

**Financial and Banking Services Market**

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**PRAGMATICS
OF FORMATION AND REALIZATION
OF FISCAL POLICY IN UKRAINE****Abstract**

It is proved that in Ukraine fiscal efficiency of taxation by means of gradual unshadowing of economic relations, contraction of contribution rates to state social funds and implementation of efficient privilege tax mechanisms, promotion of investment activity activation for all without exceptions market subjects can create favourable tax environment management without substantial decrease of current budget income and, what is very important, to insure acceleration of reproducing processes with further more strengthening of tax potential. In case of moderate extension of practice of state borrowing, Ukraine will have additional possibilities of moving of maximum of financial resources to «points» of economic growth with the help of budget financing of investments in economic development and measures of transformation direction without danger of destabilization of functioning of state finance in perspective.

Key words:

Fiscal policy, fiscal managing, Fiscal expansion, taxation, tax inpayments, financing of budget expenditures, budget deficit, state loan, economic-institutional environment of fiscal transformations.

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Formation and realization of fiscal policy in conditions of system market transformation of social and economic relations is stipulated by the necessity of reaching, at first sight, two mutually exceptional goals. On the one hand, it is necessary to establish a medium framework of fiscal tax expansion to assist the enterprising initiative's intensification, which is weaker in contrast with Western countries, and to improve, on this basis, the GDP growth dynamism; on the other hand, of no less importance is to expand the ranges of state financial activity within the frameworks of adjustment of unfavourable for reaching a progress in social development, «transitive» reproductive processes with appropriate augment of financial resources. Whereas, the main financial provision of state is taxation, we have to choose one of the priorities of fiscal regulation development, unless we use the loan forms of financing of social needs¹.

The broadening of fiscal expansion by means of loan financial support of budget expenditures (deficiency pavements) leads to the state adjustment of social and economic relations and at the same time creates favourable tax environment for management that is to say forms the very optimal fiscal background of GDP growth and as a result, provides the increase of tax receipts by the extension of tax base. In its turn, such consolidation of taxable capacity is a financing provision of further service activities and government debt amortization, which is formed as a result of borrowings activation. This consolidation also provides a fiscal assumption of official financial management expansion and (or) reduces the GDP redistribution level (on condition that the rates of growth are high, and debt payments are relatively minor). The achievable GDP growth dynamism and market social and economic transformation will be preserved in prospect.

At the same time, in case of loan budget balance without expanding the ranges of state financial activity within the frameworks of adjustment of unfavourable for reaching a progress in social development, «transitive» reproductive processes and (or) because of excessive fiscal tax expansion, the economic growth (in case of its absence-the GDP redistribution level increases) cannot provide even that volume of revenue receipts, which is needed for further operation and redemption of national dept. Whilst, instead of GDP dynamic growth with consolidation of taxable capacity and speedup of market social and economic transformations we shall observe only the exacerbation of economic performance and public finances crisis phenomena. Without doubt that all this aspects of redistribution process development in conditions of transitive economy must be investigated fundamentally and moreover considered while formation and realization of fiscal policy in Ukraine.

¹ Fiscally minor and often situational nontax fiscal revenue (including privatization revenues) and creation of money (connected with the intensification risk of inflationary development) as a way of deficiency payments cannot be the stable source of financing of public spending.

