

Effectiveness of Tax Policy of Ukraine: Evidence and Economy Implications

OLENA P. SLAVKOVAⁱ, OKSANA I. ZHILINSKAⁱⁱ, M. PALIENKOⁱⁱⁱ

The article deals with the peculiarities of the formation and implementation of tax policy in the country. The analysis of change of tax receipts to the state and local budgets is carried out. The role of tax payments in the economic development of the country is determined. The efficiency of the state tax policy in Ukraine is analyzed, its advantages and disadvantages are determined. The important role of tax payments in stimulating economic and social development is substantiated. The analysis of the elasticity of change of indicators of economic development of the country from the change of volume of tax receipts to the budget is carried out. The necessity of improving the existing policy of establishing, accrual, payment, and distribution of tax revenues as one of the most promising areas to stimulate economic growth is concluded.

Key words: tax policy, revenues, tax evasion, state budget, elasticity, economic development.

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Introduction. The efficiency and key vector of the country's development are determined by a set of its economic, social and political indicators, which can be divided into stabilizers and destabilizers. One of the most important instruments of state economic regulation is tax policy. Tax revenues are an important source of filling state and local budgets. The efficiency of the tax system determines the ability of public authorities to perform their functions, to finance programs of countries' social and economic development. At the same time, modern tax policy is a complex management element. It is often seen as the fastest and most effective instrument for influencing certain activities, sectors of the economy and businesses. The change in the level of taxation determines the volume of production of a particular type of goods or services, the level of demand and business activity in the market, the investment attractiveness of the economy, indicators of small and medium business development.

Problem statement. A significant number of domestic and foreign scientists have studied the issues of state regulation of the economy and determining the place of the tax system in the economic development of the country. Thus, S. V. Maistro [2], A. I. Krysovaty, V. M. Melnyk, T. V. Koschuk [1] studied the peculiarities of the implementation of state tax policy and its improvement in terms of economic transformations.

M. Ruban [3], J. M. Arnold, B. Brys, C. Heady [4] determined the role of tax policy in the country's economic development. According to the results of the study, the authors came to the conclusion that the domestic tax system is characterized by the predominance of the fiscal

ⁱ Olena P. Slavkova, Dr. (Economics), Professor, Head of Public Management and Administration Department, Sumy National Agrarian University;

ⁱⁱ Oksana I. Zhilinska, Dr. (Economics), Professor, Vice Director for Research at Taras Shevchenko National University of Kyiv;

ⁱⁱⁱ M. Palienko, PhD (Economics), University of Insubria, Como, Italy.

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function of taxes, which leads to an excessive tax burden on economic entities. Through taxes, the state influences on the behavior of economic entities. This, in turn, causes the variability of certain regulations, their inconsistency, and ambiguous interpretation. The state tax authorities' inefficiency, high levels of corruption, and abuse of office are deepen economic imbalances.

A feature of the modern world tax system is the low level of its efficiency. It is determined by the growth of tax evasion, the inconsistency of the tax burden with the realities of economic development, the variability of tax legislation, the growing share of shadow business, and so on.

These shortcomings of the modern tax system of Ukraine highlight the need to assess its effectiveness, identify the main problems of its construction and operation, develop a set of preventive measures aimed at increasing tax revenues to the budget through qualitative rather than quantitative transformation of the existing tax system.

The purpose of the research is to analyze the effectiveness of the tax system, determine the main vectors of its impact on economic development.

Results of the research. The effectiveness of the tax system is determined by the compliance of actual and potential tax revenues, the ability of its elements to perform their functions (control, distribution, fiscal), the impact on business activity in the country, stimulating business development, lack of excessive and unreasonable burden on individuals and legal entities etc.

At the same time, an efficient tax system provides sufficient budget revenues to cover the most vulnerable items. As shown in Figure 1, there has been an annual increase in global tax revenues in recent years. If in 2009, their share was 13.18 % of GDP, in 2018 it was 14.97 %.

