

PRAGMATICS IMPROVEMENT OF MOBILIZATION OF TAX REVENUES TO LOCAL BUDGETS IN UKRAINE¹

Setting the problem. Today, the issue of decentralization of budgetary system in Ukraine comes to the fore, as fiscal decentralization is one of the fundamental conditions of independence and viability of local governments. The implementation of the statutory rights of each administrative-territorial formation on economic independence is impossible without each authority's own budget and right of its compilation, approval and execution without interference. It means that each authority should have its own financial resources sufficient for management of the economy and social sphere on the territory under their jurisdiction. The issues of forming the financial base of local governments, which would allow carrying out their tasks completely, do not lose their relevance.

The investigation of the process improvement of mobilization of tax revenues as an important component of local budgets occupies a prominent place in this process.

The analysis of recent researches and publications. The problems of formation of budget revenues in Ukraine, including their tax component, considerable attention in the writings of prominent national scientists. The issue of the formation of budget revenues in Ukraine, including their tax component was investigated in the scientific works of such famous scientists as: V. Bazylevych, Yu. Bartchuk, S. Bukovynskyi, O. Vasylyk, N. Vakhnovska, V. Vyshnevskyi, O. Kyrylenko, A. Krysovatiy, I. Lunin, V. Ostrovetskyi, Yu. Nelidina, O. Pihotska, I. Polska, V. Rudenko, S. Yuriy and others.

The famous scientists, officials of the executive authorities and local self-government and financial authorities pay great attention to the process of formation the revenue base of local budgets because local budget as the main financial basis of the local government occupies a special place in the budgetary system of Ukraine. The formation of local budgets is both prerequisite and a result of social and economic development of the territories. The creation of an effective mechanism of their formation in the context of sustainability and stability of the country and its regions is important and requires further research and fundamental proposals.

Setting the objective. The purpose of the article is to identify the main ways to improve effectiveness of filling profitable part of local budgets in Ukraine by optimizing of the process of tax revenue.

We should expand and deepen the theoretical and conceptual bases of formation and application of tax revenues as an important component of local budgets to achieve the purpose in this article.

The account of the main research contents. The problem of local budget revenues in conditions of reforming budget and tax legislation is very important today.

Financial stability of the regions in Ukraine can be achieved only if the fiscal policy was conducted effectively by the local authorities and appropriate financial capacity of the regions [10, p. 92]. In spite of achieved progress during Ukraine's independence in providing of local budgets adequate financial resources, many administrative units are still limited. The instability of the revenue base of local budgets, lack of an effective mechanism for inter-regional redistribution of public revenues, significant differences in the level of economic development, living conditions cause the social conflict and political instability [6, p. 116].

Deprecated mechanism of regulation revenues of local budgets by the central government deprives the local governments financial autonomy, for many years enshrines the dependence of development local economy and social sphere of higher capacity and willingness of the authorities to solve the problems that are in the area of the regions, cities, towns and villages.

Thus, a very important problem today is a problem of production an effective mechanism that would define the new principles of local budgets, a clear division of functions and responsibilities of all levels of government – disbursement of each budget, and the most importantly – revenue between different links of the budget system.

The formation of local budget revenues and identify reserves of their increase is particularly important in the conditions of market transformation of Ukrainian economy.

In spite of the adoption and enactment of the Tax Code, the system of accumulation local budgets is still characterized by low share of own revenues. So, the real financial capacity of local governments is considerably limited. It is a negative factor for democratic reforms in Ukraine.

As long as local budgets will be formed mainly by state taxes and fees, there are no objective reasons to distinguish local revenues from state, considering them as independent concepts. realities of today show that revenues of local budgets while meeting the criteria of one of the components of government revenue.

We must admit that there are both economic and legal grounds. Among them are:

1) types of local revenues, formation of local budget revenues and its composition determined by the state in the Budget Code of Ukraine;

¹ Scientific consultant: Zhelyuk T.L. – doctor of economic sciences, professor of the department of state and municipal government of Ternopil National Economic University.

