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THE TAX CHANGES IMPACT ON THE MUNICIPAL BUDGETS REVENUES IN UKRAINE

ABSTRACT

The purpose of the study is to assess the consequences for the financial capacity of the budgets of territorial hromadas (THs) from changing approaches to personal income tax (PIT) allocation. The methods of micro-modeling of the taxpayers were used, which integrate official demographic and financial data, representative population surveys data at the level of individual typical THs, and structured in-depth interviews information.

The main aspects of the employment of TH residents and the peculiarities of their personal income tax payments were considered. It has been established that there are significant gaps between the place of residence, work, and payment of taxes. In three-fourths of the examined THs, more than half of the employees worked outside the municipalities, that is, personal income tax did not go to the place where the employee lives, uses infrastructure, and receives public services. This is especially characteristic of suburban THs, where a high concentration of pendulum labor migration to the neighboring city is registered. Estimated losses of TH budgets from informal employment and "shading" of wages.

The study results revealed the ambiguity of the impact of the change in the approach to PIT share crediting to the budgets of municipality where taxpayer live. Significant tax capacity strengthening is expected in rural subsidized and most suburban rural THs. Economically active THs will not necessarily benefit from such changes. An alternative model providing for the PIT share splitting between the THs where taxpayers live and the THs where they work may turn out to be more compromised and fairer for Ukraine.

The main problems of information support at the local level for the needs of monitoring, modeling, and management decision-making are highlighted. A conclusion was made about the prospects of using information from e-registers for these needs, and a list of them was determined.

Keywords: municipal finances, budget, personal income tax reform, territorial hromada, employment, workplace, electronic register

JEL Classification: H71, H72, R23, R51

INTRODUCTION

Achieving the goals of the decentralization reform is impossible without creating an efficient municipal finance system with stable revenue sources for municipalities (hereinafter referred to as Territorial Hromadas (TH)).

According to the existing model of local budget formation, about three-quarters of THs are subsidized and receive a basic grant from the state budget. In fact, they have a significant deficit of financial resources to fulfill the received powers. The problem is more dramatic for rural THs.

The primary revenue source for many municipalities is the personal income tax (PIT). Unlike European countries, according to Ukrainian legislation, PIT is allocated to the local budget based on the location of the legal entity that pays taxable income to employees. A person may be a resident of one municipality and an employee of another. As a result, there appears unfair practice of failure to receive tax revenues to the budget of the municipality where they live, use infrastructure, and receive public services. According to the Decree of the President of Ukraine № 180/2021 of April 29, 2021 [17],

amendments to the legislative acts regarding the allocation of part of the PIT to municipal budgets at the place of residence of the taxpayer should be elaborated. The same task is set in the Draft Plan for the Recovery of Ukraine presented at the Lugano conference [18].

However, there are no substantiated studies of the possible consequences of the aforementioned legislative initiatives on the budget system. Administrative statistics in Ukraine do not provide data necessary for calculations, in particular, on the place of actual residence and place of employment. The key task is the development of methodological approaches to the study of this problem using various data sources.

LITERATURE REVIEW

The overall concept of fundamental studies on public finance is that local authorities should, to the possible extent, fund their activities at the expense of local taxes and fees, the rates of which they should set themselves. Later, this concept was developed in the works of financiers of the 19th-20th centuries (R. von Kaufmann, A. Wagner, J. Popitz, K. Menger, R. Musgrave, etc.), which formulated the principle of "territorial binding" of local taxes, and their list is defined. The theory considers the ideal model of taxation using the principle of benefit. The core essence of this principle is that the payment of the volume of local taxes should be proportional to the services that taxpayers receive from local authorities. Local revenues should be equivalent to the local social benefits of a specific territory, so the revenue sources must be related to this territory [13]. Thus, according to R. Musgrave, property taxes are primarily local, and progressive income taxes and consumption taxes are the most optimal for central-level authorities [16].

Theoretically, in this case, there is a direct relationship between the amount of taxes and the number of benefits provided in the municipality. Local budgets are spent for the benefit of local taxpayers, which has political effects. This increases the accountability of local authorities and creates incentives for "increased responsiveness by aligning the economic interests of citizens as taxpayers with their political interests as voters" [12].

