









“General government revenue in the system of fiscal regulation”

AUTHORS	Igor Chugunov  https://orcid.org/0000-0002-3612-7236  http://www.researcherid.com/rid/O-8662-2016 Valentyna Makohon  https://orcid.org/0000-0002-2331-8455  http://www.researcherid.com/rid/P-3053-2017 Andrii Vatulov  https://orcid.org/0000-0002-1335-7098 Yuliya Markuts  https://orcid.org/0000-0002-5131-1592  http://www.researcherid.com/rid/M-5090-2016
ARTICLE INFO	Igor Chugunov, Valentyna Makohon, Andrii Vatulov and Yuliya Markuts (2020). General government revenue in the system of fiscal regulation. <i>Investment Management and Financial Innovations</i> , 17(1), 134-142. doi: 10.21511/imfi.17(1).2020.12
DOI	http://dx.doi.org/10.21511/imfi.17(1).2020.12
RELEASED ON	Tuesday, 10 March 2020
RECEIVED ON	Wednesday, 18 December 2019
ACCEPTED ON	Tuesday, 11 February 2020
LICENSE	 This work is licensed under a Creative Commons Attribution 4.0 International License
JOURNAL	"Investment Management and Financial Innovations"
ISSN PRINT	1810-4967
ISSN ONLINE	1812-9358
PUBLISHER	LLC “Consulting Publishing Company “Business Perspectives”
FOUNDER	LLC “Consulting Publishing Company “Business Perspectives”



NUMBER OF REFERENCES

30



NUMBER OF FIGURES

0



NUMBER OF TABLES

3

© The author(s) 2025. This publication is an open access article.



BUSINESS PERSPECTIVES



LLC "CPC "Business Perspectives"
Hryhorii Skovoroda lane, 10,
Sumy, 40022, Ukraine
www.businessperspectives.org

Received on: 18th of December, 2019

Accepted on: 11th of February, 2020

Published on: 10th of March, 2020

© Igor Chugunov, Valentyna Makohon,
Andrii Vatulov, Yuliya Markuts, 2020

Igor Chugunov, Doctor of Economics,
Professor, Kyiv National University of
Trade and Economics, Ukraine.

Valentyna Makohon, Doctor of
Economics, Senior Researcher, Kyiv
National University of Trade and
Economics, Ukraine.

Andrii Vatulov, Ph.D. in Economics,
Head of the Secretariat, Verkhovna
Rada of Ukraine Committee on Budget,
Ukraine.

Yuliya Markuts, Ph.D. in Economics,
Associate Professor, Finance
Department, Kyiv National University
of Trade and Economics, Ukraine.



This is an Open Access article,
distributed under the terms of the
[Creative Commons Attribution 4.0
International license](https://creativecommons.org/licenses/by/4.0/), which permits
unrestricted re-use, distribution, and
reproduction in any medium, provided
the original work is properly cited.

Conflict of interest statement:

Author(s) reported no conflict of interest

Igor Chugunov (Ukraine), Valentyna Makohon (Ukraine), Andrii Vatulov (Ukraine),
Yuliya Markuts (Ukraine)

GENERAL GOVERNMENT REVENUE IN THE SYSTEM OF FISCAL REGULATION

Abstract

The dynamics of socio-economic processes requires the general government revenue to be adapted to changes in financial and economic conditions. The study aims to improve the scientific and methodological approach to general government revenue in the system of fiscal regulation. The impact of general government revenue on economic growth was estimated using a correlation-regression analysis and the multiplier effect concept. The authors found out that, in order to ensure the macroeconomic stability and accelerate the economic growth in conditions of transformational changes, it is reasonable to increase the share of direct taxes in the general government revenue structure, to implement the prudential and coherent fiscal policy with the strategic goals of the countries' social and economic development. The authors substantiated that the increased share of direct taxes of the consolidated budget of Ukraine in GDP by one percent causes the real GDP to grow by 2.94 percent, whereas the increased share of the indirect taxes by one percent causes the real GDP to decrease by 0.45 percent; for 2014–2018, 28 percent of taxes are on average withdrawn per unit of GDP growth. The study results indicate that effective fiscal regulation is ensured only by the synergy of its fiscal, regulatory, and incentive functions, the reconciliation of fiscal sustainability and tax neutrality principles.

