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## **THE IMPACT OF TAX REFORM IN UKRAINE ON FORMATION OF COMPETITIVENESS OF THE REGIONS**

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## **ВПЛИВ ПОДАТКОВОЇ РЕФОРМИ В УКРАЇНІ НА ФОРМУВАННЯ КОНКУРЕНТОСПРОМОЖНОСТІ РЕГІОНІВ**

*The article considers the problem of providing adequate financial resources of local budgets that affect the formation of competitive advantages of the region. The areas was clustered of relatively groups by the coefficient coating of costs of budget revenues.*

**Keywords:** *taxes, competitiveness of region, income, expenses.*

*В статті розглянута проблема забезпечення достатніми фінансовими ресурсами місцевих бюджетів, що впливає на формування конкурентних переваг регіону. Проведено кластеризацію областей на відносно однорідні групи за коефіцієнтом покриття видатків бюджету доходами.*

**.Ключові слова:** *податки, конкурентоспроможність регіону, доходи, видатки.*

New Tax code was introduced in Ukraine today, which contributed significant changes on the mechanism of collection and allocation of tax revenues. In particular, reduced the number of taxes, simplification of accounting and reporting is governed strengthening financial autonomy of local budgets, etc. In turn, reforming the tax system affects not only the financial autonomy of regions and their competitiveness on national and international levels. Also sharply raises the problem of ensuring adequate financial resources of local budgets that affect the formation of competitive advantages of the region.

The impact of the tax system on formation of local budgets and ensure concentrated the region have been a significant number of scientists, in particular. Koval L.V. [1], Buryachenko A.S., Paliy M.P. [2], Kravchenko B.I. [3], Kirilenko O.P. [4], Petlenko U.B., Rozhko O.D. [5], Muzika O.A. [6], Kruk B.B. [7] and other.

The competitiveness of the region as an opportunity to use the potential of the region and effectively use competitive advantages to ensure the continued development of the region, as well as the introduction of new achievements of scientific-technical progress in production, environmental and social sphere of the region [8]. Scientists say that the formation of regional competitiveness is influenced by many factors, including financial content of the budgets of the region of Ukraine.

Recent trends in the law of Ukraine on local self-government indicate a desire giving communities greater autonomy in decision making, and consequently, greater accountability for the level of socio-economic development of their territory, which directly affects the formation of the competitiveness of the region. On the basis of the aforesaid, the question arises: how the content of local budgets will affect the competitiveness of the region, can the region achieve goals independently with the current level of funds in local budgets?

Information base of research are revenues and expenditures of regional budgets of Ukraine over the last three years (2012 – 2014). We used the official data of State statistics service of Ukraine, the Ministry of Finance of Ukraine, State fiscal service of Ukraine and relevant regional links for 2012-2014.

Clustering, correlation and regression analysis chose for methods of analysis of quantitative relationship of regional budgets.

Cluster analysis was used to partition the set of regions of Ukraine on a relatively homogeneous group, which later was studied separately to identify regression relationships.

With the help of correlation analysis was evaluated the correlation strength between the indicator of financial autonomy of budgets of regions, which directly affects the competitiveness of the region and the values of the tax revenues of various kinds.

Effective a symptom of the competitiveness of the region was chosen as the coverage ratio ( $K_{\text{on}}$ ), which was calculated as the ratio of incomes of the regional budget of the costs (table 1).

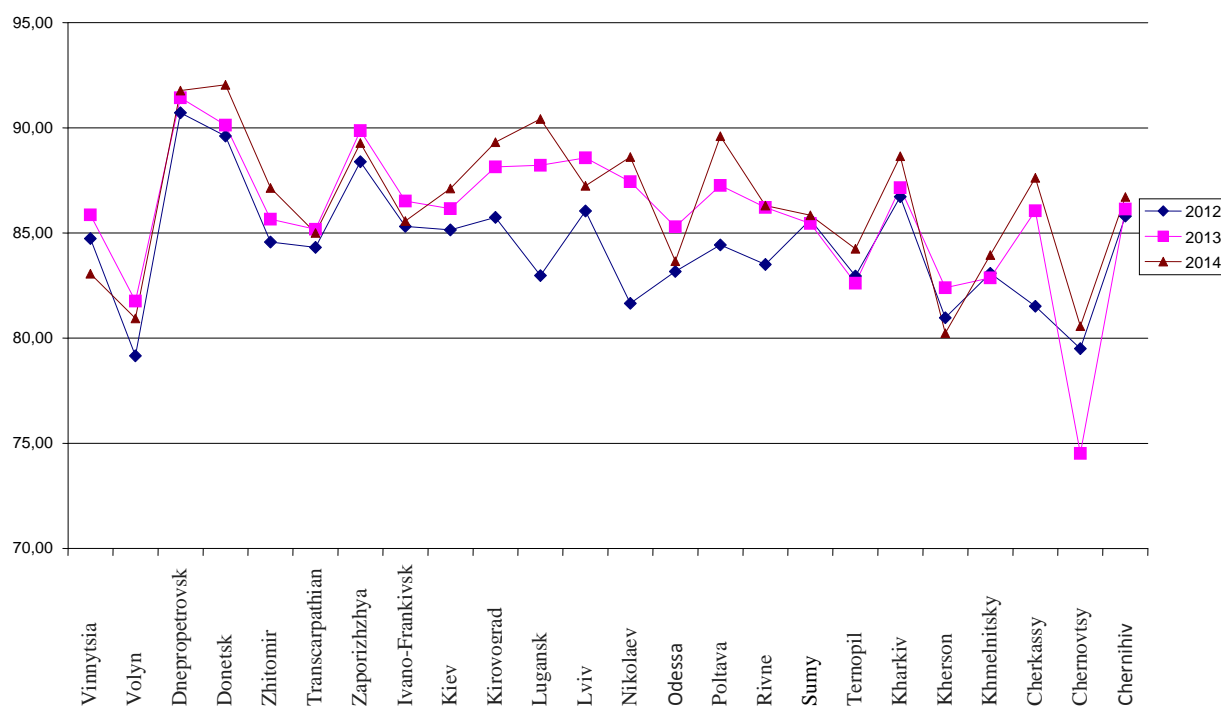
**Table 1.- The absorption factor incomes in the regions of Ukraine**