However, the analysis of an international experience of local finance systems functioning (see, for example: [1; 2; 3; 8; 19; 20]) shows that in practice only a few countries fully implemented the abovementioned theoretical postulates. Taxes, the rates of which are set by local governments independently, are not the main revenue source for local self-governments in most European countries. The studies point out some reasons for this gap between theory and practice. Foremost, taxes that provide the main revenues (PIT, VAT, CIT) can be more efficiently administered by the central government than by local authorities. Another reason is that spending for providing public services, which are often transferred to the powers of local self-government bodies (especially educational, health care, and communal services), far exceeds the possibilities of budget revenues from traditional local taxes, such as real estate tax. In countries with strong local self-government responsible for the functioning of social infrastructure and providing public services, local budgets are formed by combining in different configurations and proportions of national taxes shares, local taxes, and non-targeted and targeted grants. At the same time, one of the largest revenue sources is personal income tax: PIT revenues make up more than 20% of local budgets in at least twenty European countries [12]. The findings mentioned above are important from the point of view of the possibilities of implementing and adapting successful practices in Ukraine, primarily those that expand the potential of THs and stimulate their development.

Studies [10; 14; 15; 21; 22], in which the problems of tax payment by separate structural subdivisions of enterprises [15], changes in tax rates [14], distribution of personal income tax revenues between budgets of different levels [21], etc. are considered. In general, the literature review shows that there is no consensus among the scientists and experts regarding the vision of the optimal model for payment of personal income tax for domestic conditions, as well as reasonable quantitative assessments of the impact of certain changes in the payment mechanism of this tax to local budgets.

This article offers an assessment of the impact of changing approaches to PIT allocation on local budget revenues in Ukraine.

METHODS

The study results are based on a complex analytical and sociological survey, the innovation of which is the integration of official financial and statistical data, structured in-depth interviews with the management of THs, and a statistically representative population survey at a municipal level, on the basis of which correct micromodels of the population of the TH were formed. For this purpose, the microdata of a sociological survey, which was conducted in September-October 2021

as part of the "Research on the fair and efficient distribution of personal income tax" commissioned by "U-LEAD with Europe" [13], was used.

Having determined with the help of sociological methods the employment status of municipality residents, nature of the workplace (formal or informal employment), and the location of work, the circle of persons who are local budgets taxpayers was estimated, and tax flows were modeled under various scenarios of the PIT reform. Such methodological approach, which is no less important, also allows us to assess of the potential of increasing tax revenues for the TH due to the employment policy aimed at the formalization of labor relations and reduction of shadow wages, to compare the expected benefits and to identify possible risks.

Three types of THs are covered, based on hypotheses regarding the possible consequences for local budgets of changes in the rules for PIT allocation:

- rural suburban subsidized THs – close to the regional center or another large city – economic center. According to our calculations based on data [4], about 22% of the total number of THs in Ukraine are of this type. Labor migration flows "rural TH - big city" are observed in all countries and will remain a powerful factor under any scenario of Ukraine's development. Accordingly, a significant percentage of the residents of such THs carry out labor migration to the regional center for basic social services - educational, medical, etc. - which should be provided at the local level. Changes in the PIT payment system, in particular, its transfer to local budgets based on the place of residence taxpayers, can crucially affect the budgets of such municipalities and relations with neighboring urban THs. The sign "subsidized" indicates a fundamental difference from another type of suburban rural/settlement THs: which have large employers - taxpayers on their territory and transfer reverse grants. Such THs can be centers of attraction for the labor force from neighboring rural THs, as well as from the regional center, with which opposite flows of pendulum migrations are formed;
- rural subsidized THs, which are located at a considerable distance from the regional center or another large city — an economic center (about 36% of the total number of THs in Ukraine);
- non-subsidized rural THs, distant from the regional center or another large city — an economic center (about 7% of the total number of THs in Ukraine). We assume that for the municipalities of group 2 and 3, the role of labor force centers can be played by cities - district centers or neighboring THs with better opportunities for labor activity. Counter-pendulum flows of workers and various combinations of gaps between the place of residence, employment, PIT payment, and receipt of social infrastructure services are possible, and therefore more ambiguous consequences of certain changes in the rules of PIT enrollment.

