certain aspect of activity on the market. This concept can be applied in the production of the products themselves, sales conditions, marketing policy or other factors.[3]

Let's consider this classification in more detail. The first type of strategies are general strategies of enterprise development. The main goal is to achieve advantages over competitors in the market of goods and services. Competitive strategies are characterized by active actions to achieve profit and a stable position in the market. Advantages for competition are: marketing policy, ownership of patents, innovative enterprise development plan, efficient production, quality product, organized enterprise management, optimal climate in the team, created optimal action plan for development.

The implementation of the proposed measures in the economic activity of the enterprisewill allow to increase the efficiency of the enterprise, improve the development strategy and strengthen its position among competitors in the market of goods and services.

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3 Babchinska O.I. (2018). *Communication process in management: basic provisions*. Vinnitsia. URL: http://www.economy.nayka.com.ua/pdf/9_2018/51.pdf.

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THE IMPORTANCE AND CHALLENGES OF TAX INCENTIVES FOR INNOVATION ACTIVITIES DURING MARTIAL LAW

Today, the issue of stimulating innovation is more relevant than ever. This is due to a number of factors, both global and local.

At the global level, we are witnessing a rapid development of technologies, leading to increased competition in the world market. In this situation, countries that do not invest in innovation risk falling behind and losing their competitive advantages. At the local level, Ukraine is going through a difficult period related to the war. The war is causing significant damage to the country's economy, but at the same time, it is creating new opportunities for innovation.

During wartime, tax incentives for innovation by enterprises are extremely important for several reasons. By supporting innovative companies and research, the state ensures the development of advanced technologies that strengthen defense capabilities and provide a military advantage.

By stimulating innovation, the country can develop new high-tech industries, making the economy more resilient and less dependent on traditional sectors vulnerable during wartime.

A favorable tax regime for innovative companies helps attract domestic and foreign investment, as well as retain and attract highly qualified specialists. Additionally, the innovation sector generates high-paying jobs, increasing the well-being of the population and ensuring economic resilience during wartime.

One of the directions for increasing the innovative activity of enterprises is its stimulation by the state. In general, there are two main forms of stimulation, namely direct stimulation and tax stimulation. Direct stimulation usually includes funding on a non-repayable and repayable basis through a number of instruments such as grants, subsidies, etc. Tax incentives are also divided into direct and general. In the first case, tax benefits can be provided to individual sectors of the economy or enterprises, in the second case, tax benefits can be obtained by anyone who meets the specified requirements.

We observe that such funding is possible in two forms, namely: through tax incentives and direct incentives. The first involves providing tax benefits, while the second involves funding on a non-repayable and repayable basis. The application of the latter two sources of innovation funding on a nationwide scale is impossible. This is due to the inability to significantly divert funds from the state or local budgets, especially given the significant budget deficits observed in Ukraine. These two ways of financing the innovative activities of enterprises are possible only in individual cases where critically important innovations for the state are being developed, and the state directly stimulates these enterprises, for example, the defense sector of the economy.

Tax incentives for innovation have several advantages over direct incentives:

- Tax incentives give enterprises more freedom in choosing investment directions.
- Enterprises themselves decide which innovative projects are most promising for them.

- Tax incentives are available to all enterprises, regardless of their size, industry, and form of ownership. This creates a level playing field for competition and stimulates innovation across all sectors of the economy.
- Tax incentives are more transparent than direct funding, which reduces the risks of corruption and abuse.
- Tax incentives provide enterprises with an incentive for long-term investment in innovation.

Of course, tax incentives also have their drawbacks, but the advantages of tax incentives for innovation outweigh their disadvantages.

Providing direct incentives in conditions of economic crisis and war is an unjustified step for the state budget, and it is primarily selective in nature, which can lead to fraud and manipulation. Such funding is possible exclusively for financing enterprises focused on the production of important military or important social products. The main type of indirect incentive for innovation is incentivizing through the provision of tax benefits to economic entities engaged in or only planning to engage in innovation activities. A number of countries using tax incentives for innovation practice the use of research tax credits, while others use special coefficients for expenses related to innovation activities. The first type includes countries like France, Austria, Belgium, Czechia, Hungary and others; the second type includes countries such as Britain, Spain, Ireland, Portugal, Canada, the USA, etc[1].

In Ukraine, there are only declared aspirations to stimulate the innovative activities of enterprises. Initial steps have been taken at the legislative level, but inconsistencies in regulations and the lack of many elements make these steps of tax incentives for innovation ineffective.

It is clear that enterprises will not be able, and most importantly, should not finance innovative programs through tax benefits for certain taxes alone. Tax incentives should encourage enterprises and organizations to increase spending on innovation activities, if these enterprises have already been involved in innovation, or to start their own innovation activities. Tax incentives should also provide an additional incentive for investors to invest in enterprises engaged in innovation activities.

However, there are also a number of problems in stimulating innovation activities. Let's highlight the main groups of problems in tax incentives for

1 Tax Policy and Controversy Briefing Ernst and Young . URL: https://www.ey.com/en_ua/tax-controversy-policy; Global Survey of Research and Development Incentives. URL : https://www2.deloitte.com/gr/en/pages/tax/articles/global-survey-research-development-tax-incentives.html

innovation activities. We can divide these problems by the levels at which they arise. At the first level, there are nationwide problems of tax incentives for innovation activities. At the second level, we can identify problems of applying tax incentives for innovation activities at the level of economic sectors or clusters. At the third level, there are problems at the enterprises themselves.

