty and low social protection of citizens leads to their involvement in schemes of illegal goods circulation (mainly tobacco products and alcoholic beverages). Fourthly, the imperfect approach of the state regarding the motivation of customs officers to prevent and counter violations of customs regulations negatively affects the quality of their duties and increases corruption (primarily due to bribes). Violations of customs regulations also include smuggling of goods.

The issue of preventing smuggling becomes more acute every year because, due to "grey import" schemes, the state loses significant funds. According to Kantar, the volume of the illegal tobacco market increased to 26%, including: counterfeit products – 11.3%; the share of products marked Duty Free or intended for export but illegally sold in Ukraine – 12.9% (10175 illicit trade monitoring Ukraine, 2022). At the same time, the volume of tobacco products smuggling is less than 2% (The illegal market of tobacco products..., 2023). The shadow alcohol market reached 30% in 2023 (How much does the state lose..., 2023). Statistics indicate an unsatisfactory state of counteracting customs violations and preventing smuggling. The importance of complying with customs regulations and preventing goods smuggling has been considered in scientific works. For instance, in A. Krysovatyi (2020) monograph, the opinion is expressed that fiscal policy is an important factor in preventing and countering smuggling. The monograph lists several measures that can prevent smuggling and reduce the volume of customs regulation violations. A. Tymoshenko (2021) notes that to combat smuggling, legislative changes and improved coordination of actions between customs and other government bodies are necessary, which is an important task in the context of martial law and budget deficit. Additionally, in the customs clearance process, technical control means play a

crucial role, which, according to the Accounting Chamber of Ukraine (2022) report, are mostly outdated.

H. Palamarchuk (2019) proposes understanding smuggling both economically (as part of the shadow economy) and legally (dividing smuggling into crime as a criminal offence and as a violation of customs regulations). This classification, according to the authors, is more successful as it considers different aspects of smuggling. R. Daniv (2021) believes that smuggling negatively affects the economic development of the state, requiring more decisive state actions to criminalise the smuggling of goods and excisable goods, which should reduce illegal goods movement schemes and the number of violations in the sphere of false customs value declarations. According to I. Hutsul (2021), resolving customs control issues in Ukraine should promote the harmonisation of EU and Ukrainian legislation, as provided by the Association Agreement between Ukraine and the EU. Special attention should be paid to information systems and customs control technologies to improve the efficiency of customs control and detect customs regulation violations. V. Khoma & V. Zhdanova (2022) emphasise the need to apply the experience of Poland and the United Kingdom to prevent illegal goods movement across the customs border, the main advantage of which is a logically built structure of customs authorities ensuring communication and interaction with other government bodies. According to L. Hanas *et al.* (2020), motivating customs officers should help reduce smuggling volumes. Along with incentive and motivation means, punitive measures should also be in place if there are facts confirming the involvement of customs officers in "grey import" and smuggling schemes that are negatively impacting the country's economy.

It can be seen that the majority of recent research topics were mainly about general issues of combating smuggling and customs regulation violations. Rarely did scientific works specify problems related to corruption in customs authorities, material support of their work, information systems, and customs control technologies. This prompted the authors to focus on finding comprehensive ways to counter corruption and reduce customs regulation violations. The article's aim was to justify possible directions for countering customs regulation violations by subjects of foreign economic activity (FEA). To achieve the goal, the research set the following tasks: to study the dynamics of customs regulation violations, including smuggling and "grey import"; to summarise foreign experience in countering smuggling and illegal goods circulation; and to develop recommendations for preventing smuggling in Ukraine.

● MATERIALS AND METHODS

The theoretical basis of the study included fundamental principles of financial and economic sciences and the results of scientific developments and works by Ukrainian

and international scholars. The work is largely based on the regulatory framework that defines the responsibility for customs violations and smuggling, as well as on analytical research by private companies on the state of combating smuggling. Various research methods were employed to solve the tasks of the study. Methods of analysis, synthesis, and generalisation were used to analyse scholars' opinions on the existing causes of smuggling and customs violations by FEA entities, as well as ways to counter such violations. Historical and chronological methods were used to analyse smuggling objects in criminal legislation, which allowed to identify the state's approaches to regulating customs violations. The graphic method was applied to visualise the research results and enhance their perception. Information on the volumes of smuggling and customs violations, the volume of cigarette smuggling in Ukraine and other countries, budget revenue losses from smuggling, and tax burden volumes are presented in tables and figures.

Statistical and economic methods were used to collect, process, and analyse the dynamics of indicators characterising the state of customs violations, tax burden, smuggling volumes in Ukraine and other countries, budget losses from smuggling, evaluation of the number of violations of Article 201 of the Criminal Code of Ukraine (2001) and assessment of the results of expert surveys on the place of "grey imports" and smuggling among the problems faced by FEA entities (Anhel *et al.*, 2022). This survey is conducted annually by the Institute for Economic Research and Policy Consulting and aims to gather exporters and importers' opinions on the main problems of their activities, the quality of customs authorities' works, and their prevention of smuggling.