RESULTS

Ukraine is on the way to finding its efficient model of the budgetary system. During the past several years, a number of steps have been taken to achieve financial decentralization and create resource potential for local self-government. Amendments have been made to tax and budget laws that deal with the norms of allocating national taxes and increase the scope of local taxes and duties. PIT is the primary source of revenue for many municipalities. PIT is charged from the income of individuals of various forms of employment as well as rent, dividends, and accrued interest. For income accrued as payroll, other payments, and bonuses made within labor relations and civil agreements, the PIT rate is 18% of the taxable amount. In Ukraine, the tax agent who pays this tax is the employer. Thus, employees do not pay this tax; the employer does it for them. According to the Tax and Budget Codes of Ukraine, PIT paid (transferred) by a tax agent-legal entity (its affiliate, department, or other separate subdivision) is allocated to the respective budget at their location. If a separate subdivision is not authorized to pay taxes, the duties of the tax agent are performed by a legal entity. PIT accrued for employees of separate subdivisions is allocated to the respective budget at the location of such subdivision [13].

Thus, the amount of tax revenues from employment to TH budgets primarily depends on the specific characteristics:

- places of work: inside or outside the TH,
- employment status: employed or self-employed (employer, self-employed, self-employed family member),
- nature of employment: formal, informal, so-called fictitious self-employed workers, etc.;
- the number of wages and the level of its legalization, which determine the tax base.

The fairness of the approach, when PIT is allocated at the place of employment of the taxpayer, and not at his place of residence - is questionable. Intensive labor migration in Ukraine causes significant gaps between the place of residence, employment, and payment of personal income tax. A general idea of such gaps is given by the data of the state statistical

observation "Workforce Survey". Thus, in 2021, 15.2% of the population of working age (15-59 years) in Ukraine worked outside of the settlement of their place of residence. This indicator exceeded 30% for Ivano-Frankivsk, Kyiv, and Lviv regions [11]. In terms of TH, the percentage of such persons is obviously even more differentiated.

As a result, the volume of own revenues of TH budgets and the capacity of THs to maintain the social infrastructure and provide public services to the residents at their own revenue expense is also differentiated. According to [18], the average Ukrainian general fund revenue of the municipal budget per inhabitant (without transfers) was equal to UAH 6700, while revenues in three-quarters of THs were below the average in 2021. The ratio between the average indicators for the richest 10% and the poorest 10% of THs was 5.7 times, which illustrates the considerable inequality.

It should be noted that determining the limits of such "fair inequality" in relation to the socio-economic development of the TH is a complex methodological problem. World practice has evidence of many cases when incomes per inhabitant in large cities are several times higher than the national average. Such cities are a place of concentration of economic activity, business infrastructure, and modern creative industries development, promoting significantly higher levels of wages. They are also often centering on spreading business activity and innovation to the communities of the entire region, thereby stimulating their development. To a certain extent, such inequality can be considered fair and effective [5].

In our opinion, inequality in the local budget revenues can be considered conditionally fair, according to which "poor" THs have reliable budget revenues, which are necessary to ensure the functioning of local infrastructure and provide a minimum level of social services to the residents. In 2021 about 14% of THs transferred a reverse subsidy to the state budget, horizontal equalization was not carried out for 11% of THs, while 75% of THs received equalization grants (basic subsidy) in various amounts. That is, the majority of local self-government bodies, having received significant own and delegated powers in the sphere of socio-economic and cultural development, are unable to fulfill them independently. This limits the capacity to provide quality and more diverse public services, implement infrastructure projects, and other measures to improve the living conditions of residents or stimulate local business. Capital expenses in municipalities per capita reached UAH 1713 on average. In 82% of municipalities, the numbers were lower, and in 27%, they did not exceed UAH 500 [4]. Obviously, the current budget system cannot be considered fair and efficient according to these indicators.

In compliance with the decree of the President of Ukraine No. 180/2021, a group of bills registered in the parliament proposes to allocate PIT based on the place of residence of taxpayers. Transition to such a model can cause two oppositely directed financial flows for any TH: a flow of additional PIT revenues from residents of the TH working outside its borders; a stream of reduced PIT revenues from residents of other THs working on the territory of the selected TH.

In Ukraine, there are no official statistical data on where TH residents work and pay taxes. This does not allow a comprehensive and reliable assessment of the depth of the problem and the possible consequences for local budgets from changing approaches to PIT allocation. For this purpose, the data of the sociological survey of the TH residents were used, which allows for calculating the value of the first flow, i.e., additional revenues of personal income tax.

According to the results of the survey, the employment rate of the population was on average 57.6% and does not vary much between THs: from 54 to 60%. In three-quarters of the studied TGs, many employees worked outside the municipality. A high concentration of pendulum labor migration between suburban THs and the regional center is observed. Being located near a diversified labor market, which is a large city, expands the possibilities of choosing a more suitable job.

