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PROBLEMS AND PRINCIPLES OF OPTIMIZING**THE SOCIO-ECONOMIC EFFECT OF THE PERSONAL INCOME TAX IN UKRAINE**

Abstract. This article is devoted to estimating and explaining the extent of social priority implementation in fiscal policy in Ukraine and defining the reserves, caused by placing the personal income tax in Ukrainian tax system, which would be used to improve taxing impact on social welfare. The comparative analysis was used as key method for estimate the actual tax pressure level and its structure deviation from desired, based on OECD countries experience, indicators of aggregate tax burden on economy and its structure.

Based on the results conducted comparative analysis, the vision of the disadvantages, inherent to Ukrainian current tax system was defined.

First, a rather high level of tax pressure (Ukraine is positioned above the trend line expressing dependence «GDP per capita — the share of taxes in GDP»), our country combines with the unfavorable tax structure to ensure the «targeting» of the tax burden distribution. As a result, the governability of the tax pressure distribution is reduced and the government loses the ability to implement social priorities in fiscal regulation.

Second, there are two parameters, which are the determining factors for the distribution of tax burdens between groups of taxpayers on personal income in Ukraine: the minimum amount of non-taxable income and the absence of rising tax rates for incomes far higher than average in economy. Their effect causes that even income in the size of the subsistence minimum is liable for significant taxation, but for income much higher average size tax burden remains very low compared to European countries.

In Ukraine, to compensate for the underutilization of the fiscal potential of high-income recipients, the tax burden is shifted to broad sections of wage earners in the formal sector of the economy (who have minimal opportunities to evade income tax and social security contributions). This, in turn, exacerbates the negative impact of taxation on the growth rate of wages and the conditions for the reproduction of economic activity of the general population.

We tend to consider the only possible means to overcome these two disadvantage of Ukrainian tax system is to increase the differentiation of tax pressure (in particular, by introducing

additional differentiation of income tax rates for various taxpayers groups), which should ensure that the actual tax pressure is brought into line with the solvency (fiscal potential) of taxpayers.

Keywords: tax system, personal income taxing, tax burden, tax incidence, progressive taxation.

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ПРОБЛЕМИ І ШЛЯХИ ОПТИМІЗАЦІЇ СОЦІАЛЬНО-ЕКОНОМІЧНОГО ЕФЕКТУ ВІД ПОДАТКУ НА ДОХОДИ ФІЗИЧНИХ ОСІБ В УКРАЇНІ

Анотація. Присвячено оцінці та поясненню ступеня реалізації соціального пріоритету у фіскальній політиці в Україні і визначенню резервів, спричинених розміщенням податку на доходи фізичних осіб в українській податковій системі, який буде використаний для поліпшення впливу оподаткування на соціальний добробут. Порівняльний аналіз був використаний як ключовий метод для оцінки фактичного рівня податкового тиску і відхилення його структури від бажаного на основі досвіду країн ОЕСР, показників сукупного податкового навантаження на економіку та її структуру.

На основі результатів проведеного порівняльного аналізу було визначено бачення недоліків, властивих сучасній українській податковій системі.

По-перше, досить високий рівень податкового тиску (Україна розташована над лінією тренду, що виражає залежність «ВВП на душу населення — частка податків у ВВП»), наша країна поєднується з несприятливою податковою структурою, щоб забезпечити «цільову спрямованість» податку розподіл навантаження. Як результат, керованість розподілом податкового тиску зменшується, і уряд втрачає здатність реалізовувати соціальні пріоритети у фіскальному регулюванні.

По-друге, є два параметри, які є визначальними факторами розподілу податкового тягара між групами платників податку на доходи фізичних осіб в Україні: мінімальна сума

неоподаткованого доходу і відсутність підвищення податкових ставок для доходів, значно вищих за середній в економіці. Їхній ефект спричиняє те, що навіть доходи в розмірі прожиткового мінімуму підлягають значному оподаткуванню, проте для доходів значно вищий середній розмір податкового навантаження залишається дуже низьким порівняно з європейськими країнами.

