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DIRECTIONS OF UNSHADOWING THE ECONOMY OF UKRAINE DUE TO THE USING OF TAX MECHANISMS

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Summary The article is about the problem of shadow economy in Ukraine. The main statements of its existence and development have been determined. Directions of economy unshadowing have been

outlined. Special attention has been paid to the place of tax mechanisms for combating the shadow economy.

Key words: *shadow economy, unshadowing the economy, tax mechanisms for combating the shadow economy.*

According to official estimates of the Ministry of economic development and trade of Ukraine in 2013 the shadow economy in the country is 44 % of gross domestic product, but according to the World Bank, the figure reaches the mark of 60 % of GDP. But in any case, these figures show the existence in the country the reproductive functioning of shadow economic relations that threaten national security, the maximum acceptable level of shadow economy is considered to be 30 % of GDP. In this context, the urgent need is to address the issue of development tools and methods which work against the shadowing domestic economy.

Nowadays, both, in domestic and in foreign science is not reached consensus on the conceptual apparatus of a new field of research, the causes of the occurrences and development, methods of estimation of the shadow economy and direction of overcoming it. The phenomenon of the shadow economy is interpreted by scientists from different perspectives, using economic and statistical, legal, and ethical approaches.

Exploring the genesis of the «shadow economy» scientists attributed its origin and development of the formation of the state institution, establishment of relations between citizens and the state in the form of taxes paying. Explaining this fact, so that tax evasion in different forms and their existence is historically the first manifestation of the shadow economy. Agreeing with this view, it must be emphasized that the modern form of «shadow» economy has become in 60–70 years of XX century.

The level of the shadow economy of Ukraine for 2004–2007 years was about 28 %, and in 2008–2010

began to rise and reached 34 %, 39 % and 38 % respectively. The financial crisis triggered a rapid withdrawal of capital in the «shadow» in order to prevent its complete loss.

Currently, the unshadowing is one of the key tasks in order to ensure economic security and creating conditions for sustainable development of Ukraine. However, the essence of the question of economy unshadowing is no less controversial than the shadow economy. The lack of a specific plan of action to combat the shadow economic activity, prevent effective solution to the problem.

Today in Ukraine there is a number of valid normative acts which form the legal basis for the fight against the shadow economy. According to the Law of Ukraine «On the basis of domestic and foreign policy» unshadowing of economy and creating favorable conditions for economic agents in legitimate legal framework is part of the basic principles of domestic policy in the economic sphere.

The new edition of the Law of Ukraine «On prevention and counteraction to legalization (laundering) of incomes from crime and financing of terrorism» adopted in 2013 should facilitate the removal of the legal scope of the income generated in the informal sector, and capital operating in the «shadow». The law aims to regulate the process and conditions of legalization and security not to be persecuted, that law is the basis for the «amnesty» of the shadow capital.

As the shadow economy takes its place in almost all areas of economic life and manifests itself in all economic sectors, respectively decrease the size of the presence of a defined and specific features of dif-

ferent industries. However, among the unshadowing mechanisms can be identified the uniform, suitable for the unshadowing of all sectors of the economy – tax mechanisms, as taxes and taxation system covering all economic sectors.

Tax mechanisms are used for implementing state tax policy, which largely determines the economic development, affects on the process of social production, its structure and dynamics, the state of scientific and technical progress.

The tax system (including payroll taxes) consists of two elements: tax law that determines the tax rates and the tax base, and implements legislation and tax administration. There are two categories of tax arrangements, dividing them by the impact on the «hard» and «soft.» While «hard» directly affect the benefits for citizens and companies and ‘soft’ – affect their attitude toward taxes and the government in general.

The tax evasion natural and legal persons resort not only for reasons of enrichment. Among the legitimate prerequisites such activities can identify various causes in nature that directly contribute to «shadow» sources of capital as follows:

- economic: many kinds of taxes; high tax rates, which in the development of small and medium-sized businesses in the emerging countries do not maintain such pressure and therefore are forced to either hide income or fail; uneven tax burden; total volatile economic climate in the country;

- legal: imperfect of tax legislation, legal nihilism, legal insecurity taxpayers;

- administrative: shortcomings in tax administration; tax improper quality control; differences in tax and accounting; improper professionals tax authorities; tax experts corruption bodies;

- social: low tax culture and morality; tax ignorance; distrust taxpayers to power.

So the strategy against the shadow economy of Ukraine must include tools that will help to improve the existing tax mechanisms both in terms of economic and administrative components in order to prevent the use of schemes of tax evasion or minimize tax liabilities.

However, we think there is another key point, which is by its feature a theoretical basis for the de-

velopment of effective tax mechanisms that affect the unshadowing of the economy. It is about the classification of taxes, which lies at the foundation of the tax system.

We believe that taxes need further classification, treating them as a tool for reducing shadow economy. We consider it appropriate to distinguish between taxes in terms of their role in budget formation. Thus for degree of budget formation taxes can be divided into three groups: high degree of budget formation (more than 3 % of GDP), with an average degree of budget formation (1 to 3 % of GDP), and low degree of budget formation (up to 1 % of GDP).

In order to use the tax arrangements in the process of the unshadowing the economy, new taxes implementation or continued existence of already existing need to agree with this classification. Since the purpose of implementing any tax priority is filling the country's budget for the further implementation of the functions and tasks assigned to it. The rationality of a tax can be solved by measuring the size of the expected revenue from the total amount of tax revenue and budget needs.

The tax mechanism to overcome the shadow economy is necessary to balance the ratio of tax revenue performance indicator of the consequences that it entails after implementation. That is necessary to get an answer to a question or resolve tax issues fullness budget or just encourage the development of new schemes to avoid paying it. We consider it necessary to eliminate such taxes have tax revenue share of less than 0,5 % of GDP, but contribute to the shadowing of economy.

In order to unshadow the economy of Ukraine it is necessary to use measures that would contribute to the improvement of the investment climate in the state, reducing both the fiscal and regulatory burden on businesses due to improving the tax mechanisms; further it is necessary to deregulate the entrepreneurship and support small and medium-sized businesses primarily in the permit system and licensing. Individual components in the fight against the shadow economy are the need to reform the justice system, enforcement of property rights and the fight against corruption.

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