Table 1. Distribution of employees aged 15–70 by place of employment, %.

Types of rural THs	All employees		Formally employed	
	Work in the TH	Work outside the TH	Work in the TH	Work outside the TH
Suburban	35.4	64.6	31.0	69.0
Remote subsidized	27.5	72.5	42.9	57.1
Remote non-subsidized	63.3	36.7	64.6	35.4

The population of remote rural THs demonstrates somewhat different behavior on the labor market. If there are employers in the municipality, residents try to get a job at their place of residence, even for positions that require a lower educational and qualification level than the individual has. As an example, in a municipality where several agri-industrial enterprises operate, according to survey data, more than 60% of employees work in TH. In the absence of large economic entities,

the main legal employer in TH is the public sector, and most residents look for work in nearby cities or more developed municipalities with convenient transport access, regardless of whether this employment is formal or informal.

Informal employment has a significant impact on the amount of personal income tax revenues to municipal budgets. In fact, a significant percentage of the employed population does not pay taxes, because they work informally: as unregistered self-employed, with unregistered entrepreneurs, by the verbal agreement at informal workplaces of formal sector enterprises, etc. The level of informal employment was 34% on average and varied greatly between municipalities (from 28% to 59%). By comparison, according to the Labor Force Survey 2021 in Ukraine, this indicator was 19.3%, including in rural areas – 35.5% [11]. The share of informally employed is lower among residents of suburban THs working in neighboring cities rather than among those working at their place of residence. The opposite situation is observed in remote rural THs: the level of informal employment is significantly higher among workers employed outside their municipality (table 2).

Table 2. Distribution of employees aged 15–70 by legal nature of employment, %.

Types of rural THs	Work in the TH		Work outside the TH	
	Formally employed	Informally employed	Formally employed	Informally employed
Suburban	62.9	37.1	76.7	23.3
Remote subsidized	55.6	44.4	28.0	72.0
Remote non-subsidized	78.0	22.0	73.7	26.3

There are differences between different types of TH regarding the number of wages of employees. For residents of suburban THs, the wage level is more differentiated and exceeded UAH 11,000 on average. The majority of workers from remote rural THs received a salary of less than UAH 9,000. Among formally employed workers who answered the question "From what amount does your employer pay personal income tax?", about 16% declared only the minimum wage, although they actually received a higher payment. The obtained data on the number of employees, their place of work, the level of formal and informal employment, the amount of wages, and the level of declaration, allow modeling the possible consequences for local budgets from changes in taxation rules and/or the implementation of certain policies on the labor market. According to calculations, in the case of transition to crediting personal income tax at the place of residence of taxpayers, in three-quarters of surveyed THs, additional PIT revenues from employees employed outside the municipality may grow to 58 to 93% of the value of the indicator planned in TH budgets for 2021.

The sociological survey was carried out by the method of face-to-face interviews according to the respondents' place of residence. It did not cover hired workers who come to the municipality to work from neighboring THs. Averaged indicators obtained through in-depth interviews with representatives of local self-government bodies (heads of THs, heads of financial departments, etc.) were used for calculations. It was found that less than 5% of the total number of employees are non-local in subsidized rural THs. The reduction in personal income tax revenues due to the loss of the tax on non-local employees will amount to 2% on average. The situation in the labor market is markedly different in rural non-subsidized THs. About a quarter of employees are visitors. They are mostly employed at medium and large agro-industrial enterprises.

Thus, for subsidized rural TH, the overall effect of the transition to PIT allocation at the place of residence of the taxpayer will be positive. A similar conclusion also applies to the majority of suburban rural THs, which do not participate in horizontal equalization of tax capacity. Instead, the impact of the personal income tax reform is ambiguous for remote rural THs, on the territory in which large and medium-sized enterprises operate (mostly these municipalities are subsidy-free). Mainly in municipalities of this type, considering PIT losses from employees who come here to work, according to calculations, the net increase in PIT will not exceed 10% and will be 4% on average (table 3). As interviews with municipal leaders evidenced, they are mostly not interested in such changes, believing that the costs of their implementation will exceed the benefits.

Table 3. Assessment of the increase (+) / decrease (-) of PIT revenues to the budgets of various types of THs, subject to the implementation of employment policy measures and/or changes in the order of PIT allocation, on average as a percentage of the indicators of tax revenues and PIT, which were planned in the TH budgets for 2021.