В Україні для компенсації недовикористання фіскального потенціалу отримувачів високих доходів податковий тягар перекладається на широкі верстви отримувачів заробітної плати в офіційному секторі економіки (які мають мінімальні можливості ухилення від сплати податку на доходи і соціального внеску). Це, у свою чергу, посилює негативний вплив оподаткування на темпи зростання рівня оплати праці та умови відтворення економічної активності широких верств населення.

Ми схильні вважати, що єдиним можливим засобом подолання цих двох недоліків української податкової системи є посилення диференціації податкового тиску (зокрема, шляхом запровадження додаткової диференціації ставок податку на прибуток для різних груп платників податків), що має забезпечити, аби фактичний податок тиск приведений у відповідність із платоспроможністю (фіскальним потенціалом) платників податків.

Ключові слова: податкова система, оподаткування доходів фізичних осіб, податкове навантаження, податкові випадки, прогресивне оподаткування.

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Introduction. Activation of reforms in Ukrainian society, raising the quality of goods, produced for the population with the budget expenses, cause the aggravation of the government's need for additional financial resources. In the conditions of macroeconomic stagnation and the sustainability of the taxes share in the budget revenues, the only way to increase the state financial resources remains to increase tax pressure. But such increasing threatens by significant deterioration in the conditions of the resource potential of economic entities reproduction, inhibition of economic activity, distortion of competition. To what extent such threats will come true, how high will be the «social price» of increasing the budget resources are reliant on the proportions of the total fiscal pressure distribution between groups of taxpayers, on the principles which would be used as a basis of differentiate the tax burden.

Accordingly, the increasing in requirements for the public efficiency of the Ukrainian tax system makes the looking for those reserves of increasing the tax revenues, which cause minimal negative impact on the population economic activity very relevant. This article is dedicated to determining ways to improve fiscal efficiency of personal income tax which will not induce the tax payers to searching schemes for reduce the size of tax liabilities instead of implementing the reserves of production efficiency growth.

We believe that the significant reserves of increasing the public efficiency of the Ukrainian tax system are related to the personal income tax. It is become the basic principle of taxation theory, that personal income, in contrast to the taxation of business income, the collection of compulsory social contributions, or indirect taxes, has ability to minimize the shifts of tax burden between counterparties of market relations. Taxes on business profits and indirect taxes are characterized by high mobility of their tax burden: their burden is distributed depending on the position of taxpayers and their counterparties in the system of market relations. Therefore, it is difficult to predict the sphere of the tax coverage and accurately «address» tax pressure on a particular group of economic entities. But the personal income tax allows you to «concentrate» tax pressure on well-defined groups of income recipients [1].

Accordingly, in this article we will focus on the searching answers for couple of questions. The first is what extent the system of personal income taxation in Ukraine realizes its potential for ensuring the «addressability» of tax pressure? And what features of this system impede the growth of tax revenues with minimal losses for population's economic activity? And what principles should be laid in the basis of optimizing the socio-economic effect of individual incomes taxation?

Problem analysis and problem statement. The basic theoretical position of this work is follow: taxation (including the personal income tax) not only generates financial resources for the

state activity, improving the conditions for holding the social priorities over the economy functioning, but also reduces the welfare of taxpayers, limiting their solvency and reducing incentives for effective economic activity. In this case, any tax other than the lump sum tax does so in such way that there are so-called «deadweight loss of taxation». That is, the loss of public welfare due to the curtailment of economic activity, which would be eliminated in case of using tax, not depending on parameters of tax payers economic activity [2]. To estimating the scope of such «deadweight loss» caused by taxation, special analytical tools have been developed, in particular the «Harberger Triangle», «consumer and producer surpluses», which allows us to assess not only budget revenues (as prerequisites for obtaining positive social consequences of taxation) but also the negative impact on public welfare, caused by tax collection [3].

As a preventive lever, which must ensure the social efficiency of taxation, the modern theory of social welfare considers a balanced distribution of tax burden by two basic principles: the benefit principle and the capacity-to-pay principle [4]. At the same time, the second principle (which means that wealthier subjects of the economy must bear more tax burden) acquires a dominant value. The manifestation of this is the progressive tax rates used by all developed and in particular European countries, without exception, in relation to personal incomes [5].

