

Developing financial infrastructure of rural territorial communities in Ukraine through agribusiness entities' statutory payments to local budgets

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ABSTRACT: The goal of this article is to analyse the legal regulation of administration (calculating and paying) of tax payments made by agribusiness entities which are different in organizational and legal terms to the local budgets of rural territorial communities and to make proposals concerning the possible measures for theoretical and legal and practical improvement, ways and methods of supporting the income part of rural local budgets in Ukraine. The methodological basis the system of philosophical (dialectic), general scientific (formal logic, analysis, and synthesis), and special scientific (historical and legal, comparative and legal, logical and systematic, and systematic and functional) methods. The research results are deemed successful as they have demonstrated that agribusiness entities play a significant role in contributing to local budgets. It has been proposed to grant the status of a local resident to taxpayers engaged in business activities on the territory of a rural community. A characterisation has been given to the composition of income of local budgets (tax base) by looking into the set number of national taxes which are passed to local budgets, local taxes, non-tax payments. The practical value of this research lies in a recommendation to rural self-government bodies to ensure the increase in the size of the tax base in their budgets by creating communal agribusiness entities undertaking production activities that will be making statutory payments to the local budget of rural territorial communities.

Keywords: Legal and regulatory framework. Tax base. Tax and non-tax payments. Rural territorial community. Agribusiness entity.

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INTRODUCTION

Nowadays in Ukraine, local governance is the right and possibility for territorial communities to ensure the development of economic relations on its territory, namely increasing the material base and modernising the infrastructure of the territory belonging the community, within the framework of the current legislation along with implementing other competencies. The modern mechanism for statutory regulation of the government decentralization process at the legislative level provides for the following management system under which a part of the functions belonging to the government bodies (central authority) is transferred to the local self-government bodies (Britchenko *et al.*, 2022).

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The efficient discharge of regulatory and management powers by local self-government bodies of territorial communities is possible only when there are sufficient financial resources in the local budgets which pursuant to the Budget code of Ukraine (BC of Ukraine) shall have receipts for the said discharge of powers by self-government bodies. Such receipts along with expenditures constitute the unified balance according to the budget and the composition of income of rural, village, town, and territorial communities consists of tax and non-tax payments (Verkhovna Rada of Ukraine, 2010).

There are several reasons which will be addressed later for why husbandry is instrumental in the socio-economic development of rural territorial communities, especially in providing funds for local budgets. Husbandry producers are among the most represented business entities in rural regions (Ivashchenko *et al.*, 2018). Moreover, that such entities use agricultural lands as means of production, own other moveable and non-moveable assets ensures the successfulness of production and high labour results. All this influences the amount of income from selling agricultural produce and other forms of income which in the aggregate is the principal base for calculating and paying tax liabilities including payments to local budgets of rural territorial communities.

Significantly, the influence of the current economical crisis on husbandry has been less detrimental than that on other industries, transportation, etc. which can be explained by the following reasons. In particular, the socio-economic crisis caused by the COVID 19 pandemic has begun in January-March of 2020. This corresponds to the period of planting winter crops. Consequently, the pandemic didn't have any bearing in the decision making of agribusiness entities concerning planting acreage and the use of fertilizers in Autumn. Moreover, the demand for agricultural produce has remained stable unlike that for industrial goods and services. Certain fluctuations of the national currency have not had a significant bearing on the level of the competitive capacity of national agricultural produce. Nevertheless, the economic crisis has had an impact on the availability of credits for agribusiness entities needed for the purchase of fertilizers and weed control substances to successfully conduct the spring sowing campaign (Britchenko *et al.*, 2022).

The economic crisis has been detrimental to the amount and quality of the harvest. It will also have a negative influence on the business activities of agribusiness entities, especially those of small and medium size among which are agricultural holdings. It is impossible to fundamentally research how efficiently tax incomes from agribusiness entities are distributed to local budgets of rural territorial communities without comprehensively analysing the

mechanism for establishing a rural tax base. That is, research of legal fundamentals of how the tax component of the financial base of a rural territorial community is formed should be undertaken by a thorough analysis of the legal mechanism for calculating and paying national taxes which are either completely or partially transferred to the local budget of such a community as well as local taxes, and non-tax payments.

