

РОЗДІЛ V

Гроші, фінанси та кредит

UDC 336.226.212.1

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The Problems of Efficiency of a Property Tax in Ukraine

In the article are determined theoretical generalization property taxation problems; explored fiscal importance of property taxation in Ukraine; analyzed the structure and the dynamics of property tax revenues. The role of property taxes in the formation of local budgets Ukraine are determined. The basic change in the mechanism of taxation of property taxes are considered and identified existing problems of efficiency of their collection. Studied the international experience of taxation of property taxes. Substantiated promising areas of improvement tax property taxes and increase their efficiency.

Key words: property taxes, real estate property tax, transportation tax, land tax, tax problem, tax efficiency

Formulation of Scientific Problem and its Significance. The main element in the implementation of any model of economic development is taxation, because taxes played a leading role in the implementation of the basic functions of the state.

Find the optimal parameters of the tax system are the main problem [1, p. 89–90] at the macro level in Ukraine. In particular, determine its composition and structure; the optimal ratio between taxes paid by legal entities and individuals; between the taxation of income, consumption and property, and so on.

According to international experience personal income is the main source of revenue to the budgets of local government unitary European countries – members of the European Union. At the same time Ukraine is characterized by a small fraction of their own revenue, which is evidence of low levels of financial independence of local governments [12, p.146].

Solution these issues come down to setting priorities in taxation in the implementation of fiscal and regulatory functions. The fiscal function is implemented through the optimal tax burden as low tax rates lead to budget deficits, and high tax rates create preconditions for the transition of businesses in the «shadow» economy. Regulatory function makes it possible to affect certain areas of the economy or activities of economic entities and determined by the specific taxes imposed within the tax system.

World experience shows that property taxes enforce both functions, as in many countries ones provide the largest fraction of revenues to local budgets. In addition, property taxes are directly dependent on the size of property taxpayers and ones perform a social function as a form of luxury tax. Therefore, the introduction of property taxes always creates a resistance in certain category of people.

Research and Publications Analysis. The question of property taxation and improvement of its mechanism often attract the attention of domestic and foreign scientists. In particular, in the works of domestic economists discussed the problem of property tax in Ukraine [1; 4; 10] and the role of property taxes in filled of local budgets [12; 13; 14 ; 15; 16], studied the international experience of property tax [3; 7].

But, property taxes in Ukraine are at the stage of its development, and ongoing changes in property taxation mechanism necessitated the analysis and evaluation of their effectiveness.

The Goal of the Article. Purpose of this article is to study the problems of efficiency of a property tax in Ukraine and grounds areas to solve them. The objectives of the research is to study peculiarities of the taxation of property tax in Ukraine and in the world to develop proposals for further improvement.

Presentation of the Material and Results. Property tax in Ukraine since statehood consisted only of land tax and vehicle tax. Today, the property tax in Ukraine includes tax on real property other than land, land and vehicle tax.

Taxable only property that can be estimated as follows: «objects in tangible form, buildings, machinery and equipment, vehicles, etc; shares, securities; intangible assets, including intellectual property rights; integral property complexes of all ownership» [2, p. 317].

P. Hansel successfully expressed about the objectivity of property taxation «general property tax would supplement tax revenues to cover the so-called funded income, the taxpayer having income from property to obtain a secured income» [3, p. 206]. Although a lot of research point to problems of property taxes (table 1).

Table 1

Theoretical Generalization Property Tax Issues

Authors	The Essence of the Problem of Property Tax
M. Edel, E. Sklar, B. Hamilton, D. Apple, A. Zelintts M. Vissher, V. Fipel	Underlines the lack of communication between the tax rates on capital and its cost and level of service provision
J. Zodrrou, P. Mishkovskyy	In his research show that the introduction of property tax leads to distortions in the allocation of capital
B. Oates, John Inger Milton	Argued that the quality of services and the tax rate is directly proportional to affect the value of property
D. Nettser. G. Simon	They say that the introduction of property tax is transferred to the buyer by increasing property prices

Source. Compiled from [4, p. 95–101].

Among domestic issues of property tax are complex mechanism of taxation and inadequate and significant costs of administration property tax.

Objectively evaluate the property is difficult because there are frequent fluctuations in the value of real estate and land, which predict trends is difficult [1, p. 89–90].

Analysis of the dynamics indicates the absence of a sustainable trend. Revenues from property tax increased most, the amount of revenue which was increased significantly in the 2013–2015 years. Then other property tax increase was only in 2015, as a result of tax reform (table 2).

