

## FINANCIAL CONTROL LEVERS OF SUSTAINABLE ECONOMIC DEVELOPMENT OF THE STATE

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*Consequences of the global financial crisis that has engulfed a large number of developed countries demand the formation of appropriate mechanisms to overcome them. Among the main control levers of the economic development it is appropriate to single out tax policy. The article studies the concept of “the tax burden” and the influence of GDP on its level. It is defined the place and functions of the tax burden in the tax policy of the country. The level of the tax burden on the national economy is analyzed and reasonable directions of further reforming of the tax system of Ukraine is proved.*

**Key words:** *Gross domestic product, the Consolidated Budget, government regulation, tax system, the tax burden.*

### INTRODUCTION

Nowadays the major macroeconomic problem of Ukraine is construction of the optimal tax system as the main financial instrument of management of the economic development. One of the most important macroeconomic aspects of the tax system as the revenue side of the budget is the overall tax burden on the economy that is the ratio of total tax revenues to GDP.

The concept of the tax burden actually emerged simultaneously with the emergence of taxes. Even in the eighteenth century Adam Smith in his book “An Inquiry into the Nature and Causes of the Wealth of Nations” drew attention to the important economic dependence between the level of the tax burden and the receipt of funds in the state budget [1]. It was provided that the level of the tax burden primarily is associated with the implementation of fiscal function of taxes. The necessity of transformation of approaches to the development of Ukraine's tax system is updated in the conditions slowing down the socio-economic development of the state. An efficient tax system should, on the one hand, to provide state powers with financial resources, on the other hand, to encourage business entities to increase efficiency of the economic activity.

### **MAIN BODY**

The tax burden is one of the concepts that allows to assess the level of impact of tax payments on the financial condition of the country, population and economic entities.

In modern economic literature scholars have different approaches to the determination of the tax burden. The unity of authors in the terminology is absent, because still there is no universally accepted term that characterizes the impact of taxation on the economy.

A significant amount of domestic scientists devoted their works to the issues of the tax system of Ukraine.

Thus, A. Godovanets and T. Marshal say that the tax burden is a measure of the effectiveness of a level of a government intervention through taxes into activities of payers [2]. Y. Kushnirchuk points out that “the tax burden is an important fiscal indicator of a cumulative impact of taxes on the economy as a whole or to individual entities that actually is an indicator of the effectiveness of a fiscal policy” [3]. Y. Ivanov and A. Yeskov state that the tax burden (pressure) is implemented on the following four levels [4]: the first - the tax burden directly of tax instruments; the second - the tax burden of a totality of taxes, fees and charges; the third – the use of a mechanism of benefits by taxpayers, provision of concessional loans, grants; the fourth - the use of a tax technique in which the tax burden on the taxpayer increases.

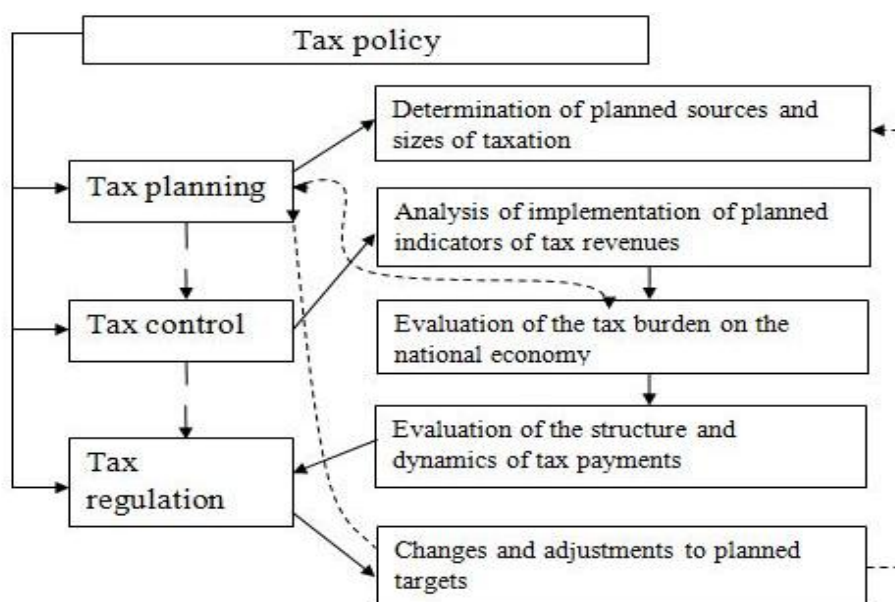
The research of views of scientists allowed concluding that along with a term “tax burden” scientists use such concepts as “tax burden”, “tax pressure” that in a summary form are relative measures which quantitatively and qualitatively reflect the impact of mandatory tax payments imposed in Ukraine on the financial condition of economic entities and population.