The results of such research will help define promising ways of improving legal regulation of tax relations of different organizational and legal forms of agricultural producers in the mechanism for providing financial resources to local budgets as well as improving the tax base of agricultural activities in rural regions as the most important element in the legal composition of any tax with the help of which it is possible to adjust tax yield to the needs of rural territorial communities. The process of effective establishment of the local budget of rural territorial communities as an important mechanism in the legal system of Ukraine depends on the plenitude and efficiency of legal support of a significant amount of the indicated and approximated socio-economic relations:

- 1) facilitation of the budget process with the instruments of different law sphere: administrative, financial, business, agricultural, etc.;
- 2) cooperation of state management bodies and administrative and territorial bodies;
- 3) mutual conditionality of financial (budget, tax) and economic relations in the state;
- 4) effective control over the accumulation and expenditure of public funds, etc.

Some of the above mentioned elements of the legal composition have been researched in the works of the national scientists in order to form proposals on how to address these problems. Namely:

- 1) a comparative and legal analysis of the Ukrainian and best practices of the EU member states in the sphere of implementing the fundamental principles of fiscal policy has been undertaken by V. Kurylo, Y. Duliba, I. Kurylo and V. Mushenok (2020);

- 2) the prospects of implementing international administrative and financial and legal standards in the legislation of Ukraine have been analysed by L. Deshko, A. Berlach and O. Radyshevskaya (Gurzhii *et al.*, 2019);

- 3) the relevant questions of legal and organizational support for the administration of taxes have been researched by T. Gurzhii and J. Kovalenko (2017);

- 4) the ways of modernizing the state financing control have been described by Novikova N., Deshko L. and Gurzhii A. (2018);

5) some aspects of liability for offences in the sphere of socio-economic relations have been researched by V. Kurylo, V. Mushenok, F. Kholostenko, O. Mashevska and A. Sira (2020), O. Karmaza, S. Sarana and A. Nefedova (2019).

Nevertheless, the question of legal principles for the protection and support of agribusiness entities as contributors to the local budgets of rural territorial communities in the context of constantly changing priorities of legal regulation of taxation in the national economic system is becoming increasingly relevant which means it requires more thorough research.

The goal of this article is to analyse the legal regulation of administration (calculating and paying) of tax payments made by agribusiness entities which are different in organizational and legal terms to the local budgets of rural territorial communities and to make proposals concerning the possible measures for theoretical and legal and practical improvement, ways and methods of supporting the income part of rural local budgets in Ukraine.

The information base of the research has the following structure. The authors have analysed both international (the European Charter of Local Self-Governance (1985) national (the Constitution of Ukraine (1996), Budget Code of Ukraine (Verkhovna Rada of Ukraine, 2010a), Law of Ukraine on the State Budget for the year 2021 (Verkhovna Rada of Ukraine, 2020), The Law of Ukraine on Farming (Verkhovna Rada of Ukraine, 2003c) etc.) regulatory legal acts which comprehensively regulate the relations of calculating and paying statutory (tax and non-tax) payments by agribusiness entities to local budgets and determine the composition of income of the common budget fund of rural territorial communities as the foundation of their financial base.

We have used the recently obtained research results produced by national scientists on the topic of budget and tax relations and administrative and legal support of the agricultural sector which have been published in foreign and national scientific journals. The empirical base of the research consists of statistical data and political and legal publications on specialized agricultural internet resources, reference materials of financial experts from the Ukrainian club of agribusiness and legal journal about the amount and quality of indices reflecting the state of implementing the state policy in the agricultural sector of the national economy as well as ensuring decentralization of power in the state.

The methodological basis of the research is the system of philosophical (dialectic), general scientific (formal logic, analysis, and synthesis) and special scientific (historical and legal, comparative and legal, logical and systematic, systematic and functional) methods of research used to obtain accurate research results concerning further development of expanding

the tax base in territorial local self-governance communities. By using the dialectical method we have been able to research the social relations of budget and tax cooperation between agribusiness entities and rural territorial communities, identify patterns and trends of development of such relations. With the help of the formal and logical method we have analysed the current legislation which ensures the relation being researched and their development trends.

