

## **PECULIARITIES OF STATE TAX DEBT MANAGEMENT IN UKRAINE<sup>1</sup>**

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### **ABSTRACT**

The theoretical justification for the content of a state tax debt management in Ukraine is given. On this basis practical recommendations for its improvement are provided. In the research a category of the mechanism of public management of tax debt is defined as a system, which had its own objectives, principles and performs certain public-management functions, which are aimed to minimize the problems of a tax debt. Particular attention is paid to the legal, institutional and information-analytical components of the governing mechanism of a tax debt. The current state of tax debt management in Ukraine is analysed, the effectiveness of the debt management procedures is determined. Proposals for optimization of the organizational and development of regulatory and information-analytical components of a public management mechanism of a tax debt are scientifically substantiated. In order to solve problems of public management in the tax area strategic directions of the development of public administration mechanism of a tax debt are defined.

**KEY WORDS:** tax debt, public management, management mechanism, tax policy.

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<sup>1</sup>Review artical

## PECULIARITIES OF STATE TAX DEBT MANAGEMENT IN UKRAINE

One of the main problems of the development of national tax system is a significant amount of tax debt. The growth of unpaid taxes brakes the process of economic growth of the country, increases the deficit of budget revenues, endangering the financing of state programs of socio-economic development, which requires the formation of an effective mechanism of a state tax debt management, which will minimize the problems and contradictions of a tax system on the basis of new principles, which meet the goals and objectives of the state in a tax area. Reforming the tax system of Ukraine within the realization of the provisions of the Development Strategy "Ukraine 2020" in the context of integration into the European economic space is conditioned by new socio-economic, political and socio-cultural challenges that have an impact on the functioning of the mechanism of state tax debt management. The experience of public administration of a tax debt of the European Union countries can become a benchmark for the development of the Ukrainian tax system.

### Literature Review

The scientific and theoretical basis of the research was the work of scientists who made a significant contribution to the development of the theory of public administration, in particular the study of mechanisms of state administration in various spheres of social life: V. Bakumenko (V. Bakumenko, 2009), V. Melnyk (V. Melnyk, 2010), O. Fedorchak (2016), and others.

Among the well-known representatives of the world scientific thought, the contribution to the study of taxation theory and problems was made by D. Ricardo (D. Ricardo, 1955), A. Smith (A. Smith, 1997), W. Crandall (W. Crandall, 2010), etc.

In spite of significant scientific work on the coverage of theoretical and applied aspects of public administration in tax debt, at this stage of development of scientific and managerial thought the scientific problem of the theoretical substantiation of functioning of public administration mechanism of tax debt in Ukraine and the development of practical recommendations for its improvement through methodological approaches and scientific instruments has not become an integral subject of scientific research and did not receive a significant

development . Such a state of coverage of a scientific problem determines the relevance of the main research areas.

The purpose of the study is to substantiate the theoretical positions and to develop practical recommendations for improving the mechanism of public administration of tax debt in Ukraine.

### Discussions

The mechanism of state tax debt management is a complex system with a clear structure and interconnections, consisting of subsystems (subject and object of management, elements and components of the mechanism), which, because of their interaction, have a corresponding effect on the fiscal behaviour of ataxpayer. The subject of public administration of a tax debt is the state represented by its authorized bodies, the object is directly the process of debt management itself. The model of the mechanism of state tax debt management as a complex administrative system is shown in Fig. 1

We will give a description of the elements and components of the mechanism of state tax debt management taking into account its specific properties. The basis of elements of the mechanism of state tax debt management are levers, methods and tools by which the subject of management exercises the influence on the object of management.

Accounting of a tax debt is carried out by the state fiscal services according to the payments to consolidated, state and local budgets. The dynamics of a tax debt (without taking into account the bankrupt's debt and the taxpayer's debt, which resulted in the decision of the court to suspend) is given in Appendix A, Table. A.1