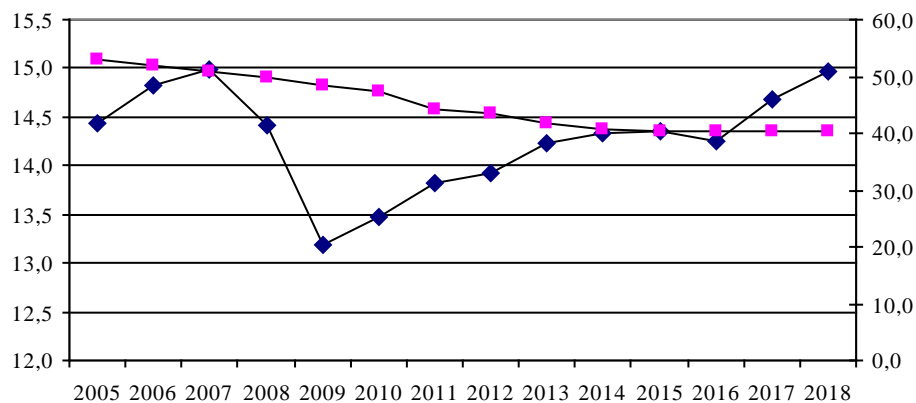


Figure 1. Dynamics of change in tax revenue (% of GDP) and total tax and contribution rate in the world

Source: created by the author based on the sources [6]

The growth of the share of tax revenues in the structure of GDP occurs with a simultaneous reduction in the total tax and contribution rate. During the analyzed period, the world average tax burden decreased from 53.10 % to 40.38 %. Thus, we can conclude that the prevalence of the qualitative component in the formation of tax policy in the world over the

quantitative. The growth of tax revenues is not due to higher tax rates and fees, but to increase the efficiency of the economic sector of the country and improve the procedures for accrual and payment of tax payments.

A similar situation is observed in Ukraine. According to the results of the analysis (Figure 2), over the past 6 years there has been a steady increase in tax revenues to state and local budgets. At the same time, despite the growth of absolute values of tax revenues, their share in budget revenues for the last 6 years has hardly changed and ranges from 81-87 %. This indicator is much higher than the world average and indicates the important role of tax revenues in budget revenues. At the same time, we note the low efficiency of collecting tax payments to local budgets compared to the state. Thus, the growth of tax revenues to the state budget is much faster than local ones.

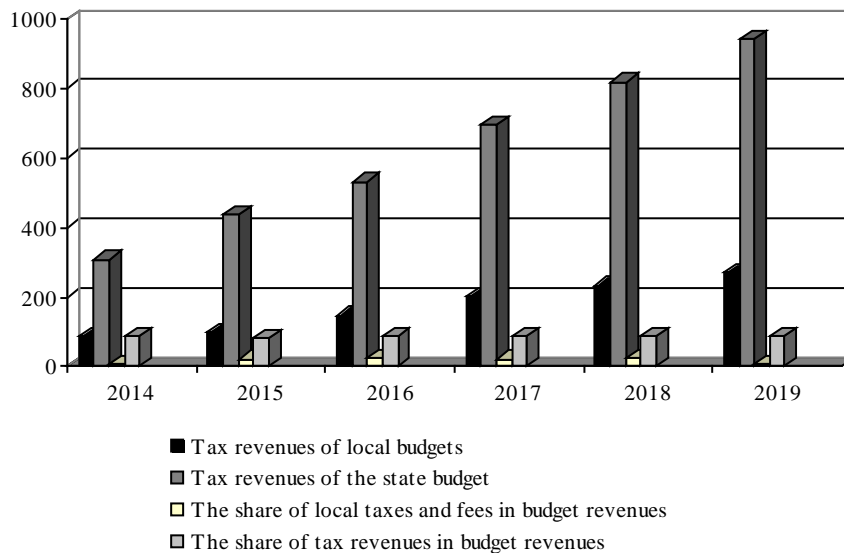


Figure 2. Dynamics of tax revenues in Ukraine

Source: created by the author based on the sources [5]

Thus, there is a need to assess the effectiveness of tax policy at the state and local levels. Based on the results of the analysis, we can conclude about the important role of the tax system in the economic development of the country. However, as the above results show, it is important to assess the quality of procedures for state monitoring and control over the effectiveness of the calculation and payment of taxes, forecasting the number of tax revenues.

One of the indicators that characterize the effectiveness of tax policy in the country is the rate, which reflects the correspondence between the actual and planned tax revenues. The value of this coefficient is more than 1 indicates the excess of actual tax revenues over theoretical and is the result of inefficient financial planning processes. The value of the coefficient is less than 1, in the absence of other objective reasons, indicates the evasion of economic entities from fulfilling tax obligations, and the presence of a developed shadow sector of the economy.

The results of the analysis of the dynamics of changes in the tax collection rate shown in Figure 3 indicate that the received tax payments exceeded the planned ones. The highest value of this ratio was in 2015 and amounted to 1.38, the lowest – In 2018 (1.18).