By using logical analysis and synthesis we have been able to identify patterns of the fiscal orientation of legislative regulation in funding rural budgets. By combining the historical and legal and comparative and legal methods it has been possible to identify the influence of specific historical, social, economic, political, industrial and legal factors on the proportionality of allocating statutory payments to local budgets. The logic and semantic method has allowed us to work out a conceptual and categorical framework and improve the basic notions of the research. By using the systematic and functional methods we have been able to research the elements of relations regulated by different areas of law to understand the whole picture of how agribusiness entities as payers of statutory payments to the local budget influence the establishment of the financial base of rural territorial communities and the implementation of decentralization policy in Ukraine.

2 ENTITIES OF THE AGRICULTURAL SECTOR AS THE MAIN PAYERS OF TAXES, FEES AND MANDATORY NON-TAX PAYMENTS IN RURAL AREAS

Constitution of Ukraine (1996) and formation of democratic, orientated on European traditions the system of normative and legal regulation of social and political relationships in our state have become a precondition for development of state administration democratization. Recognition and guaranteeing due to international standards of local self-government, which has formed as a legal institution with formalized summary of rights, authority in the field of the financial and budget regulation, have become an integral part of state normative and legal regulation of social and economic changes.

In accordance with the dictate of the European Charter of Local Self-Government (1985), “local authorities shall possess a necessary extent of own sources for the fulfillment of assigned powers and the part of their financial resources shall derive from local taxes and charges and part of their financial resources shall come from local taxes or charges, the rates of

which are determined by these authorities within the law”, it is enshrined in the Constitution of Ukraine (1996):

1) the material and financial basis for local self-government is movable and immovable property, revenues of local budgets, other funds (Article 142);

2) Certain powers of bodies of executive power may be assigned by law to bodies of local self-government. The State finances the exercise of these powers from the State Budget of Ukraine in full or through the allocation of certain national taxes to the local budget, by the procedure established by law (paragraph 3, Article 143).

In accordance with the Constitution of Ukraine (1996), legal principles of functioning of the budget system of Ukraine its principles, the fundamentals of the budgetary process and inter-budget relations and liability of infringement of budget law are determined by the codified normative legal act – The TC of Ukraine, the analysis of its Article 64 allows defining “the composition of revenues of the general fund of budgets of rural, settlements and city territorial communities” (Verkhovna Rada of Ukraine, 2010).

Due to the completion of administrative and territorial reform in Ukraine and for the continuation of the process of implementation of the foremost foreign experience of the organization and the exercise of local self-government, in 2020 the Verkhovna Rada of Ukraine enshrined in law conducting of local elections to 1420 newly-created territorial communities on the new territorial basis of communities and districts (Decentralization, 2020). Moreover, in order to provide functioning of newly-created territorial communities, the provisions of budget law were brought into compliance by applying changes to The TC of Ukraine in the part of the transformation of the budget system structure and budget authorities of bodies of local self-government.

Namely, the Law of Ukraine “On the State Budget of Ukraine for 2021” (Verkhovna Rada of Ukraine, 2020) provides the same budget authorities for all newly-created territorial communities and, as resource provision, the specific list of transactions, which will become a tax base for the formation of local budgets of such communities. In the context of ensuring the purpose of the research on the role and place of subjects of the agricultural sector in the formation of local budget revenues of rural territorial communities, it is worth mentioning, that such subjects are the biggest payers of tax and non-tax payments to local budgets for a significant number of rural territorial communities.

So, in order to substantiate and detail our point of view: 1) we will characterize the subjects of the agricultural sector as potential taxpayers to local budgets of territorial

communities; 2) based on the research legal norms of the Tax Code of Ukraine (hereinafter referred to as – the TC) (Verkhovna Rada of Ukraine, 2010), we will make a short analysis of national and local taxes and charges and non-tax obligatory payments (due to the TC of Ukraine), which are credited to the local budgets of territorial communities.

Hence, in accordance with Article 15 of the TC of Ukraine, taxpayers are natural persons (residents and non-residents of Ukraine), legal entities (residents and non-residents of Ukraine) and their separate subdivisions, which own, receive (transfer) the taxable items or carry out activity (transactions), who are subject to taxation under this Code or tax laws, and who are responsible for payment of taxes and duties in accordance with this Code. Each of the taxpayers may be the taxpayer of one or several taxes (Verkhovna Rada of Ukraine, 2010b).