Such famous western scientists as Sh. Blanckart, S. Brue, J. Buckenhen, A. Vahner, H. Vollic, J. M. Keynes, A. Laffer, A. Lerner, R. McConnell, R. Masgrave, A. Seldon, P. Samuelson, J. Stiglits tried to investigate the fiscal policy phenomenon. Whilst, their accomplishments discover fiscal regulation forms and mechanisms in appliance with the current development of system social and economic relations, they don't concern the redistribution processes peculiarities in conditions of market transformation economy. Ukrainian and Russian scholars V. Andrushchenko, Ye. Balatskyy, O. Vasylyk, A. Vavylov, T. Vakhenko, V. Vyshnevskyy, O. Vrublevska, V. Heyts, I. Horskyy, L. Droborina, T. Yefimenko, I. Karavayeva, O. Kyrlyenko, A. Koval'ov, V. Kozyuk, I. Lunina, Z. Lutsyshyn, S. Lyovochkin, V. Panskov, V. Romanovskyy, A. Sokolovska, V. Sutormina, V. Fedosov, D. Chernyk, I. Chuhunov, S. Yuriy also consider this problem to be of great importance (in the context of public finance's performance). Nevertheless, the results of these research seeks (through the accent on tax or loan forms fiscal regulation) often give only fragmentary notion of the fiscal optimal development according to the market social and economic transformation. As a rule, the results of the latter research seeks don't include the integrated assessment of fiscal decisions adopted in Ukraine (Russia).

Therefore, we are given a task to analyze the formation and realization practical activity of fiscal policy (through different stages of social and market state formation) in «optimum-reality» paradigm and to elaborate recommendations on rationalization of fiscal regulation in Ukraine.

At the beginning of system market transformation of social and economic relations, Ukraine and other former Soviet Republics raise a deep problem concerning formation of new redistribution processes based on centralization of tax payments.

Socialistic directive modes of accumulation and application of budgetary funds should be replaced by market ones.

Bureaucratized and ineffective statistic development model of social-economic system and public finances required to be replaced by self-controlled market organization of economic relations with elements of state financial adjustment of reproductive proportions which are unfavourable for social development. The first ideologists of economic reforms believed that fisc in Ukraine must be marginally different from its west prototype. Market economy cannot exist without modern market modes of GDP redistribution; the state financial sphere must be transformed together with the transformation of economy on the whole.

The formation of system of market redistribution relations. The first stage (1991–1993) started with the approval of the Law of Ukraine «On taxation system» and other laws that regulate tax recovery as well as recovery of tax payments. Moreover, the adoption of the following tax law displaces the Law «On taxation system» (with lots of amendments till the end of 1993). In 1992, 82,8% of Ukraine's consolidated budget provided such inflows as VAT, excise taxes, custom duties, corporate tax (tax on profits) individual income tax, land-value tax, transport tax (tax on vehicles), etc into the countries with developed market

economy of taxes and tax payments. In 1993 the Law of Ukraine «On local taxes and duties» was adopted; nevertheless tax revenues declined and its rate in the structure of consolidated budget was only 73,8%.

The majority of economic actors (having difficulties in unknown until recently market economic environment as well as in profitable administration and financial management in the Former Soviet Union) were not able to pay taxes and tax payments at the rate of about 40% and more of its product proceeding². Moreover, the economic adaptation to the new fiscal realities was complicated by inadaptability to «transitive» economic realities of tax assessment and imputation as well as by inconsistency of fiscal legislation's provisions. An economic depression came on. Back taxes and tax liabilities emerged as well as tax avoidance appeared at the beginning of private enterprises privatization and utilization processes. It was more and more difficult to accumulate the whole amount of tax revenues (sufficient for the economic provision of the state) using the forms of taxation inherent for Western countries. At the same time those forms of taxation were financially heavy and highly technical for the economic actors of Ukraine. On the one hand, this phenomenon could be foreseen. On the other hand, there is no sense to speak about the immediate formation of fiscal system, adapted to the economic and institutional conditions of Ukraine. Western research-and-development activities did not answer the question on taxation and redistribution relations on the whole in appliance with market transformation of social and economic organization, at the same time, native financiers did not obtain experience, required to build up a concept of market-oriented fiscal regulation [1, 289]. One of the most difficult managerial solutions of the years 1991–1993 was to approve budget expenditures maximum oriented on acceleration of transformational processes. Moreover, it was impossible to foresee the cost funding on transformation because of FSU distributional traditions or to be more precise – too stable dissipation and disinvestments of budgetary funds. Considerable state financial receipts into the hypertrophic social infrastructure, defense sphere, management apparatus, expenses concerning accident elimination in Chornobyl nuclear power station, as well as inertial budgetary support of unprofitable public enterprises required such fiscal expansion which could not be provided neither by accumulation of tax revenues or payments nor by centralization of fiscal revenues on the whole. Consolidated budget deficits in 1992 and 1993 were 13,7 and 5,1% of GDP – a significant value for the countries with developed market system. These deficits were covered mostly with borrowings of the National Bank of Ukraine. We may consider that destructive inflationary fallout in economy and fiscal sphere³ create a problem in budget balance. Intergovern-