In modern economic literature tax burden is considered as a part of tax planning, tax analysis and within tax management in general. Note that the tax burden - is a tax analysis tool, which in its turn is a tax management method (Fig. 1).

Thus, the assessment of a level of the tax burden is a part of tax regulation in Ukraine, and its essence is revealed in the performance of certain functions:

- informational - describes the tax burden as a source of information about the level of taxation of an object;
- analytical - the tax burden is a tool to analyze the impact of tax payments on the financial state of the country;
- controlling - is to use tax burden indicators for the purpose of current monitoring of the effectiveness of the tax management.

A level of the tax burden, in turn, depends on many factors - a type and form of a tax mode to a foreign political country's image.



**Fig.1.** Place of the tax burden in the system of tax management.\*  
*\*made by the author*

According to estimates of PricewaterhouseCoopers, Ukraine belongs to ten countries with the most complex tax systems. The tax burden on the economy in Ukraine remained at the level of 55.9%, while in Central and Eastern Europe (CEE) - 40% (table. 1).

**Table 1.** A level of the tax burden in Ukraine, Eastern Europe and Central Asia and highly developed countries in 2014 [5]

Indicator	Ukraine	Eastern Europe and Central Asia	Highly developed countries
Payments, amount per year	28	26	12
Time, hours per year	390	246	175
Income tax, %	11,2	9,0	16,1
Taxation of labor, %	43,1	22,6	23,1
Other taxes,%	0,7	7,0	2,0
The total level of the tax burden, % for the profits	55,9	38,7	41,3

Each Ukrainian, as was calculated in the CASE Ukraine, in 2015 will pay about 40 thousand UAH of taxes for the maintenance of the state. That is the reform will not lead to reducing of the tax burden, but rather will

increase administrative costs of taxpayers. As already 2014 demonstrated, despite the increase in tax rates, budget revenues still decreased.

In general the inflation-devaluation factor contributed to the implementation of the budget in 2014. Total revenues amounted to 455.9 billion UAH that is 13.1 bln. UAH or 3.0% more than the corresponding figure in 2013. In turn, tax revenues have been collected 367.5 billion UAH that is 13.5 bln. UAH or 3.8% more. The greatest growth and / or over-plan of earnings has reached for the items that depend on exchange rates, including VAT and the excise tax on imported goods, as well as duties [5]. Operational data of SCSU indicate that the shortfall in the state budget for 2014 totaled 36.3 billion UAH, the implementation of the budget by income - 91.8%. "Saving for the government was financing the budget deficit through domestic borrowings, domestic treasury bills, and the buyer of which was only NBU. Easier, 80 bln. UAH of budget revenues were not taxes and fees, but virtual hryvnias.

The redistribution of funds through the budget in relative terms remained in 2014 at the level of the previous year and amounted to 29.1% of GDP. At the same time revenues are composed of individual articles of revenues that are accounted as non-tax, but include all the features of the tax ones. For example, fees for compulsory state pension insurance with certain types of business operations in 2013 amounted to 3.6 bln. UAH, and in 2014 surged to 9.6 bln. UAH, 6 0 bln. UAH or 2.7 times more. Leading scientists in the field of tax law also rightly refer now this tax to indirect taxation. Thus, a tax coefficient would be not 23.5% of GDP but 24.1% of GDP, which is 0.6% more. Clarification of tax revenues is important for a reliable determination of the tax burden on the national economy of Ukraine [6].

