

FINANCES

Strengthening of the local budget of Lviv region by the non-tax revenues

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Abstract – Analyzed the urgent issues of local budget revenues formation of Lviv region. Focused primarily on non-tax revenues that represent an additional source of budget revenue formation. Shows the dynamics and structure of non-tax revenue in local budget of Lviv region in 2010-2012 in order to identify reserves of their increase.

Keywords – local budget, non-tax revenues, administrative fees and charges, local governments, own revenues, decentralization.

I. Introduction

Proclaiming a policy of deconcentration of government and financial decentralization, Ukraine undertook to build financially strong and independent local government. However, a small amount of income that is mobilized by local budgets, their over-reliance on government transfer policy led to the absence of real incentive to ensure an appropriate level of economic and social development areas. Considering that the tax method of revenue formation of local budgets is almost exhausted, special attention should be paid to non-tax revenue - payments with equivalent or mulct nature and costs, involved on a voluntary basis [1].

II. The main text

Non-tax revenues - are financial resources, accumulated in the state budget from non-tax sources and (or) with using a non-administrative mechanism, the payment of which involved directly or indirectly increase of economic benefits for the economic agents [2].

The dynamics of non-tax revenues in the profitable part of the budget is analyzed on the example of Lviv region. Location and amount of non-tax revenue in that local budget are shown in Table I.

Data Table I indicate that the autonomy of local budgets in Ukraine is declared in law only. The main source of funds in the budget of Lviv region is official transfers from the state budget, their share in profitable part of the analyzed budget is almost 3/4 of all amount of income. The share of non-tax revenues is only 3-3,5% in the structure of budget revenues of Lviv region.

After analyzing the dynamics of non-tax revenues in the local budget of Lviv region by 2010-2012, was found that about 60 % of these revenues are formed from own revenues of budgetary institutions.

TABLE 1

STRUCTURAL DYNAMICS OF REVENUES IN THE LOCAL BUDGET OF LVIV REGION IN 2010-2012 [4]

Revenues in accordance with the budget classification	Periods					
	2010		2011		2012	
	mln. UAH	%	mln. UAH	%	mln. UAH	%
Tax revenues	658,4	18,9	778,7	16,2	835	16,1
Non-tax revenues	107,9	3,1	151	3,2	179	3,5
Income from capital transactions	18,95	0,5	6,1	0,1	5458	0,1
Official transfers	2703	77,5	3841	80,5	4165	80,3
Together	3488	100	4778	100	5187	100

TABLE 2

STRUCTURAL DYNAMICS OF NON-TAX REVENUES IN THE LOCAL BUDGET OF LVIV REGION IN 2010-2012 [4]

Feature	Periods					
	2010		2011		2012	
	mln. UAH	%	mln. UAH	%	mln. UAH	%
Income from property and entrepreneurship	7,55	6,99	4,5	3	14,1	7,8
Administrative fees and charges, income from non-commercial business activities	5,1	4,72	41,3	27,4	57,6	32,2
Other non-tax revenues	2,6	2,49	2,5	1,6	1,6	0,9
Own revenues of budgetary institutions	92,6	85,8	102,7	68	105,9	59,1
Non-tax revenues	107,9	100	151	100	179,3	100

Own revenues of budgetary institutions in the budget of Lviv region are formed by the following components:

1. Income from fees for services, provided by budgetary institutions according to the law;
2. Payment for services, provided by budgetary institutions according to their primary activity;
3. Proceeds from additional (economic) activity of budgetary institutions;
4. Payment for rental property of budgetary institutions;
5. Proceeds of budgetary institutions from the sale of property (other than immovable property);
6. Charitable contributions, grants and gifts.

According to the annual reports on budget implementation in 2010-2012 [4], the largest part of own revenues is taken with the donations, grants and gifts in 2012. The amount of these revenues totaled 48,222 million UAH. In addition, a significant part of non-tax revenues is an income from fees for services, provided by budgetary institutions according to the law, which totaled 41,345 million UAH. However, the degree of implementation of this article remained at 95%. The other items of non-tax revenues with underfulfillment of planned values are: proceeds from additional (economic) activity of budgetary institutions – implementation at 94,9%; payment for rental property of budgetary institutions –

82,8%, proceeds of budgetary institutions from the sale of property (other than immovable property) – 52,9% [4].

The second main part of non-tax revenues is taken with administrative fees and charges, income from non-commercial business activities. These revenues in the budget of Lviv region are formed by the following components:

1. Fee for administrative services;
2. Fee for licenses to certain entities and certificates issued by the Council of Ministers of the Autonomous Republic of Crimea, local executive councils and local authorities;
3. Fee for license to manufacture ethyl, cognac and fruit alcohol, alcoholic beverages and tobacco products;
4. Fee for licenses to export, import alcoholic beverages and tobacco products;
5. Income from rent for the use of integral property complexes and other public property.

Fees for administrative services has the largest share among these components with the volume of 52,717 million UAH and degree of implementation of planned values – 100,9%. However, some administrative charges and fees have shortfall of planned values. In particular, income from rent for the use of integral property complexes and other public property is received at level 67,4% less than planned in 2012. Fee for licenses to export, import alcoholic beverages and tobacco products – at 44,3% less. The total shortfall of revenues from administrative fees and charges, income from non-commercial business activities amounted to 14,3% [4].

Income from property and entrepreneurship is formed by the following components:

1. Part of the net income (profit) of state unitary enterprises and their associations, that is extracted to the budget, and dividends (income), accrued on stocks (shares) of companies, in the authorized capital of which public property is present;
2. Part of the net income (profit) of municipal unitary enterprises and their associations, that is extracted to the budget;
3. Payment for allocation of temporary funds of local budgets;
4. Proceeds from compensation for loss of agricultural and forestry production.

In 2012, payment for allocation of temporary funds of local budgets amounted to 5,152 million UAH with overfulfilment of planned value at 3.2 times. In addition, proceeds from compensation for loss of agricultural and forestry production were accomplished at 158.1 %. However, proceeds from parts of net profits of state and municipal enterprises are amounted at 11.3 % of planned value due to their low profitability. Overall, the percentage of fulfilment of revenues from property and entrepreneurship was about 77.6 % in 2012 [4].

Systematic shortfall in planned budget revenues of Lviv region indicates the need to pay particular attention to sources of non-tax revenues, which tend to underperformance.

Searching for the ways of increasing revenues of local budgets, special attention should be paid to the fee for the rental property of budgetary institutions and revenues of budgetary institutions from the sale of the property. It is necessary to

improve the work of local authorities on the selection of public utilities, to increase the attractiveness of these objects and to create professional property assessment system and ensure that they lease not less than the market price [1].

In order to strengthen the financial base of regional development, authorities should involve alternative sources of relevant budgets, including through sponsorship of targeted businesses assistance; attracting foreign funds; revenues of the enterprises, in the share capital of which local community has parts; voluntary self-taxation entities of the region [3].

Thus, the current system of formation of local budgets with the non-tax revenue in Ukraine needs to be improved. This could be addressed through reform of local finance. Therefore, we should pay attention to the experience of developed countries, where municipalities, that have a high tax burden and lean on the non-income sources, are the stabilizers of socio-political system in the country. Sufficient financial support for local budgets is the most pragmatic step towards materializing the constitutional guarantees of sovereignty and realization of flexible democratic system on local level [1].

Conclusion

This article analyzes the degree of budget autonomy in Lviv region, gives the dynamics of non-tax revenue of the Lviv region in 2010-2012, and discovers the growth reserves of budget revenues with the non-tax payments, which are an additional source of financial resources for local budgets.

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