In the context of this research, in order to substantiate the statements on the belonging of subjects of the agricultural sector to the main taxpayers, we refer to the official statistic data indicating that the total sum of taxes paid by such subjects is constantly increasing (Table 1).

Table 1. Taxes paid by agricultural commodity producers to the consolidated budget of Ukraine by years

No.	Period (years)	Sum (billions UAH)
1	2017	45,9
2	2018	47,5
3	2019 (first six months)	21,2

Source: Compiled by authors according to the data of B. Khvorostianyi (2020).

To substantiate the authors' position provided earlier, an analysis of the tax revenues from the said payers in 2019 by different types of taxes (Table 2).

Table 2. Tax revenues paid by agribusiness entities to the consolidated budget of Ukraine by different types of taxes

No.	Tax	Sum (thousands UAH)
1	Personal income tax and military tax	7 571 974,5
2	Income tax	542 436,4
3	Rent	642 216,2
4	Excise tax on goods produced in Ukraine	2 473,4
5	Value added tax on goods produced in Ukraine	8 259 366,8
6	Property tax	2 163 171,0
7	Environmental tax	41 779,0
8	Harmonized tax	1 793 302,6

Source: Compiled by authors according to the data of B. Khvorostianyi (2020).

In 2017 agricultural commodity producers paid UAH 45.865 billion to the consolidated budget. In 2018 they paid UAH 47.5 billion. For the first half of 2019 the sum of payment was UAH 21.232 billion. In terms of separate taxes such taxes were paid by specified hereinabove taxpayers in 2019: individual income tax and military tax 7, 571 974.5 thousand UAH: income

tax - UAH 542,436.4 thousand; rent payment - UAH 642,216.2 thousand; excise tax on goods produced in Ukraine - UAH 2,473.4 thousand; value-added tax on goods produced in Ukraine - UAH 8,259,366.8 thousand; property tax - UAH 2,163,171.0 thousand; environmental tax - UAH 41,779.0 thousand; single tax - UAH 1,793,302.6 thousand (Decentralization, 2020).

Moreover, under the conditions of the recession the increasing of prices and demand for food products, agricultural raw materials and provisions on the world markets, which is caused by the Covid-19 pandemic, gives domestic subjects of the agricultural sector opportunities to have a huge impact on recovery of the national economy in general and encourage social and economic growth of the territorial community (Horobets *et al.*, 2021). To our mind, the agricultural sector has favorable conditions for reconstruction of the rural economy after “corona crisis” by stimulation of related and auxiliary business entities, which have suspended paces of their activities because of the existing pandemic: construction of elevators and other specialized agricultural premises, repair and service of agricultural equipment, logistic services involving transportation of agricultural products, its processing, realization, etc.

In the view of the social and economic analysis of the situation in the agricultural sector, statistic data of its functioning and, taking into consideration law-theoretic provisions of the TC of Ukraine, we will try to characterize subjects of the agricultural sector of different organizational and legal forms as basic payers of taxes, fees and obligatory non-tax payments in a rural area in the comparative legal aspect. On the basis of the statistical data, offered by R. GRAB (2020), we’ll indicate, that in 2017 the number of subjects of different organizational and legal forms in the agricultural sector of Ukraine was 45,5 thousand, including: business partnerships – 7,0 thousand; private enterprises – 3,2 thousand; agricultural cooperatives – 0,5 thousand; farms – 34, 1 thousand; state-owned enterprises – 0,2 thousand; enterprises of other legal forms – 0,6 (Table 3).

Table 3. The number of subject of different organization and legal forms in the agricultural sector of Ukraine in 2017

No.	Organization and legal form of subjects	Number of subjects (thousands persons)
1	Business partnerships	7,0
2	Private enterprises	3,2
3	Agricultural cooperatives	0,5
4	Farms	34,1
5	State-owned enterprises	0,2
6	Enterprises of other legal forms	0,6
	TOTAL	45,5

Source: Compiled by authors according to the data of R. Grab (2020).

Based on the above stated, it should be summarized, that currently quite wide-spread form of organization of business process is business entities, which are represented mainly in the form of joint stock companies (hereinafter – JSC) and limited liability companies (hereinafter – LLC). Such subjects of agricultural management may be not only national, but also foreign or with foreign investments. Using the norms of the Economic Code of Ukraine (Verkhovna Rada of Ukraine, 2003a) (hereinafter – the EC of Ukraine), which establishes in accordance with the Constitution of Ukraine legal bases of economic activity (activity) which is based on the variety of business entities of different forms of ownership, we will characterize an indicated type of business partnership of subjects of the agricultural sector.