² With the allowance for pension contribution, state social insurance funds and Chornobyl fund, which weren't officially «the fiscal revenues of consolidated budget» but were of tax character.

³ Inflation rate (10256% for a year) fixed in 1993 in Ukraine, caused the exacerbation crisis of payments with appropriate degradation of situation, concerning tax proceeding's accumulation.

mental loans (the first modes of government borrowings) can reduce the appearance of crisis phenomena in the functioning of public finances.

The formation of system of market redistribution relations. The second stage (1994–2000) required eliminating the tax destabilizers of redistribution processes development simultaneously with augment of state financial provision. For this purpose, in 1994 the Law of Ukraine «On taxation system» was approved as amended. VAT rate was reduced of 28 to 20%, but in order to compensate loss of cash, the income tax was replaced by company income tax (with more stable profitable tax base). The latter existed only till 1997 and was replaced by the same income tax in appliance with the approval of the latter section of the Law of Ukraine «On taxation system». Moreover, tax rate was reduced of 44 to 30%⁴. High tax burden on market entity's profits didn't solve the problem concerning budget revenue and continue to disorientate the economic performance.

In order to adapt for the «transitive» business practice, the mechanisms of payment and assessment of taxes were proofread. For instance, in 1997 a transition from cash basis of determination of date of origin of tax liabilities and tax credit with VAT to their determination according to the rule of the first mentioned phenomenon happened. Nevertheless, in spite of tax innovations, the lot of tax proceeding in consolidated fiscal revenues reduced and in 2000 was only 63,7%.

And this is not surprising. Firstly, the tax rates reduced. Secondly, the economy continued to adapt for market environment of management and tax assessment – the taxes payable increased. Thirdly, tax legislation was too complicated and «labyrinthiform» for market entities to carry out their tax liability.

Unintentional tax offences were of massive character. Still existed fundamental inequalities in competitive functioning of official and non-official economies stipulated further distribution of shadow economic processes. And even the introduction of sectoral and territorial tax rebates (in the end of the second stage of the formation of system of market redistribution relations), simplified forms of small entrepot taxation (effective «protection» from the evasion income tax for economic diversification) and abolition of duties to Chornobyl fund (in itself didn't provide the essential tax burden reduction) didn't animate for significant activation of legal entrepreneurship. Nevertheless, liberalization and adjustment of tax assessment (not list of all) caused macroeconomic stabilization of the years 1997–1999, and upward 2000 – economic growth.

On the one hand, the tax solutions, adopted in 1994–2000 may be considered as rationalization of fiscal expansion. However, the GDP redistribution level was reduced, and as a result, the main inadequacies of introduced market tax forms with «transitive» realities of native management were dismissed (though by means of complication of tax assessment mechanism). But, on the other hand, these changes took place without reference to tax innovations influ-

⁴ If we correct the income tax rate in appliance with the profitable tax base.