2) budgetary system of Ukraine is a single mechanism. Local budgets are an integral part of this mechanism. Although they are independent, but at the same time inextricably linked with other parts of the budget system;

3) local budget revenues are mainly income from state taxes and fees;

4) local budgets haven't their own financial base that would allow local governments themselves to decide in the interest of the territorial community issues of local significance without the involvement of state taxes and fees.

5) state takes part in the formation of revenues of local governments and their financial support in accordance with the requirements of the Constitution of Ukraine;

6) local taxes and duties are imposed exclusively by law. Local government may establish only the tax or fee that has already been established in this law on its territory according to the Constitution of Ukraine;

7) the using of the term "state revenues" to the revenues of the local government indicates that the state authorities have the right to dispose of them but the local authorities haven't such right;

8) local taxes and fees are the part of the tax system in Ukraine and their managing are implemented in accordance with the general principles of taxation, common to the whole system of taxation;

9) revenues of local budgets are the part of the national income of the state;

10) payment of local taxes and duties is provided by using of coercive powers of the state represented by state authorities. The local governments are not endowed with discretionary powers to control the payment of taxes and other obligatory payments. The local governments can not impose these payments [7, p. 247].

Local finances should not have only clear legislative strengthening budgetary authority and responsibilities of authorities at various levels in the process of formation of income. Also local finances should endow the local authority with significant local taxes, interest rate, tax base and maturity of the local budget which they could set independently of the central government. It will increase the share of tax revenues in local budgets, reach a balance of the budget and improve management effectiveness.

Thus, the implementation of constitutional guarantees of independence of local self-government in solving local problems depends on the fastening in existing legislation mechanisms to ensure stable sources of revenue to the local governments.

Local taxes and fees should become the basis of independence of local budgets. We must admit that the local governments have a direct influence on the formation of taxes [8, p. 672].

There are various proposals to improve the process of forming of the revenue base of local budgets in Ukraine.

M. Butko and K. Bilokur consider that state strategy requires changes in finance. These changes should be focused on the region because a market economy requires a substantial increase in the using of financial resources on the territory of their creation [1, p. 29].

The other authors also confirmed this provision. They consider to direct payments to local budgets from the taxes and fees that come to the state budget from the relevant territory as a certain percentage of deductions from national taxes or fix the stable share of different levels of government (central, regional, local) in the distribution national taxes.

S. Slukhay and N. Zderka consider that tax from individual income has no all the characteristics that would do it suitable for the role of local tax, but in practice it is often found that fixed revenue sources by the local government are insufficient for financial support of their functioning, to fund the development of their operation, so the state may to transfer a part or all of this tax to local budgets in order to cover of vertical imbalance [9, p. 18].

S. Melnyk and S. Krynytsya suggest to enroll the value added tax into local budgets because it is evenly distributed throughout the country and less sensitive to fluctuations in market conditions, and its revenues directly connected with the level of development and the results of economic activity in the regions [2, p. 19].

K. Pavluk pays attention to the need of establishing the relationship between budget expenditures and the results of economic activity of the region, forming the part of the revenues of local budgets depending on the volume created on the relevant territory of financial resources [4, p. 26].

It should be noted that scientific theoretical and methodological solving the problem of determining the optimal mechanism of formation of their own revenue, base of local budgets, based on the foundations of tax (fiscal) autonomy, quality forecasting revenues of local budgets has not been found in this sphere enough.

The list of local taxes and fees has been reduced with the adoption of the Tax Code of Ukraine, but it occurred due to the abolition of taxes and duties with extremely low or generally non-availability of fiscal return.

According to the Tax Code taxes belonging to the national taxes were transferred to local taxes and duties, but in accordance with the Budget Code of Ukraine and the laws of the State Budget for the respective years taxes were credited to the amount of local budgets (unitary tax, fee for implantation of certain types of entrepreneurial activity).

In fact the Tax Code restored payment of the hotel fees (canceled from 1.01.2004), combining it with the resort fees and implementing levying of the tourist tax.

