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FISCAL MECHANISM OF UNSHADOWING OF THE ECONOMY OF UKRAINE

Under current circumstances, the imperfect conditions of economic activity, which are formed in the country, have a significant influence on the macroeconomic situation. As a result, the economically unreasonable tax legislation, aimed at instantaneous replenishment of the budget, leads to an excessive tax burden on the real sector of the economy and the formation of its shadow segment. The use of shadow transactions to conceal the tax revenue is a manifestation of deeper processes of redistribution of the gross domestic product in favour of the shadow economy and requires active measures aimed at improving the tax system.

The main objective of the article is to consider a way to improve the existing fiscal mechanism by identifying the main reasons for the implementation of shadow operations and the transmission features, as well as to determine the directions of increasing the influence of the fiscal mechanism on reducing the shadow sector of the economy.

The article reveals the influence of the fiscal mechanism on the unshadowing of the economy through the formation of a fiscal transmission in the Ukrainian economy as a process of successive transfer of impulses of the fiscal policy of the state, reflecting the relationship between tax instruments and business activity in the real sector.

The main channels of fiscal transmission are five types of taxes that are defined by the Tax Code of Ukraine: corporate profit tax, income tax, value added tax, excise tax and duty. Each tax becomes a transmission channel of the fiscal impulse in the process of determining its main components and due to their transmission; a positive effect of unshadowing in the short run is achieved. However, to do this, support for the fiscal impulse should be ensured through changes in related areas of activity and the efficient management of taxation, which includes monitoring of the indicators of the taxpayers activities, performance by the fiscal authorities explanatory work of the tax legislation and introducing an effective tax administration system.

Keywords: unshadowing, fiscal mechanism, fiscal transmission, taxes, fiscal impulse.

JEL classification: H22, H26, H32, H61

Introduction and Research Problem. The state budget is the most important link in the financial system, which at the expense of the redistribution of GDP ensures the implementation of the state's economic and social policies, as well as supports socio-economic stability and an adequate standard of living for the population. However, for a long time the state of the national economy has been characterized by the presence of a budget deficit and an ever-increasing level of public debt. One of the reasons is a significant level of shadow economy, which leads to fiscal losses. Therefore, at present, in order to ensure a sufficient level of budget revenues and stimulate socio-economic development of the country, it is necessary to use fiscal regulation as the most important mechanism of state influence on the economy and its unshadowing.

The process of the formation of tax revenues of the budget is the main element of the system of the fiscal tax regulation of the economy. The volume of tax revenues depends on the development of the national economy and reflects its economic growth or decline. At the same time, the tax system that is formed in the country can stimulate or, conversely, restrain economic development, contribute to increasing or reducing shadow operations.

Tax revenues account for most of the budget revenues and play a leading role in fiscal regulation. Therefore, changing the situation in the Ukrainian economy can only be achieved by providing the necessary amount of tax revenues and improving the elements of the tax system aimed at reducing the shadow economy. Under such conditions, the role of the taxation system and the fiscal policy in fiscal regulation and their transmission impact on the

development of the country's economy is significantly enhanced. This determines the relevance of the study of the impact of the fiscal mechanism on unshadowing and macroeconomic indicators in modern conditions.

Recent publications analysis. Numerous works of the following domestic scholars are devoted to the lightning of the problems of the unshadowing of the Ukrainian economy, namely: Ya. Ya. Diachenko, Z. S. Varnaliy, T. V. Loshchuk, I. I. Mazur, V. A. Predborsky, V. V. Sandugey, T. A. Tyshchuk and others.

The works of the following scientists as Ye. V. Alimpiyev, Ye. M. Andrushchank, Yu. V. Kasperovych, I. G. Lukianenko, T. O. Pasko, Ya. V. Petrakov and L. V. Cherniavska and many others are devoted to studying the processes of the creation of the transmission impulse influence on the development of the national economy in the current conditions.