For carrying out the analysis of tax revenues and determining the volumes of the tax burden, the Information of the Ministry of Finance of Ukraine on the implementation of the state budget of Ukraine for 2023 (2023) were used. Based on the analysis of reports from leading analytical and consulting companies (10175 illicit trade monitoring Ukraine, 2022; Illicit cigarette consumption..., 2022), as well as the Organisation for Economic Cooperation and Development (OECD, 2022), the problems related to the presence of the shadow sector for alcoholic beverages and tobacco products were summarised. Data from the State Statistics Service of Ukraine (2023) and The World Bank: Ukraine (2024) were used to assess the socio-economic status and poverty levels. Statistics on customs violations and violations of criminal law articles in Ukraine were formed based on the data from the State Customs Service of Ukraine (Reports on the implementation..., 2023). It is worth noting that at the time of the study, official statistics on the volumes of goods smuggling in 2022 and 2023 were unavailable, justifying the choice of part of the materials for the study.

The abstract-logical method was used to generalise recommendations on the ways to prevent smuggling and reduce customs violations and to formulate conclusions. The proposals and recommendations were prepared considering the strategic goals of the National Income Strategy until 2030 (2023) in the areas of "Customs Policy" and "Customs Administration", as well as Draft Law of Ukraine No. 6490-d "On Amendments to the Customs Code of Ukraine on Establishing Features of Service in Customs Authorities and Certification of Customs Officials" (2023),

which provides for a significant increase in the remuneration of customs officials.

● RESULTS

Violations of customs regulations are closely linked to the execution of foreign economic operations, primarily comprising export and import activities. During these operations, it is customs authorities that are entrusted with the primary control function, aimed at ensuring customs security and counteracting customs violations. Wherein, the activities of customs authorities must be coordinated with the State Tax Service (regarding tax payments and transfer pricing), the Ministry of Economy of Ukraine (regarding special and anti-dumping measures), the State Service of Ukraine on Food Safety and Consumer Protection (regarding prohibitions and restrictions on the import of food products and plant-based goods), and the Ministry of Health (regarding prohibitions and restrictions on the import of medicines and pharmaceutical products).

According to the Ministry of Economy of Ukraine, in 2022, compared to 2021, exports of goods decreased by 35.1%, and imports of goods by 24.1% (Foreign trade. Analytics, n.d.). In 2023, exports of goods decreased by 18.7% compared to 2022, while imports of goods increased by 12.5% (Foreign trade in goods..., 2023). At the same time, in 2023, according to the Reports on the implementation of the work plan of the State Customs Service (2023), there was a significant increase in customs violations, leading to an increase in the amount for which violations were detected (Fig. 1). This indicates an improvement in the quality of customs authorities' work during wartime but also reflects citizens' attempts to breach legal norms.

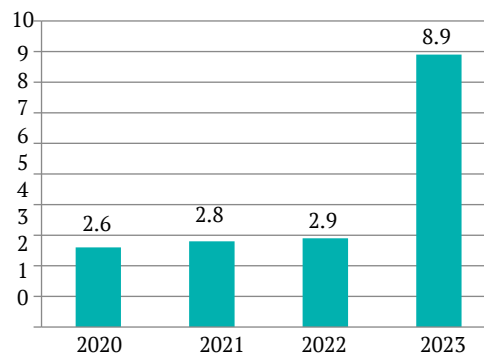


Figure 1. The amount for which violations of customs rules were detected in 2020-2023, billion UAH

Source: compiled by the authors based on Reports on the implementation of the work plan of the State Customs Service (2023)

Annual surveys conducted by the Institute for Economic Research and Policy Consulting on "Simplifying Trade Procedures in Ukraine: Business Assessments and Expectations" also address issues of smuggling and their impact on the state's economic security (Anhel *et al.*, 2022). On average, in 2022, the share of "grey imports" was estimated at 17.1% (compared to 21.1% in 2021, 24.2% in 2020, and 25.3% in 2018). This indicates that according to respondents, the share of smuggling is gradually decreasing,

but the data on smuggling (Fig. 2) show an increase in its volumes, corroborating the research of K. Krysovata (2021). Furthermore, there has been a significant increase in the smuggling of alcoholic beverages and tobacco products (10175 illicit trade monitoring Ukraine, 2022; How much does the state lose..., 2023). The problem of “grey imports” is not considered important for FEA subjects, as it worries a little more than 40% of respondents (Fig. 3). At the same time, the main measure to take in order to reduce “grey imports” (“goods smuggling”) is the simplification of customs procedures (Fig. 4).