Accordingly, it is possible to identify in the scientific literature, the saturated areas of researches, which are devoted to development and empirically testing analytical tools for defining the actual tax incidence, and tax burden, laid on counterparties of market relations in dependence on different conditions in the markets for resources and production products. For example, the most abstract basic models of the taxation impact on the welfare of economic actors is based on the view that the high elasticity of supply or low elasticity of demand allows producers to shift the tax burden on consumers of their products. Similarly, high demand elasticity or low supply elasticity offers better opportunities for consumers to shift the tax burden on the subjects of the proposal [2; 6].

A number of works have also empirically confirmed that a highly flexible labor demand allows employers to shift the burden of social contributions to wage earners, regardless of the statutory proportions of the distribution of paying to social insurance funds [7; 8].

Accordingly, the personal income tax results the most «accurately directed» fiscal pressure, and the distribution of the tax burden, caused by this tax most clearly manifests the interaction of economic, political and social preconditions for social development [9].

In turn, the vision of ways to realize the fiscal potential of the personal income tax in Ukraine can be presented in the context of finding a compromise between controversial alternatives in relation to the priority tasks of taxation. In works comparing the role of personal taxation in Ukraine with the role of similar taxes in developed countries, the thesis is widely supported about the obvious under exploitation of the personal income tax's fiscal potential in Ukraine and about the significant differences in the principles of tax burden differentiation between groups of taxpayers [10; 11]. Therefore, we will try to clarify in this paper what changes in the principles and procedures for taxation of individuals' incomes in Ukraine will contribute to a more complete realization of the fiscal potential of this tax with minimal negative impact on living conditions and real purchasing power of the general population.

In the works devoted to the factors analysis of the actual level of tax revenues and the place of the personal income tax in the system of sources of budget financing, it is noted that the budget revenue from personal income tax are rather sensitive both to the macroeconomic situation and to the changes in the rate taxation and procedures for determining tax liabilities. In addition, the growth of tax pressure threatens primarily — the expansion of the share of shadow economic activity, as well as the deterioration of the conditions for the resources reproduction of the wide share of population with incomes close to the average [12; 13]. Accordingly, in this article, we will try to deepen the understanding of the factors affecting the place of personal income tax in the system of budget sources and propose author's interpretation of indicators that characterize the fiscal results of personal income tax in Ukraine.

Thus, the purpose of this article is to determine the priorities of reforming the system of personal income taxation in Ukraine in the context of harmonizing both purely fiscal and social results of taxation.

To achieve this purpose we will conduct the comparative analysis of the personal income tax's place in the tax revenues, and the obstacles, limiting the realization of the fiscal potential of this tax will be clarified.

Research results. Ukrainian reforms activation has exacerbated the problem of filling the state budget. Against the backdrop of macroeconomic stagnation, government expenditures are substantially increasing, which requires a tightening of tax pressure while the share of taxes in the budget revenues remains fairly stable. In particular, in 2015, GDP fell by 9.8% compared to previous year, but budget expenditures by only 6.4%. In 2016, the volume of the public product increased by 2.34%, compared to 2015, and the volume of public expenditures increased by 4.96%. Accordingly, the share of budget expenditures in GDP increased to 34.3% in 2015, and in 2016 it increased to 35.1%, which is one of the highest indicators for the period since 2000 (here and below - calculations by the author on basis data of [14]).

Since tax revenues remain the leading source of budget's financial resources, the share of tax revenues in GDP reached 25.53% in 2015 (against 22.40% in 2014), and in 2016 it increased to 27.30%, reaching the highest level since the beginning of the 2000s.

A meaningful estimating of the tax burden level in the domestic economy may be obtained, in particular, by comparing the values of this indicator, inherent to the Ukraine and other countries, in case of taking into account the scale and efficiency of their economy. The reasons urging to take into account the effectiveness of the economy will be outlined below in this article.

