

**Zhuravlova T.O.**  
*Candidate of Economic Sciences, Professor,  
Head of the Department of Economics  
and Modeling of Market Relations  
Odessa I.I. Mechnikov National University*

## **THE INFLUENCE OF DECENTRALIZATION ON THE FORMATION OF THE REPRODUCTIVE PART OF THE LOCAL BUDGET**

In 2015, Ukraine began a reform of financial decentralization. Its beginning can be considered adoption of amendments to the Budget and Tax Codes of Ukraine, in terms of transferring additional budgetary powers to local governments and securing stable sources of income for their implementation [1; 2].

Priorities of the changes introduced are the expansion of the rights of local self-government bodies in decision-making and giving them full budgetary autonomy in terms of filling their budgets and exercising their regulatory powers. At the same time, it is foreseen to increase the sources of the formation of the revenue base of local budgets by transferring certain incomes from the state budget, introducing a new type of tax – excise tax on end sales, expanding the tax base on real estate taxes.

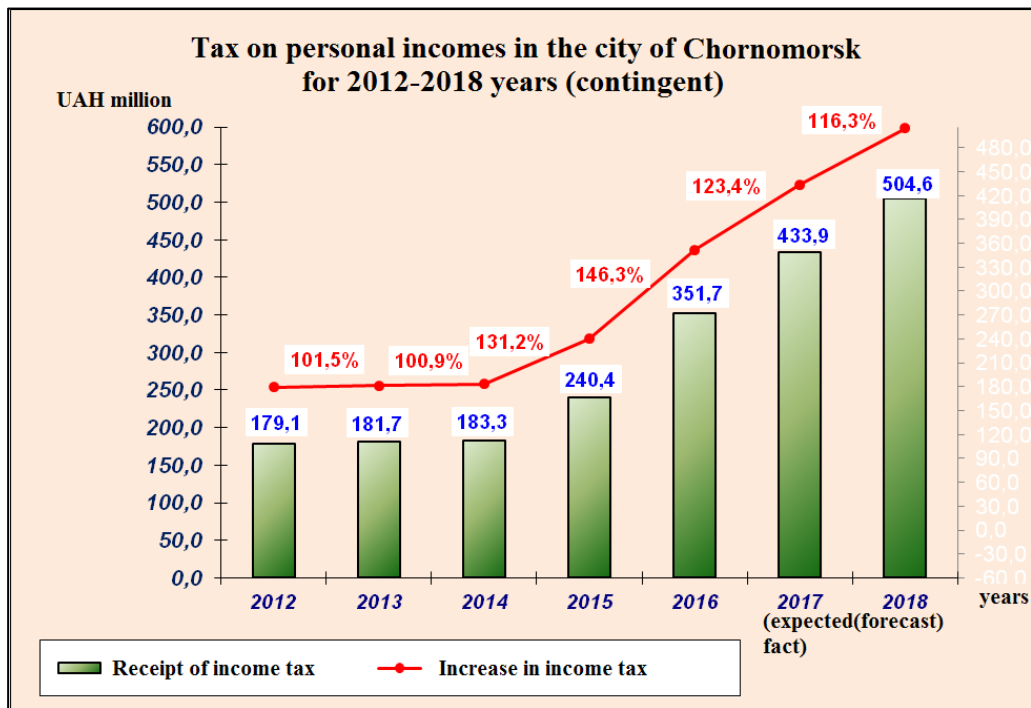
Chornomorsk is a city of regional subordination of the Odessa region. The territory of the Chornomorsk City Council, in addition to the city of Chornomorsk, also covers the village of Aleksandrovka, the village Malodolynskoe and the village of Burlacha Balka. The total area of the Chornomorsk City Council is 2.6 thousand hectares. The population living in the settlements of the Chornomorsk City Council amounts to 72.44 thsd. people [3].

The revenue part of the budget is 2018 of the city Chornomorsk is developed on the basis of the norms of the current Tax and Budget Codes of Ukraine and other legislative acts. The main payment for the general fund revenues is the personal income tax, which is 56,0% of the 2018 general fund revenues forecast (excluding subventions).