Keywords

finance, revenue, budget, taxes, fiscal policy

JEL Classification

H21, E62, O23

INTRODUCTION

In the context of economic transformations, the effective fiscal regulation system for general government revenue is a prerequisite for accelerating the economic growth, resuming the innovation and investment processes, and enhancing the business environment. Decisions about the feasibility of fiscal regulation system tools for general government revenue shall be determined based on the level of institutional development of fiscal field. Crisis processes in the fiscal field intensify the task of adapting the components of this system to the national economy institutional transformations. In this regard, the implementation of an effective fiscal policy for the general government revenue generation involves a reasonable and timely assessment of the impact of exogenous and endogenous factors on revenue generation, on the one hand, and taxpayers' competitiveness, on the other hand.

No country uses the fiscal instruments, however, despite the above, the debate about their effectiveness continues. New scientific approaches are being developed and hypotheses are being made regarding the implementation of fiscal regulation system for general government revenue generation, in particular taking into account the cyclical economic processes. The actualization of the solution to these problems is caused by the financial and economic crisis, which had a negative impact on the macroeconomic stability of the countries with transformational and advanced economies. Finding the alternative sources of

general government revenue generation, optimizing their structure are the important tasks, as well as the efficient and effective use of public financial resources, the choice of fiscal instruments and levers. At the same time, it is important to note that the general government revenue structure differs significantly in the countries with advanced and transformational economies. In the countries with advanced economies, direct taxes prevail, in the countries with transformational economies, indirect taxes prevail. The regressive nature of indirect taxes is inversely proportional to the of consumer solvency, which diminishes the living standards and welfare and does not allow effective fiscal regulation considering the cyclical economic processes.

1. THEORETICAL BASIS

Many scholars study the theoretical and methodological aspects of general government revenue in the system of fiscal regulation. At the same time, the issues of optimal structure and impact of government revenue on economic growth remain unsolved. According to research, the design of general government revenue structure and their increasing impact on economic growth depend on many factors and vary from country to country: raising consumption tax while reducing labor and capital taxes can stimulate economic growth (Stoilova, 2017; Coen-Pirani & Sieg, 2019; Hung, 2017); banking taxation has a negative impact on economic growth as the prospects for the development of economic sectors diminish (Restrepo, 2019); real estate tax rates and sales taxes have a negative impact on long-term economic growth (Ojede & Yamarik, 2012).

The scientific studies show that the use of various fiscal regulation instruments to generate the general government revenue contributes to reducing the variability of macroeconomic variables and their proper formation. The moderate changes in fiscal regulation system to generate the general government revenue is a prerequisite for ensuring proper citizens' welfare in response to the significant falls in commodity prices (Lopez-Martin, Leal, & Fritscher, 2019; Dang, Fang, & He, 2019).

Fiscal strategies based on modeling the directions of revenue generation are developed to ensure fiscal sustainability, the efficiency of fiscal regulation system to generate general government revenue. It is determined that effective fiscal policy based on the long-term predicted directions of general government revenue generation and use of public finances contribute to macroeconomic stability (Agénor, 2016). An important task is to justify

the optimal level of tax burden, including tax rates, which ensures fiscal sustainability against the background of capital tax to ensure the sustainability of public finances and to increase interregional factor mobility. It is justified that when there are no differences, increased capital flows between countries contribute to economic growth, thereby increasing the level of fiscal sustainability in all countries; when there are significant differences between countries, tax competition caused by the movement of capital may reduce the fiscal sustainability in a country with significant capital and large proportion of outstanding debt (Miyazawa, Ogawa, & Tamai, 2019).

At the same time, it is determined that the impact of taxes on economic growth can vary significantly between different regions of the country (Zhang & Li, 2011; Fang, Tian, Fu, & Sun, 2013). However, when assessing the impact of taxes on economic growth, a detailed analysis of geographically-oriented tax benefits (Bondonio & Greenbaum, 2007) and the impact of using tax avoidance instruments (Freire-Serén, Panadés, & Martí, 2013) is important.

It is important to note that additional government spending does not replace private consumption and investment in terms of implementing fiscal policy and fiscal regulation system to generate general government revenue because, with increasing income tax, the level of household income and consumption, respectively, decrease. The high level of tax burden hinders the investment. At the same time, the considerable level of tax burden partly compensates for the expansionary effect of the increasing public spending level. Accordingly, fiscal regulation instruments aimed at increasing public spending and reducing taxes can be used to stimulate aggregate demand and reduce the negative impact of recession (Gwartney & Stroup, 2014; Chang, Wu, Li, & Fan, 2019).