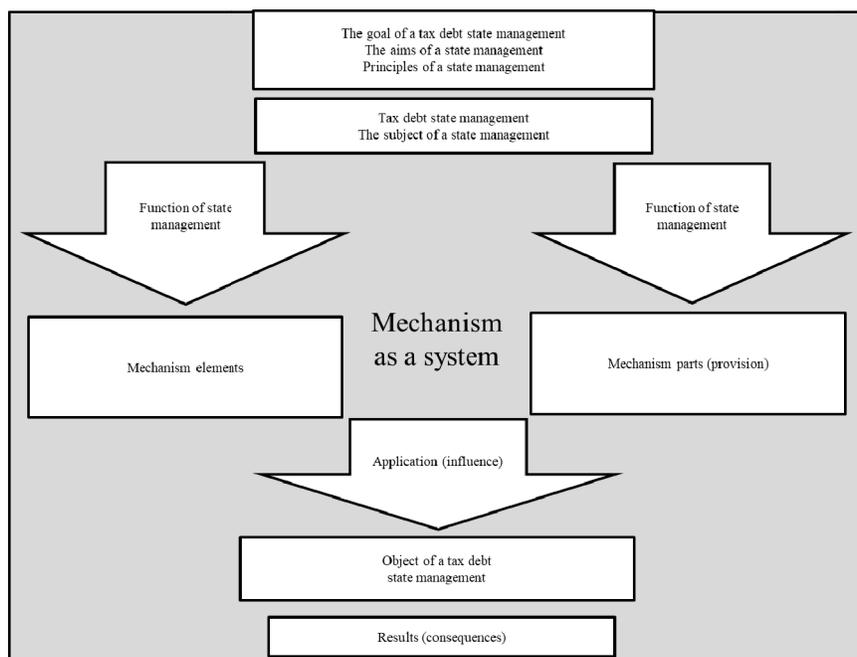


Fig. 1. Model of the mechanism of state tax debt management (V. Melnyk, (2010), O. Yurieva, 2016)

The analysed data show a lack of a clear-cut tendency towards the dynamics of tax debt in Ukraine. So, if in 2009 the volume of tax debt amounted to 12247.9 million UAH, then in a year it grew by 4473.7 million UAH, the rate of growth of the debt amounted to 36.5 %. The analyzed period is characterized by economic destabilization, caused by the consequences of the global financial crisis, which hit the economies of most countries of the world in 2008. Especially it was felt by the Ukrainian economy. Thus, in 2008, the fall of the financial market in Ukraine in comparison with other countries of the world was the largest (69 %). One of the biggest was the depreciation of the national currency - by 42.2 %. The governments of the world have implemented a series of anti-crisis programs to mitigate the impact of the global crisis on their economies. In Ukraine, attempts to overcome the consequences of financial crisis have not provided the necessary effect [3, p.3]. Therefore, despite the development and implementation of certain measures of economic, legal, organizational, social and other nature, as well as the adoption of legislative acts

that set the powers of tax authorities, the volume of tax debt in Ukraine remained significant.

In 2010 and over the period of 2013-2015, we observe considerably lower growth rates of the GDP compared to the growth rates of tax debt. In 2011, the growth rate of the GDP is 120.3 %, while the amount of tax debt has decreased by 17.5%, which can be explained by the implementation of tax deduction measures that were mentioned in advance. A similar situation is observed in 2012. At the same time, the relative indicators of the GDP and tax debt show a special nature of the relationship between them, namely: with the growing rate of the GDP, the rate of tax debt decreases (with the exception of 2012 and 2014).

The losses incurred by the revenue part of the budget from untimely payment of taxes and duties increases the budget deficit of Ukraine and does not allow to fully finance socio-economic programs of the state.

Important conclusions can be drawn by estimating the ratio of tax debts to tax and non-tax revenues of budget revenues, as such an indicator demonstrates the amount of government revenue that is not well-earned, thus outlining the economic risks of tax debt growth. In view of the above, in order to stabilize the fiscal system, it is expedient to use the tax debt as a reserve of budget revenues (Appendix B, Table B.1).

As we can see, the volume of a tax debt does not have a significant impact on the level of budget revenues, since the share of tax debt in tax and non-tax revenues is insignificant and fluctuates during the analyzed period both in the direction of growth up to 7.0%, and in the direction of reduction to 2.3 %.

At the same time, the presence of a tax debt is a threat to the financial security of the state and it turns out that in 2009 the budget did not receive enough funds to finance expenditures in the planned amounts, which in turn affects the development of areas the financing of which depends on the budget at a rate of 4,6%.; in 2010 the budget lost more than 5.4 %. During 2011-2012, the share of tax debt to budget revenues declined from 3.5 % to 2.3 %. However, in 2013, we see an increase in the share of tax debt in the budget revenues to 2.6 %, in 2014 - 6.0 % and in 2015 the state has not received the planned revenues in the amount of 7.0 % on the volume of both tax and non-tax revenues.

Consequently, a tax debt can be considered as a reserve of budget revenues by mobilizing funds in subsequent periods, but only under conditions of the formation and implementation of tax policy as a component of the economic policy of the state, aimed primarily at creating favourable conditions for doing business, building partnership relations between the authorities and enterprises, ensuring the country's financial security and social protection of citizens is one of the prior directions of the activity of public administration bodies in Ukraine, in particular the bodies of the state fiscal service.