Unsolved parts of the problem. In the process of improving the fiscal mechanism, special attention must be paid to combating the shadow economy, since the existence of custom shadow operations neutralizes any fiscal impulse. Therefore, when implementing changes in tax legislation, it is necessary not only to direct efforts on the process of filling the state budget, but also to take measures aimed at shadowing the economy. In addition, the reduction of the share of the shadow economy has a significant impact on the macroeconomic indicators and the volume of state budget resources and stimulates the accelerated development of the domestic economy, as it contributes to improving the business climate, creating a level playing field for all market participants, creating a competitive environment and ultimately stabilizing the state finance and the economy of the country as a whole.

Research goal and questions. The main purpose of this article is to improve the fiscal mechanism aimed at ensuring the economy's unshadowing. The goal is achieved by identifying the main causes of the formation of shadow operations and disclosing the transmission features of the fiscal mechanism, as well as determining the main conditions for reducing the shadow sector of the economy.

Main findings. The shadow economy is the uncontrolled production, exchange, distribution and consumption of goods, works and services by the state, which results in losing large amounts of tax revenues by the state budget. As a result, the country's economy loses additional financial resources and

investments to stimulate its development and cannot fully fulfill its social obligations. The existence of a shadow economy on a large scale may create a threat to the existence of the national economy, contribute to distorting the proportions of reproduction of the social production and threaten the country's economic security.

In the presence of a large share of the shadow economy, the data on GDP, inflation and the level of unemployment do not correspond to reality, therefore, the deformation of not only macroeconomic policy and investment processes, but also the market mechanism as a whole takes place, as the conditions of competition are violated.

The main objective of the shadow business is to get profit and withdraw money abroad as quickly as possible, so the shadow economy becomes one of the reasons for the corruption of the society and causes an increase in crime. In the social sphere, revenues are redistributed in favor of certain corrupt groups of the population, devaluation of values and erosion of moral and ethical guidelines in the society can be observed.

Consequently, concealment of income from taxation is an external manifestation of deeper processes of redistribution of national income in favor of the shadow economy; therefore, it is necessary to take active measures aimed at combating such negative phenomena.

In today's conditions, the issue of finding ways to euthanize the economy is extremely exacerbated, as the process of integration into the European community that is developing on the basis of the functioning of the legal economy, is intensifying. Partnership relations between government and business can be established only in the absence of shadow schemes and only with honest entrepreneurs. Therefore, it is necessary to approximate Ukraine's legislation to international requirements and to take into account foreign experience in the process of unshadowing of the economy. The main causes of the shadow economy are excessive fiscal and administrative burdens on business, macroeconomic and political instability, and the shadow sector plays a more prominent role in developing countries.

The dynamics of the level of the shadow economy in Ukraine according to the data of the Ministry of Economic Development and Trade of Ukraine is presented in Figure [11].

Based on the information provided, it can be concluded that an increase in the share of the shadow economy is accompanied by a decrease in the