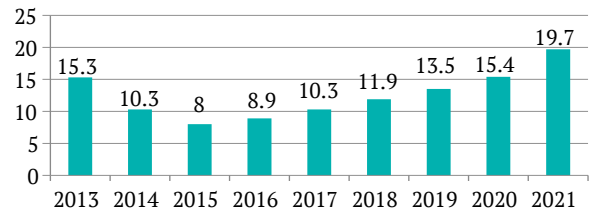


Figure 2. Volumes of goods smuggled into Ukraine, billion USD

Source: compiled by the authors based on K. Krysovata (2021)

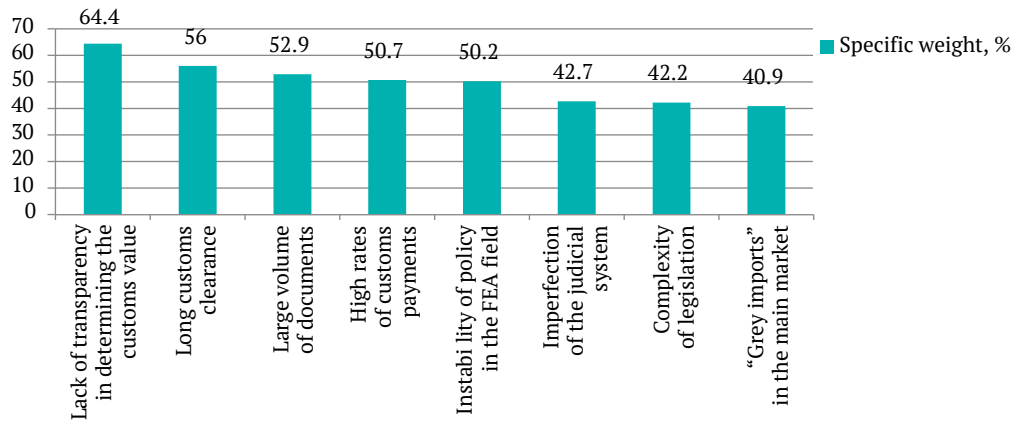


Figure 3. The place of “grey imports” (contraband) among the problems of foreign trade entities

Source: compiled by the authors based on Ye. Angel et al. (2022)

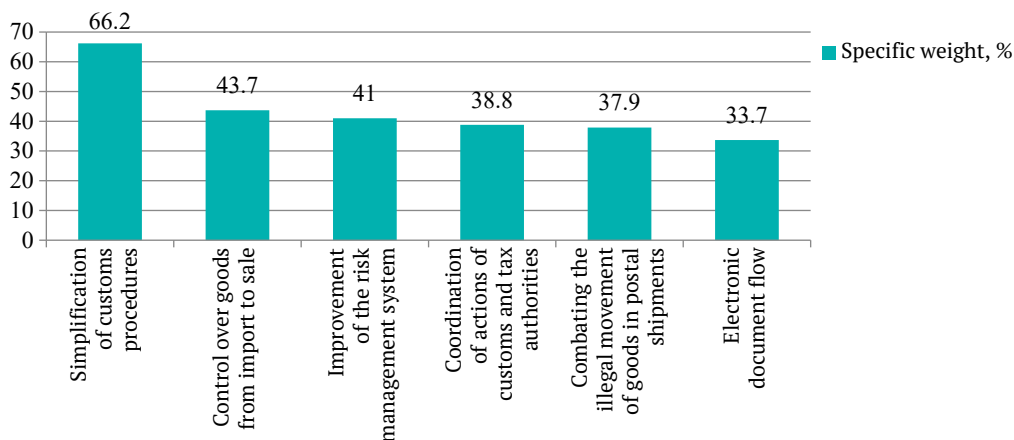


Figure 4. Main measures to reduce “grey imports”

Source: compiled by the authors based on Ye. Angel et al. (2022)

The main factor contributing to the increase in smuggling volumes, according to respondents in 2022, was the insufficient accountability of individuals violating criminal laws. Indeed, the current edition of the Criminal Code of Ukraine (2001) so far imposes relatively lenient penalties for smuggling. Moreover, there is currently no criminal liability for commodity smuggling. According to the amendments to the Criminal Code, which will take effect on July 1, 2024, criminal liability for the smuggling of goods and excisable goods will be regulated. The key changes concerning the objects of smuggling include: the

exclusion of goods from the objects of smuggling from 2012 until July 2024; the inclusion of timber and valuable wood species as smuggling objects from 2019; the inclusion of excisable goods as smuggling objects from 2024; and the inclusion of goods as smuggling objects from July 1, 2024. The initial exclusion of goods from the objects of smuggling led to positive results, with smuggling volumes having almost halved in the first few years. However, subsequent years saw an increase in smuggling volumes, partly due to the ineffective performance of customs authorities.

It is noteworthy that smuggling is a problem for economies of many countries, as evidenced by KPMG’s report on tobacco products (Illicit cigarette consumption..., 2022) and the OECD (2022) report on alcoholic beverages. For example, the volume of tobacco smuggling in EU countries in 2022 amounted to 35.8 billion EUR, while the volume

of alcohol smuggling in the EU accounted for 17% of total consumption. Although it is worth noting that the volume of tobacco smuggling in the EU has remained relatively stable over 2017-2022 (33.4-37.8 billion cigarettes), the volume of cigarette smuggling varies across foreign countries (Table 1).