Table 2

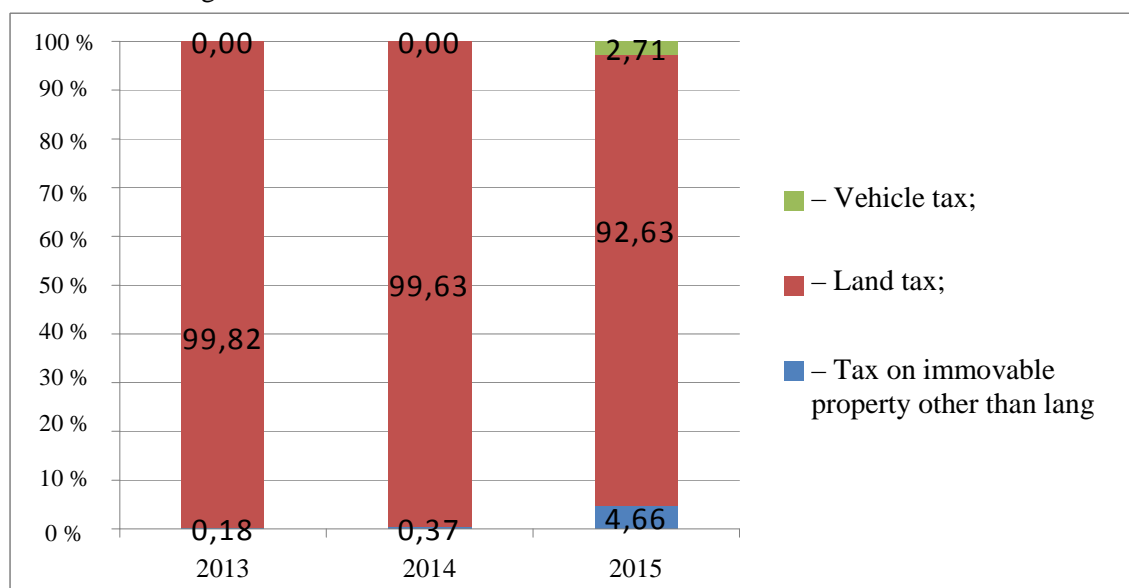
The Fiscal Value of Property Taxation in Ukraine*

Tax	2013 (UAH)	2014 (UAH)	2015 (UAH)	Increase, %	
				2013–2014	2015–2016
Tax revenues of the consolidated budget	353968,1	367511,9	507635,9	3,8	38,1
Tax revenues to local budgets	91191,1	87333,7	98218,4	-4,2	12,5
Property tax, incl.:	12825,4	12128,8	16011,1	-5,4	32,0
Tax on immovable property other than land	22,5	44,9	745,7	99,6	1560,8
Land tax incl.:	12802,9	12083,9	14831,4	-5,6	22,7
Land tax	3366,1	3161,3	4059,8	-6,1	28,4
Rent	9436,8	8922,6	10771,6	-5,4	20,7
Vehicle tax	-	-	434,0	x	x
The share of property taxes in the consolidated budget, %	3,62	3,30	3,15	-8,9	-4,4
The share of property taxes in local budgets, %	14,06	13,89	16,30	-1,3	17,4

* Built according to [11].

However, the share of property taxes has changed slightly, providing about 3 % in the tax revenues of the consolidated budget. As for the local budget share of property tax has increased, reaching in 2015 16,3 %, which was held partly by redistributing existing taxes between the state and local budgets.

It makes sense to examine the share of each tax in property taxation (Picture 1). Thus, in 2013 the share of the tax on real property other than land was only 0.18 % of property taxes or 22 540 000UAH, land tax – 99,82 %. Vehicle tax in the 2013–2014 was not. In 2015, property taxes amounted only 5,8 % of total revenues and 12,19 % of own revenues of local budgets.



Picture 1. Structure property tax Ukraine for 2013–2015

The structure of property taxes in 2014 compared to 2013 has not changed much, however, revenues from taxation of real estate in 2014 increased almost 2 times. Thus, the share of tax on immovable property other than land increased by only 0,19 points and made up 0,37 % of the property tax and land tax – 99,63 %. In the structure of revenues of local budgets share of property taxes decreased to 5,23 % of revenues and 12 % of their own revenues.

Property taxes in the 2013–2014 didn't play a leading role in shaping local revenues Ukraine, unlike foreign practice, where the share of income from municipal property tax is 75 %. The main role in property taxation 2013–2014 played payment for land that was more than 99 % of all property taxes. The structure of the land tax for those years was about 64 % rent with legal entities, 23 % – tax on legal entities, the remaining 13 % – tax and rent on individuals.

There are several reasons for low fiscal role of property taxation. In particular, this tax is new for the Ukrainian tax system is still under formation. Significant costs for its administration and maintenance. By 2014, there was a high privilege on areas of real estate, which aren't taxed, and commercial property didn't belong to taxable.