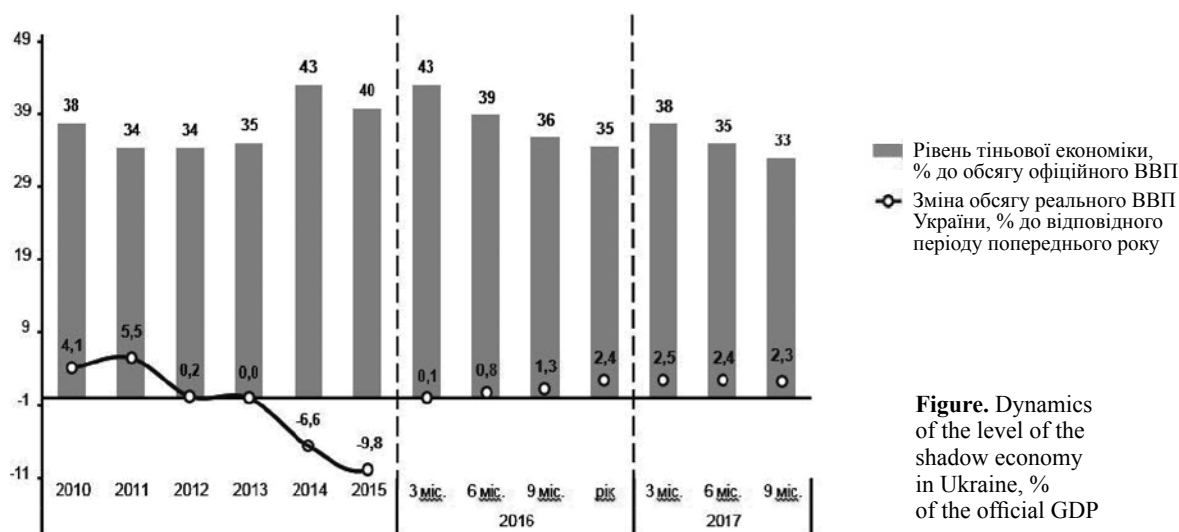


Figure. Dynamics of the level of the shadow economy in Ukraine, % of the official GDP

level of real GDP of Ukraine. Therefore, the struggle against the shadow economy at the present stage is a priority, since the issue of reducing the level of shadow business has not been given proper attention for a long time, everyone was satisfied with the fact that enterprises and people survive in difficult economic conditions due to shadow revenues, therefore this situation has become a common phenomenon.

To eradicate shadow operations it is necessary to determine the root causes of their occurrence. One of these prime reasons is the complicated, non-transparent and inefficient taxation system, which creates conditions for tax evasion and the formation of shadow schemes. It is the changes in the taxation of business entities and the population that are determined by the main levers of influence on reducing the share of the shadow sector.

In the context of the need to restore the country's economy after a long recession, special attention is paid to using such financial mechanisms that create powerful impulses that have a positive effect on the development of the real economy in the short-term and provide for the shadow economy and macroeconomic stability.

One of these mechanisms is the fiscal mechanism for the regulation of incomes and expenditures of the state, the functioning of which may be directed at preventing inflation, reducing unemployment, smoothing out the cyclical fluctuations of the economy, withdrawing the economy from the shadow, and increasing GDP.

A fiscal mechanism is an important component of the budget-tax mechanism, which ensures the mobilization of financial resources and the filling of the revenue part of the state budget. An effective

fiscal mechanism creates the conditions and necessary incentives for economic development by increasing business activity and increasing budget revenues as well as reducing the size of the shadow economy.

It is stated in scientific papers that it is the fiscal policy that can have a powerful influence on aggregate demand, production and employment, when the economy is functioning well below the full capacity of national production, and where it is necessary to provide stimulation of demand for the economy [5].

A fiscal transmission is a process of consistent transfer of impulses of the fiscal policy of the state, which reflects the relationship between tax instruments and business activity in the real sector, and provides an opportunity to determine the leverage of the impact of fiscal policy on the state of the economy as a whole. In the process of fiscal transmission, impulses from the State Fiscal Service of Ukraine are transmitted through specific channels, using certain instruments to the real economy, and promote the stimulation or slowdown of business activity of business entities, the openness of their activities or the formation of shadow schemes, which leads to a change in the volume of revenues in budgets of all levels and macroeconomic indicators, and, therefore, affects the level of economic development of the country.

The transmission mechanism reflects the relationship between fiscal policy and macroeconomic indicators, and also makes it possible to identify the most effective levers of the tax system's impact on business activity and the unshadowing of the real sector.

Table 1. Share of the components of tax revenues of the State Budget, %

Types of taxes	Years										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Value added tax	61,21	68,86	74,64	70,74	66,08	67,26	69,15	67,54	60,29	65,47	69,21
Corporate income tax	26,57	25,83	20,41	22,27	20,92	20,15	20,67	14,26	8,49	10,79	10,67
Excise tax	8,20	6,90	13,33	15,39	12,62	13,54	13,44	16,04	15,41	17,89	17,27
Income tax	0,00	0,00	0,00	0,00	2,35	2,56	2,88	4,51	11,01	11,87	11,96
Others	4,02	-1,59	-8,37	-8,40	-1,98	-3,51	-6,14	-2,35	4,79	-6,02	-9,11
In total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Consequently, as a result of fiscal transmission, there is a significant influence of the state on the socio-economic development of the society. Through fiscal transmission channels, the optimal fiscal policy ensures the achievement of desirable conduct of the taxpayers and increase their business activity, refusal from shadow schemes and increase of investment activity of business entities and citizens.