Types of rural THs:	Measures:			
	Unshadowing of wages: PIT is paid from the entire amount of actual wages, "false" entrepreneurs are moved to the category of employees	Legalization of labor relations of informally employed: they receive the minimum wage established by law	Enrollment of the PIT share to the TH budget at the employee's actual place of residence	Crediting of the PIT share to the budget of the TH at the place of actual residence of the employee, which is accompanied by the formalization of labor relations
Suburban	+5%	+22%	+63%	+135%
Remote subsidized	-	+42%	+56%	+306%
Remote non-subsidized	+18%	+10%	+4%	+39%

The enhanced effect of the above-mentioned legislative changes can be achieved by accompanied measures formalizing labor relations (see Table 2). To analyze the problem of non-compliance with PIT, except for informally employed we distinguish the category of "disguised wage labor" among the formally employed population, or it is also called false or bogus self-employment, false entrepreneur, etc. [9] – when de facto employees are registered as "entrepreneurs - single taxpayers" to minimize taxation. As it turned out, in some THs their specific weight among the employed exceeds 10%. Under such a model of employment, the budgets of the TH usually remain at a loss since single tax revenue is less than PIT revenue.

The income tax base, except for informal employment, is also narrowing because of the "shading" of the wages of formally employed workers. It is difficult to reliably assess the real extent of the spread of the latter in municipalities due to the relatively frequent refusal of respondents to answer such questions. According to the survey, on average, for 71% of employees PIT was transferred from the full amount, for 29% - from an amount smaller than the real salary received, including 24% - from the minimum wage [13].

The labor relations shadowing problem is relevant for Ukraine and significantly affects the fiscal capacity of TH. It is obvious that complete labor market legalization is impossible in reality. The considered scenarios are intended to illustrate the effectiveness and priority of certain employment policy measures for local budgets. As can be seen in table 3, strict measures regarding the de-shadowing of wages will mostly not significantly improve their tax capacity, while it is likely to lead to a conflict with business. The legalization of the work of informally employed employees, at least at the minimum wage level, will have a greater effect. According to calculations, PIT revenues may increase by 10-40% depending on the municipality. Local governments should strengthen cooperation with labor inspection bodies to assess such opportunities and decisions.

It should be taken into account that changes in the mechanisms of the local budget formation may actualize a number of still unresolved problems in financial relations between THs. In particular, there is widespread practice when residents of the municipality receive basic social services (medical, educational, etc.) outside its borders. Thus, according to survey data, in suburban THs about 15% of preschoolers and almost a fifth of school-age children attended educational institutions outside the municipality. In the case of reforming the current PIT payment system to the local budgets of THs that provide such services, cost compensation mechanisms will likely be needed to introduce. Nowadays such examples exist, but they are not widespread yet. These relationships should be clearly regulated within the framework of the mechanism of inter-governmental transfers between local budgets. It is appropriate for state authorities to develop methods for calculating the cost of services, examples of standard contracts, and practical recommendations.

The proposed approach can be applied to a representative survey of all TGs of Ukraine and an assessment of the impact of the personal income tax reform on the budget system in general. At the same time, there is a need to create an information and analytical system that would allow monitoring and modeling indicators of TH development on an ongoing basis. The State Statistics Service of Ukraine currently has very limited opportunities for such a system formation. It operates with data, mainly obtained with the help of specialized surveys providing representative indicators only in terms of regions.

As the study found out, the most serious information problems currently are:

- unreliable official statistical information on the population in general and by age groups;
- lack of data on the number of employed in TH and labor migration;
- incomplete data in terms of the remuneration fund for enterprises, institutions and organizations located in the THs;
- incomplete information in municipality registries and lack of access to some state registries.

Current studies testify to the lack of reliable information at the local level regarding the actual population and its sex-age structure, employment, labor migration, the unemployment rate and other indicators of the labor market hindering the qualitative organization of the processes of planning socio-economic development, revenues and expenditures of local budgets. The formation of a socio-economic indicators forecast of the TH development is essentially reduced to a formal compliance with the legislation as a result of the data incompleteness: the indicators included in the forecast are not detailed and do not allow to fully take into account possible budget receipts and plan budget expenditures for the medium-term period in accordance with requirements of the Budget Code. During the interview, the municipalities' heads often point to discrepancies between the population data provided by the State Statistics Service of Ukraine and the local registry data. In some cases, the deviation is up to 15 [13]. As a result, the system of horizontal equalization of local budgets, which is based on the determination of the fiscal capacity index per capita, is "distorted".