Table 1. Volumes of cigarette smuggling in the total volume of consumption, %

EU countries	2017	2018	2019	2020	2021	2022
Austria	6.4	4.4	5.5	3.4	3.9	4.7
Belgium	3.7	5.7	7.5	5.8	4.6	9.8
Bulgaria	5.9	3.7	2.4	1.6	1.6	1.8
Croatia	2.1	6.3	7.4	6.6	6.0	4.2
Cyprus	6.0	8.2	14.3	8.6	14.4	12.8
Czech Republic	3.3	6.1	4.6	1.9	3.5	3.7
Denmark	1.8	2.8	3.9	2.7	6.5	3.9
Estonia	11.3	9.5	7.4	6.7	10.3	14.0
Finland	12.9	9.7	8.3	9.7	13.6	14.7
France	13.1	14.1	13.7	23.1	29.4	32.4
Germany	4.6	3.2	4.1	4.3	2.1	2.2
Greece	18.0	23.6	22.4	22.4	23.9	20.7
Hungary	5.4	6.5	7.2	4.1	4.2	7.2
Ireland	19.9	20.6	17.5	17.3	16.8	24.4
Italy	4.8	5.5	3.9	3.4	2.2	2.3
Latvia	21.1	19.5	14.1	19.1	16.2	15.2
Lithuania	17.8	17.0	17.7	20.2	19.0	19.2
Luxembourg	0.4	1.0	2.2	2.8	1.0	0.4
Malta	13.5	9.7	7.9	6.4	9.5	6.4
Netherlands	7.8	5.4	5.4	6.2	18.4	11.2
Poland	12.1	9.9	8.5	8.6	4.9	4.2
Portugal	2.0	3.7	5.6	4.4	7.0	2.1
Romania	15.4	15.1	12.3	8.0	7.9	6.4
Slovakia	4.8	5.0	3.8	2.6	2.7	2.8
Slovenia	10.6	12.4	10.0	5.4	7.6	3.6
Spain	5.0	4.3	3.6	4.2	3.3	3.7
Sweden	6.3	5.0	9.6	8.0	7.3	7.3
Great Britain	17.8	19.3	16.6	17.1	18.1	21.2
Ukraine	No data	4.7	6.9	9.9	17.2	19.9

Source: created by the authors based on Illicit cigarette consumption in the EU, UK, Norway, Switzerland, Moldova and Ukraine (2022)

The highest rate of increase in the share of smuggling in Ukraine was nearly fivefold. The largest volumes of smuggling were observed in France, Ireland, the United Kingdom, Greece, and the Baltic countries. At the same

time, the revenue losses for EU countries’ budgets due to smuggling were also varied (Fig. 5). It is noteworthy that Ukraine’s budget losses from tobacco smuggling were only surpassed by those of France and the United Kingdom.

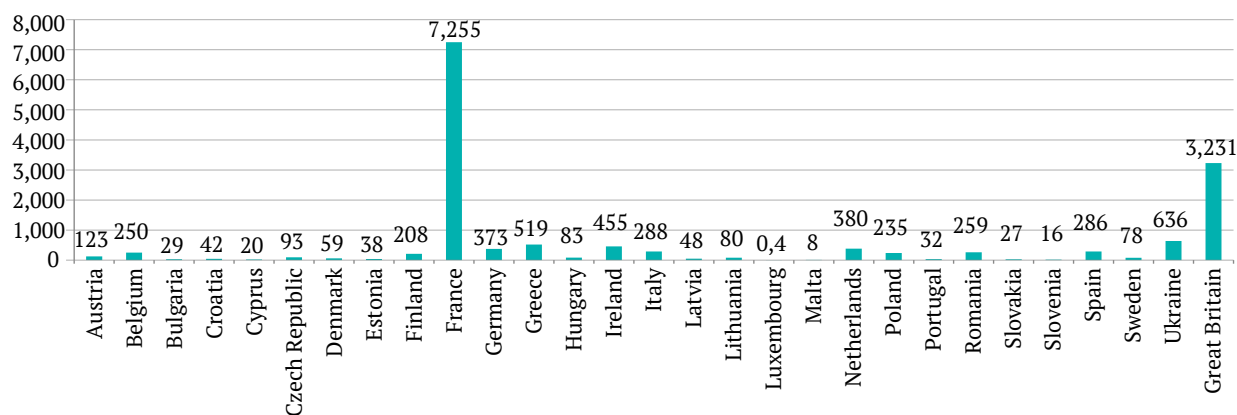


Figure 5. Budget losses of EU countries due to tobacco smuggling in 2022, million EUR

Source: compiled by the authors based on Illicit cigarette consumption in the EU, UK, Norway, Switzerland, Moldova and Ukraine (2022)

In the authors' opinion, the main problems that contribute to smuggling are the following. *Martial law*: Even under martial law, Ukraine remains a country with a high level of crime. At the same time, five cities in Ukraine (Odesa,

Dnipro, Kharkiv, Kyiv, and Lviv) are among the top 100 most dangerous cities in Europe in terms of crime (Europe: Crime index..., 2023). *High level of tax burden on business entities*, which is defined as the ratio of tax revenues to GDP (Table 2).