The process of unshadowing of the economy is different in duration, since the formed shadow schemes are adapted to changing conditions and for a long time are not exposed. Therefore, special attention should be paid to the improvement of the fiscal mechanism in the process of combating the shadow economy, since due to its transmission effect a significant positive effect can be achieved in the short run. Due to changes in the tax legislation, you can change the conditions of doing business and increase the financial performance of enterprises and the country as a whole.

The main channels of fiscal transmission are five types of taxes that are defined by *the Tax Code* of Ukraine: corporate profit tax (CPT), income tax (IT), value-added tax (VAT), excise tax (ET) and duty [8].

Each tax becomes a channel of fiscal transmission in the process of determining its main components: taxpayer, tax object, tax rate, as well as tax breaks, restrictions and periodicity of payment. Changing and differentiating tax rates, reducing or increasing the tax base, deferring or installing taxes, setting tax holidays, using a simplified tax system, providing tax credit, applying a tax amnesty (legalizing non-taxable income), the introduction of special tax regimes, the introduction of privileges or sanctions, the avoidance of double taxation, leads to different levels of impulses. Ensuring the unshadowing of the economy through the use of the

fiscal mechanism is possible only if the fiscal transmission channels are optimally tuned and given the appropriate tax impulse.

Analyzing the dynamics of the structure of tax revenues to the State Budget, it can be concluded that the largest impact on tax revenues is the collection of VAT, since its volumes are constantly increasing, especially the tendency towards growth has been observed since 2014. The VAT collection is the largest share in the State Budget revenues, accounting for about 70 % [10]. The share of other types of taxes varies considerably. Thus, if the share of CPT in 2007 amounted to 26,57 %, then in 2017 this indicator decreased to 10,67 %, and in 2015 it reached 8.49 % in general. The share of the ET, on the contrary, increased significantly, and in 2007 its share amounted to only 8,20 %, then in 2017 -17,27 % (Table 1). Consequently, the impact of ET on budget revenues is increasing. The same applies to the IT, as its share in tax revenues has increased fivefold: from 2,35 % to 11,96 %.

Thus, in the process of unshadowing of the economy, it should be taken into account that the impact of the VAT, IT and ET on the volume of revenues of the State Budget has increased, and CPT has decreased. Therefore, when taxing enterprises, it is necessary to create conditions for the possibility for legal business conduct and the formation of their own tax policy, based on the assessment of the impact of taxation on the final financial results.

In the process of implementing fiscal policies aimed at unshadowing and stimulating the country's economic out of crisis, changes in tax legislation should be integrated with large companies to implement structural reforms, fight corruption schemes in various areas of society and support monetary policy measures aimed at adjusting the volume of available money supply.

In order to ensure the impact of fiscal policies on unshadowing of the economy, it is necessary to provide a realistic forecast of changes in macroeconomic parameters, since their constant overestimation against the backdrop of a continued recession in the country's economy causes distrust by investors, business structures, and the public. In addition, the country has an aggressive administrative impact of fiscal services on taxpayers, which neutralizes fiscal impulses [7].

It must be taken into account that the effect of fiscal transmission on reducing the tax burden in the short run increases the aggregate demand that stimulates the growth of output, income, and reduces unemployment. But over time, when unemployment reaches its natural level, the growth of aggregate demand as a result of tax cuts leads to higher prices [3]. That is, the main results of fiscal impulses are observed in the short term, and in the long run, and it is necessary to support their monetary policy measures.

Given the size of the shadow economy, it is also important to focus on expanding the base and deepening the progressive nature of property taxation (it is more difficult to evade than income taxation) to increase tax equity on the basis of "inclusion" in the tax system of the "wealth tax" [4].

At the same time, it is necessary to improve and administer the process of collecting taxes. In order to counteract crimes in the tax area, it is necessary to analyze the current methods of tax crimes and to determine the economic effect of increasing tax revenues with a decrease in the number of enterprises in the real sector of the economy involved in criminal schemes. It is possible only when using the law enforcement function of a competent authority to raise funds in the state revenue from operations of enterprises that are trying to operate in the shadow sector.