To ensure comparability of OECD and Ukraine indicators, we included a compulsory social contribution in Ukrainian share of tax in GDP, as similar indicators are taken into account in the assessment of the taxes share in GDP for OECD countries.

In order for indicators of different economic systems reflect not casual fluctuations, but the essential characteristic, inherent to the tax system of such countries, we calculated the average tax share in GDP over the last three years, for which information for all countries is available (2013—2015).

The results of calculations are given in *Table 1* (shown in decreasing order of the taxes share in GDP for the 31st country from the OECD, the average unweighted OECD indicator and the Ukrainian indicator recalculated by adding the unit social contribution to ensure comparability).

Table 1

**Tax burden and economy efficiency characteristics for OECD countries and Ukraine
(average for 2013—2015)**

Country	Tax share in GDP, %	Annual GDP per capita in constant 2011 \$ on PPP	Country	Tax share in GDP, %	Annual GDP per capita in constant 2011 \$ on PPP
Denmark	47,7	44116,1	Ukraine	33,9	8015,8
France	45,4	36716,3	Spain	33,6	30904,2
Belgium	44,9	40555,8	Czech Republic	33,6	28720,2
Finland	43,8	38089,3	Estonia	32,5	25648,0
Italy	43,7	33023,9	Great Britain	32,2	37694,6
Sweden	43,0	43121,7	New Zealand	32,2	33156,8
Austria	43,0	43013,9	Canada	31,4	42048,9
Norway	38,9	59090,2	Slovak Republic	31,3	27233,2
Hungary	38,6	23217,4	Israel	31,1	30948,2
Luxemburg	37,8	86571,0	Turkey	29,4	21976,5
Island	37,3	41297,1	Switzerland	27,3	54254,9
Netherland	37,3	44853,0	Ireland	26,8	51395,1
Germany	36,6	42217,5	USA	26,1	50886,8
Slovenia	36,6	27487,4	Korea	24,7	33411,2
Greece	36,1	23562,1	Chile	20,2	20744,1
Portugal	34,9	26212,7	Mexico	15,7	16224,2
OECD average	34,2	37025,4			

Source: on the data of www.oecd.statistics.eu and www.ukrstat.gov.ua.

The actual average for 2013—2015 years level of aggregate tax burden determines the 17-th position of Ukraine among selected OECD countries in terms of tax share in GDP.

Accordingly, 15 of the 31 countries covered by this study have a lower overall tax pressure than Ukraine and 16 — have higher. The share of taxes in GDP in Ukraine is close to the average unweighted by the OECD (33.9% in Ukraine and 33.6% on the OECD average).

For a meaningful assessment of the tax burden, it is important to take into account the size of the tax base or the indicator that is decisive for such sizes — GDP per capita. Indeed, identical characteristics of the tax burden may result in radically different impact on the reproduction of the taxpayers' resource potential, depending on the sizes of their income. Accordingly, a certain level of tax burden may be quite acceptable for an economy with a high level of per capita income and devastating — for a low-income economy. Paying tax on rate 20% of the annual income 100,000 monetary units and the same 20% of the income about 10,000 monetary units will have fundamentally different consequences for economic activity and preserve the taxpayers' ability to generate income. In the first case, taxation at such a rate may slightly reduce the marginal propensity to saving, but it is not able to significantly affect either consumer activity or the supply of the taxpayer's resource. And in the second, taxation at the same rate can significantly limit the payer's solvency and jeopardize the possibility of maintaining its economic activity at a sustainable level, not to mention the improvement of its qualitative parameters.

This vision became the basis for assessing the social consequences of taxation in the theory of social welfare, and the applied application of such theoretical basis is manifested in the dominance of the solvency principle to determine the fiscal burden distribution in general and the widespread of progressive tax schedules in personal income taxation over the practically all developed countries.

Therefore, it is important for us not only to position Ukraine by the share of taxes in GDP among OECD countries, but also to define how the Ukrainian figure looks compared to the OECD countries, taking into account GDP per capita.

The corresponding positioning is shown in *Fig. 1*. It reflects the share of taxes in GDP dependence on the size of GDP per capita. According to this figure, we see that Ukraine is expressly a higher trend line, that is, for its actual GDP per capita, Ukraine has a significantly higher tax burden than predicted by trend built by OECD countries data.