Table 2. Volumes of the tax burden

Indicator	2019	2020	2021	2022	2023
GDP, billion UAH	3,977.2	4,222.0	5,450.8	5,191.0	6,537.8
Tax revenues, billion UAH	1,070.3	1,136.7	1,453.8	1,343.2	1,638.1
Tax burden, %	26.9	26.9	26.7	25.9	25.1

Source: compiled by the authors based on Information of the Ministry of Finance of Ukraine on the implementation of the state budget of Ukraine for 2023 (2023)

Despite the decrease in the tax burden, its level remains excessive in the current conditions and is one of the factors leading to an increase in the volume of smuggling. Although the tax burden on customs payments does not exceed 10%, it remains quite high (Fig. 6).

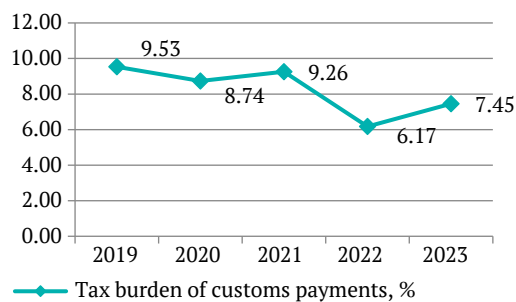


Figure 6. Tax burden on customs payments in Ukraine

Source: compiled by the authors based on Information of the Ministry of Finance of Ukraine on the implementation of the state budget of Ukraine for 2023 (2023)

Excise tax rates on tobacco products are increasing every year by 20%, and in 2025 they should reach the level of tax rates in the EU. Excise rates on alcoholic beverages are lower than in the EU, but not all goods containing alcohol are subject to excise tax in Ukraine; for example, some types of wine and perfumes. The increase in the rates of one of the customs payments encourages manufacturers and importers to look for ways to evade taxation, including by smuggling such goods.

Insufficient motivation of customs authorities to combat smuggling: the salary of customs officials is low and amounts to about 12,000-15,000 UAH per month (Customs patrol officer salary..., n.d.). At the same time, the Verkhovna Rada of Ukraine is considering Draft Law of Ukraine No. 6490-d "On Amendments to the Customs Code of Ukraine on Establishing Features of Service in Customs Authorities and Certification of Officials of Customs Authorities" (2023), according to which wages in customs authorities should increase. The Ministry of Finance of Ukraine has established strategic guidelines for the growth of wages in customs authorities (National Income Strategy until 2030, 2023).

Use of outdated technical means of customs control by customs authorities: the Report of the Accounting Chamber of Ukraine emphasised the unsatisfactory state of technical means of customs control (Report on the results of the analysis..., 2021). According to the results of 2021, at checkpoints across the state border of Ukraine, it was

found that many technical means of customs control are technically defective, and the vast majority of scanning control systems are outdated. This situation increases potential corruption risks during customs clearance of goods, as well as risks of smuggling.

Absence of operative investigative powers of customs authorities during customs control: currently, customs authorities do not have the authority to carry out operative investigative actions during the implementation of the customs control procedure, which reduces the effectiveness of control and verification measures. The National Income Strategy until 2030 (2023) provides for the granting of customs authorities the right to conduct investigative actions and conduct pre-trial investigations in cases of smuggling of goods, which should increase the effectiveness of combating violations of customs rules.

Low fines for violations of Article 201 of the Criminal Code of Ukraine compared to the size of fines in foreign countries: the maximum fine stipulated by criminal law for smuggling is 2,040,000 UAH, or approximately 50,000 EUR. The criminal legislation of some foreign countries indicates that fines for smuggling are higher than in Ukraine: in the Netherlands – 82,000 EUR (Criminal Code, 2024); in Ireland – 125,000 EUR (Customs Act, 2015); in Austria – a fine of up to double the amount of the duty (Federal Law Consolidated..., 2024).

Socio-economic situation in the country: according to the Ministry of Social Policy of Ukraine in 2020, the poverty level in Ukraine was more than 20%. According to The World Bank: Ukraine (2024), the poverty level in 2022 was 24.1%. Despite the fact that the average salary in Ukraine was more than 14,000 UAH in 2023, according to the State Statistics Service of Ukraine (2023), in 2021, the share of the population with an income lower than salaries was almost 50% (data for 2022-2023 are not available). Such indicators encourage citizens to look for possible sources of income, which sometimes may violate the existing legal norms, including promoting smuggling. It also negatively affects the processes of compliance with customs regulations of unemployment, the level of which increases during hostilities.