From the point of view of structural modernization of Ukrainian economy and the creation of a modern effective public finance management system, the introduction of an effective mechanism of public administration of tax debt, in particular, due to the improvement of the organizational component of the mechanism, is a guarantee of activation of business activity in Ukraine and the formation of a system of social responsibility of the state and a civil society.

At the current stage of country development, the bodies of the state fiscal service undergo certain organizational and functional changes. The purpose of such changes is to optimize and rationalize the process of paying taxes, reduce additional administrative costs, coordinate government's actions in regulating entrepreneurial activities, increase the amount of taxes received without increasing tax pressure on taxpayers, improve the quality of administrative services and apply effective methods to combat evasion taxation (O. Yurieva, 2017).

In this regard, there is a clear need to improve the structural organization of the state fiscal service bodies, which manage the tax debt, and provide certain proposals on the feasibility of their reorganization in the context of performing tasks and functions on repayment of the tax debt of economic entities.

Improvement of the organizational component of the mechanism of state tax debt management should be considered through a system of interconnections of its main components: organizational and functional structures.

Taking into account the current trends in the development of state fiscal services and in order to optimize, unify and centralize the work of debt repayment units, it is appropriate, in our opinion, to combine the "functional model" and the

model "by types of payers" into the organizational structure of the entities, providing the main functions of tax debt management of tax payers carried out by territorial bodies of the SFS at the regional level.

The proposed model is based on the norms contained in the amendments to the Tax Code of Ukraine, concerning the centralization of certain functions of the controlling bodies and the conversion of the lower level supervisory bodies into the service. The basis of the functional component of the organizational model is the legislative increase of the minimum threshold of the amount of tax debt (from UAH 340 to UAH 1020), below which the authorities of the state fiscal service do not take measures to recover the tax debt and do not apply the right of tax collateral to the debtor's property. It means that tax debt management is held by the tax authorities in case when a taxpayer has a certain amount of tax debt and is aimed at easing administrative pressure on taxpayers with insignificant amounts of tax debt, as well as improving the efficiency of repayment of debt and avoiding unjustified budget losses for its collection.

#### Conclusions and Future Study

Taking into account the above, in order to optimize the size of the bodies of the state fiscal service, we propose the introduction of a two-level model of the organizational structure of debt repayment units of the state fiscal service bodies, namely at regional and central level. The general scheme of the organizational structure of tax debt repayment units can be shown on the chart (Figure 2).

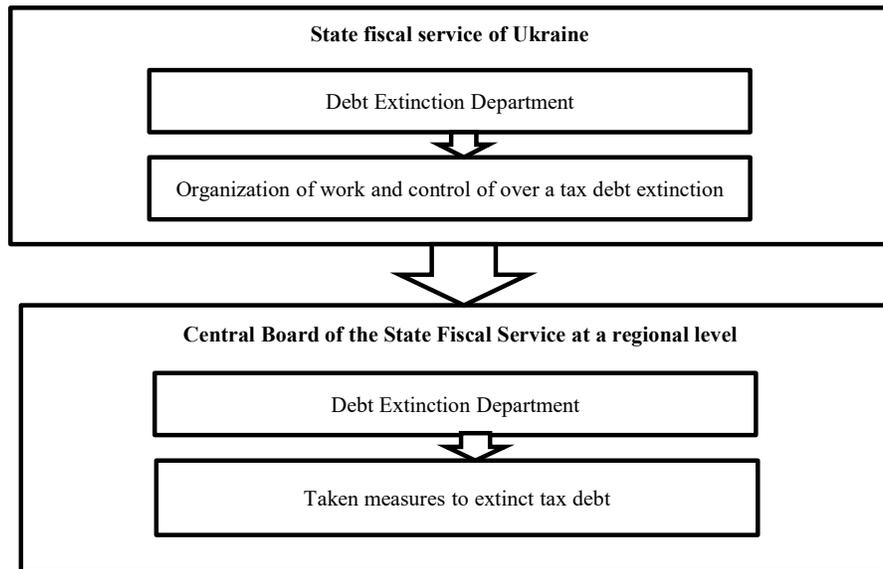


Fig.2. The organizational structure of the tax repayment units in Ukraine is proposed\*

\* Source: (O. Yurieva, 2017)

The functional structure of the organizational component of the mechanism of state tax debt management reflects the distribution of managerial functions between the components of the mechanism. According to the "Encyclopaedic Dictionary of Public Administration", the functional structure of management mechanism is "the structure of organizations in which each unit is specialized in the performance of a certain range of production, technological, project, financial, information or other functions that are covered by control of managerial influences" [81- 1, p.745].

