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## CONCEPTUAL PRINCIPLES OF TAX REGULATION OF ECONOMIC DEVELOPMENT OF TERRITORIAL COMMUNITIES (EXAMPLE OF THE DANUBE REGION)

**Topicality.** Territorial communities as centers of self-organization and self-governance of the society must have significant economic potential to maintain their own ability and self-sufficiency for successful implementation of the economic, social and other functions, assigned to them. Particularly relevant is the issue of regulatory support for the economic development of territorial communities for the region of the Ukrainian Danube - a place of concentration of significant natural and economic resources, geopolitical prospects for development, as well as internal and transboundary challenges. Low indicators of the socio-economic development of the communities in the Danube region determine significance of tax regulation of economic activity, according to fast and systematic nature of the action of fiscal stimulants. The possibilities of modern process of power decentralization, of local self-government system reforming and budgetary system allow the use of tax instruments as levers of support for the development of united territorial communities and actualize the need to determine the scientific principles of tax regulation of territorial communities (on the example of the Ukrainian Danube).

**Aim and tasks.** The purpose of the article is to identify the conceptual framework for the regulating of the economic development of territorial communities through tax instruments, for example, local taxes and fees, management of which is possible at the local level due to modern changes in budget legislation caused by the reform of local self-governance. Conceptual principles of tax regulation of economic development of territorial communities (on the example of the Ukrainian Danube) should be identified and disclosed in the aspect of the implementation of the European ideology of tax investment competition of territories that are promising for the implementation of certain projects as a lever for supporting of the development of economic growth. Measures of tax regulation of investment development of territorial communities are proposed to be developed and implemented taking into account the new institutional capacity that opens the process of decentralization and on the basis of world experience.

**Research results.** The conceptual principles of tax support for the development of territorial communities with help of investment activity stimulation, promotion and implementation of investment projects, taking into account the influence of decentralization processes, are considered. The possibility of the using of local taxes as tools for business activity regulation of the territorial communities is substantiated by the newest institutional transformations that take

place through the process of voluntary association of territorial communities in Ukraine and the Black Sea region, in particular, the general conceptual framework for tax regulation is defined. On the basis of the analysis of statistical data on investment and general economic development of Ukraine, Odessa region and the Danube region, it was established that the level of socio-economic development of regions and territorial communities is 4-5 times lower than of towns – regional centers. Despite numerous measures to intensify investment development, there is no significant progress in economic recovery stimulation. The experience of implementation of such measures to stimulate business activity as creation of special (free) economic zones, granting of tax privileges to economic entities by branch, territorial and other features is analyzed, and the level of effectiveness of such regulators is low. The classification of types of tax incentives for the development of territorial communities according to the degree of concentration and localization is proposed. Based on the study of the best world practices and given the results of logical analysis, it has been established that the most promising for the territorial communities are project-oriented levers of tax incentives for socio-economic development. A set of measures to promote the implementation of investment projects in the community on the basis of the use of local taxes, such as: land tax, transport tax, environmental taxes, excise taxes and non-local tax on personal incomes, is proposed.

**Conclusions.** It has been established that taxes as fast and effective levers of regulation of economic activity should be used to stimulate the socio-economic development of territorial communities on a well-founded scientific basis and using the principles of systemicity, purposefulness and priority. The conceptual framework, the system of principles, mechanisms and instruments for tax incentives for socio-economic development of territorial communities constitute the subject and the prospects for further research in this direction.

**Key words:** tax regulations, local taxes, investments, territorial communities, tax incentives for local investment.

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## **КОНЦЕПТУАЛЬНІ ЗАСАДИ ПОДАТКОВОГО РЕГУЛЮВАННЯ ЕКОНОМІЧНОГО РОЗВИТКУ ТЕРИТОРІАЛЬНИХ ГРОМАД (НА ПРИКЛАДІ ПРИДУНАЙСЬКОГО РЕГІОНУ)**