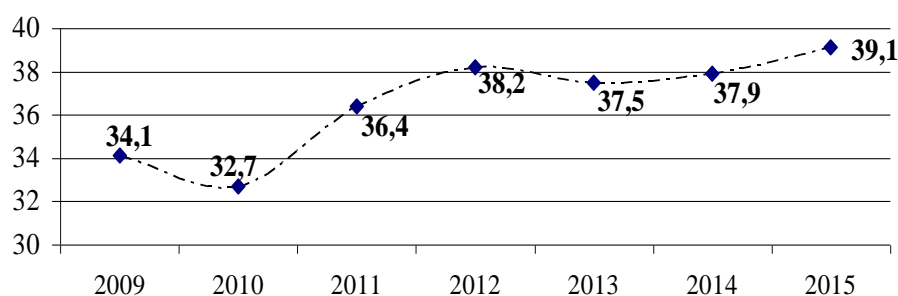
According to the World Bank, a tax system in Ukraine is the most difficult in the world. The number of different payments of Ukrainian enterprises and citizens to the budget we have is the world's largest and includes 73 species.

Economic science knows several approaches to the evaluation of the tax burden, namely:

- as a ratio of tax revenues to the budget to the value of total income of a private sector;
- as a difference between a total revenue and expenditure and transfers from the budget for the maintenance of a private sector;
- as a share of a tax revenue to GDP [4]. The figure 2 shows the dynamics of the tax burden on the economy of Ukraine during 2009-2015.

A level of the tax burden of Ukraine is within such countries as Slovenia (37.4%) and Hungary (38.9%), and representatives of the EU-17 -

Germany (37.6%), the Netherlands (38.9%), the United Kingdom (35.2%) [8]. Significantly higher level of the tax burden is in Denmark (48.0%) and Sweden (44.0%) and Western European Italy (44.4%) and France (45.3%). However, a level of the overall tax burden in some highly developed countries such as the US (25.2%), Japan (28.7%), Switzerland (28.2%) in the last decade was marked at 30%. Typically, a high level of taxation is correlated with high levels of social security and a public sector.



**Fig. 2.** Dynamics of the tax burden on the economy of Ukraine, %.\*

\* When calculating the amount of tax revenues not only tax revenues of the consolidated budget of Ukraine were taken into account, but also Single social contribution in 2013-2015.

However, the tax burden consists not only of taxes and other obligatory payments, but also of the payments for the cost of time of workers of enterprises related to the compliance with tax laws - only because of this, Ukrainian enterprises spend more than 8% of their annual income.

To stabilize the economy, to fill the state budget of the country in the end of 2015 the next stage of reforming in the tax system of Ukraine was held that affected on the increasing in the tax burden in the implementation of fiscal consolidation measures. The main stages of the reform are the following [8]:

1. The development of a national tax system in the European trend of shifting of the tax burden from mobile factors of production - labor and capital - for consumption, primarily at the expense of VAT and excise.

2. Simplification of the tax system of Ukraine, it was envisaged to reduce a number of taxes and charges from 22 to 9, the actual number was - 11.

3. Fiscal decentralization by expanding the sources of local budgets at the expense of transmission of incomes from the state budget: 100% of the

payment for a provision of administrative services and a state fee, 10% of corporate income tax of a private sector and others.

4. Establishment of coordination of a fiscal and monetary policy of the state.

At the same time, by the number of taxes Ukraine holds 91 place of 185 countries of the world surveyed annually by the World Bank, under the tax load – 154, and by the time spent on the administration of taxes – 171 place.

Thus, one could argue that despite some progress in relation with the implementation of tax reforms the result of these changes has appeared to be relatively low.

### **CONCLUSIONS**

For further reforming in a tax system and reducing the tax burden on the national economy it seems appropriate to take the following measures:

1. The establishment of a strict control of a transfer pricing to facilitate an adequate definition of a tax base for budget revenues and is an important tool of stabilization of a current account of a balance of payments.

2. Ensuring of the stability of tax legislation, including ban amendments and additions to the existing list of taxes and charges to the beginning of a new budget period.

3. The reorganization of tax administration procedures, such as further simplification of reporting and expanding of functional possibilities “Electronic office of a taxpayer,” including possibly providing the registration and submission of tax bills through the Cabinet.

4. The implementation of the experience of highly developed countries to establish a number of tax privileges - the development of adequate methodologies for evaluating the effectiveness of their use on certain criteria and receiving the effective ones for both the taxpayer and the state.

Hence, further reforming of the tax system in Ukraine should be held according to classical principles of the economic efficiency and fiscal sufficiency and the tax burden can be used as an effective indicator of the impact of tax reforms on the situation in the country.

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