However, in 2015 amended the Tax Code of Ukraine State authority was approved to include taxation of real property other than land, facilities non-residential property and reduce the amount of allowances residential area to 60 square meters apartments, to 120 square meters for houses and 180 square meters for different types of residential real estate. This exemption applies only to property of an individual taxpayer [10]. Also, when calculating the amount of tax the tax base is changed from residential areas to the total area of taxation, which led to an additional tax burden for owners of residential property and increase local budget revenues.

Due to reforms in the tax system in 2015, revenues from property taxes to local budgets Ukraine increased by 3,88 million UAH. As a result, the share of revenues from taxation of real property other than land in the structure of property taxes 4,29 points to 4,66 %. The structure of the income of the land tax remained almost unchanged. The share of revenues from the land tax in property taxes although decreased by 7 % still remained the largest and accounted for 92,63 %.

As for the vehicle tax, the local budgets in 2015 received 434 million UAH. the largest portion of revenues made from individuals – 80,31 % of All revenues of the transport tax and the remaining 19,69 % – from legal persons. The proportion of vehicle tax part of the property taxes accounted for only 2,71 and 0,15 % of total local revenues, indicating a minor role vehicle tax in property taxation and revenues of local budgets in general.

The main innovation in property taxation was the introduction on January 1, 2015 the vehicles tax. But once there was a contentious issue for those vehicles that are operated on lease. It is believed that the taxpayer must be the lessee, as all vehicles are on his balance sheet. However, according to part 2 article 1 of the Law on Financial Leasing leased asset are the property of the lessor [5]. However, such an object is removed from its balance sheet with simultaneous recognition of long-term receivables according to article 10 Position (Standard) Accounting 14 [6]. Of course the correct statement is that the tax paid by the lessor, as the police registered the vehicle in his name. That's why we offer improve the Tax Code of Ukraine concerning the tax lessee for order to avoid similar misunderstandings

Introduced on January 1, 2016 changes to determine taxable vehicle tax based on the value of the vehicle and of its service life, allowed to include in their list of prestigious cars, the price of which is more than 1 million UAH – BMW, Mercedes-Benz, Porsche, Porsche, Range Rover, but the engine capacity of less than 3 liter. However, still remain out of sight of the Tax Code and still not taxed luxury vehicles such as boat, plane, helicopter.

To improve taxation of movable property should refer to foreign experience. In particular, it is advisable to pay vehicle tax of motor, for example, of 250 or more horsepower. Powerful motor usually a sign of an expensive car, because the ratio of «tax – luxury» is quite reasonable. In addition, vehicle tax can be paid depending on the size of emissions – owner of «dirty» engine should pay higher tax. Thus, there is a relationship between engine power and the price of the car.

In the UK the maximum size of vehicle tax can reach 1,090 pounds, in terms of – just over 35 thousand UAH. Thus, the amount of Ukrainian vehicle tax is very close to the tax rates in the European Union [7, p. 702–705].

There are many disputes regarding land tax. In our opinion, it is inappropriate to give a definition of «land» in the Tax Code of Ukraine, as this concept is typical for land rights. The Land Code of Ukraine definition of land is also included. However, neither the land law nor the tax law doesn't define the definition of «land share», and this is a gap in the legal regulation of the land tax [16, p. 39].

Certain problems are due to the moratorium on sale of agricultural land. In Ukraine, for 15 years, the owners of agricultural land can't sell it. There is a moratorium on sale of agricultural land, which is approved as a temporary act until formed land market. The term of the moratorium continued constantly – the last such ban is valid until January 1, 2018.

During the moratorium in Ukraine falls 96 % of agricultural land that is owned by 16 % of respondents of which 68 % is share property owners [8].

Today, Ukraine is the only democratic country in the world where landowners have no right to dispose of their property at their discretion. Prohibition to dispose of land only exists in China, Venezuela and North Korea. Today, landowners can neither give land secured funding for certain activities, or sell a share and invest in other asset or share areas if necessary. This all creates problems in the formation of Ukraine's of land capital and it doesn't allow creating effective tools for land taxation.

Building land market and the abolition of the moratorium on land sales necessary criteria for the formation of effective economic system of Ukraine. This will form the real market value of the land and determine the effective tax rate. In order to regulate advisable to introduce the possibility to sell the right to lease the land, and eventually impose a tax on the sale of land to eliminate speculative transactions.