Hence, an authorized fund of JSC, “is divided into a certain number of shares of the same face value, the shareholders are liable for obligations only within the value of their shares. The founders may be an individual person and a legal entity.” (clause 2 of Article 80). LLC shall be deemed a business partnership that has an authorized fund, divided into portions, the size of which is determined by the constituent documents, and shall be held liable for its obligations only with its property. Members of the company that paid their contributions in full shall suffer the risk of losses, associated with company’s activities within their contributions. (clause 3 of Article 80). Private enterprise shall be deemed an enterprise that acts on the basis of private ownership and may be founded by the citizens of Ukraine, foreigners, stateless persons (clause 1 of article 113) (Verkhovna Rada of Ukraine, 2003a).

Thus, the particularity of private agricultural enterprise is the fact, that such an enterprise acts on the basis of citizens’ or business entity’s (legal body’s) private ownership of means of agricultural production (land and other material resources, intangible assets), or by using (rent) of somebody’s else property and also with using of own and/or employed labor.

Collective ownership enterprises include various types of cooperatives. The most common of those are production and serving cooperatives. Production cooperative can be formed exclusively by physical persons for joint productive or other economic activity on the basis of their obligatory labor participation for the purpose of profit earning. The serving cooperative - cooperative which is formed by merging of physical persons and/or legal entities for rendering services mainly to members of cooperative, and also other persons for the purpose of conducting their economic activity. (Article 2) (Verkhovna Rada of Ukraine, 2003b).

In accordance with the Law of Ukraine “On farming” (Verkhovna Rada of Ukraine, 2003c) farms are subjects of the agricultural sector which are created “for realization of initiative of citizens on production of commodity agricultural products, its conversion and

realization in the internal and external markets, and also for ensuring rational use and protection of lands of farms, legal and social protection of farmers of Ukraine”.

From the point of view of characteristics of farms as subjects of formation of the tax base of rural territorial communities, it shall be mentioned, that such an entity is “is form of business activity of the citizens who showed willingness to make commodity agricultural products, to enable its conversion and the realization for the purpose of profit earning on the parcels of land provided to them in property and/or use including in lease, for maintaining farm, commodity agricultural production, personal peasant economy, according to the law” (Verkhovna Rada of Ukraine, 2003c).

Large-scale agricultural commodity producers in Ukraine (“net book value - more than 20 million Euro; net sales revenue (goods, works, services) - more than 40 million Euro; average number of employees - more than 250 persons” (Verkhovna Rada of Ukraine, 2017) choose holding organizational and law form of economic activity. Speaking about the characteristics of subjects of this organizational and law form of agricultural economic activity, Yu. O. Lupenko and M. F. Kropyvko (2013) define agrohholding as “business partnership or association – a legal body, which possesses, uses and disposes corporate rights (shares, parts, portions) of two or more corporative enterprises (including agricultural), and also uses lands of agricultural purpose, including those granted in ownership to citizens of Ukraine land portions for agriculture on lease.

On the current stage of the decentralization of power, not only subjects of the agricultural sector (legal bodies and their associations), but also physical persons entrepreneurs, personal peasant farms, and households of the rural population, which are engaged in manufacturing and primary conversion and realization of the agricultural commodity, have an impact on increasing of the quantitative index of the receipt of funds in the local budgets and also on solving the issue of increasing of the rural population employment, growth in the social and economic level of their living standards (Grab, 2020).

Summarizing all the above theoretical and law information, it should be indicated, that characterized subjects are the most common organizational and law forms of agricultural activity of legal bodies (their associations) and physical persons entrepreneurs in number in the rural area. As payers, they have a status of “a local resident”, because they conduct a manufacturing activity on the territory of a certain rural territorial community (district, region, or several regions of Ukraine), and their governing bodies are (mainly) located on the same territories.