At the same time, the scientists' views about the positive impact of increased general government revenue level or public spending on growth are debatable. In particular, they state that public spending has a negative impact on economic growth, while non-oil revenues have a positive impact (Olayungbo & Olayemi, 2018; Faraji Dizaji, 2014; Roşoiu, 2015). The positive impact of increasing government spending on economic growth is determined only in countries with significant levels of government financial institutions and government financial regulation. At the same time, the authors substantiate the priority of fiscal policy tasks to improve the structure of tax revenues in the context of transformations (Pasichnyi, 2017); substantiate the importance of optimal configuration of decentralization measures for the general government revenue, taking into account the institutional potential of public authorities (Pasichnyi, Kaneva, Ruban, & Nepytyaliuk, 2019).

The issue of the progressive tax system effectiveness remains debatable. In particular, the authors determine that the slope of the income tax schedule to high-paid earnings leads to a slight increase in income (Guner, Lopez-Daneri, & Ventura, 2016; DeBacker, Heim, Ramnath, & Ross, 2019). At the same time, empirical evidence suggests that low-income countries are characterized by high levels of tax evasion of the labor and capital income tax, and for high-income countries, it works the other way around (Bethencourt & Kunze, 2019).

So, a significant challenge in the context of transformations is to develop a risk management strategy, including the risk of a shortfall in planned income level, which will improve the country's fiscal sustainability and risk diversification (Lloyd-Ellis & Zhu, 2001). At the same time, the use of risk diversification mechanisms is a prerequisite for making informed decisions on financing the innovative investment projects by public finances (Wang, Gao, & Liu, 2019).

At the same time, in the vast majority of countries, the Laffer Curve is used to substantiate the fiscal policy directions to generate the general government revenue, which shows the relationship between tax rates and the level of received government revenue (Laffer, 2004). At the same time, the

scientists' views on the optimal level of taxation in different countries are not the same. In particular, the scientists estimate that the peak of the Laffer Curve in China is about 40%. So, public authorities need to take into account the changes throughout the tax system, not only changes in indirect taxes but also their increasing rates. At the same time, the important task of fiscal regulation in China is to reduce the level of taxation to 35% (Lin & Jia, 2019).

The study of theoretical and methodological aspects of the general government revenue in the system of fiscal regulation revealed the insufficient information on the validity of modern tools for the general government revenue and the possible effects of fiscal policy on macroeconomic stability and economic growth in the emerging countries and the countries with advanced economies. As a result, the authors, based on assessing the impact of general government revenue on economic growth, improved the scientific and methodological approach to generating general government revenue in the system of fiscal regulation.

2. RESULTS

The general government revenue level plays a leading role in the economic structure of modern society. Economic transformations lead to optimized revenue formation level and the general government revenue structure, improvement of the fiscal regulation system to ensure its compliance with the peculiarities of the social relations development. Various scientific approaches to the general government revenue generation in the fiscal regulation system lead to the unbalanced distribution of national wealth. This has a negative impact on the macroeconomic stability of countries and increases the volatility of economic growth.

The need to improve the fiscal regulation system to generate the general government revenue is also conditioned by the change in fiscal regulation in this field and the increasing influence of exogenous and endogenous factors on the general government revenue generation in the context of increased globalization. Among the risks of the shortfall in planned general government revenue level, particularly in terms of taxes, the most dan-

gerous are risks arising from decreased economic growth due to increased crisis processes and negative demographic trends, as the unfavorable situation on the world market is directly proportional to reduced general government revenue.

It is necessary to note that the importance of assessing the risks of failure to reach the planned level of revenue is fully recognized in the EU. According to the regulatory documents (European Financial Stability Mechanism, European Financial Stability Facility), the criteria and indicators for assessing the level of potential imbalances impact on the general government revenues are substantiated. If they point to the likelihood of imbalances, in-depth evaluation of macroeconomic indicators

was performed, including the government sector, proposals are made to address the identified problems.

Besides, the risks of failure to reach the planned level of revenue were assessed based on fiscal projections: the dynamics of general government revenue is investigated and their impact on the country's fiscal sustainability is assessed; specificity of the general government revenue generation is considered and their share in GDP is forecasted.

The experience of the countries with advanced economies shows that effective fiscal regulation to generate the general government revenue is a significant factor in ensuring the proper level of

Table 1. Share of general government revenue of the EU countries in GDP, %

Source: Based on the data from Official site of the Statistical Office of the European Commission.