Currently, a new use of registries has been the creation of their systems, i.e. registries interconnected on the basis of certain keys, which has allowed government agencies to share information without the involvement of additional sources. Publications [6; 7; 13] investigate the possibilities of obtaining information on the TH residents' employment and their labor income, on the "gaps" between the place of residence and the place of employment, and other necessary information based on the data of state registers. This issue is promising for Ukraine, where there are currently several dozen different registers. In modern global practice, a new stage of using registers was the creation of their systems, i.e. registers interconnected on the basis of defined keys, which enabled state institutions to exchange information without involving additional sources [7]. In this case, the "key" is a unique identifier of a person that allows linking information about this person from different registers. This key may already exist in the country - for example, a national identification number. In Ukraine, unfortunately, there is no single personal identifier for an individual that could be used to search for information in all registers and link information from the registers for a specific person. For these purposes, several key indicators can be used, for example, details of an identity document, employer's code (EDRPOU), etc.

Table 4 provides the list of main indicators for the needs of monitoring socio-economic development and modeling of local budgets, as well as registers containing them.

Table 4. Information sources for evaluating the THs development. (Source: [6; 13])

Indicator	Register
Identity Document details	Registers of Municipalities
Address registration of residence / location	
Date of birth / death	
Sex	
Belonging to the place of residence / location in the municipality	Codifier of administrative-territorial units and areas of municipalities
Place of actual residence (location)	Register of insured persons of the State Register of Compulsory State Social Insurance
Registration number of the taxpayer's registration card	Register of insured persons of the State Register of Compulsory State Social Insurance
Employment status: a person who works under an employment contract; natural person - entrepreneur, self-employed person; another status	Register of Insured Persons of the State Register of Compulsory State Social Insurance
Professional title of the work	
Employer: code (branch code), name	
Location of the employer (branch)	Unified State Register of Legal Entities, Individuals - Entrepreneurs and Public Associations
Place of registration of a natural person – entrepreneur in the tax authorities	
Status of the registered unemployed	Database of Jobseekers and Registered Unemployed
The amount of accrued wages	State Register of Individuals - Taxpayers
The amount of withheld tax income	

Any person of 15 and older can be identified by the identity document if registered in the municipality register. On the basis of indicators from various registers linked by keys, a data array is formed for such a person with information within following blocks:

- general information: age; sex; place of residence / location;
- the status of participation in the workforce
- for employees: professional title of work; place of work (in the municipality; outside the municipality but within the region of residence; in another region)
- income and taxes: the amount of the accrued salary; the amount of withheld PIT [13].

In the following stages, data aggregation according to defined parameters and the formation of analytical materials take place.

Thus, the relevant state authorities should initiate the legislative and regulatory changes aimed at improving the registers and increasing the accuracy and reliability of the available information, in particular regarding: the address of the person's actual residence (place of residence); information on functional structural divisions, production structural divisions and other separate divisions of a legal entity with an indication of the address of actual activity, etc. Formally, data on the address of actual residence / location are contained in the Register of Insured Persons of the State Register of Compulsory State Social Insurance, the State Register of Individuals - Taxpayers, registers of municipalities, but in practice they often do not correspond to reality. It is appropriate to implement a requirement for regular (for example, annual) informing of employers by employees about the confirmation of the actual place of residence and adjustment of relevant information in the registers when employers submit tax returns (SSC and income tax). It is also possible to check information between different registers. A promising area is the use of data from the e-health system eHealth, in which patients along with their general practitioners mostly indicate the address of actual residence [13].

It is important to initiate the development of software (software module) compatible with registers of THs, for collecting, processing and presenting aggregated data on socio-economic development indicators, as well as forecasting indicators for the short- and medium-term perspective. Procedures for automated access of local self-government bodies to national registers should be developed taking into account the requirements for information confidentiality.

DISCUSSION

Two key options can be distinguished in discussions regarding the prospects for reforming the personal income tax in Ukraine. According to the first, it is not necessary to change the procedure for crediting personal income tax, but only to improve the procedure for paying personal income tax by separate units of legal entities so that they pay tax where they carry out their activities. This is a primary step, in the future, as the administration system is improved, a transition to other models of personal income tax registration is also possible.