3 FEATURES OF NORMATIVE-LEGAL REGULATION OF FORMATION OF FINANCIAL BASE OF RURAL TERRITORIAL COMMUNITIES

The study of the structure of the law mechanism of the national taxes, allowed to determine that funds from the payment of which, including by the subjects of the agricultural sector, according to Article 64 (The composition of revenues of the general fund of budgets of rural, settlement, city territorial communities) of the TC of Ukraine (Verkhovna Rada of Ukraine, 2010), are fully or partially transferred to the local budgets. The tax percentage of such a transfer, which is defined by the Law of Ukraine “On the State Budget of Ukraine for 2021” (Verkhovna Rada of Ukraine, 2020), is also worth being mentioned:

1. Individual income tax (60%) – is a direct national payment, the tax base of which is total taxable income of the taxpayer (a natural person, a tax agent), namely any income, which is subject to taxation, accrued (paid, provided) in the taxpayer’s favor during the accounting tax period.

2. Income tax of corporates and financial institutions of communal ownership (100%) – is a direct national payment, payers of which are legal bodies (communal enterprises and financial institutions), created by the competent body of local self-government in the administrative order on the basis of the separate share of the communal property and is included to the sphere of its management, which conduct economic activity both on the territory of Ukraine and abroad and gain profit (a monetary value between the cost of sold goods and the expenses on its manufacturing).

3. Lease payment – is a national payment, which is a profit from property and which is paid by leaseholders to owners of non-produced assets (lands and underground resources) for the right of use of these assets during a certain period and due to the TC of Ukraine (Verkhovna Rada of Ukraine, 2010b). lease payment is divided into a fee for:

1) special use of forest resources: a) of national importance (main felling) (37%), b) of local importance (100%);

2) the special water use of bodies of water of local importance (100%);

3) subsoil use for extraction of commercial minerals: a) of national importance (5%), of local importance (100%); subsoil use for extraction of oil, natural gas, gas condensate (3%).

4. Excise tax on the realization of excisable goods by retail trade entities (100%) - is an indirect national tax on consumption of separate types of goods (products), defined by the TC

of Ukraine as excisable, which is included in the price of such goods (products) during the sale of such goods in the process of conducting of commercial activity in the Malls, salons, shops, etc. (Verkhovna Rada of Ukraine, 2010).

The confirmation of the author's point of view about that fact, that one of the main (mostly the most essential) group of payers on the tax territory of the rural community is subjects of the agricultural sector can be reasoned by conducting more detailed characteristics of the object and tax base of separate national taxes, which, according to the Law of Ukraine "On the State Budget of Ukraine for 2021" (Verkhovna Rada of Ukraine, 2020), are credited fully or partially to local budgets.

For instance, regarding individual income tax, the subjects of the agricultural sector are not taxpayers, they have the role of tax agents. So, irrespective of: 1) organizational and law status; 2) the way of taxation with other taxes; 3) forms of charges (payments or provisions) of the income (in cash or in-kind), etc. are required to calculate, withhold and pay the tax to the budget on behalf of and for the account of a natural person from the income paid to such person, and also 1) keep tax records; 2) file tax accounts to regulatory authorities; 3) bear responsibility for the violation of the rules of tax law.

Based on this, for ensuring an effective source of filling local budgets of rural communities and fairer interregional allocation of taxes, it is appropriate to transfer individual income tax, which is paid by subjects of the agricultural sector, or at least by farms and by agricultural serving cooperatives, from the rank of national taxes into local ones.

Continuing the analysis of the modern tax base of local budgets, it should be also paid attention to the fact, that non-tax payments, which, in most cases, one hundred percent are credited to budgets of the rural territorial communities, also belong to this base. We will pay attention to those non-tax payments, payers of which under certain circumstances can be subjects of the agricultural sector:

1) part of net revenue (income) of municipal unitary enterprises and their associations, which is withdrawn to the appropriate local budget – is paid by the agricultural enterprise, set up by the competent body of local self-government in the directive procedure on the basis of the separate part of the communal property and is included in the sphere of its management;

2) administrative fines and other sanctions – are paid by agricultural commodity producers as the main administrative (cash) punishment applied to citizens, officials and legal bodies, which made administrative offenses.

3) fee for licenses for certain types of economic activity and certificates, which are issued by executive bodies of local councils and local executive bodies – are paid by the agricultural commodity producers, which can conduct separate types of activity, namely: foreign economic activity; manufacturing and trade in ethyl alcohol, cognac and fruit spirits; alcoholic beverages and tobacco products; construction, etc.