Countries	2007–2009	2010–2012	2013–2015	2016–2018	2007–2018
EU (28 countries)	43.77	44.13	45.07	44.87	44.46
EU (27 countries)	43.77	44.13	45.07	44.87	44.46
Euro area (19 countries)	44.77	45.37	46.70	46.30	45.78
Euro area (18 countries)	44.80	45.37	46.80	46.37	45.83
Belgium	49.17	51.00	52.27	51.10	50.88
Bulgaria	37.57	33.07	38.03	36.47	36.28
Czech Republic	39.03	40.03	40.93	40.80	40.20
Denmark	53.97	54.30	54.73	52.40	53.85
Germany	44.27	44.37	44.97	45.87	44.87
Estonia	38.90	38.97	38.67	38.70	38.81
Ireland	34.73	33.60	31.70	26.07	31.53
Greece	40.00	44.03	47.93	48.57	45.13
Spain	37.67	36.93	38.90	38.50	38.00
France	49.97	51.07	53.20	53.37	51.90
Croatia	43.03	42.07	43.87	46.33	43.83
Italy	45.57	46.30	47.93	46.33	46.53
Cyprus	38.93	36.67	39.23	38.50	38.33
Latvia	34.00	36.50	36.57	37.40	36.12
Lithuania	35.07	34.13	33.93	34.20	34.33
Hungary	45.33	45.37	47.93	44.80	45.86
Malta	38.70	38.90	39.13	38.47	38.80
The Netherlands	42.67	42.60	43.27	43.60	43.03
Austria	48.37	48.57	49.83	48.60	48.84
Poland	39.67	38.83	38.73	39.97	39.30
Portugal	41.20	41.87	44.33	42.77	42.54
Romania	32.43	33.63	34.30	31.70	33.02
Slovenia	43.53	44.73	45.63	44.20	44.53
Slovakia	35.03	36.10	40.90	40.53	38.14
Finland	51.80	52.43	54.20	53.03	52.87
Sweden	52.30	50.00	49.73	50.67	50.68
United Kingdom	38.17	37.93	37.83	38.53	38.12
Iceland	41.67	39.10	41.63	47.77	42.54
Norway	58.23	56.97	55.10	56.13	56.61
Switzerland	33.07	33.50	34.03	35.00	33.90

a country's fiscal security. Each country, based on the development level of the institutional environment of the public finance system, including the budget and tax systems, determines its strategic fiscal policy objectives. In the current environment, the decline in general government revenue growth is observed in the vast majority of countries. In many countries, there is also a decline in their share of GDP. In particular, in the EU countries, the decline in the general government revenue share in GDP in 2018, compared to 2007, is observed in 11 countries, i.e., in Ireland by 10.8 percentage points; Iceland – 2.7 percentage points; Denmark – 2.6 percentage points; Romania and Sweden – 2.4 percentage points. The largest increase in the general government revenue share in GDP in 2018, compared to 2007, is observed in the following countries: Greece – 7.6 percentage points; Slovakia – 6.5 percentage points; Latvia – 4.2 percentage points; France – 3.6 percentage points; Croatia – 3.0 percentage points (Table 1).

Based on these data, it is advisable to note the relationship between the general government revenue share in GDP and the peculiarities of the countries' fiscal policies implementation. At this stage, the relationship aims at reducing the level of the tax burden to stimulate the process of business activity revival, on the one hand, and is caused by the economic growth slowdown, on the other hand. At the same time, the fiscal policy tools for the general government revenue generation in the EU countries are formed based on integration of revenue generation principles, alternative evaluation of their sources. Fiscal consolidation in the EU countries involves the implementation of a wide range of measures to liberalize the economic conditions; justification of optimal general government revenues structure; tax incentives for business entities. At the same time, fiscal consolidation in the EU countries is related to the peculiarities of socio-economic development and the economic growth rate of these countries.

Currently, the main objectives of the fiscal policy to generate the general government revenue in the EU countries are improving the instruments of the general government revenue generation; raising the efficiency of mechanisms for raising tax revenues; improvement of the general government revenue generation model, which optimizes their

structure; reduction of the share of capital tax, increase of risk management tools efficiency; coordination of general government revenue generation; improvement of the information exchange system between public authorities and economic entities in forecasting the revenue; systematic monitoring of the uniformity and proportionality of the tax burden in the regional context.

There is an increase in the share of tax revenues in the total income structure. The main source of income in the countries with advanced economies is direct taxes. In the countries with transformational economies, the main source of income is indirect taxes, including VAT. In particular, the share of tax revenues in the consolidated budget of Ukraine revenues for 2007–2018 increased from 73.34% to 83.29%. However, for the same period, the average share of consolidated budget of Ukraine revenues to GDP is 30.59%, including 24.82% of tax revenues (Table 2).