The proposed organizational mechanism for distributing tasks and functions to ensure the repayment of tax debt is the following.

At the level of tax inspections, liquidation of debt repayment units, transfer of functions related to accounting of tax debt of taxpayers having a tax debt at a rate not exceeding 60 tax-free minimum incomes (UAH 1020) to servicing units of payers conducting relevant registries debtors to the budget and carry out functions of service of taxpayers in service centres of payers.

The main task of tax service units in the context of working with debtors is to provide measures to reduce the number of taxpayers who have a tax debt. It is expedient to include the following in the main functions of units: accounting of tax debts of debtors, the size of which does not exceed 60 non-taxable minimum incomes of citizens; maintenance of the relevant debtors registers; monitoring of the number of payers whose tax debt has been repaid; establishing cooperation with taxpayers and building partnerships on debt repayment issues; providing consultations, practical and methodical assistance on issues of tax debt repayment; organization of work in service centres for administrative services provision, in particular, issue of certificates to taxpayers about the absence of a tax debt, etc.

At the level of state fiscal service bodies at the regional level, it is proposed to exercise the powers to ensure the repayment of tax debt by the relevant departments whose main tasks are:

- taking measures to repay a tax debt of taxpayers who have a tax debt in the amount exceeding 60 tax-free minimum incomes;
- application of civil law measures for the collection of a tax debt, debts from other payments, unpaid amounts of a single contribution to compulsory state social insurance;
- initiation of bankruptcy proceedings;
- deferral, instalment and restructuring of monetary obligations and / or tax debt, as well as arrears of payment of a single payment;
- write-off of a bad tax debt and arrears of payment of a single payment;
- application of administrative arrest of taxpayers' property and / or suspension of expenditures on their accounts in a bank, etc.

In accordance with the assigned tasks of the units of debt repayment of the state fiscal services at the regional level, it is expedient to perform the following functions:

- organization of work on repayment of tax debt of taxpayers, other debts, collection of timely unpaid amounts of a single payment;
- organization of work on repayment of tax debt through the application of civil law measures for its collection;
- organization of work on initiating the application of bankruptcy proceedings;

- Organization of work on deferral, instalment and restructuring of monetary obligations and / or tax debt, as well as arrears of payment of a single payment, deciding on deferral and deferral of monetary obligations and / or tax debt; organization within the limits of powers stipulated by the law, write-off of a bad tax debt and arrears of payment of a single payment;

- organization of the use of administrative arrest of taxpayers' property and / or suspension of expenditures on their accounts with a bank, etc.

In further research authors will offer the ways to ensure the effectiveness of the implementation of state tax debt management mechanism.

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## Appendix A

Table A.1  
Dynamics of tax debt in Ukraine for the period of 2009-2015\*

Year	Amount of debt, mln.UAH.			Share of debt,%		Chain growth rate,% to the previous year		
	Consolidated budget	national budget	local budgets	state / consolidated	local / consolidated	Consolidated budget	national budget	local budgets
2009	12247,9	10924,9	1323,0	89,2	10,8	100,0	100,0	100,0
2010	16721,6	15031,1	1690,5	89,9	10,1	136,5	137,6	127,8
2011	13799,4	11946,3	1853,1	86,6	13,4	82,5	79,5	109,6
2012	10126,2	8263,6	1862,6	81,6	18,4	73,4	69,2	100,5
2013	11554,9	9445,1	2109,8	81,7	18,3	114,1	114,3	113,3
2014	26851,4	21979,7	4871,7	81,9	18,1	232,4	232,7	230,9
2015	45450,4	39098,2	6352,2	86,0	14,0	169,3	177,9	130,4

\* Source: compiled by the authors on the basis of (<http://www.ukrstat.gov.ua>, <http://sfs.gov.ua>).

## Appendix B

Table B.1  
Dynamics of the share of tax revenues in 2009-2015 budget revenues\*

Year	Budget revenues, mln.UAH			Share of debt in budget revenues,%		
	Consolidated budget	national budget	local budgets	Consolidated budget	national budget	local budgets
2009	266509,0	199592,4	66916,6	4,6	5,5	2,0
2010	308284,7	231939,9	76344,8	5,4	6,5	2,2
2011	394695,6	310692,8	84002,8	3,5	3,8	2,2
2012	441490,5	343002,8	98487,7	2,3	2,4	1,9
2013	438949,1	335630,3	103318,8	2,6	2,8	2,0
2014	448124,7	348533,5	99591,2	6,0	6,3	4,9
2015	647790,3	529424,0	118366,3	7,0	7,4	5,4

\* Source: compiled by the authors on the basis of (<http://www.ukrstat.gov.ua>, <http://sfs.gov.ua>)