In our opinion, an essential element of local taxes and fees should be the land tax, which is in accordance with the Budget Code is credited to the income of local budgets.

We must admit that valid system of local taxation does not provide financial autonomy and independence of local self-government, but native system of local taxation needs further reformation.

We consider that there are the most significant shortcomings of local taxation. These issues need to be resolved in Ukraine. Among them are:

- 1) minor fiscal role of local taxes and fees and as a consequence their low specific weight in the revenues of local budgets, in the gross domestic product;
- 2) the lack of independent rights of local governments to implement on their territory own taxes and fees;
- 3) indifference of local authorities in additional raising funds from charging of local taxes and fees;
- 4) lack of the interdependence between the level of public services that provided on a particular area with the tax efforts of populations;
- 5) underdevelopment of taxes that reflect the policies of local authorities (environmental taxes, fees for certain services of local authorities);

Reforming the system of local taxation, we must first of all change the attitude to local taxes and duties. We have not to regard them as minor taxes within the tax system, significantly raise their importance and role in the formation of the financial resources of the local governments. But it is possible only if to do the revision of local taxes and fees [5, p. 7].

The local taxes and fees have to become a reliable instrument of regulation of territorial economic development, solving diverse problems that arise, reducing of social tension. Especially according to global experience the list of local taxes and fees must be added the most suitable for the local taxation. This is a tax on personal income, payment for land and the income tax of economic entities. The revenues from these taxes will allow establishing relationship between the volume of local budgets and the results of the enterprise management, the number of newly created jobs and the level of remuneration of employees. This situation will force the local governments actively to solve the employment problem, create favorable conditions for entrepreneurship development, including small and medium businesses. We must admit that the successful resolving of these issues will directly influence on the size of local budgets.

Expansion of the list of local taxes and duties may also pass through the introducing of taxes with targeted use of received funds. For example, charges for cleaning and lighting of the streets for removing of rubbish, landscaping parks, recreation areas, cemeteries and so on.

The local ecological taxes will become useful due to threatening ecological situation in Ukraine. These taxes advisable to impose as fines for polluting the air, water, forests and other natural resources, disposal and recycling of hazardous waste. Such taxes can be an effective instrument for the preservation and protection of the environment and improving the environmental situation in the country.

Solution of the issue of strengthening of the financial base of local communities is possible through amendments to the existing tax legislation that defines a mechanism of tax revenues levying to the budgets of different levels.

In order to increase the revenues of local budgets we would like to propose:

- 1) to expand the powers of local authorities. Increasing of spending on subsidies and subventions to local budgets is associated with significant differentiation of conditions and level of development of regional economies, and opportunities for accumulating of taxes. We know that economic conditions can not change simultaneously and equally. Resolving problems according to the ensuring a certain minimum of expenditures of local budgets henceforth will require the centralization large sums of money in the state budget.

So there is a contradiction between two concepts: transferring a large part of appropriate powers to the local governments of basic level and expanding tax guarantees for local budgets, on the one hand and on the other - providing single minimum of budget funds calculated per capita income regardless of the place of residence.

Resolving of this conflict can be achieved only when the size of territorial communities correspond to the duties imposed to the appropriate local authorities [3, p. 40].

- 2) to expand the rights of local governments in the area of local taxation in respect of the right to establish the local taxes and fees, and also their antes and provide benefits according to the list and within the size limits established by legislation of Ukraine;

- 3) to replace the system of levying of tax on personal income between the different local budgets, as the current system provides income of this tax to the local budgets by the taxpayer's place of work. This indicates that tax from those citizens whose main place of work is outside of the territory the collection of this tax does not come in the local budget;

- 4) to establish local taxes with a clear breakdown (charges for cleaning and lighting of the streets, for removing of rubbish, landscaping parks, recreation areas, cemeteries). These taxes can be positively perceived by the population of the state at the expense of transparency and obvious expediency of paying such taxes;

- 5) to improve the mechanism of management of the property tax as one of the most perspective in fiscal sense of local taxes.