ence on economic performance and without their adjustment with each other, that is to say, by means of cut and try method. That's why, these changes can't be referred to the positive pattern of fiscal sphere development. One tax transformations tried to augment the current fiscal revenues or to improve the management tax environment and by this – provide the strengthening of Ukraine's tax capacity in prospect. Others – undermined the financial base of state functioning and didn't solve neither regulating nor fiscal problems and as a result – sidelined the further reduction of tax rates as well as usage of other (effective) tax mechanisms of business stimulation. The significant reserves of taxes based on market social and economic system and GDP growth were lost. All these losses can't be justified by the absence of native scholars' experience in development of fiscal regulating conceptions. Fiscal policy of deficit spending wasn't anything but optimal too. Lack of reforms in social sphere made spend significant budgetary funds on extensive social infrastructure support. The economically unsound augment of state management charges took place due to refusal of further budgetary subsidy of unprofitable public enterprises. Budgetary funds concerning economic growth investments, fundamental researches, as well as social and economic sphere transformation were miserable. Besides, Ukraine's consolidated budget deficits in 1994–1999 were 8,9–1,5% of GDP (because of too insignificant privatization receipts)⁵. This can't be considered as a rational constituent of the fiscal development of that time.

Budget deficits were covered by means of loans. Upward 1995, Ukraine began to involve outer market's commercial loans, develop internal loan promoting the flotation of bonds of domestic government loan. The fact is that the attraction of international credits was cut down. Although, the volume of loans didn't reduce on the whole, the exacerbation of Ukraine's paying capacity crisis emerged in 1999. And such generation scenario could be foreseen. If rendering of intergovernmental credits was characterized by cleared service conditions and redemption of national debt, the flotation of commercial loans and bonds of domestic government loans, as a rule, took place at a term of 2–3 years on conditions of high interests (higher than 20%). Operation and redemption of national debt was carried out by means of new expensive short-term loans and at last, the moment came when Ukraine was financially incapable to pay out considerable volumes of another debt payments. By means of reorganization of internal and external debts in 1999–2001 the flotation of new foreign loans and bonds of domestic government loan was minimum. Further activation of national debt with the aim of GDP growth stimulation was multi-year inaccessible.

We should admit that upwards 1994, Ukraine started to involve credits of international financial organizations (International Monetary Fund, European and World Banks for Reconstruction and Development). These loans were long-term, under relatively small percentage, on conditions of grace period's usage without payment of interest. Besides, these borrowed reserves shouldn't be di-

⁵ Privatization inpayments sometimes were in ten times smaller than market value of public enterprises subject to privatization.

rected on covering of budget deficit but on well-defined transformational goals: stabilization of social-economic relations system, reforming of certain economic sectors, and elimination of structural disparities. Ukraine didn't become a recipient country of significant financial receipts from international monetary organizations because of problems with intended use of such credits. Moreover, in 2002–2004 the international monetary organizations refused to grant loans at all. That is to say, target loans augmented the national debt and didn't provide market social and economic transformations. It was irrationally and irresponsibly.

It is interesting that some scholars criticize the fiscal policy of excessive GDP redistribution of first decades of market transformation of social and economic system. They justify the expediency of the minimal (symbolic) fiscal tax expansion in order to promote entrepreneurship and search other sources of budget expenditure's financing (see, [2, 21]). We do not agree with these assumptions. The minimization of tax burden on economics in appliance with impossibility of engaging large volumes of public loans and moreover, the significant reduction of budget expenditures in Ukraine would evoke fiscal and socio-economic collapse. We must understand that in 1991–2000 the high redistribution level of GDP was not optimal as well as the forms of accumulation and use of the tax revenues, activation of public loans, and inopportunity of changes in fiscal sphere. In prospect, these skewnesses of redistribution processes development should be disposed.

The formation of system of market redistribution relations. The third stage (2001–2004) The formation and realization of fiscal policy was going on within the frameworks of contextual adjustment of the separate criteria and mechanisms of GDP redistribution.