The share of VAT in consolidated budget of Ukraine revenues is about 40%. At the same time, the tax regime in Ukraine remains fragmented. The simplified taxation system and several sectoral exemptions put taxpayers on an unequal basis; therefore, the principle of neutrality of taxation is not ensured. However, it is not legally defined: tax costs (only certain elements are available); methodology for assessing tax costs, the effectiveness and efficiency of tax benefits and their impact on achieving the relevant fiscal policy goals. Also, the definition of tax benefits does not include benefits recognized under international standards, such as preferential taxation and deferral of tax liabilities. Tax incentives are not separated from benefits that can be attributed to tax costs, which is an element of the standard system.

To solve these problems, it is necessary to: develop and legislatively consolidate the methodology for quantitative and qualitative assessment of tax expenditures, assessment of tax costs monitoring; determine the tax costs for the “standard tax system” formation, taking into account the leading foreign experience; to apply the tax costs estimation methods in the context of taxes types and benefits types under the international practice; develop an approach to reforming the direct taxes to avoid unfair distribution of tax benefits

Table 2. The structure of consolidated budget of Ukraine and its share in GDP, %

Source: Based on the data from Ministry of Finance of Ukraine.

Indicators	2007–2009	2010–2012	2013–2015	2016–2018	2007–2018
Tax revenues	75.29	79.83	79.47	79.88	78.62
Non-tax revenues	21.25	18.89	19.45	18.67	19.57
Income from capital operations	2.17	0.75	0.36	0.74	1.00
Official transfers from foreign governments and international organizations	0.10	0.09	0.60	0.38	0.29
Trust funds	1.19	0.44	0.12	0.33	0.52
The share of budget revenue in GDP	29.39	29.38	30.20	33.39	30.59
The share of tax revenue in GDP	23.04	24.38	24.28	27.59	24.82

for high-income groups; to model the alternative ways of developing a simplified tax system; unify the taxation procedure to facilitate more accurate assessment of fiscal instruments aimed at reviving business activity and ensure equal conditions for all taxpayers.

At the same time, based on the correlation-regression analysis, with the increase of consolidated budget of Ukraine revenues share in GDP by one percent, real GDP increases by 0.27 percentage points ($y = 91.56 + 0.27x$); with the share of the consolidated budget of Ukraine tax revenues increasing by one percentage points, real GDP increases by 0.46 percentage points ($y = 88.36 + 0.46x$). At the same time, with the increase of the consolidated budget of Ukraine direct tax revenues share in GDP by one percentage points, real GDP increases by 2.94 percentage points ($y = 65.08 + 2.94x$), and with the increase of the consolidated budget of Ukraine indirect tax revenues in GDP by one percentage points, real GDP decreases by 0.45 percentage points ($y = 105.67 - 0.45x$).

Estimation of the marginal tax rate in Ukraine according to the Keynes multiplier effect concept

Table 3. Dynamics of marginal propensity to consume, marginal tax rate, autonomous costs multiplier and taxes in Ukraine

Source: Based on the data from Ministry of Finance of Ukraine.

Indicators	2014	2015	2016	2017	2018	2014–2018
Autonomous tax multiplier	-4.60	-1.59	-1.56	-1.70	-1.98	-2.29
Autonomous costs multiplier	5.60	2.59	2.56	2.70	2.98	3.29
Marginal propensity to consume	0.82	0.61	0.61	0.63	0.66	0.67
Marginal propensity to save	0.18	0.39	0.39	0.37	0.34	0.33
Marginal tax rate	0.11	0.35	0.36	0.30	0.28	0.28
Multiplier autonomous costs including taxes, depending on income	3.71	1.67	1.64	1.80	1.93	2.15
Multiplier taxes including taxes, depending on income	-3.05	-1.02	-1.00	-1.13	-1.28	-1.50
The difference between the autonomous costs multiplier and the tax multiplier (including taxes, depending on income)	0.66	0.64	0.64	0.66	0.65	0.65

(Keynes, 1936) shows that it is quite high during the analyzed period. So, if the marginal tax rate in 2014 was 0.11, in 2016, this figure reached the level of 0.36, in 2017, it decreased to 0.30, and in 2018 – 0.28. This means that per unit of GDP growth, the tax removed an average of 28% for the period 2014–2018. The autonomous tax multiplier calculations show that their value is quite high. However, due to the influence of the parallel effect of the multiplier costs, there is a multiplier effect of a balanced budget, which is equal to one (Table 3).