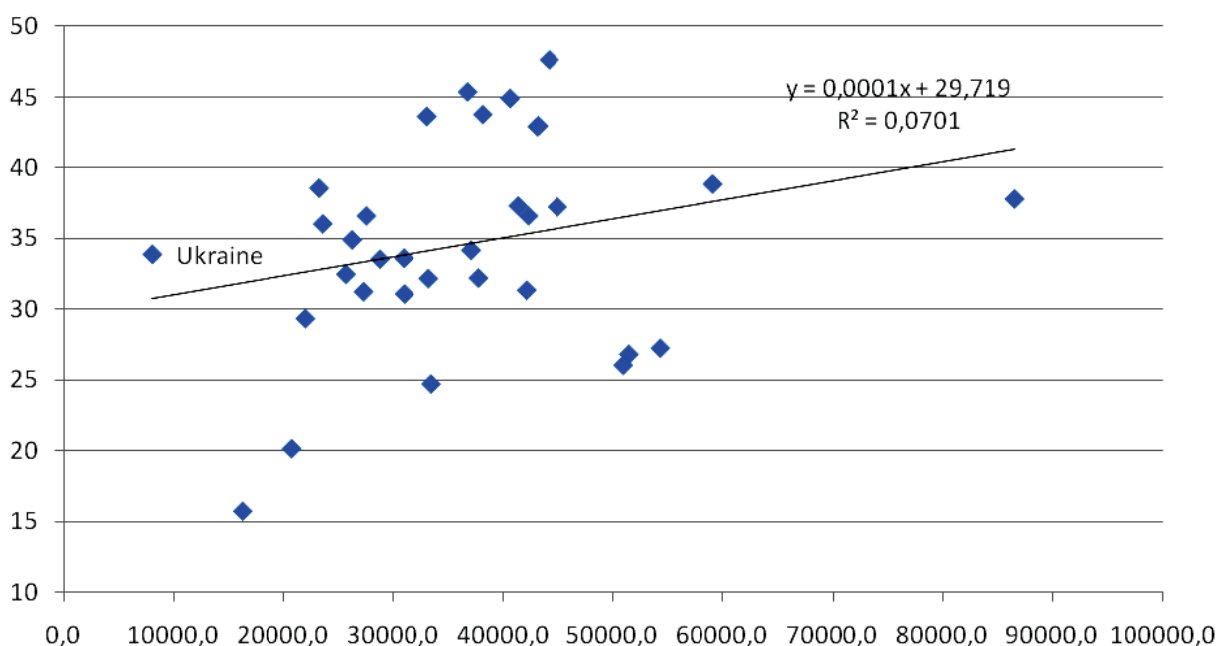


Fig. 1. The tax share in GDP (%) dependence on GDP per capita (constant \$ on PPP)

The three countries having nearest to Ukraine per capita GDP (Mexico, Chile and Turkey) have significantly lower tax burden on the economy. So, Mexico, whose GDP per capita is more than twice higher than the Ukrainian one, has a share of taxes in GDP of 15.7%, against 33.9% in Ukraine; Chile, where GDP per capita is two and a half times higher than the Ukrainian one have a half times less the share of taxes in GDP, Turkey, where GDP per capita is almost three times higher than the Ukrainian indicator, has the share of taxes in GDP lower comparing Ukrainian more than by 4 percentage points.

Thus, the comparing only the general level of tax pressure in Ukraine and the OECD countries, we create a false impression. Close to the average for developed countries value of taxes share in GDP does not mean «normal» tax burden in Ukraine. Taking into account the specific per capita GDP, tax burden in Ukraine should be considered rather high. Accordingly, the distribution of such a fairly high tax burden among groups of taxpayers becomes special significance to minimize the negative social consequences of taxation.