**Актуальність.** Територіальні громади як осередки самоорганізації та самоврядування населення для успішного виконання покладених на них суспільних, соціальних та інших функцій повинні мати суттєвий економічний потенціал для підтримки власної спроможності і самодостатності. Особливо актуальним питання регуляторної підтримки економічного розвитку територіальних громад є для регіону Українського Придніав'я – місця концентрації значних природних та економічних ресурсів, геополітичних перспектив для розвитку, а також викликів внутрішнього та транскордонного характеру. Низькі показники стану соціально-економічного розвитку громад Придніав'я обумовлюють значущість провадження податкового регулювання економічної активності, з огляду на швидкість і системність дії фіскальних стимуляторів. Можливості сучасного процесу децентралізації влади, реформування системи місцевого самоврядування та бюджетного устрою дозволяють застосовувати податкові інструменти в якості важелів підтримки

розвитку об'єднаних територіальних громад і актуалізують необхідність визначення наукових засад податкового регулювання територіальних громад (на прикладі Українського Придунав'я).

**Мета та завдання.** Метою статті є визначення концептуальних засад регулювання економічного розвитку територіальних громад за допомогою податкових інструментів, на прикладі місцевих податків і зборів, управління якими є можливим на місцевому рівні завдяки сучасним змінам в бюджетному законодавстві, викликаним реформою місцевого самоврядування. Концептуальні засади податкового регулювання економічного розвитку територіальних громад (на прикладі Українського Придунав'я) мають бути визначені і розкриті в аспекті реалізації європейської ідеології податкового інвестиційного конкурування територій, які є перспективним для реалізації певних проектів в якості важеля підтримки розвитку точок економічного зростання. Заходи податкового регулювання інвестиційного розвитку територіальних громад пропонуються розробляти і впроваджувати з врахуванням нових інституціональних можливостей, які відкриває процес децентралізації, та на основі врахування світового досвіду.

**Результати.** Розглянуто концептуальні засади провадження податкової підтримки розвитку територіальних громад шляхом стимулювання інвестиційної активності, сприяння реалізації інвестиційних проектів з врахуванням впливу процесів децентралізації. Обґрунтовано можливість використання місцевих податків в якості інструментів регулювання ділової активності територіальних громад завдяки новітнім інституціональним трансформаціям, які мають місце завдяки процесу добровільного об'єднання територіальних громад в Україні та в Причорномор'ї, зокрема, визначено загальні концептуальні засади провадження податкового регулювання. На основі проведеного аналізу статистичних даних щодо інвестиційного та загального економічного розвитку України, Одеської області та Придунайського регіону встановлено, що рівень соціально-економічного розвитку регіонів, територіальних громад є таким, що в 4-5 разів відстає від міст обласних центрів. Незважаючи на численні заходи щодо активізації інвестиційного розвитку, стимулювання економічного поживлення суттєвого прогресу не відбувається. Проаналізовано досвід впровадження таких заходів стимулювання ділової активності як створення спеціальних (вільних) економічних зон, надання податкових преференцій суб'єктам економічної діяльності за галузевою, територіальною та іншими ознаками і встановлено низький ступінь дієвості таких регуляторів. Запропоновано класифікацію видів податкових стимулів розвитку територіальних громад за ступенем концентрації та локалізації. На основі дослідження краєвих світових практик та зважаючи на результати логічного аналізу встановлено, що найбільш перспективними для територіальних громад є проектно-орієнтовані важелі податкового стимулювання соціально-економічного розвитку. Запропоновано набір заходів сприяння реалізації інвестиційних проектів на території громад на основі використання місцевих податків, а саме: податку на землю, на транспортні засоби, екологічного, акцизного податків та за допомогою податку на доходи фізичних осіб, який не є місцевим, однак відіграє визначальну роль в розвитку територіальних громад.

**Висновки.** Встановлено, що податки як швидкі і дієві важелі регулювання економічної активності мають бути використані для стимулювання соціально-економічного розвитку територіальних громад на обґрунтованій науковій основі та з використанням принципів системності, цілеспрямованості і пріоритетності. Концептуальні засади, система принципів, механізмів та інструментів податкового стимулювання соціально-економічного розвитку територіальних громад становлять предмет і перспективи для подальших наукових досліджень в даному напрямку.