Due to changes in the tax legislation, we can change the conditions of doing business and increase the financial performance of enterprises and the country as a whole. An example of this might be the reform of the US tax system, which is in the implementation phase and involves a reduction in corporate income tax and a reduction in the tax burden on individuals, but this relaxation is limited in time.

It is also planned to simplify the tax system, and instead of the seven categories of progressive income tax leave the three main ones: 12 %, 25 %, and 35 %. These changes are proposed to be made in conjunction with a number of other innovations related to depreciation policy, the withdrawal of the US companies from offshore areas, etc. Some innovations are contrary to international norms, but most importantly, such a reform proves that in order to ensure the development of the country's economy and the provision of its power, it is necessary to start with the improvement of the tax system, which, due to fiscal transmission, will affect all spheres of life and macroeconomic indicators.

Conclusions and Further Research Proposals.

The current economy of the country is characterized by a number of features that need to be taken into account when considering the impact of the fiscal mechanism on the unshadowing of the economy. Major features include the economic and political instability in the country, as well as the constant reform of the taxation system, generating uncertainty and risks.

Due to fiscal instruments applied by the state to taxpayers and fiscal transmission channels, a stable financial and economic situation in the country can be ensured, since taxes affect the intensity of the production activity of enterprises, their profitability and solvency, as well as the ability to form financial resources for the investment activity.

The fiscal mechanism can provide for increased business activity and stimulation of investment activity of business entities and citizens, as well as the unshadowing of the economy through the legalization of objects of taxation. Therefore, in the further studies of fiscal transmission it is important to determine the response of the main macroeconomic indicators and the share of shadow business to change the size of the rate of each tax, as well as to change the rates of direct and indirect taxation.

The impact of the fiscal mechanism on the unshadowing of the economy points to the need for the in-depth analysis of its individual components and points to the need for a combination of fiscal and monetary instruments to improve macroeconomic indicators in specific economic conditions.

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ФІСКАЛЬНИЙ МЕХАНІЗМ ДЕТІНІЗАЦІЇ ЕКОНОМІКИ УКРАЇНИ

У сучасних умовах на макроекономічну ситуацію здійснюють значний вплив недосконалі умови господарювання, які сформовані в країні. У результаті економічно необґрунтоване податкове законодавство, спрямоване на миттєве поповнення бюджету, призводить до надмірного податкового навантаження на реальний сектор економіки та формування її тіньового сегмента. Використання тіньових операцій для приховування доходів від оподаткування є проявом глибших процесів перерозподілу ВВП на користь тіньової економіки та потребує проведення активних заходів, спрямованих на вдосконалення системи оподаткування.

Головною метою статті є вдосконалення чинного фіскального механізму за рахунок виявлення основних причин здійснення тіньових операцій і його трансмісійних особливостей, а також визначення напрямів збільшення впливу фіскального механізму на зменшення тіньового сектору економіки.

У статті розкривається значення фіскального механізму для детінізації економіки через формування фіскальної трансмісії в економіці України як процесу послідовного передання імпульсів фіскальної політики держави, що відображає взаємозв'язок між податковими інструментами та діловою активністю у реальному секторі.

Кожний із податків перетворюється на передавальний канал фіскального імпульсу в процесі визначення основних його складових, і за рахунок їх трансмісійного впливу досягається позитивний ефект детінізації у короткостроковому періоді. Для подовження дії фіскального імпульсу у довгостроковому періоді, проведення змін у податковому законодавстві має інтегруватись із масштабними компаніями з реалізації структурних реформ, боротьбою з корупційними схемами в різних сферах життєдіяльності суспільства та підкріплюватись заходами монетарної політики, спрямованої на корегування обсягів наявної грошової маси.

При цьому необхідно вдосконалювати й адміністрування процесу справляння податків. Забезпечить підтримку фіскального імпульсу оперативне управління оподаткуванням, яке передбачає моніторинг показників діяльності платників податків, проведення фіскальними органами роз'яснень податкового законодавства та впровадження ефективної системи адміністрування податків.

Ключові слова: детінізація, фіскальний механізм, фіскальна трансмісія, податки, фіскальний імпульс.

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