In accordance with the basic provisions of the modern theory of taxation, the burden of taxes on business income (revenues), indirect taxes, social insurance contributions may be transferred by payers to contracting parties in market relations. At the same time, the personal income tax is least subject of tax incidence, as we have already noted in the analysis of literature: it provides the least opportunity to shift the burden of taxation on other economic entities for taxpayers. Accordingly, the increasing share of personal income tax in the structure of tax revenues is a sign of increased targeting and controllability of the distribution of tax burden in the economy. Such trend indicates that the structure of the tax system creates the best preconditions for eliminating the disagreement between social priorities of fiscal regulation and the actual distribution of the tax burden between groups of taxpayers. Similarly, for comparing the share of personal income in tax revenues in different countries, we will proceed from the assumption that countries where such share is higher is better able to accurately distribute the tax burden between different segments of the population, more fully implement social priorities in fiscal politics.

Data for comparing the share of personal income tax in tax revenues in Ukraine and OECD countries is shown in *Table 2*.

Table 2

Tax burden structure and economy efficiency characteristics for OECD countries and Ukraine (average for 2013—2015)

Country	The personal income tax share in tax revenue	Annual GDP per capita in constant 2011 \$ on PPP	Country	The personal income tax share in tax revenue	Annual GDP per capita in constant 2011 \$ on PPP
Austria	29,6	43013,9	Korea	29,5	33411,2
Belgium	35,7	40555,8	Luxembourg	35,1	86571,0
Canada	47,9	42048,9	Mexico	39,0	16224,2
Chile	34,4	20744,1	Netherlands	26,0	44853,0
Czech Republic	21,2	28720,2	New Zealand	55,4	33156,8
Denmark	62,5	44116,1	Norway	42,6	59090,2
Estonia	23,2	25648,0	Portugal	30,5	26212,7
Finland	34,9	38089,3	Slovak Republic	20,8	27233,2
France	23,9	36716,3	Slovenia	17,7	27487,4
Germany	31,2	42217,5	Spain	28,6	30904,2
Greece	22,6	23562,1	Sweden	35,1	43121,7
Hungary	17,9	23217,4	Switzerland	45,8	54254,9
Iceland	46,3	41297,1	Turkey	17,5	21976,5
Ireland	40,7	51395,1	United Kingdom	35,5	37694,6
Israel (1)	31,0	30948,2	United States	47,9	50886,8
Italy	32,2	33023,9	OECD average	33,4	37025,4
			Ukraine	14,7	8015,8

Source: on the data of www.oecd.statistics.eu and www.ukrstat.gov.ua.

The shown data indicates a significant lagging of Ukraine from OECD member countries in terms of the personal income tax share in the tax revenues. Then this brings us to provision that the

tax system structure in Ukraine is not conducive to ensure tax burden distribution among the population in accordance to principles of social fairness. If the OECD average personal income tax share is 33.4%, then in Ukraine the income tax is equal only 14.7% of tax revenues (averaged data for 2013—2015). Three countries have closest to the Ukrainian share of personal tax: Turkey (17.5%), Slovenia (17.7%) and Slovakia — 20.8%. For all other OECD countries (except for Korea and the Netherlands), the share of personal income tax is higher than 30%, which is more than twice as high as the Ukrainian indicator.

Moreover, if we take into account the GDP per capita, we will see a rather distinct positive relationship between the share of personal income tax and GDP per capita (*Fig. 2*). This is a sign that higher GDP is correlated with the higher quality of public institutions that regulate the interaction of economic entities, including in the area of fiscal relations. In turn, higher quality of public institutions is associated with a higher proportion of personal income tax in the structure of tax revenues.