In 2002, the charge to the Public innovation fund was abolished as well as withholdings on highways, in 2004 – the taxation rate was discounted from 30 to 25%. This promoted the federal activation with further consolidation of tax potential. The next reduction of GRP redistribution level provided the market entities with additional financial resources in order to broaden the investment and productive activity and more, to adjust the competitive economic climate for the functioning of official and shadow angles of economy⁶. A lot of enterprises adopted for the tax environment of market management and moreover, examined the opportunities of use the contradictory regulations of tax legislations within the frameworks of alternative optimization of tax charge and payment. The people preferred the legal conduct of business. The process of shadow economy stopped. Besides, separate changes, concerning adjustment of tax base and mechanisms of tax assessment and tax payments (for example, restrictions on the use of bills, concerning VAT implementation in the course of imports of goods) allowed to augment the current fiscal revenues. It was positive in the development of fiscal regulation.

⁶ With reference to the fact that shadow financial and economical activity stipulates the limited abilities for business capitalization [3, 34].

At the same time, the disproportions of GDP redistribution immersed. The territorial tax promotions, the use of which caused the distortion of management competitive environment, continued to develop. The separate market entities had a possibility to optimize the tax charges and payments or develop the scheme, concerning elimination of taxation. At the same time, the other taxpayers had to undertake the additional fiscal obligations. In 2004 balanced mechanism of tax charges on personal income tax was introduced. This situation didn't encourage the unshadowing of salary payments (economics), moreover, it evoked the reduction of fiscal efficiency of personal taxation and transfer its tax burden from prosperous ranks of society to all economically active citizens of Ukraine. The augment of abuses in the sphere of export VAT recovery caused paradox, when the sum of compensation amounted with tax revenues. This situation didn't allow reducing the GDP rate to 18%. But the economic growth 2001–2004 retouched the negative fiscal results of formation and realization of tax policy. The tax revenues increased in its absolute determination and in 2004 amounted 69,7% of Ukraine's consolidated budget.

It is well informed that the lack of essential changes in the direction of deprivation and then certain improvement of management tax environment influenced positively on reproductive processes. The relative formation of tax system provided the stability, urgent for the activation of entrepreneurship and very important during the last years of market transformations. GDP and tax revenues increased, tax arrears gradually reduced, and moreover, compensated with the help of tax overpayments. Besides, such economic and fiscal welfare graded the need of searching the additional reserves for taxes in order to promote the growth of GDP and market transformation of social and economic relations. The fundamental changes in the structure of budgetary costs weren't foreseen – the growth of tax revenues as a result of elimination of redistribution processes disproportions (the majority of which considered to be a motivation for activation the entrepreneurship) weren't the priority in the development of fiscal sphere.

But in 2001–2004 the deficit spending was formed according to the minimal financing. The augment of tax revenues caused the increase of expenditures, especially in social sphere, but these expenditures couldn't provide the appropriate functioning of the available public infrastructure in order to adjust the reproductive processes and finance the further market transformations. Besides it, the considerable budgetary resources (10% of budget income basis) were used to serve and discharge the accumulated national debt. Budgets amounted with minor deficit or even surplus and only in 2004 it was possible to activate the national borrowings, having augmented the deficit of Ukraine's consolidated budget to 3,2% of GDP. By means of loans, the social lines of expenditures increased. It was irrationally even due to the formation of the safe financial provision of further redemptions. While the economic growth was quite stable, its rates as rule exceeded the growth rates of tax revenues.

In order to preserve the dynamism of GDP growth and to complete on this basis, the fiscal and transformational tasks, the economic articles of that time offered to reduce tax rates and payments yet more (see, for example, [4, 97]). We

do not agree with this position. In conditions of imperfect market mechanisms of Ukraine's social and economic organization, the narrowing of fiscal expansion without the increase of its efficiency would cause not only the acceleration of reproductive and transformational processes, but also the deepening of their disproportions with the reduction (slight growth) of tax revenues. We consider that tax liberalization should be prolonged but together with the gradual reorientation of preferential taxation from tax stimulation by the separate market entities to the assistance of activation of investment activity in federal scales. The perfection of small entrepot's forms of taxation and mechanisms of VAT recovery together with rationalization of budget expenditures and activation of public borrowings (without the danger for destabilization of debt situation in prospect) should be prolonged too. The creation of favourable tax environment of economic performance should be combined with the broadening of state financial activity within the frameworks of state adjustment of «transitive» reproductive processes.