**Ключові слова:** податкове регулювання, місцеві податки, інвестиції, територіальні громади, податкові стимули локального інвестування.

**Problem statement and its connection with important scientific and practical tasks.** Territorial communities as centers of self-organization and self-governance of the population must have significant economic potential to maintain their own ability and self-sufficiency for the successful implementation of the social and other functions assigned to them. Particularly relevant is the issue of regulatory support for the economic development of territorial communities for the region of the Ukrainian Danube - a place of concentration of significant natural and economic resources, geopolitical prospects for development, as well as challenges with internal and transboundary nature. The possibilities of a modern process of decentralization of power, of local self-government and budgetary system reforming allow the use of tax instruments as levers of support for the development of united territorial communities and actualize the need to determine the scientific principles of tax regulation of territorial communities (on the example of the Ukrainian Danube).

Measures of tax regulation of investment activity are some of the most effective and fast instruments of influence on the management system. However, in most cases, tax regulation is a national means of influencing of the economic activity of entities and the targeted stimulation of the development of individual territories was possible until recent times only through the creation of free economic zones through the

adoption of relevant legislative acts. The implementation of the decentralization reform in a number of European countries, including in Ukraine, made it possible to use local taxes as tools for the socio-economic development incentives regulating and for investment projects. In practice, most EU countries have rich enough history of tax incentives use for economic, social and environmental development, and have established scientific and applied regulations on tax incentives for competition in markets [1]. For the national economy, this issue is relatively new and relevant, as it is closely linked to the urgent tasks of ensuring the integrated development of the state, it is defined in the Strategy of the President of Ukraine - Strategy for sustainable development of Ukraine until 2020 [2], Governmental Plan "Renewal of Ukraine: Action Plan "[3].

The beginning for the forming of the institutional basis for tax regulation in the regions of Ukraine is laid down in a number of legislative acts concerning decentralization and local self-government reform, but in the practical and scientific aspects this issue is currently left undiscovered.

**Analysis of recent publications on the problem.** Tax instruments for the stimulating of socio-economic systems at various levels are considered in the works of such scholars as Dillon A., Woods M., Zissimon B. [4], K. Romer and D. Romer [5], Buffett U., Bailey J., Laffer A. Aspects of the scientific study of the regional measurement of tax incentives for investment activities, the development of socio-economic systems, and support for the implementation of investment projects are considered in the work of John D. and Wilson A. [6], Perez S., Amosha O.I., Burkinsky B.V., Heyets V.M., Balan O.S. [7], Danylyshyn B.M., Efimenko T., Krisovatiy A.I., Melnyk M.I., Storoniants'ka I.Z., Stoylova D. [8]. However, the aspect of tax measures of investment activity stimulating in the regions in the context of new opportunities provided by the results of the process of decentralization, and especially - on the example of the regions of the Danube Region, remains relevant and insufficiently researched.

**Allocation of previously unsolved parts of the general problem.** The issue of tax incentives for socio-economic development of territorial communities and other basic economic systems is a specific new issue caused by modern institutional transformations and the formation of united territorial communities in Ukraine. Scientific provisions, including the conceptual and methodological principles for the regulating of the tax effects on the development of regional economic systems and lower local level systems, remain unexplored, despite thorough research of the impact of tax competition in a global dimension [9].

**Formulation of research objectives (problem statement).** The purpose of the article is to identify the conceptual framework for the economic development regulation of territorial communities through tax instruments, for example, local taxes and fees, which are manageable at the local level due to modern changes in the budget legislation caused by the reform of local self-governance and fiscal decentralization. Conceptual principles of tax regulation of economic development of territorial communities (on the example of the Ukrainian Danube) should be identified and disclosed in the aspect of the implementation of the European ideology of tax investment competition of territories that are promising for the implementation of certain projects as a lever for the development supporting of economic growth. Measures of tax regulation of investment development of territorial communities are proposed to be developed and implemented taking into account the new institutional capacity that opens due to the process of decentralization and on the basis of world experience.