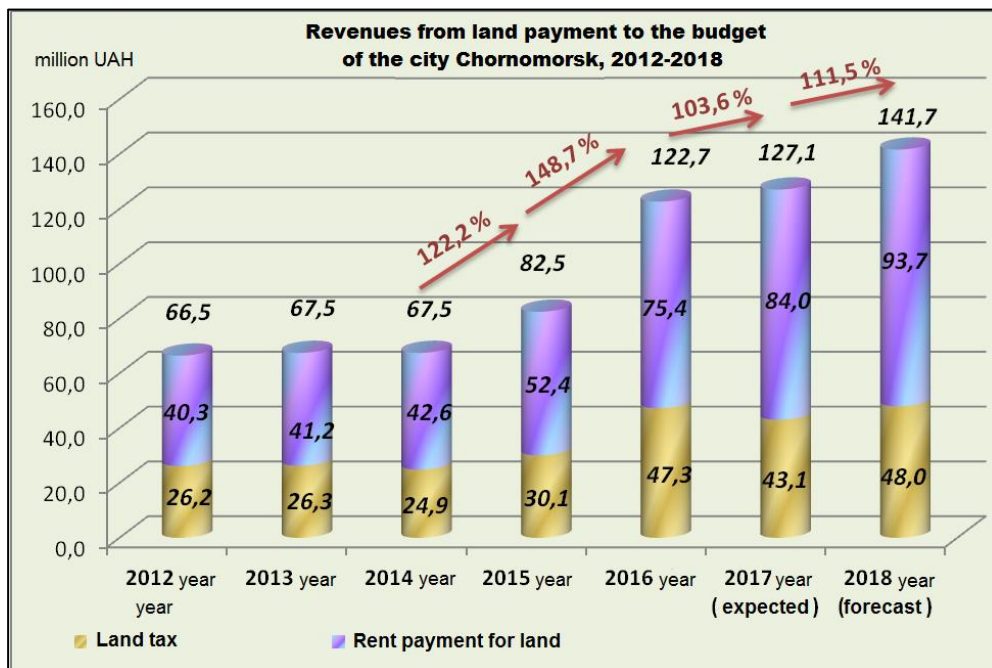
The analysis of Figure 1 shows that the income tax on personal incomes in the city of Chornomorsk from 2012 to 2014 did not change significantly, however, during 2015-2017 annual increase is 193.5 mln. UAH: from 240.4 mln. UAH (2015) to 433.9 mln. UAH (2017).

By a decision of the Chornomorsk City Council dated 01/05/2015 № 573-VI established on the territory of the Chornomorsk City Council local taxes and fees: property tax (in terms of land payment, transport tax and real estate tax, different from land); single tax and tourist tax.

The property tax is the second significant tax on the city budget. In the structure of the property tax, 94,0% is charged for land.



**Fig. 1. Tax on personal incomes in the city of Chornomorsk for 2012–2018 years**  
*Source: [3]*



**Fig. 2. Revenues from land payment to the budget of the city Chornomorsk, 2012–2018**

*Source: [3]*

The analysis of Figure 2 shows that from 2015, the payment for land to the budget of the city Chornomorsk increases annually from 82.5 mln. UAH. (2015) to 127.1 mln. UAH (2017).

In the budget of the city Chornomorsk for 2018 the following are planned: the tax on real estate, different from the land plot in the amount of 8,608.3 thousand UAH, which is 19,9% more than expected revenue in 2017; transport tax in the amount of 450.0 thsd. UAH, which is 2,3% more than expected revenue in 2017; the single tax in the amount of 42,341.4 thsd. UAH, which is 7,3% more than expected revenues in 2017 and a tourist fee in the amount of 150.0 thsd. UAH., the growth rate to the estimated figures in 2017 – 109,6% [3].

The budget of the city Chornomorsk for 2018 is balanced and solves a number of topical and urgent issues, formed on expenditures with application of the program-target method for the second year in a row. Such planning is aimed at increasing the transparency and efficiency of the use of financial resources of the local budget.

The city budget for 2018 retained funding for a number of powers of the state, which are translated into local governments, in particular [3]:

- payment for communal services and energy carriers consumed by health care institutions – 8,775.0 thsd. UAH;

- payment for communal services and energy carriers consumed by general educational institutions – 11,022.3 thsd. UAH;

- expenditures for maintenance of service staff of general educational institutions and other expenditures on the maintenance of such institutions (at the expense of the educational subvention from the state budget for the second year in a row only maintenance of the teaching staff of the indicated institutions is foreseen) – 25,444.8 thsd. UAH, additional development expenditures in amounting to 3,930.0 thsd. UAH, which in total amounts to 29,374.8 thsd. UAH;

- nutrition expenditures for pupils of grades 1-4 and pupils from the privileged categories in general educational institutions – 9,325.1 thsd. UAH;

- re-financing of medical institutions, which in 2017 were transferred for financing at the expense of the budget of the city Chornomorsk, in addition to the amount of medical subvention (excluding the expenditures for utility services and energy carriers) – 26,635.0 thsd. UAH, additional development expenditures in the amount of 7,520.0 thsd. UAH, which in total amounts to 34,155.0 thsd. UAH;

- for payment of other privileges and compensation of preferential transportation to certain categories of citizens – 529.0 thsd. UAH.

Thus, in order to ensure proper financing of additional transferred powers in the budget of the city Chornomorsk for 2018, funds of 93,181.2 thsd. UAH are envisaged, which will allow to solve a number of pressing and urgent issues [3].

Thus, we can conclude that financial decentralization has given new opportunities to increase the revenue side of local budgets. Extending the powers of local self-government, as part of increasing their own revenues in the structure of local budget revenues, will contribute to the socio-economic development of the respective territory and to ensure the implementation of socially significant projects.

### **References:**

1. The Budget Code of Ukraine from 08.07.2010 № 2456-VI. URL: <http://zakon3.rada.gov.ua/laws/show/2456-17>.

2. Tax Code of Ukraine from 02.12.2010 № 2755-VI. URL: <http://zakon4.rada.gov.ua/laws/show/2755-17/paran210#n210>.

3. Official site of the Chornomorsk City Council. URL: <http://cmr.gov.ua>.