According to another option, personal income tax must be credited exclusively at the place of registration of the place of residence of the taxpayer. This is the practice of most European countries. Ukraine received the status of a candidate for EU membership. Its legislation, including tax legislation, should be harmonized with EU legislation. As the study results showed, the implementation of such a scenario can bring a significant positive effect for subsidized rural THs. At the same time, economically active THs may not be interested in such reform.

We believe that it is appropriate to study the possibilities of introducing alternative models providing for PIT splitting in certain proportions between the labor donor-municipality and the employer-municipality. It balances the principles of justice and economic efficiency to a greater extent, stimulates municipalities to endogenously oriented development and use of local development potential.

CONCLUSIONS

Assessment of the impact of tax reforms on local budgets, methods of micro-modeling of the taxpayers integrating official demographic and financial data, representative population surveys data at the level of typical THs, and structured in-depth interviews information can be applied in the absence of official statistical data. This methodological approach also makes it possible to assess the potential of increasing tax revenues to municipal budgets due to the employment policy aimed at legalizing labor relations, compare benefits and identify possible risks.

The transition to the crediting of PIT share to local budgets based on the place of residence of an individual - a taxpayer can have ambiguous results. According to the calculations, rural subsidized and most suburban rural THs can significantly improve their revenue capacity. For economically active THs, where jobs are created, the benefits are not obvious. An alternative model that provides for the PIT splitting in certain proportions between the labor-donor and the labor-employer municipality may be a compromise and more adequate to Ukrainian context. Justification of the prospects for its application is an actual direction for further research.

The PIT allocation reform must be accompanied by measures to legalize labor relations. However, strict actions regarding the wages deshadowing cannot significantly improve the fiscal capacity of TH, and may lead to confrontation with business. The legalization of the work of informally employed employees, at least at the minimum wage level, will have a greater effect. Local self-government bodies should strengthen interaction with labor inspection bodies to assess such opportunities and make coordinated decisions.

At the local level, there is a lack of relevant statistical information for monitoring, modeling socio-economic processes and making management decisions. Prospects for the formation of an appropriate information and analytical system are associated with the use of electronic administrative registers connected to each other, and the addition and imputation of other data to them, in particular, sample surveys.

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УПЛИВ ПОДАТКОВИХ ЗМІН НА ДОХОДИ МІСЦЕВИХ БЮДЖЕТІВ В УКРАЇНІ

Метою дослідження є оцінка наслідків для фінансової спроможності бюджетів територіальних громад (ТГ) від зміни підходів до зарахування податку на доходи фізичних осіб (ПДФО). Використано методи мікромоделювання сукупності платників податків, які інтегрують офіційні демографічні й фінансові дані, дані репрезентативних на рівні окремих типових ТГ опитувань населення та інформацію структурованих глибинних інтерв'ю.

Розглянуто основні аспекти зайнятості мешканців ТГ та особливості сплати ними ПДФО. Установлено наявність значних розривів між місцем проживання, роботи та сплати податків. У трьох чвертях обстежених ТГ більше половини найманих працівників працювали поза межами громади, тобто ПДФО надходив не туди, де працівник мешкає, використовує інфраструктуру й отримує публічні послуги. Це особливо характерно для приміських ТГ, де реєструється висока концентрація м'ягкої трудової міграції до сусіднього міста. Оцінено втрати бюджетів ТГ від неформальної зайнятості та «тінізації» заробітної плати.

З'ясовано, що перехід до зарахування частини ПДФО до місцевих бюджетів за місцем проживання фізичної особи-платника податку матиме неоднозначні результати. Суттєво покращать свою податкоспроможність сільські дотаційні та більшість приміських сільських ТГ. Для економічно активних ТГ вигоди не є очевидними. Зроблено висновок, що компромісною та більш адекватною вітчизняним умовам може бути альтернативна модель, яка передбачає розподіл ПДФО в тих чи інших пропорціях між ТГ, де мешкають платники податку, та ТГ, де вони працюють.

Виділено основні проблеми інформаційного забезпечення на рівні ТГ для потреб моніторингу, моделювання та прийняття управлінських рішень. Зроблено висновок про перспективи використання для цих потреб інформації електронних реєстрів, визначено їх перелік.

Ключові слова: місцеві фінанси, бюджет, реформа ПДФО, територіальна громада, зайнятість, робоче місце, електронний реєстр

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