The conclusions and further research. Thus, it is necessary radically change the attitude to the local taxes and fees in the process of reforming the tax system in Ukraine, check their role and significance in the formation of profitable part of local budgets.

The local governments should have the right to establish on its territory own taxes and fees, and the central government should only control the overall tax burden.

This can be explained by the fact that at the local level is always special objects of taxation. These objects can significantly supplement revenues of local budgets, and thus increase the ability of local governments to resolve economic and social problems of the region.

Resolving the whole complex of problems concerning the formation of the financial resources of local authorities would largely contribute to expand of economic and financial autonomy of the regions. So the state will be strong as a whole if the administrative and territorial units will be mobile in financial sense.

We should choose research the possibility of influencing the results of filling the revenues of local budgets by tax revenues on the processes of economic dynamics at regional and national levels in further studies.

References

1. Butko, M. and Bilokur, K.O. (2008), "Financial resources of region are in the conditions of market transformation", pp. 29-30.
2. Melnik, S. and Krynytsia, S.M. (2009), "About forming of local budgets", pp. 17-23.
3. Mikhienko, T. (2006), "Forming of incomes of local budgets : theoretical aspects", pp. 39-44.
4. Pavliuk, K. (2007), "Local budgets and interbudgetary relations", pp. 25-32.
5. Pikhotska, O. (2003), "Local taxes and collections are in providing of financial independence of organs of local self-government", pp. 5-10.
6. Polska, I. (2009), "The increase of tax revenues as one of ways of development of capital base of local budgets", pp. 116-124.
7. Popovich, I. (2010), "An improvement of mechanism of forming of financial resources of local authorities is taking into account the modern state of economy of Ukraine", pp. 243-249.
8. Semenets, R. (2011), "A role of local taxes and collections is in forming of incomes of local budgets in the conditions of present time", pp. 668-673.
9. Slukhai, S. and Zderka N. (2006), "Forming of incomes of local budgets is in the context of transformation of the tax system", pp. 12-21.
10. Tsimbaliuk, I. and Vyshnevskaya, N.V. (2011), "Local revenues of local budgets", pp. 92-97.

Levenets O.V. PRAGMATICS IMPROVEMENT OF MOBILIZATION OF TAX REVENUES TO LOCAL BUDGETS IN UKRAINE

Purpose. The purpose of the article is to identify the main ways to improve effectiveness of filling profitable part of local budgets in Ukraine by optimizing of the process of tax revenue.

Methodology. The main provisions of modern finance theory and theories of local government, scientific works of famous national and foreign scientists concerning the development and optimization of the formation of local budgets in today's environment are the theoretical and methodological basis of research.

The modern research methods have been used in this paper, including: logical analysis, methods of formal and dialectical logic, generalization of literature and information sources, scientific abstraction in order to determine the formation of tax revenues of local budgets.

Application of comparative and statistical analysis methods, methods of quantitative and qualitative analysis, and scientific foresight and forecasting contributed to provide suggestions for improving the efficiency of formation of revenues of local budgets in Ukraine by tax revenues are based on the results.

Findings. The problem of fiscal policy in Ukraine has been considered in the article. The regularities of the tax system have been analyzed; the analysis of the expenditure national policy has been done. The directions of reforming filling revenues of local budgets in Ukraine by optimizing the process of mobilization of tax revenues to local governments have been proposed.

Originality. Theoretical-conceptual and practical principles of formation of tax revenues and identifying the main ways of improving the efficiency of filling profitable part of local budgets in Ukraine by optimizing the process of tax revenue have been investigated in the paper.

Practical value. The possibility of using research results in the activity of public financial agencies that regulate and control the processes of formation revenues of local budgets in Ukraine is the practical significance of the results. The basic ideas and conclusions of the article may be used for deeper analysis of the financial and economic situation in Ukraine and for the development of measures to reduce the negative effects of the current economic crisis that influence on fullness of profitable part of local budgets through tax revenues.

Key words: Local budgets, local taxes and fees, the economic potential of territories, decentralization, territorial communities, the mechanism of formation of financial resources.