**Outline of the main results and their justification.** Tax instruments for economic activity regulation have always been, and still remain, significant and effective measures to influence the development of business systems. For the national economy in the period of modern transformational change and the construction of a self-sufficient economic system in territorial communities, it is expedient to introduce high-speed stimulators of investment activity that can promote capital attraction for the implementation of priority projects. According to the diversity of approaches to the regulating of investment activity in territorial communities, it is necessary to classify tax instruments that are to stimulate investment activity by scale and specialization according to the types of regulatory objects. It is also important to assess the potential effectiveness and the potential for the implementation of such approaches in practice in connection with the existing commitments of Ukraine to the international community in accordance with the concluded agreements:

- tax incentives to support the development of certain types of economic activity (it is more expedient to apply national economy, but contradicts, in its essence, agreements concluded with the EU and the WTO on equal and free conditions for participation in market development);

- tax incentives to support the implementation of certain economic transactions, acts of economic activity (practically not applied or applied very rarely, but also not in their essence the requirements adopted by the EU and the WTO in establishing an equal and free market environment);
- tax incentives to support the development of individual economic entities (used very rarely and contrary to the requirements of the free market, but in the form of targeted subsidies, which are provided on a competitive basis or on a qualification basis, are used both in Ukraine and in EU countries);
- tax incentives to support the implementation of individual investment projects (existing in theories and in practice, the formation of a favorable investment environment of developed countries, are desirable for use within the territorial communities in order to support the points of economic growth in them and stimulate the implementation of strategically important investment projects);
- tax incentives to support the development of certain territories (can be established as part of national taxes, which breaks to a certain extent the transparency and equality of conditions in the competitive environment of economic system development, and in the part of local taxes, which can be a normal practice for local communities and the implementation of European an approach to the formation of a competitive investment environment in different territorial communities).

The most important current conditions for supporting of decentralization processes and stimulating of the development of territorial communities are tax levers of regulation, focused on the implementation of individual investment projects and with an emphasis on the specifics and needs of the development of individual territories.

Stimulation of investment activity in Ukraine has always been justified and carried out as one of the priority tasks, but numerous attempts to stimulate investment in Ukraine by state regulation measures have not been sufficiently successful, as the indicators of investment support comparable to the level of 1990 in the national economy failed to reach (GDP volume and capital investment in recent years reaches the level of 1990 only 65-69%) [10].

Despite the almost annual GDP growth in Ukraine, the investment component of this indicator rarely exceeded the mark of 20%, and in 2015 and 2016 at the level of GDP at 1.99 trillion. UAH and 2.4 trillion. UAH, respectively, the volume of capital investment was no more than 13-15% of GDP or UAH 273 billion. in 2015 and UAH 359 bln. in 2016. The critical lower threshold is the share of investment component in GDP at least 25%.

Capital investment in Ukraine in recent years is characterized by negative dynamics when converted into dollar equivalent, although according to official statistics, the dynamics of capital investment in the national currency at current prices is positive and progressive. In 2016, the volume of capital investment amounted to 14.5 billion dollars. The United States, while in 2010, the value of the indicator was 22.5 billion US dollars [11]. The structure of capital investment over the past 25 years has almost unchanged for both the national economy and individual regions - the own funds of enterprises and organizations dominate, there are no progressive changes and the potential of such a way of organizing of the investment process has been exhausted by more than 90% [11]. According to the averaged estimates for 2010-2016, the structure of capital investment in Ukraine and in the Odessa region is characterized by an absolute advantage of the own funds of enterprises and organizations [12].

According to official statistics, the dynamics of capital investments in the Odessa region for 2010-2016 is positive in current prices: an increase of UAH 9.7 billion. to 16.7 billion UAH [13]. However, taking into account changes in the hryvna exchange rate relatively to key foreign currencies, we are faced with a real drop in the volume of capital investment: from \$ 1.2 billion. USD in 2010 to 0.67 billion US dollars in 2016. The structure of capital investment in the Odessa region is characterized by similar tendencies to the Ukrainian economy - the domination of capital investments at the expense of its own funds of economic entities.