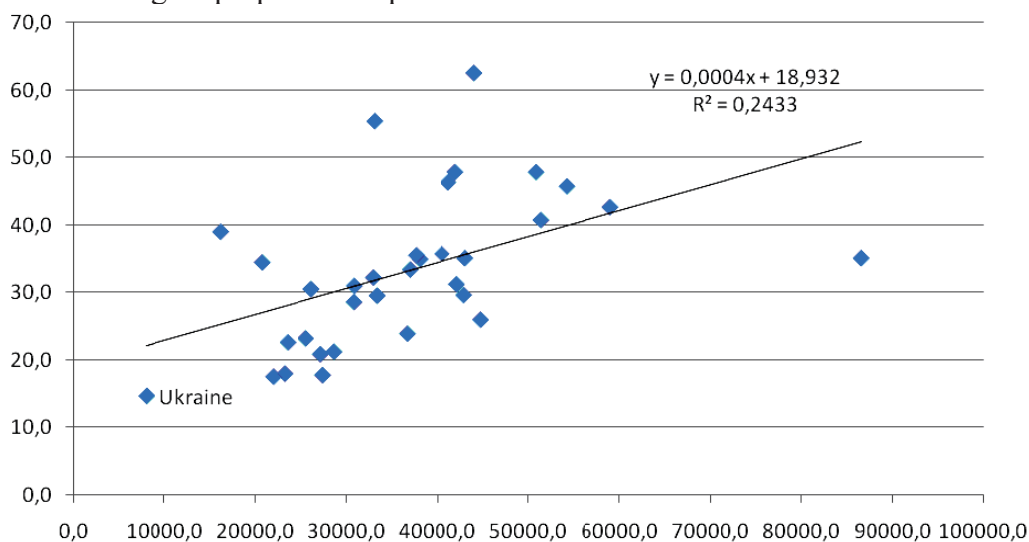


Fig. 2. The personal income tax share dependence on the annual GDP per capita

We tend to treat this as a sign of a two-way functional connection between the share of personal income tax and per capita GDP. On the one hand, countries that have achieved higher economic efficiency have better conditions for fuller realization of the personal income tax potential to ensure the accurate distribution of tax pressure. On the other hand, such accuracy is a factor, improving the conditions for the reproduction of the economic actors' resource potential and contributing to the growth of economic efficiency.

Ukrainian indicators are clearly outlier of the trend expressing this dependence for OECD countries. Despite the fact that Ukraine has the lowest GDP per capita among countries surveyed, the share of personal income tax in Ukraine is so low, that our economy is positioning well below the trend line. That is, even taking into account the constraints, imposed by low per capita GDP on the country's ability to provide a progressive structure of tax revenues, may be considered as a sign, that Ukraine is under-utilizing the potential of personal income tax. Accordingly, the governability of the distribution of a sufficiently high tax burden in Ukraine is very low, in particular because of a clearly insignificant share of the personal income tax in the tax revenues.

So, based on the results conducted comparative analysis of two characteristics of tax pressure in Ukraine, we can clarify the vision of the disadvantages, inherent to its current tax system. First, a rather high level of tax pressure (Ukraine is positioned above the trend line expressing dependence «GDP per capita — the share of taxes in GDP»), our country combines with the unfavorable tax structure to ensure the «targeting» of the tax burden distribution. As a result, the governability of the tax pressure distribution is reduced and the government loses the ability to implement social priorities in fiscal regulation. Such distribution of tax burden does not meet neither common with the principles of social fairness, nor fiscal efficiency. It means that, at the same time, there is also a clear under-utilization of the fiscal potential of certain groups of taxpayers

(for example, recipients of income, much higher average) and excessive (destructive for the ability to reproduce their economic potential) tax pressure on others (for example, recipients of incomes, which are lesser or similar to the average level in the economy).

Based on mentioned above the structural changes in the Ukrainian tax system, contributing to the increasing the social efficiency of taxation may be justified. First, the increasing share of personal income tax in the tax revenues is desired, and would be ensued in case of higher growth rate of real revenues from this tax, than analogous growth rate of aggregate tax revenues.

Second, it is inappropriate to further increase the overall tax pressure, especially if it is wouldn't be accompanied by a significant improvement in the distribution of tax burden.

Thirdly, the only possible means of combining these two contradictory tasks is to increase the differentiation of tax pressure (in particular, by introducing additional differentiation of tax rates for various taxpayers groups), which should ensure that the actual tax pressure is brought into line with the solvency (fiscal potential) of taxpayers.

In accordance with such general priorities of reforming the Ukrainian tax system, we can make a meaningful comparison of the features, inherent to the taxing of personal income in Ukraine (tax rates, differentiation of tax pressure for different groups of taxpayers and the criteria used for such differentiation) with similar indicators of developed countries.

