

СЕКЦІЯ 1
РОЗВИТОК СОЦІАЛЬНО-ЕКОНОМІЧНИХ СИСТЕМ МІКРО-, МЕЗО- І
МАКРОРІВНЯ: КОНФЛІКТ ТРАДИЦІЙНИХ МОДЕЛЕЙ ТА
ЕКОНОМІЧНИХ РЕАЛІЙ ХХІ СТОЛІТТЯ

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FEATURES OF THE FISCAL POLICY OF UKRAINE DURING COVID-19 PANDEMIC

The impact of the macroeconomic crisis of Ukraine and the COVID-19 pandemic on the economy has led to a reduction in the volume of trade, transportation and other fields of business activity. In order to provide recovery actions, governments should have made changes in their macroeconomic policies in order not to increase the budget deficit.

Fiscal policy is a part of the macroeconomic policy that denotes “the use of taxes and government expenditures via tax policy, the profits of state-owned enterprises, other revenues, and government expenditure policies” [1]. The state influences the level of the national output primarily by controlling tax revenue and expenditures. Also, this policy is closely connected with political decisions, because of redistribution of resources among all natural and legal entities from all regions.

Even before the pandemic, fiscal policy in Ukraine was not in the best condition. This was characterized by its macroeconomic conditions, such as an unstable exchange rate, high inflation and interest rates on borrowings, low investment activity, social problems, and insufficient fiscal autonomy of local government. In the last 10 years, the economy has been in recession three times, twice experiencing a deep fall. We must not forget about corruption at the highest levels of state government. Also, inefficient money management needs to be mentioned, due to which money was lost or returned to the budget.

Unfortunately, in response to the crisis in 2020, the fiscal policy of our country was designed so that no one received significant support from the government. A special fund was created to finance additional health care expenditures. The government took away 66 billion hryvnias from other items of budget allocations for "fighting against a virus". Since half of the fund was spent on road construction, the creation of the fund is highly questionable. As funding for social areas, such as education, has been significantly cut, many programs have been suspended to ensure that programs are executed under-protected articles. At the end of November 2020, it was possible to notice in the news articles that the state treasury stopped funding all unprotected expenses. This means that the budget has faced a significant deficit. Putting simply, there was no money in it.

Regarding revenues to the state budget (the main source of income to which are taxes), budget revenues are observed at the level of 94% of the plan (according to the State Treasury on 03.12.2020) [2]. Unfortunately for the citizens, income indicators of 2020 were based on receiving funds from the IMF. But the fund has suspended cooperation with Ukraine. According to the state budget of 2021, the maximum amount of deficit is set on the level of more than 246 billion hryvnias [3].

About the impact on the population of Ukraine, the government implemented the moratorium on tax audits, deferring payments on the Single Social Contribution, and personal income tax and loan payments (without cancellation of the accumulation of interest on loans) in order to maximize the level of taxation payments. But this did not provide significant help. On 04.12.2020, parliament passed laws to support entrepreneurs whose businesses cannot operate or suffer losses under lockdown, for the 10th month since the restrictions began. From their side, it would be better to find an appropriate level of taxation and the introduction of "tax holidays", as well as suspension of fines and penalties, to prevent the irreversible losses of potential tax revenues for the state.

So, there is a situation occurred that the state budget was not able to service all expenditures for 2020 due to the lack of money. The longer the crisis lasts, the tougher and more effective tax solutions will have to be found to ensure the stability and balance of the tax system [4]. Increasing the revenue side – is a kind of impossible mission. Also, receiving the IMF tranche in early 2021 might have made the situation milder. Therefore, there is a possible issue to cover the deficit in the budget via the money emission (a negative option that will cause the collapse of the hryvnia) or domestic borrowing, i.e. the issuance of domestic government bonds. In turn, it becomes possible to declare a technical or full default. And this is an increase in the cost of loans. Further, the devaluation of the national currency will inevitably begin, the NBU discount rate will rise and the volume of bank lending will fall. This will reduce the purchasing power of the population, and tax revenues to the budget as a consequence. Possibly, it would be better to wait for the IMF tranche and real reforms making.

References:

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