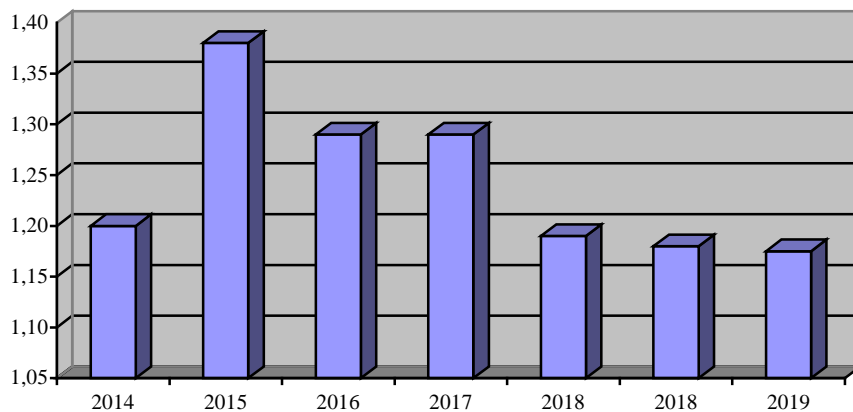


Figure 3. Dynamics of changes in the tax collection rate in Ukraine for the period 2014-2018

Source: created by the author based on the sources [5]

The analysis of the correspondence of actual and theoretical tax revenues in terms of the main budget-generating payments for 2018 shows the low efficiency of tax collection processes for most of the analyzed payments. For the export duty the coefficient of tax collection is 0.44, for the import duty – 0.75. Thus, it can be argued that customs duties are most widely used in schemes of shadow income and tax evasion. Only for personal income tax and corporate income tax, the value of the tax collection coefficient exceeds 1.

As mentioned above, tax payments are an important component of the country's economic development. Given the budget deficit, low level of investment attractiveness of the country, tax revenues are a prerequisite for stimulating economic development. The use of shadow schemes of tax evasion, exacerbation of the economic crisis in the country, accompanied by a reduction in tax revenues to the budget is an important destabilizing factor in the socio-economic transformations in the country.

To determine the degree of influence of tax revenues on the indicators of economic development of the country, we will analyze the elasticity of changes in GDP, public debt, inflation from changes in total tax revenues to the state budget.

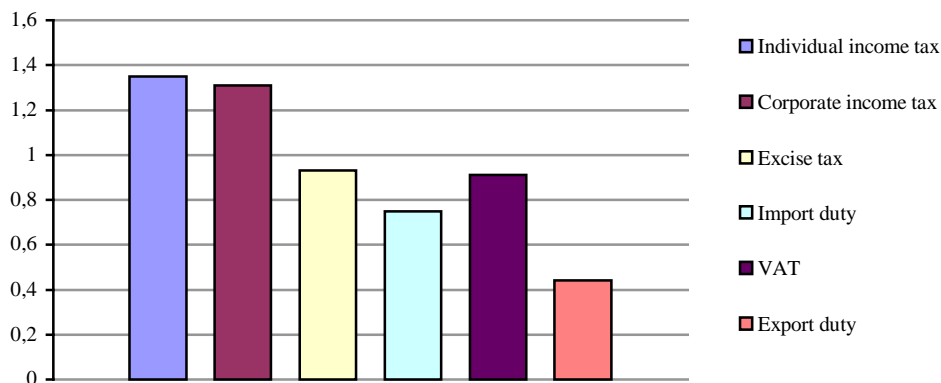


Figure 4. Coefficient of collection of certain state taxes and fees in Ukraine in 2018

Source: created by the author based on the sources [5]

The results of the calculation of the coefficient of elasticity for these indicators indicate a close relationship between tax revenues and GDP (Table 1). Thus, an increase in tax revenues by 1 % leads to average GDP growth of 8-24 %. The level of inflation is the least sensitive to changes in tax revenues. The growth of tax revenues by 1 % in 2018 was accompanied by an increase in inflation by 1.61 %, in 2019 by 0.28 %.

Table 1

Coefficient of elasticity of tax payments in Ukraine

Year	GDP	State debt	Level of inflation
2014	108.61	100.87	100.35
2015	124.14	105.30	100.70
2016	119.95	101.41	100.83
2017	124.53	105.66	101.07
2018	124.04	105.20	101.61
2019	119.05	104.12	100.28

Source: created by the author based on own calculation

Conclusions and prospects of further research. Leveling of constant imbalances in the economy, the current social and political crisis in the country highlight the need to develop tools for managing certain components of the economic and financial development of the country. The analysis of the place of taxes in the budget revenues testified to the importance of the tax component of the state policy in the process of determining the priorities of the country's economic development. The tax component is one of the most important and effective instruments of state influence on the activities of economic entities.