The formation of system of market redistribution relations. The forth stage (2005). It was decided to dispose the tax disproportions and to expand the social component of state functioning and to provide the backgrounds of formation of budget costs and tax liberalization in appliance with further budget amounts. But it was impossible to realize such fiscal policy completely.

In 2005 the territorial and sectorial tax allowances were abolished ahead of time, new, strict procedure of VAT recovery was introduced. Moreover, the control over taxpaying while the commodities pass the custom border of Ukraine was enhanced. This situation seemed to activate the legal entrepreneurship. But, against expectations, the rates of GDP growth reduced. The economic subjects had had the additional preferences before, which were disoriented by their radical cancellation and stopped the extension of their business, started to master the other techniques of taxation or develop the new schemes of shadow functioning. The strict procedure of VAT recovery made all tax law breakers refuse from the «pumpage» of the budget costs (fiscal authorities remained corrupted) and moreover, this procedure created the additional administrative and financial obstacles for exporter's profitable financial and economic activity. It would be better to introduce VAT-accounts, which are more adopted for the development of corrupted schemes. At last, the intensification of customs inspection couldn't improve the competitive positions of native commodity producers in comparison with foreign ones. It is not an easy task to provide the considerable restriction of fiscal abuses during implementation of the imported foreign trade transactions.

Besides it, the expectation of continuation of radical tax transformation (without the assurance in further reduction of GDP redistribution level) and featherbedding (from the legal viewpoint) administrative pressure on «minimizers» didn't promote the extension of financial and economic activity of market entities in federal scale. That's why, in consequence of fractional adjustment of tax burden and thanks to increase in excise tax rates (tobacco and alcoholic beverages) and improvement of tax base with the help of income tax, the tax revenues considerably increased and amounted 73,2% of Ukraine's consoli-

dated budget (2005). This increase can't be considered as the unique achievement in the development of fiscal regulation. The disposal of skewnesses in taxation and augment of tax revenues and payments contradicted with the necessity of creation the stable tax environment – radical smoothing of disproportions of GDP redistribution didn't induce the business activity. The growth rates of tax revenues reduced due to the consolidation of Ukraine's economic strength (by means of gradual extension of tax base). Moreover, the augment of tax costs for state functioning proved to be insufficient even for planned augment of social spending. The consolidated budget deficit was 1,8% of GDP.

Receipts from privatization covered this deficit. In 2005 the first industrial project was sold at its market price. This helped to solve the problem of disequilibrium of public finances without the danger for further destabilization of their functioning⁷. The other source of covering the budget deficit was procurement of loans. These loans couldn't be considered as economically sound though they were carried out in smaller volumes than the current payments of operation and amortization of national debt required and on conditions of low interest rates. The augment of social constituent in state adjustment of reproductive processes (decumulation of budgetary funds) in the absence of economic and transformational direction in the budget costs didn't promote the improvement of the GDP dynamism and therefore didn't create conditions for the realization of further debt payments by means of increase of further tax revenues due to the extension of tax base⁸. Besides, the deceleration of economic growth didn't provide the formation of firm tax base for the declared tax liberalization and augment of «development budget» in the near future.

The contradictory economic and fiscal results of reproductive processes development 2005 created the background for argumentation the false idea of corrective tax disproportions and for the necessity of their premium return with some perfection of the budget costs which can be used on the augment of financing the economy measures (by means of public loans activation) due to the previous GDP parameters. This cannot be the economically sound project because of the assumptions, given below.

Firstly, in 2006 the economics left its «shocked» functioning condition due to the radical tax transformation and in appliance with its stable taxation began to demonstrate the tendency for the renewal of dynamic growth (without abolished tax «motivations»). The argumentation itself lost its real significance.