The rates of personal income tax applicable in Ukraine are clearly different from tax rates spreading in European countries. Ukraine is currently the only country in Europe that does not apply the progressive scale of personal income tax rates. Owners of property are also clearly less taxed in Ukraine, and property income is taxed at rates that are lower than used for labor income.

In particular, in Ukraine, for almost all income (with inconsequential exemptions), regardless of their size, the basic rate of taxation is 18%, and the non-taxable minimum income is only 17 UAH. The tax social benefit (a reduction in the tax base by an employee from one employer by UAH 800, if the income does not exceed UAH 2240 according to 2017) applies only to families with two or more children under the age of 18 [10].

Such an internal structure of the personal income tax fundamentally distinguishes Ukraine from European countries. In particular, in Austria, the annual income since 0 to 11 thousand euros is taxed at zero rates; from 11 to 18 thousand euros — at a rate of 25%, from 18 to 31 thousand euros — at a rate of 35%, from 31 to 60 thousand euros — at a rate of 42%; from 60 to 90 thousand euros — 48% and over 90 thousand euros — 50%.

In Portugal, income is taxed after has reached a size 7,000 euros a year, and the tax rate increases from 14.5% to 48% (applicable to annual income over 80,000 euros).

In Germany, revenues of up to 8354 euros per year are taxed at zero rates. Income from 8355 to 13469 euros per year is taxed at rates since 14% to 24%, depending on the socio-demographic characteristics of the taxpayer's family; income from 13470 to 52881 euros per year is taxed at rates of 24 to 42% depending on the socio-demographic characteristics of the taxpayer's family. Finally, for income over € 250,731 per year, the tax rate is 45% (according to [16; 17]).

There are two parameters, which are the determining factors for the distribution of tax burdens between groups of taxpayers on personal income in Ukraine: the minimum amount of non-taxable income and the absence of rising tax rates for incomes far higher than average in economy. Their effect causes that even income in the size of the subsistence minimum is liable for significant taxation, but for income much higher average size tax burden remains very low compared to European countries. An explanation for such a situation can only be the higher ability of the recipients of relatively high incomes to hide their income from taxation. Accordingly, in order to compensate for the under-utilization of the fiscal potential of high income recipients, the tax burden is shifting to the broader categories of wage earners in the official sector of the economy (which have the minimum possibility for tax evasion). This, in turn, increases the negative taxation impact on the growth rates of wages and the conditions for the reproduction of population's economic activity.

Conclusions. The high social risks generated by the functioning of the tax system in Ukraine are caused not only by relatively high general level of tax burden on the economy (such an

assessment becomes apparent given the considerably lower GDP per capita in Ukraine, compared to the OECD countries with a similar level tax burden), but by also structural reasons.

In particular, in comparison with OECD countries, the share of personal income tax in the tax revenues is insufficient to ensure a governable distribution of tax burden among the population. However, amidst the unfavorable macroeconomic dynamics and stagnation of real incomes, the only way to increase the share of this tax remains to raise tax rates applying for income taxation. The using of this way to increase the fiscal role of the personal income tax is limited by two qualitatively different factors. The first is applicable to the general population with lower income and close to the average size of the economy: rising tax pressures will lead to a significant deterioration in living conditions and increase inequity of access to wealth rather than diminishing it.

The second applies to recipients of income significantly higher than average: the increase in tax pressure is limited by the weakness of institutions that should prevent tax invasion.

Accordingly, the actual tax burden distribution in Ukraine reflect rather degree of compromise in order to reduce the motivation to shadow revenues, than the application of the solvency principle, which is prevalent in the taxation systems of OECD countries, where it is manifested through the application only progressive scales of personal income tax and ramified systems reducing the tax burden on the socially vulnerable population.

Therefore, we believe that to ensure movements of personal income taxation in Ukraine toward social priorities, two critical elements of such taxation should be eliminated (mitigated). First, the low tax-free minimum income, secondly, the lack of differentiation of tax rates depending on the size of personal income.

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