At the same time, the ability of the tax system to perform its functions depends on the level of its efficiency. Tax evasion, understatement of tax liabilities, the inefficiency of financial monitoring and control processes lead to under receipt of tax revenues and, consequently, the inability of the state to finance economic and social programs.

The results of the calculations showed a significant impact of taxes and fees on GDP, inflation, public debt. Thus, the analysis allows us to conclude that the level of effectiveness of tax policy determines the key milestones of the country's development. However, the existing discrepancy between the growth rate of tax revenues and the budget of the country's economic development makes it necessary to improve the existing policy of accrual and payment of taxes.

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Эффективность налоговой политики: опыт и экономические последствия для Украины

ЕЛЕНА ПАВЛОВНА СЛАВКОВА *
ОКСАНА ИВАНОВНА ЖИЛИНСКАЯ **
МАКСИМ ПАЛИЕНКО ***

* доктор экономических наук, профессор, заведующая кафедрой публичного управления и администрирования Сумского национального аграрного университета,
ул. Г. Кондратьева, 160, г. Сумы, 40000, Украина
тел.: 38 (0542) 22-24-48, e-mail: olena.slavkova.snau@gmail.com

** доктор экономических наук, профессор, проректор по научной работе Киевского национального университета имени Тараса Шевченко,
ул. Владимирская, 64/13, г. Киев, 01601, Украина,
тел.: 00-380-44-2393240, e-mail: science.prorector.knu@gmail.com

*** доктор философии Университета Инсубрия
Viale Felice Cavallotti, 5, Como CO, 22100, Италия
тел.: 39 031 238 4018

В статье исследуются особенности формирования и реализации налоговой политики в стране. Проведен анализ динамики изменения объемов налоговых поступлений в государственный и местные бюджеты. Определена роль налоговых платежей в экономическом развитии страны.

О. П. Славкова, О. І. Жилінська, М. Палієнко.

Ефективність податкової політики: досвід та економічні наслідки для України

Проанализирована эффективность реализации государственной налоговой политики в Украине, определены ее преимущества и недостатки. Обоснованно весомую роль налоговых платежей в стимулировании экономического и социального развития. Проведен анализ эластичности изменения индикаторов экономического развития страны от изменения объема налоговых поступлений в бюджет. Сделан вывод о целесообразности совершенствования существующей политики установления, начисления, уплаты и распределения налоговых поступлений как одного из наиболее перспективных направлений стимулирования экономического роста.

Ключевые слова: налоговая политика; доходы; уклонение от уплаты налогов; бюджет государства; эластичность; экономическое развитие.

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ОЛЕНА ПАВЛІВНА СЛАВКОВА *
ОКСАНА ІВАНІВНА ЖИЛІНСЬКА **
МАКСИМ ПАЛІЄНКО***

* доктор економічних наук, професор, завідувач кафедри публічного управління та адміністрування Сумського національного аграрного університету,
вул. Г. Кондратьєва, 160, м. Суми, 40000, Україна
тел.: 38 (0542) 22-24-48, e-mail: olena.slavkova.snau@gmail.com

** доктор економічних наук, професор, проректор з наукової роботи Київського національного університету імені Тараса Шевченка,
вул. Володимирська, 64/13, м. Київ, 01601, Україна,
тел.: 00-380-44-2393240, e-mail: science.prorector.knu@gmail.com

*** доктор філософії Університету Інсубрія
Viale Felice Cavallotti, 5, Como CO, 22100, Італія
тел.: 39 031 238 4018

В статті досліджуються особливості формування та реалізації податкової політики в країні. Проведено аналіз динаміки зміни обсягів податкових надходжень до державного та місцевого бюджетів. Визначено роль податкових платежів в економічному розвитку країни. Проаналізовано ефективність реалізації державної податкової політики в Україні, визначено її переваги та недоліки. Обґрунтовано вагомий роль податкових платежів в стимулюванні економічного та соціального розвитку. Проведено аналіз еластичності зміни індикаторів економічного розвитку країни від зміни обсягу податкових надходжень до бюджету. Зроблено висновок про доцільність удосконалення існуючої політики встановлення, нарахування, сплати та розподілу податкових надходжень як одного із найбільш перспективних напрямів стимулювання економічного зростання.

Ключові слова: податкова політика, доходи, ухилення від сплати податків, державний бюджет, еластичність, економічний розвиток.

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