Secondly, the return to the worked practice of territorial preferential taxation will cause fiscal expenditures, while the essential compensatory public loans, even in case of rational formation of budget expenditures, will destabilize the functioning of public finances in prospect. The budgetary system of Ukraine will fill the negative influence of the debt burden for a long period.

⁷ It is true that the expectations of further reprivatization didn't stimulate the business initiative.

⁸ Only the attraction of credit of international financial organizations should be considered as positively.

Thirdly, the further preservation of available scales of fictitious VAT recovery and protractions according perfection of efficient tax control and small business taxation will not augment the tax revenues.

The forth, the possibilities, concerning reduction of social payments for market entities (employers) as well as reduction of other tax rates will not exist.

Moreover, we shall look for new and new reserves of tax revenues growth by means of tax base adjustment. This will often cause the degradation of tax management.

The fifth, the absence of efficient redistribution instruments, concerning activation of investment activity and the lack of budgetary resources for renovation of market and social infrastructure will badly influence on the functioning of social and economic system, «conservation» of ineffective sectoral economic structure, aggravation of social problems and deepening of social development «transitive» disproportions.

Nowadays Ukraine's fiscal regulation should be reoriented according to the stable GDP growth together with the further gradual disposal of skewnesses in social and economic organization. Its market transformations should be prolonged. The assistance of business capitalization for separate market entities with the situational decision of urgent social and transformational tasks should be laid aside.

We must understand that the reserves of augment of production value by means of capacity utilization (which weren't used during economic crisis), was practically exhausted, market mechanisms of reproductive processes speed-up were deflected, the considerable social differentiation of citizens limited the possibilities of expansion of composite demand. Preconditions for the «spontaneous» (without state financial interference) enduring economic growth and transformations of social and economic relations don't exist. Tax revenues increase using rates, which are smaller than potential; privatization is finished. It is not useful to augment the loan fiscal expansion within the frameworks of the state adjustment of unfavourable reproductive proportions. There are no better variants for the transformation of redistribution processes.

Only the rise of fiscal efficiency by means of gradual unshadowing of economic relations, the reduction of employers' allowances into social funds and introduction of effective promotional tax mechanisms of investment activation for all market entities⁹ will be able to create the favourable management tax environment without the considerable decrease of current budget revenues and what is very important – will be able to speed-up the reproductive processes and to consolidate the tax fiscal potential. Besides it, in case of economically feasible extension of public loans, Ukraine will get the additional opportunities for the movement of financial resources into the «points» of economic growth by means

⁹ In the form of investment tax allowances and (or) by perfection of amortization policy but not by means of tax holidays. Tax and tax payments relief for the certain period of time cannot be connected with the requirement of compulsory realization of (legal) investment projects.

of investment expenditures into the economic development (the adjustment of sectoral structure) and renovation of market and social infrastructure. If we have to involve slight volumes of loans, the assumed frameworks of fiscal loan expansion will increase, in appliance with the reproductive processes speed-up and the increase of tax revenues with the help of tax base extension. The speed-up of market transformation of social and economic system in its turn will promote the consolidation of reached GDP growth dynamism and augment the financial base of state functioning in order to operate and amortize the national debt and solve economic and social problems.

Therefore, in prospect, the further functioning of tax and loan finances in Ukraine should be mutually agreed and influence positively on the reproductive processes and formation of budgetary financial base.

The task of taxation is to provide the state accumulation of lion's share of financial resources and regulate the scales, fields and trends of entrepreneurship's activation. The additional, alternative but not equivalent to taxation, extension of fiscal expansion should be consolidated by the public loans. And the state adjustment activity has to provide the stable economic growth, to solve transformational and social problems and to create financial conditions for operation and amortization of national debt without further (inefficient) increase of GDP redistribution level or the transformational, socio-economic budgetary cost reduction.

And of course, for the formation and realization of optimal fiscal policy we should fundamentally investigate *ex post* influence of separate tax and loan practical activities of redistribution processes on the reproductive performance, public finances and social development on the whole, developing and improving the new progressive fiscal forms.

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