Therefore, to address the existing issues of goods smuggling and improve the economic situation in Ukraine, the following measures are proposed. *Revise the approach to taxing import operations with customs duties*. Reduced rates of customs duties should be applied to goods necessary for ensuring the socio-economic development of the state (essential goods). This should allow for a reduction in the prices of such goods, slightly alleviate social tension in society, and become a driving force in reducing the volume of smuggling of certain goods.

Change the approach to the remuneration system for customs authorities by introducing special bonuses for detecting cases of goods smuggling. The draft law that proposes increasing the remuneration of customs authorities has only passed the first reading in the Verkhovna Rada of Ukraine (Draft Law of Ukraine No. 6490-d, 2023). The changes envisaged by this draft law require significant sources of funding, which is problematic under the current wartime conditions.

It is necessary to re-equip the customs authorities with more modern technical means of customs control, including thanks to artificial intelligence technologies, which should contribute to better control and countering the smuggling of goods and excise goods. The National Income Strategy until 2030 (2023) also provides for updating the technical means of customs control with an emphasis on new IT technologies but does not provide for direct measures to introduce artificial intelligence technologies.

It is necessary to implement, as soon as possible, the norms of the National Income Strategy regarding the rights of customs authorities to conduct investigative actions. For example, in Lithuania, the Customs Criminal Service investigates cases of smuggling (Customs of the Republic of Lithuania, n.d.), and in the United States, the Customs and Border Protection Service performs law enforcement functions, including those aimed at countering smuggling (US Customs and Border Protection, n.d.). In Italy, The Customs and Monopolies Agency (n.d.) vested with administrative powers to investigate illegal trade in tobacco products.

There should be an increase in fines for smuggling goods. The indicator regarding the qualification of crimes or offences should be reviewed separately, since the criminal legislation should operate with an individual indicator on the basis of which the degree of violation is qualified and not refer to the norms of the Tax Code of Ukraine. Also, the indicator on which the number of fines for smuggling depends should be revised: instead of 17 UAH, it is proposed to apply the minimum wage indicator, which will automatically increase the number of fines for smuggling goods and excise goods.

Reforming the social security system in the country, which will provide for social support for people who really need it. In addition, the income and expenses of such persons should be under control in order to monitor the expediency of providing such benefits. According to the experience of foreign countries, for example, France (France. Individual – taxes..., 2023), Germany (Germany. Individual – taxes..., 2023), Luxembourg (Luxembourg. Individual – taxes..., 2024), a transition to progressive taxation of citizens' incomes should be made, which will make it possible to realise the principle of social justice, reduce the level of poverty, increase the amount of revenues to the budget, and finance the social needs of citizens. Reducing the poverty level of the population should become one of the key factors in reducing the volume of smuggling of goods.

Strengthen the explanatory work of customs authorities for FEA entities regarding the rules of customs clearance and the prevention of violations of customs rules, as this negatively affects the implementation of the revenue part of the budget and reduces the state's ability to redistribute funds received in the form of taxes. Coordination of the actions of customs authorities and customs brokers

who carry out the customs clearance procedure for many FEA subjects should be carried out. Changes to the criminal legislation at the end of 2023 were adopted under the influence of the International Monetary Fund and were not sufficiently justified for citizens and legal entities, although they provided for a significant increase in criminal liability for smuggling. According to I. Martyniuk & O. Dubovik (2021), not only the control function but also the preventive one should be implemented by the customs authorities thanks to the mass-explanatory work among the subjects of the FEA regarding urgent issues of customs clearance and declaration, which should increase the level of trust society has in the customs authorities. At the same time, customs clearance procedures, the cumbersomeness and complexity of which can also contribute to smuggling, should be gradually simplified.

● DISCUSSION

The obtained results of this study prove the publications of other scientists, who studied individual aspects of combating violations of customs rules and reducing the volume of smuggling. A. Nguyen & H.T. Nguyen (2020) note that high taxes can contribute to the increase in smuggling, as tobacco manufacturers are obliged to include the amount of customs payments in the price of cigarettes, which in turn leads to higher prices and discourages buyers from buying expensive cigarettes and causes the growth of the shadow market counterfeit cigarettes, which cost much less. G.R. Paraje *et al.* (2023) develop this opinion, but at the same time note that, first of all, attention should be paid to the problems of taxation of tobacco products since they are easier to counterfeit and illegally import into the customs territory of a certain country than alcoholic beverages. The opinions of scientists prove the thesis of a high tax burden, thanks to which the volume of the shadow economy is growing, especially in the field of excise goods.

According to M. Zhang *et al.* (2023), low wages in the public sector negatively affect the quality of work of civil servants and promote corruption, which can lead to smuggling. According to the statistics Average customs officer salary in Germany for 2024 (2024), the annual salary of customs inspectors in Germany varies from 12,000 EUR to 47,000 EUR, in the USA – from 11,000 USD to 99,500 USD per year (Customs border..., n.d.), and in Great Britain – from 29,000 to 47,000 pounds per year (Revenue and customs inspector salaries, 2023). D. Kim & Y. Tajima (2022) emphasise that the volume of smuggling can be reduced in the absence of collusion between customs authorities and FEA subjects. This can be facilitated by the high level of payment of customs inspectors, due to which it will be unprofitable for smugglers to offer bribes to customs officials for participation in the smuggling scheme. As can be seen, scientists also consider it necessary to maintain a high level of remuneration of customs inspectors in order to reduce the risks of corruption schemes and the possible involvement of customs authorities in smuggling schemes.