4) administrative charge for: a) state registration of legal bodies, physical persons entrepreneurs and public formings; b) state registration of property rights to immovable property and its encumbrance; c) providing other administrative services;

5) state duty - is paid by founders or by the subject of the agricultural sector itself in case of conducting of an appropriate registration or other actions and receiving appropriate services;

6) lease payment for use of communal property and water bodies (their parts), concession payments for objects of communal ownership - is paid by the subject of the agricultural sector in case of a lease of such objects and based on agreement temporary exploitation of natural resources and commercial facilities, which belong to a territorial (rural) community (Verkhovna Rada of Ukraine, 2010).

4 STRUCTURE OF TAX MECHANISMS OF LOCAL TAXES AND FEES

In the context of the research of the role and place of the subjects of the agricultural sector in formation of rural budget revenues, it should be mentioned, that such subjects can be the major taxpayers both the above tax and non-tax payments, and local taxes, which are fully credited to the local budget of the rural territorial community: 1. property tax, which consists of 1.1) Tax on real estate other than land plot; 1.2) transport tax; 1.3) land fee; 2) single tax (Verkhovna Rada of Ukraine, 2010).

We will analyze the structure of tax mechanisms of local taxes and fees with the procedure, offered by the TC of Ukraine, as well as particularities of formation of tax base of rural territorial communities by the subjects of the agricultural sector (legal bodies and physical persons entrepreneurs) during accrual and payment of such taxes. (Local fees: fee for parking of vehicles and tourist tax are not crucial law mechanisms of formation of tax base of rural budgets, so they are not regarded in this research).

1. Property tax:

1.1 Tax on real estate other than land (included in property tax) – is paid by the subjects, who are not the owners of the residential and/or non-residential real estate.

1.2 Transport tax (included in property tax) – is paid by the subjects, who possess own passenger cars, registered in Ukraine according to the law, from the year of issue of which no more than five years have passed (inclusive) and the average market value of which is more than 375 times the minimum wage established by law on January 1 of the reporting year.

1.3 Land tax is paid by the owners of such land plots, land shares (pai) and by land users of such objects; tax base is: normative monetary evaluation of plots, taking into account indexation multiplier, defined in accordance with the TC of Ukraine and the area of land plots, normative monetary evaluation of which has not conducted (European Charter of Local Self-Government, 1985).

2. Single tax is paid by those, who meet the requirements, established by the TC of Ukraine and are divided into four groups. Particular attention should be paid to the analysis of the fourth group, who are agricultural commodity producers; a) legal bodies irrespective of organizational and law form, whose share of agricultural commodity production which equals to or exceeds 75 percent for the previous tax (accounting) year; b) physical persons entrepreneurs, who conduct activity exclusively within limits of individual farms by the Law of Ukraine “About Farms” (Verkhovna Rada of Ukraine, 2003b), the tax base is normative monetary evaluation of 1 hectare of agricultural land (arable, hayfields, pastures and multi-year plantations) taking into account indexation multiplier, defined on January 1 of the basic tax (reporting) year, in accordance with the order for dealing with payment for land, established by this Code (Verkhovna Rada of Ukraine, 2010).

Hence, the conducted analysis of law mechanisms of functioning of the national taxes, which are fully or proportionally credited to the local budget, local taxes and also non-tax fees as sources of formation of tax base of local budgets of rural territorial communities and peculiarities of taxation with such taxes of agricultural sector subject, gives reasons for summarizing, which completely coincides with the point of view of native scientist-worker V.V. Mushenko (2017) about that fact, that the listed above payments should be considered as “main income source, which is the base for the formation of financial resources of local budgets” for rural territorial communities. However, local taxes, especially fees, need further development of their tax mechanism, especially of the object and tax base in accordance with modern realities of social and economic existence of a village.

Summarizing the modern condition of legal support of tax mechanisms functioning, formation of financial base of rural territorial communities in Ukraine and prospects of its development, it should be mentioned, that timeliness and entirety of receipt of funds to local budgets are directly dependent on further state policy on the subjects of the agricultural sector. Currently, tendencies of tax policy of recent years concerning such subjects are marked by a pronounced fiscal direction, which at least has not led to catastrophic consequences yet. After extensive normative and legal support of increase of the tax base of the consolidated budget, livestock industry is constantly in crisis condition. Crop-growing industry still saves profit-making capacity in general and provides positive dynamics of agricultural sector subject functioning. However, the effectiveness of the crop-growing industry “levels out because of raw material character of activity and low added value of products” (Navalnev, 2018).