In the national economy, in recent years, the tendency towards a decrease in the share of state budget expenditures for the financing of capital investments has increased, from 5.7% in 2010 to 1.1% in 2016. At the same time, the share at the expense of local budgets has increased, which is connected with the national policy of decentralization.

The problem of attraction of investments to the stimulation of socio-economic development is particularly acute in the Danube region, namely in the Lower Danube region of the Odessa region in Ukraine [12, 14, 15].

On August 14, 1998, an agreement on the establishment of the Lower Danube Euroregion was signed: Odessa Region (Ukraine), Galati, Tulcea, Braila, (Romania), Cahul and Cantemir (Republic of Moldova) [16, 17]. However, the Odessa region did not receive significant advantages and incentives in the form of growth of capital investments, increase in the volume of capital inflows and their accumulation, and increase the level of socio-economic development from entering into the Euroregion. Although the whole region of Odessa is included in the Euroregion "Lower Danube", the most problematic are the territories far from the center of economic development - the city of Odessa, and the situation with geopolitical, economic, social, ethnic and other points of view in the Lower Danube is particularly difficult on the territory of Ukraine, namely in 9 districts: the Arzyskyi, Tarutinskyi, Tatarbunarskyi, Bolgradskyi, Bilgorod-Dnistrovskyi, Kiliiskyi, Izmailskyi, Reniiskyi, Saratskyi districts, 2 cities of regional subordination (Izmail, Bilhorod-Dnistrovsky). For the purposes of this study, the designated territory is considered appropriate to be called the Lower Danube sub-region. This part of the Odessa region is the one that needs special attention in terms of intensification of investment activity, since it is characterized by unused resource, transit, socio-economic potential. In spite of the fact that the territory of the Lower Danube regions in Ukraine is closest to other countries of the Euroregion "Lower Danube", it has a favorable geographical and transport location - on the way from the East to the EU countries, in fact it is characterized by very high depression and low indicators of socio-economic development (Table 1).

The territory of the sub-region of the Lower Danube constitutes 39.3% of the Odesa region, but the population density of the area is lower than the region's average (23.8% of the region's population lives in the sub-region, and the density is 35.9 people per square km versus 71.8 persons / square km on average in the region).

Table 1

**The main indicators of socio-economic development of the Lower Danube region in the Odessa region in 2016 [14, 15]**

	<b>Number of available population, thousand of persons</b>	<b>Retail turnover of enterprises, mln. UAH</b>	<b>Capital investments, mln. UAH</b>
Odesa region	2386,5	43596,4	16728,7
Odesa city	1010,8	30671,9	9382,1
sub-region of the Lower Danube	x	x	x
Bilhorod-Dnistrovsky (town)	57	762,6	115,6
Izmail (town)	71,7	1341,7	287,4
Arzyskyi district	45	86	248,6
Bilgorod-Dnistrovskyi district	60,5	121,9	299,6
Bolgradskyi district	68,5	95,5	134
Izmailskyi district	51,4	52,2	114,5
Kiliiskyi district	51,9	129,3	133,2
Reniiskyi district	37,1	85,1	49,2
Saratskyi district	45	80	235,1
Tarutinskyi district	41,3	54,2	113,4
Tatarbunarskyi district	38,8	118,1	170,3
Total sub-region of the Lower Danube	568,2	2926,6	1900,9
Total sub-region of the Lower Danube per capita, UAH.	x	5150,7	3345,5
Total Odesa city, per capita, UAH.	x	30344,2	9281,9
Sub-region of the Lower Danube % from Odesa region	23,8089252	6,7	11,4

The relative importance of indicators of economic development is even lower: the subregion has a share of retail trade turnover in the region at only 6.7%, and attracted capital investments - only 11.4% of total investment in the region. The investment position of the Lower Danube subregion in the economy of the Odessa region is extremely weak and the situation in recent years only worsens (Table 2).

The negative dynamics of the investment process in the Lower Danube subregion, as shown in Tables 1 and 2, is exacerbated by the fact that the given data is presented in the national currency at current prices, that is, without taking into account inflation factors and more than a threefold drop in the rate of the national currency compared to the US dollar during 2014-2016.

