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**METHODS OF FORMING TOTAL REVENUES OF UNITED
TERRITORIAL COMMUNITIES IN UKRAINE
IN TRANSFORMING SYSTEM OF PUBLIC FINANCES**

In order to increase the financial resources of local budgets, on the whole, and the budgets of united territorial communities (UTC), in particular, it is necessary to increase their funding base by means of transferring incomes of the state budget to local budgets, increasing revenue sources for the special fund,

expanding the list of charges, which are taken into account when the volume of inter-budget transfers is determined.

New approaches to forming budgets of united territorial communities, especially their total revenues, will provide for realization of the main direction of budget policy on creating appropriate conditions for local self-government bodies and executive bodies to perform their duties by strengthening the revenue base; introducing new instruments of encouraging the regional development; generating the local self-government bodies' interest in increasing the volume of receipts to the budgets of united territorial communities; improving the mechanism of calculating the revenue and expenditure parts which are taken into account when the volume of inter-budget transfers is determined [1, p. 61-62]. The main emphasis of the budget policy is placed on transition to a whole new level of inter-budget relations, viz. direct inter-budget relations of the state budget with all local budgets, including budgets of united territorial communities.

Forms and methods of accumulating monetary funds to the budgets of united territorial communities depend on conditions and methods of economic management, well-defined scope of tactical and strategic objectives of development of a relevant territory, social and economic state of a UTC, its resource base, human potential and other factors. In the process of accumulating revenues, both general and special methods can be applied.

The general methods of accumulating UTC revenues include [2]:

- accumulation of revenues from productive activity – business and commercial activities of UTC entities, provision of state services – UTC own revenues, part of the income of state enterprises on the UTC territory, state duty, adjustment incomes;
- from property and property rights of UTC – permanent (rent, profit participation rights), one-off (from disposal of assets);
- from a resource base – resource payments, concessions;
- loan method – internal loans (local external borrowings), external loans (local borrowings from international financial institutions, means of technical assistance from the EU, other international donor establishments).

The special methods include:

- tax – all kinds of tax and tax payments which are entirely or partly included in UTC budget revenues following specified standards and rates;
- normative, which is applied in all cases when revenues in the UTC budget from taxes and other payments are set according to the standards;
- reallocation, which makes it possible to regulate budgets through rates for allocations and to balance by applying the method of grants and subventions in case the revenue and expenditure parts of the budget are unbalanced;
- coefficient, which is used to take account of inflation;

– emission, which as a method of accumulation UTC revenues provides for realization of loan issue in the form of issue of securities by UTC business entities;

– forecast, which foresees the formation of target figures of all revenues and financial resources of UTC within a certain forecasting time-frame.

In order to increase the efficiency of the budget system functioning, it is necessary to base the formation of local budget revenues on the principle of fiscal equivalence according to which consumers of local public goods must incur appropriate expenses themselves and finance their provision by paying taxes. Under this approach, tax burden is not exported outside a territorial community, and differences in taxation level determine amenities which residents of communities receive from local public goods and services. Their «net financial benefit» will depend both on the taxation level and provision of a territorial community where they reside with local public goods and services.

The problem of financial provision of local budgets should be solved by promoting business and commercial activities of local authorities in order to increase own and fixed revenue sources of local budgets and decrease the part of transfers as well as to increase on the whole the number of regions which do not require considerable transfers from the state budget by creating self-sustainable and taxable united territorial communities within an individual region of the country [3].

In the process of investigating loan capacities of territorial communities, it is determined that local loans are a significant source of financial provision of local government development and is a powerful financial instrument, which encourages effective solution of current and long-term problems connected with financing budget expenses. The local loan capacity of local budgets, on the whole, and UTC budgets, in particular, provides for fast mobilization of resources, guarantees the local authority's responsibility for designated and efficient use of funds.

Thus, based on the foregoing, we can draw certain conclusions.

The effective development of the loan market of territorial communities requires certain conditions among which we shall single out the following:

– macroeconomic conditions – the loan market of territorial communities is an integral part of the national loan market; its state and peculiarities are largely governed by macroeconomic, fiscal and monetary policy. It is obvious that local loan bonds, which as a rule are instruments with a fixed revenue can be attractive to prospective purchasers only on condition of low levels of inflation;

– institutional and regulatory conditions – the development of the loan market of territorial communities requires a transparent institutional and legal system, i.e. the local authority should have a certain institutional potential of organizing and servicing loans;

- rating of UTC financial capacity, which is actually the indicator of credibility for local authorities; its receipt from an appropriate agency can become an important factor for making local loans;
- guarantees, which are provided by investors on behalf of local authorities and can be an instrument to increase the attractiveness of investments of this kind for an investor and decrease loan value;
- combining different sources of covering UTC budget expenses – local authorities' use of a wide range of financial instruments and establishment of relevant financial institutions, including local development funds, local banks.

Literature:

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