Today disadvantage in the administration of the tax on real property other than land is not generated database of property owners. State Registration Service, where property rights registered in 2013 (before this was done Technical Inventory Office) persons who own real estate but carried with it no commercial operations in 2013 didn't receive a receipt for payment of property tax. These owners did not inform the authorities fiscal services about their property because until now the law expressly provides liability in such irresponsible citizens

All developed countries use the market value of the property for the taxation of real estate. Domestic scientists and practices also try to adapt this international experience to the national tax system.

However, the valuation can be carried out at market prices and non-market. In both cases, the calculations are based on the level to obtain additional capital from the use of property and on the amount of the costs to improve the land.

At first should define the basic principles of valuation of land, as components of property value. For the purpose of effective property taxation should be guided by the following principles of assessment of property: utility, expectations substitution changes the value of marginal productivity contribution, balance, most efficient use. The analysis of international experience can provide such classes of property:

- for the purposes of trading;
- for entities;

- as an object of investments;
- for personal use (such as house).

Real estate, which is the purpose of trade, usually is the inventory, not capital assets. The owner of this property gets pretty little income and then only from wholesalers.

Considering economic activities property can be viewed as one of the factors of production. In the US, for example, if the property is taxable and the owner has a property for more than six months, is also considered demolition buildings [9, p. 84].

Investments in real estate are a capital investment with a view to a future of greater value, not profit. The idea is that a significant amount of real estate bought and never used or owner leases it. In Ukraine, most lease agreements concluded not officially in order to avoid taxation, so we offer additional real estate tax at higher rates in the absence of the lease.

In the case of real estate taxation for personal use it is advisable to reduce the income before tax personal income tax on a share of the amount of property tax. That will reduce the tax burden on ordinary citizens.

Conclusions and Prospects for Further Research. At the present stage of the tax system property taxes don't play a significant role in the formation of local revenues in Ukraine. However, property taxation in Ukraine there is only at the stage of formation. For example, property tax in 2015 shows that for effective reform of the tax system, there is considerable potential for development and increased revenues through property taxes in the future.

The solution of urgent problems in property taxation, primarily possible by improving the tax code, the legal framework of Ukraine, which is not deny the law of one another, but rather complement and expand each other. Improvement should occur so that taxpayers can't evade tax. Also in determining tax rates it is necessary to take into account ability to pay property owners according to the value of the property.

Also consider necessary as soon as possible to update the State register of real rights on real estate for completeness and correctness of the tax and benefits, as a taxpayer may have properties not only in the place of residence, but also in other villages, cities and regions of Ukraine.

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Ірина Цимбалюк, Владислав Кальчевський. Проблеми ефективності майнового оподаткування в Україні. У статті наведено теоретичне узагальнення проблем майнового оподаткування; досліджено фінансове значення оподаткування в Україні; проаналізовано структуру майнових податків та динаміку їх надходжень. Розглянуто основні зміни в механізмі оподаткування майновими податками та визначено проблеми ефективності їх справляння.

Відзначено роль майнових податків у формуванні доходів до місцевих бюджетів України. Наведено причини незначної фінансової ролі податку на нерухоме майно. Проаналізовано надходження від транспортного податку та визначено проблеми його справляння. Особливо розглянуто особливості стягування земельного податку в Україні й проблеми з формуванням ринку землі, що прямо впливають на механізм оподаткування цим платежем.

Досліджено зарубіжний досвід оподаткування майновими податками. Обґрунтовано перспективні напрями вдосконалення оподаткування майновими податками та підвищення їх ефективності.

Ключові слова: майнові податки, податок на нерухоме майно, відмінне від земельної ділянки, земельний податок, транспортний податок, проблеми оподаткування, ефективність оподаткування.

Ирина Цимбалюк, Владислав Кальчевский. Проблемы эффективности имущественного налогообложения в Украине. В статье приводятся теоретическое обобщение проблем имущественного налогообложения; исследуется фискальное значение налогообложения в Украине; анализируется структура имущественных налогов и динамика их поступлений. Рассмотрены основные изменения в механизме налогообложения имущественными налогами и определены существующие проблемы эффективности их взимания.

Определяется роль имущественных налогов в формировании доходов местных бюджетов Украины. Указаны причины незначительной фискальной роли налога на недвижимое имущество. Анализируются поступления от транспортного налога и определяются проблемы его взимания. Отдельно рассмотрены особенности взимания земельного налога в Украине и проблемы с формированием рынка земли, что прямо влияет на механизм налогообложения этим платежом.

Исследован зарубежный опыт налогообложения имущественными налогами. Обоснованы перспективные направления совершенствования налогообложения имущественными налогами и повышения их эффективности.

Ключевые слова: имущественные налоги, налог на недвижимость, земельный налог, транспортный налог, проблемы налогообложения, эффективность налогообложения.