E. Gwardzińska (2021) emphasises the importance of updating the means of customs control in order to increase the efficiency of the activities of customs authorities. Thanks to modern technical means and methods of customs control, the volume of violations of customs rules, including smuggling, can be reduced. I. Kafando (2020)

emphasises that in the process of customs control, customs authorities should more widely apply artificial intelligence technologies, which should automate and speed up the processes of customs clearance and detection of contraband. B. Dangsawang & S. Nuchitprasitchai (2024), who proposed a model for detecting smugglers based on unstructured data in social networks that allows identifying persons who sell goods and services through social networks without authorisation, evading customs duty payments, developed the topic of using artificial intelligence in customs control. The works of scientists prove that the modernity of the means of customs control is an important component of its effectiveness, which coincides with the current manuscript, and the use of artificial intelligence technologies should ensure the effectiveness of the work of customs authorities in combating smuggling in the process of control and inspection procedures.

Every year in EU countries, a significant number of customs officials undergo training at the European Union Agency for Law Enforcement Training on modern methods of investigating fraud with excise duties and combating smuggling (Schröder *et al.*, 2021). V. Borsa *et al.* (2023) emphasise that the lack of powers of the customs authorities to carry out operational and investigative measures reduces the effectiveness of the activities of the customs authorities in Ukraine and makes it impossible to exchange information with foreign countries. M. Erkoreka (2020) defines the leading role of customs authorities in the fight against fraud. At the same time, the need to strengthen the convergence of risk management and control carried out by customs administrations in order to effectively fight against fraudsters and promote legitimate trade is emphasised. V. Franssen & A.L. Claes (2022) emphasise that the main law enforcement function in Belgium regarding violations in the field of excise goods belongs to the customs authorities, which have administrative and criminal investigation powers, which allows to effectively combat the smuggling of tobacco products. Such results of scientific works indicate and confirm the need to make changes to the powers and functions of customs authorities and to grant them the right to carry out operative and investigative actions in case of detection of facts of violation of criminal legislation from the point of view of smuggling of goods or excise goods.

O. Makarova (2022) believes that increasing the amount of criminal liability for smuggling of goods should allow to fill the budget and should gradually reduce the volume of such smuggling. V. Nalutsyshyn (2022) considers it necessary to take into account the experience of foreign countries regarding the amount of responsibility for smuggling goods, including the number of fines for such a criminal offence. M. Kärner (2022) emphasises that not all EU countries approach the establishment of criminal liability for customs violations in the same way. At the same time, fines can be considered both as punishment in the form of criminal liability and in the form of administrative liability. K. Buczkowski & P. Dziekański (2021) believe that criminal sanctions for smuggling should be strengthened in such a way that it becomes unprofitable for the guilty to break the law. At the same time, the authors emphasise that the problem of smuggling in Poland is perceived mostly as a fiscal problem, not a criminal one. As can be seen, low sanctions for violations of criminal legislation do not

contribute to the reduction of violations of customs rules, which requires a review of the amount of criminal liability for smuggling in the direction of a significant increase in order to prevent violations of customs rules.

A. Tymoshenko (2021) considers unemployment in the border areas to be one of the reasons for committing smuggling, as there are mostly no industrial enterprises in such areas, which forces residents of such regions to go abroad to earn money. A. Krysovatyi (2020) notes that due to the low level of wages, residents of the border areas of Ukraine are increasingly involved in smuggling schemes. V.G. Ulep *et al.* (2021) prove that the volume of smuggling depends on the socio-economic indicators of the development of countries and suggest calculating an index that does not measure the scale of smuggling but allows diagnosing the ability of countries to solve this problem. E.-U.E. Nelson (2023) emphasises that indicators of socio-economic development of the state have a key influence on illegal trade and smuggling. The population's poverty is the driving force behind its participation in smuggling schemes for the supply of various groups of goods (drugs, cigarettes, alcohol, etc.). The socio-economic situation and an unsatisfactory level of income of the population can directly affect its involvement in smuggling schemes. Therefore, smuggling should be considered not only as a criminal phenomenon but also as a phenomenon caused by low indicators of socio-economic development, which is emphasised in the current study.