Region Of Ukraine	Income/Expense		
	2012	2013	2014
Vinnitsa	0,36	0,37	0,37
Volyn	0,27	0,26	0,26
Dnepropetrovsk	0,60	0,63	0,63
Donetsk	0,54	0,62	0,60
Zhytomyr	0,34	0,34	0,33
Transcarpathian	0,25	0,24	0,24
Zaporizhzhya	0,54	0,55	0,53
Ivano-Frankivsk	0,29	0,28	0,27
Kiev	0,52	0,56	0,53
Kirovograd	0,38	0,38	0,39
Lugansk	0,47	0,48	0,51
Lviv	0,40	0,38	0,37
Nikolayev	0,43	0,41	0,41
Odessa	0,48	0,49	0,47
Poltava	0,57	0,56	0,52
Rivne	0,31	0,29	0,28
Sumy	0,43	0,42	0,40
Ternopil	0,27	0,27	0,25
Kharkiv	0,52	0,55	0,46
Kherson	0,35	0,34	0,33
Khmelnitsky	0,33	0,35	0,34
Cherkasy	0,42	0,41	0,39
Chernivtsi	0,28	0,29	0,26
Chernihiv	0,36	0,37	0,36
<i>Min</i>	<i>0,2496</i>	<i>0,2433</i>	<i>0,244</i>
<i>Max</i>	<i>0,6029</i>	<i>0,631</i>	<i>0,63</i>

As evidenced by the data of table 1, the ratio of expenditure budget income over 2012 - 2014 ranged from 0.24 to 0.63 and. Therefore, we can conclude that the fundamental low competitiveness of regions of Ukraine, about the inability of the regional budgets to fulfil their tasks independently, without inter-budget transfers. At the same time there are regions , which provide more than half (for example, Kiev,

Dnepropetrovsk and others), and the regions in which the filling of local budgets does not exceed 30% (for example, Ternopil and Chernivtsi regions).

Dynamics of the percentage of taxes in the revenue structure of regions of Ukraine 2012 – 2014 are illustrated in Fig. 1.



**Fig. 1. Dynamics of the percentage of taxes in the revenue structure of regions of Ukraine**

As can be seen from Fig.1, the share of tax revenues in regional budgets has a significant place and ranges from 74% to 92%, which identifies them as the main source of income and accordingly forms the competitiveness of the region.

For further analysis of the effects of taxes (by type) on the competitiveness of regions of Ukraine it was decided to hold the distribution of areas of relatively homogeneous groups according to the ratio of expenses of the budget incomes. The results of clustering are presented in table 2.

According to the table. 2 regions of Ukraine are divided into 3 groups conditionally we designate S1, S2, S3 and we named the clusters as "high," "medium" and "low" levels of competitiveness, respectively.

**Table 2. - The results of clustering regions of Ukraine in terms of competitiveness**

<b>The cluster number</b>	<b>A list of regions in the cluster</b>	<b>The average value <math>K_{6n}</math> cluster</b>	<b>The standard deviation <math>K_{6n}</math> cluster</b>
1	Dnipropetrovsk, Donetsk, Zaporizhzhya, Kyiv, Luhansk, Odesa, Poltava, Kharkiv	0,53	0,03
2	Vinnitsa, Zhitomir, Kirovograd, Lvov, Nikolayev, Sumy, Kherson, Khmelnytsky, Chernivtsi, Chernihiv	0,37	0,05
3	Volyn, Transcarpathian, Ivano-Frankivsk, Rivne, Ternopil, Chernihiv	0,27	0,02

In the S1 cluster areas (Dnipropetrovsk, Donetsk, Zaporizhzhya, Kyiv, Luhansk, Odesa, Poltava, Kharkiv) should pay attention to the increase of revenues from taxes on individual income, profits, increase in market value; charges and fees for special use of natural resources and from other taxes and fees.

In the areas of cluster S2 (Vinnitsa, Zhytomyr, Kirovograd, Lviv, Mykolaiv, Sumy, Kherson, Khmelnytsky, Chernivtsi, Chernihiv) special contribution to increasing the incomes of regional budgets is carried out proceeds from taxes on individual income, profits, increase in market value; charges and fees for special use of natural resources and local taxes and fees.

For cluster S3 (Volyn, Transcarpathian, Ivano-Frankivsk, Rivne, Ternopil, Chernihiv) is characterized by a significant contribution of revenues from taxes on individual income, profit, gains and charges and fees for special use of natural resources in the total revenue budget.

This means that the relevant public authorities to ensure the competitiveness of regions and filling of local budgets are desirable to carry out measures to increase revenues from these taxes. In our opinion, this should be done by broadening the base of taxation, as well as through the introduction of measures to prevent concealment of incomes and use of natural resources.

However, the increase in tax rates may be too risky and lead to negative consequences affecting the region's competitiveness.

For almost all regional budgets are characterized by low impact of revenues from the property tax. This result shows the need of revising the legislative framework for the appropriate tax.

The influence of various instruments on the competitiveness of the region, in particular, the increase of tax revenues in regional budgets is seen interesting for further research. Further research is desirable to examine the role of other types of income (except for tax) to the budgets of the regions of Ukraine and tools to improve the competitiveness of the region.

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