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**TAX DIFFERENCES: MECHANISM OF THEIR CALCULATION  
AND REPRESENTATION IN THE REPORTING**

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***Research methodology.*** *Theoretical and methodological basis of the research was formed by scientific researches of specialists in accounting, legislative and statutory acts of Ukraine regulating the taxation of enterprises profit. General scientific methods of abstraction, analysis, and synthesis have been applied to achieve the objectives.*

***Results.*** *The mechanism of tax differences application used in the enterprises profit taxation has been presented. Attention has been focused on their fiscal and control functions. It has been established that the application of the tax differences in national taxation practice is exclusively fiscal by nature. The order of display of tax differences in tax reporting has been analyzed.*

***Novelty.*** *Main trends of improving the procedure of the tax differences calculation for taxation purposes have been defined. To calculate the size of profit liable to taxation it was suggested to set limitations on recognition of expenses on the basis of their economic justification. It has been offered to consider the mechanism for adjusting the financial result not only as a fiscal objective, but also as a regulation tool of investment and innovation activity of the taxpayer.*

***Practical significance.*** *Recommendations aimed to improve the mechanism of calculation tax differences in the enterprises profit taxation will contribute to a further harmonization of national accounting and taxation.*