All this necessitates the use of urgent regulatory actions to intensify investment processes in the Lower Danube to stabilize the socio-economic situation and minimize the impact of geopolitical risks

Table 2

**Dynamics and the share of the investment process in the subregion of the Lower Danube in the economy of the Odessa region and Ukraine [15, 18]**

	capital investments						Density (the Lower Danube in Odesa region), %
	Ukraine		Odesa region		the Lower Danube		
	mln. UAH	UAH per capita	mln. UAH	UAH per capita	mln. UAH	UAH per capita	
2012	273256	6072,4	14631	6142,3	4831	8502,3	33,0
2013	249873	5552,7	11872	4984,0	3090	5438,2	26,0
2014	219420	4876,0	8451,4	3548,0	637,1	1121,2	7,5
2015	273116	6069,3	8408,7	3529,6	907,4	1597,1	10,8
2016	359216	7982,6	16728,7	6291,3	1901	3345,5	11,4
	foreign direct investments, mln. UAH (according to NBU exchange rate)						Density (the Lower Danube in Odesa region), %
	Ukraine		Odesa region		the Lower Danube		
	mln. UAH	UAH per capita	mln. UAH	UAH per capita	mln. UAH	UAH per capita	
2012	4904,3		71,04		21,455		30,2
2013	4271,3		200,92		51,635		25,7
2014	5639,8		25,69		2,106		8,2
2015	8185,4		6,59		1,007		15,3
2016	9831,4		16,69		2,704		16,2

The activation of SEZ (special economic zones) activities in the territory of Ukraine and certain territories (such as the Lower Danube subregion) should be accompanied, firstly, by system legislative changes - the establishment of common terms for the functioning of the SEZ throughout the country, with the same application of tax, customs and other privileges, with clear requirements and criteria for selection of investment projects depending on the volume of investments, the number of hired personnel and the definition of priority investment types of economic activity and in order to promote the development of the growth points of the national economy.

We believe that the key conceptual theses that are necessary for real stimulation of investment activity should be:

1. Systemicity and ordering of legislative actions with obligatory moratoria to change the regulatory environment in case of changing the policy course. Thus, it would be best to determine the general unified conditions and rules for the functioning of special economic zones, including the duration of tax benefits, the following transitional provisions for the transition to general economic conditions, the conditions for applying of such benefits to all special (free) economic zones. Investors should know in advance about the term of functioning of the special economic zone in which they intend to invest and on the timing of tax privileges - this practice is normal and necessary for the stability of the investment environment and is used by almost all developed countries (in particular, Poland, China, Israel and others countries). There are two approaches to the implementing of such concept:

- consolidation of unified provisions on tax breaks in the Law of Ukraine "On general principles for the creation and functioning of special (free) economic zones" and the creation of appropriate special (free) economic zones on the basis of separate legislative acts, for example "On the special economic zone" Lower Danube";

- creation of appropriate special (free) economic zones not by means of separate laws for every territory, but through permissions, in accordance with the provisions of the adjusted Law of Ukraine "On general principles for the creation and functioning of special (free) economic zones" [ 17]. At the same time, in one general law all

possible tax breaks, terms and conditions of their application will be registered. This practice will allow the development of joint territorial communities to be stimulated not only with the help of the SFRD, but also by empowering communities to stimulate the development of economic growth in their territory. The legislative framework for creating of favorable investment climate in the country is not fully developed and does not correspond to the accepted course for decentralization of the economic governance system; it does not foresee the use of special economic and administrative measures to stimulate investment activity in the context of projects in the community, and not with the attachment to business entities.

The urgency of this proposal regarding the delegation of functions of the economic development of territories stimulation on the base level is stipulated by the provisions of Article 5 of the Association Agreement with the EU, which defines the principle of subsidiarity - that is, the approximation of the powers and functions of governing bodies to direct consumers - the community.