P. Tran (2022) emphasises the requests of businesses to customs authorities to carry out advisory work to provide FEA subjects with instructions on customs clearance, which should be open and officially published in official sources. A.M. Rbehat & H.B. Marafi (2024) believe that the activities of customs authorities should be aimed at ensuring the simplification of customs procedures while maintaining parity between the tasks related to the prevention of violations of customs rules and the acceleration of the customs clearance procedure for conscientious FEA subjects. The establishment of cooperation between customs authorities and payers of customs payments should have a positive effect on the state of customs discipline since a certain proportion of payers sometimes do not receive timely advisory assistance from state authorities, which in some cases can lead to an unintentional violation of customs rules and sometimes to smuggling. Therefore, the problem of combating violations of customs rules and smuggling should be of a systemic nature. It should include a set of actions that will be aimed at solving the issues of organising the work of customs authorities, such as motivation, expanding the powers of operative investigative work, updating technical means of customs control as well as prevention and avoidance of smuggling: solving socio-economic problems of the population, explanatory work, and increasing the number of fines for violations of criminal legislation.

● CONCLUSIONS

The results of the study prove that the problem of smuggling in Ukraine is significant, especially in the case of alcoholic beverages and tobacco products. This is facilitated not only by the state of war but also by the lack of a systematic approach to combating smuggling. The results of the survey of foreign trade entities show that the problem of "grey imports" and smuggling is not the main problem

for them, although it is smuggling that affects their activities since goods that compete with goods produced in the customs territory of Ukraine enter the territory of Ukraine. Therefore, the information and explanatory work of the customs authorities should be strengthened, which should prove to citizens that smuggling poses a danger primarily to the country's economy (shadow economy).

It was determined that the volume of smuggling of goods in most EU countries is significantly lower than in Ukraine. At the same time, in such developed countries as France, Ireland, and Great Britain (a former EU country), the volume of smuggling is several times higher than in Ukraine. But at the same time, the legislation of EU countries more severely punishes persons who smuggle supplies. Problems related to updating technical means of customs control and increasing the motivation of customs authorities in combating smuggling remain unsolved. The analysis proved that customs authorities in foreign countries use modern means of customs control, including artificial intelligence. At the same time, the salary level of customs inspectors in foreign countries is several times higher than that of Ukrainian customs officers.

The rationale of the state's strategic decisions regarding the granting of powers to the customs authorities for carrying out operational and investigative actions has been proven. Taking into account foreign experience, this

should allow customs authorities to more promptly detect violations of customs rules, including facts of smuggling. The problem of smuggling should also be solved thanks to the solution of the socio-economic problems of the population. The transition to a progressive scale of income taxation regulated by the National Income Strategy should contribute to the social justice of taxation. But at the same time, the approaches to the application of tax benefits, which should primarily be applied to low-income sections of the population, must be revised. Prospects for further research should be issues related to the implementation of the National Income Strategy norms, as they relate to important issues of the state's customs policy and customs administration. With this in mind, attention will be paid to the issues of administration of customs payments and further implementation of EU legislation into the Ukrainian legal field, which will take place in accordance with the implementation of the tasks of the Association Agreement between Ukraine and the EU and should speed up Ukraine's accession to the EU.

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● CONFLICT OF INTEREST

None.

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Причини виникнення та шляхи протидії порушенням митних правил

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Анотація. Порушення суб'єктами зовнішньоекономічної діяльності митних правил, здійснення контрабанди товарів є актуальними проблемами соціально-економічного розвитку України. Метою статті було дослідження основних причин виникнення контрабанди та розробка шляхів для запобігання порушень митних правил. У роботі проаналізовано статистику порушень митних правил та обсяги контрабанди, що є одним із чинників недоотримання бюджетом значної частини податкових надходжень. Методом узагальнення було узагальнено результати опитування Інституту економічних досліджень та політичних консультацій суб'єктів зовнішньоекономічної діяльності щодо впливу проблем «сірого імпорту» та контрабанди на показники діяльності суб'єктів. За допомогою хронологічного методу та методу аналізу проаналізовано хронологічні зміни предметів контрабанди відповідно до кримінального законодавства, що впливає на напрями роботи митних органів у процесі митного контролю. Узагальнено зарубіжний досвід кримінальної відповідальності за контрабанду товарів, який свідчить про більш суворі каральні заходи, аніж в Україні. Проаналізовано обсяги контрабанди сигарет та втрати доходів бюджету від такої контрабанди з використанням статистичного методу. Результати аналізу свідчать, що обсяг контрабанди сигарет в Україні є одним із найбільших у Європі. Виокремлено причини виникнення контрабанди, які можна поділити як на ті, що пов'язані з діяльністю митних органів, так і з діяльністю органів законодавчої та виконавчої влади України. Обґрунтовано основні шляхи протидії контрабанді та зменшення обсягів порушень митних правил, які мають носити системний та комплексний характер, і стосуватися не тільки виконання митними органами контрольної функції, але й покращення показників соціально-економічного розвитку держави. Практичне значення результатів полягає в узагальненні причин виникнення контрабанди та порушень митних правил, розробці пропозицій щодо запобігання їх виникнення, що може бути використано в роботі митних органів та в процесі реалізації стратегічних цілей Національної стратегії доходів

Ключові слова: зовнішньоекономічна діяльність; контрабанда; нелегальна торгівля; втрати доходів бюджету; контрафактна продукція; мотивація; безробіття