The analysis of condition of legal regulation of agricultural sector subjects taxation relationships indicates insufficient effectiveness of the general spectrum of state regulation of agricultural relationships. Taking into consideration the peculiarities of conducting agricultural activity (the duration of manufacturing cycle, limitation of buying capacity, disparity in prices for products and means of production, dependence on natural and climatic conditions, etc.), we express our offers about crucial directions of formation of the general paradigm of the agricultural sector subjects:

- 1) providing stability of tax law and renewal of its stimulating function (specimen 1998-2016);
- 2) exclusion of discrimination between agricultural sector subjects of different organizational and law form;
- 3) building of tax base on the basis of acceptable tax burden and taking into account seasonal patterns of a profit-making capacity of manufacturing;
- 4) formation of the system of objective tax deduction and preferences in taxation of small agricultural commodity producers, etc.

In the context of solving the problem of increase the volume of the tax base of rural budgets, practical (enshrined in law) offers for rural local bodies of self-government of activation of further work are given by authors.

1. Creation on the basis of separated part of the communal property of agricultural enterprises, which will be included in management sphere of rural self-government authority. Such enterprises, effectively conducting their agricultural activity, will make a profit and fully pay to the local budget of rural territorial community such payments: a) income tax of

corporates and financial institutions of communal ownership; b) part of net profit (income) of communal unitary enterprises and their associations. It is worth mentioning, that a significant reserve for providing a profitable activity of agricultural enterprises of communal ownership is granting them land plots and unclaimed land shares (pai) on lease for use for targeted purpose on the basis of lease agreement of such plots.

2. Promotion of involvement of foreign subjects of agricultural business activity or investors on own tax jurisdiction, with which to register commonly agricultural enterprises with foreign investments in form of enterprises (JSC, LLC). As a matter of fact, agricultural sector subjects, even choosing a simplified system of taxation, can be the payers of income tax when paying income (profits) to a non-resident with the source of their origin from Ukraine and in some other cases envisaged by the TC of Ukraine (Verkhovna Rada of Ukraine, 2010).

3. Choosing of general and simplified system of taxation, accounting and financial statements for agricultural enterprises of communal ownership, namely production and serving cooperatives. Agricultural commodity producers as payers of a single tax (of the fourth group) will be taxed due to simplified system of taxation, which is a specific system of taxation and duties, which establishes instead of payment of separate taxes and fees, on payment of the single tax with simultaneous conducting of the simplified account and the maintenance. The subjects listed above can use an opportunity of tax optimization of financial resources and decreasing of level of burden on own accounting and financial department employees.

Agricultural commodity producers and other rural enterprises, as payers of taxes and fees due to general taxation system, in case of tax liability, namely provided there is the object of taxation (use of natural resources, turnover from sales of goods), can contribute to the formation of the tax base of local budgets of rural territorial communities by paying lease for the special use of forest resources and water bodies, as well as excise tax while conducting the retail trade in excisable goods in their own trade institutions, etc.

5 CONCLUSIONS

One of the main direction of social and economic regulation in formed paradigm of power decentralization in Ukraine should become providing local budgets of rural territorial communities with own financial resources. As the matter of fact, such resources are the main instrument, with the help of which local self-government bodies may influence local community activity, create conditions for economical and social growth of the territory of their

jurisdiction. However, peculiarities of formation of modern tax policy have created conditions, under which only separate national local taxes and fees have rational fiscal direction and can facilitate filling the budget of essential level.

Under the conditions of prices increase and demand for agricultural products on world markets under conditions of the general recession, caused by Covid-19 pandemic, a set of practical actions to ensure the expansions of the taxation base within the limits of their territorial jurisdictions for bodies of local self-government is offered. Promising directions for further researches by domestic and foreign scholars on this issue is the further search for other effective mechanisms for forming a comprehensive system of legal support for compliance with the basic principles of local fiscal policy in Ukraine according to international legal standards, taking into account the traditions acquired by Ukrainian peasants.

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