2. Definition in tax legislation as objects of taxation and application of tax privileges not economic entities, and investment projects, which will make more transparent the process of addressing tax and duty benefits during the payback period of the investment project and will prevent abuse. The application of such an approach may cause some difficulties in the process of administering taxes and fees, but the practice of separating and distinguishing from other operating activities of economic entities of activities related to the conduct of foreign economic contracts, the sale of foreign currency, etc., are already known and such procedures by the fiscal authorities already held. Therefore, it is technically feasible to implement the idea of a separate fiscal accounting of investment projects, regardless of the main activities of the entity.

3. Definition and establishment of clear investment requirements for the application of tax privileges. In particular, for the application of the zero or reduced rate of profit tax during the payback period of the project, the necessary condition may be the reinvestment of the amount of such profits into the development of the investment project that is being implemented.

When creating special conditions for stimulating investment activity in the Lower Danube region, local specifics and needs must be taken into account. Namely - this territory is characterized by poor transport infrastructure, remoteness from infrastructure centers, lack of energy supply, low employment. Units of the area and 1000 inhabitants compared to other regions of Ukraine, the unemployment rate in the Lower Danube is 1.5-2 times higher, with 60-70% of the unemployed being young people with an average age of 28 years [18], problems of transport connections and other infrastructure software. All this provokes the emergence of geopolitical risks.

It is believed that one of the first priority measures to stimulate investment activity in the Lower Danube sub-region, which must be implemented in the formation of special conditions for economic activity, are as follows [19]:

1. Construction of roads, various infrastructure objects, which should facilitate the transport accessibility of the territories of the subregion, on the basis of the use of public-private partnership approaches.

2. Attract at least 25% of procurement of services and materials for the purposes and implementation of investment projects at the expense of representatives of local small and medium businesses.

3. The application of the exemption from the part of local taxes, provided that wage earners pay wages to investors, doubling to three times the average level in the region.

4. Establishing the zero rate of income tax in the part sent for reinvestment.

5. Ability to apply a reduced rate of income tax: 10% during the first 5 years of the investment project implementation and not less than 15% - over the next 10 years.

6. Provision of land plots in investment lease: application of a simplified procedure to provide local entities with the lease of land, subject to signing an agreement with the local community on the investment development of local infrastructure.

7. Applying the mechanism of tax discounts to attract foreign investors: if a part of a foreign participant in the investment project exceeds 50%, then the income tax for the first 5 years will be charged no more than 50% of its amount.

8. Provision of organizational and consulting support and administrative support of investment projects on the basis of partnership and crediting assistance as a contribution to the authorized capital of projects with a view to further participation in the distribution of profits and the formation of regional support funds.

9. Application of the simplified procedure for registration and liquidation of economic entities that carry out investment projects of priority types of economic activity for the community (priorities are defined

on the basis of strategy of socio-economic development of the territory).

Some of the proposed measures for tax regulation of investment development of territories, for example, of the Danube region, can only be implemented through the adoption of appropriate changes to the general tax legislation, requiring certain regulatory decisions by central authorities, which is seen as complex from organizational and other points of view. The results of the process of decentralization of the financial and budgetary system of territorial communities already allow to make certain adjustments with the help of local taxes and fees. Therefore, we propose the priority regulation of investment processes in regions based on the use of tax incentives in the form of rates of such local taxes as: property tax, real estate, vehicles, excise tax, etc. In this part of the tax, local authorities already have sufficient powers to create incentives for the development of priority investment projects.

**Conclusions and perspectives of further research.** Taxes as fast and effective levers of regulation of economic activity should be used to stimulate socio-economic development of territorial communities, but not as simple preferential regulators, but on scientific basis and using the principles of systemicity, purposefulness and priority. The success of tax regulation of the development of economic and social systems of territorial communities will depend on the adaptability of the instruments used and on their ability to comprehensively influence the formation of effective institutional provision. The introduction of tax privileges should be based on the application of objective and transparent conditions for the selection of priority activities and the definition of criteria for investment projects carried out by these types of economic activity.

The conceptual framework, the system of principles, mechanisms and instruments for tax incentives for socio-economic development of territorial communities constitute the subject and the prospects for further research in this direction.

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