The nationwide problems of tax incentives for innovation activities are primarily related to tax legislation. Currently, the tax legislation does not clearly define tax incentives for enterprises or economic sectors engaged in innovation activities, although the Law of Ukraine «On Priority Areas of Innovation Activity in Ukraine» clearly outlines the areas in which enterprises should be moving. Thus, tax legislation and legislation on innovation activities have practically no points of contact. There are a number of areas that can be partially attributed to tax incentives. For example, the main support for innovation through tax preferences can be attributed to the creation and implementation of energy-saving technologies and tax incentives in the IT industry and the agricultural sector[2].

There are also other problems at the nationwide level of tax incentives for innovation activities. For instance, the low pace of implementation of high technologies depends on the underdeveloped innovation infrastructure and insufficient state support for the implementation of innovations, including the lack of tax incentives.

Insufficient state support is one of the main, if not the most important, problem in the development of innovations. If the state is unwilling to help enterprises develop and implement innovations, the latter often cannot do it on their own, in most cases due to insufficient funding.

The uncertainty of priorities for the development of basic sectors of the economy and the lack of favorable conditions for attracting investment to ensure the development of high-tech production is another of the mentioned problems. As noted, the legislation outlines priority areas, which are sufficiently defined; however, apart from listing the priority areas, no ways for developing and supporting these economic sectors are provided. Additionally, a large number of priority areas leads to a dispersion of funds according to their development programs[3].

2 Алєксєєв І. В., Синютка Н. Г., Курило О. Б. Оподаткування аграрного сектору в Україні // Регіональна економіка. 2022. № 3 (105). С. 70–77.

3 Bondarchuk M. Theoretical and practical aspects of modern scientific research: колективна монографія / M. Bondarchuk, O. Vivchar, M. Lyvdar, С. В. Паранчук, О. П. Волошин, І. С. Скоропад, О. С. Червінська. Sherman Oaks: GS Publishing Services, 2022. 257 с.

One of the significant problems is the lack of clusterization. Thus, in many sectors of the economy, most enterprises are unable to fully produce final products and serve as appendages for foreign companies. Whereas the formation of clusters would enable the division of labor within the economic sector, consequently increasing product quality. The main problem in creating «real» clusters is trust within the cluster. After all, enterprises producing intermediate products in the overall production chain will depend almost entirely on enterprises at the next production stage. However, the functioning of clusters is one of the greatest prospects for the development of an innovative economy. And stimulating innovative clusters, including through tax incentives, will enable a more rapid creation of an innovative economy in the state[4].

Some of the most important issues are regional problems. The decentralization of power and funds allows regions to pursue a more independent policy, including tax support for innovation-active enterprises under their control. However, at present, local authorities are practically deprived of opportunities to stimulate the innovation activities of enterprises. Thus, the state budget is initially replenished, and only later are local budgets allocated funds[5].

Another problem at the regional level is the underdeveloped innovation infrastructure. The absence or small number of such infrastructures does not allow enterprises, especially small and medium-sized ones, as well as young ones, to develop innovations in the region. This is especially noticeable with a small number of business incubators and technoparks. Enterprises cannot develop innovations without innovative infrastructures, and the latter cannot be created without state, and especially regional, support for them and for enterprises that want to engage in innovation. Thus, regional authorities should pay great attention to creating innovative infrastructures, since without them, small innovation-active enterprises often cannot develop.

It is important to note that tax incentives for innovation are just one of the tools that can be used to support the economy during wartime. Innovation can

4 Alieksieiev I., Mazur A., Zhelizniak R. The cluster of innovation activity tax incitement: formation and financing // Фінансово-кредитна діяльність: проблеми теорії та практики : збірник наукових праць / Університет банківської справи. 2017. Т. 1, № 22. С. 328–335.

5 Федевич Л.С. Тенденції розвитку фінансово-інвестиційного потенціалу територіальної економіки / Лапішко М.Л., Тяжкороб І.В., Лапішко З.Я., Федевич Л.С. // Фінансово-кредитна діяльність: проблеми теорії і практики. 2021. №2 (37). URL: http://fkd.ubs.edu.ua/index.php/fkd/article/view/3264/3205

become the key to restoring and developing Ukraine's economy after the war and ensuring a quicker victory in this war.

Indeed, tax incentives for innovation become particularly relevant during martial law. In times of trial, innovation and advanced technologies become key factors in ensuring the state's defense capabilities, strengthening economic resilience, and technological sovereignty. By providing tax incentives and preferences for companies engaged in innovation, development, and implementation of new technologies, the state creates a favorable foundation for progress.

This approach allows attracting domestic and foreign investment into the innovation sector, retaining and attracting highly qualified personnel. This fosters the development and diversification of high-tech industries, making the economy more resilient to the shocks of wartime and less dependent on traditional industrial sectors. Innovative domestic companies can create alternatives to imported goods and technologies, reducing the country's dependence on external supplies.

Moreover, the innovation sector generates new high-paying jobs, increasing the well-being of citizens and ensuring social stability. Domestic innovative developments strengthen the state's technological sovereignty, which is extremely important in the context of military confrontation. Thus, tax incentives for innovation allow the country to build military superiority, strengthen economic security and technological independence, and withstand the threats and challenges of wartime.

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