Thus, the multiplier effect of the autonomous costs observed in the tax levying from 80 to 90% is offset by the high level of the tax burden. If in 2014, the coefficient of the autonomous costs multiplier including taxes depending on income was 3.71 and the tax multiplier was (-3.05), then, accordingly, the real multiplier effect was 0.66. In 2018, similar figures were, respectively, 2.15 (-1.50) and 0.65. On average, the analyzed indicators for the period from 2014 to 2018 were 2.15 (-1.50) and 0.65. Thus, the unit of incremental autonomous costs leads to a smaller increase in revenues, which contradicts the theoretical views of the multiplier effect; fiscal policy focuses on increasing the tax burden, without taking into account the real state

of major industries and the solvency of taxpayers, is holding back the pace of economic growth and widening the shadow economy.

Therefore, the insufficient level of fiscal instruments development, the sub-optimal structure of general government revenue, including tax revenue, does not allow the influence of the fiscal policy for the general government revenue generation on the level of economic growth. The choice of fiscal strategy for general government revenue generation should be based on assessing the tendencies of the national economies' development, which will contribute to sustainable development and enhance the innovation activity; fiscal policy should be consistent with the priorities of the countries' socio-economic development, and fiscal instruments should be directed to their solution; fiscal projections of general government revenues should be used to anticipate the financial implications of public finance reforms or public administration decisions on fiscal policy implementation; the development of fiscal policy for the of the general government revenue generation should be based on the risks of failure to reach the planned level of general government revenue.

3. DISCUSSION

To some extent, a unified range of revenue generation fiscal instruments is used in most countries, despite the different directions of general government revenue generation. Fiscal policy measures

are designed to achieve primary balance targets that appear on fiscal policies. However, international experience shows that there are different conceptual approaches to the positive or negative impact of a certain level of the tax burden on macroeconomic stability and economic growth rates, the optimal general government revenues structure and fiscal models, which complicates the assessment of their practical significance.

However, the model of effective general government revenue generation in the fiscal regulation system of the economy has a very fragile nature, due to the risks of failure to reach the planned level of income, in particular in terms of taxes based on the level of the countries' socio-economic development and economic growth. These risks, the main of which are due to the slowdown in economic growth due to the intensification of the crisis processes and negative demographic trends, present the threat of sharp violation of fiscal sustainability and the public finance system sustainability as a whole. To avoid such a development, these problematic issues must be constantly in focus of public administration and scientists. Developing fiscal projections of general government revenue as a basis for continuous analysis and assessment of the country's financial and budgetary security will help achieve the goal of fiscal regulation. At the same time, fiscal projection of general government revenue should be used to anticipate the financial implications of public finance reforms or public administration decisions to implement the fiscal policy.

CONCLUSION

The research enables to conclude that the system of fiscal regulation for general government revenue generation is a dynamic, adaptive system of goals, principles, directions, tasks of public authorities to internal and external changes in the economic environment. It is aimed at ensuring the optimal structure of general government revenue to accelerate the economic growth. The study of fiscal regulation peculiarities in the EU countries and Ukraine indicates its orientation towards changing the general government revenue structure. It is substantiated that the impact of the costs multiplicative effect in the context of the transformations in Ukraine is constrained by the effect of the tax multiplier, due to its excessively high indicator (-3.05) in 2014 and (-1.28) in 2018. At the same time, this indicates that fiscal policy is inconsistent with the strategic goals of Ukraine's socio-economic development. Due to the significant marginal tax rate, the planned cost curve in the national economy is well below its potential level. In the income and expenditure cycle, more than 30% of the income growth is deducted as taxes. This is mainly due to the significant level of the tax burden on pricing taxes, including VAT. Despite the prevalence of indirect taxes in budgeting, discretionary fiscal policy is being implemented in Ukraine.

However, built-in stabilizers are primarily aimed at performing purely fiscal functions, whereas regulatory and incentive functions play a secondary role. The scarcity of public finances will always determine the need to improve the change in the vectors of fiscal policy and fiscal regulation system to generate general government revenue in terms of the possibility of implementing the alternative ways of formation and ensuring the proper level of income. Therefore, future research should be carried out in search of new scientific approaches to improve the system of fiscal regulation to generate general government revenue, considering the peculiarities of social relations development.

ACKNOWLEDGMENT

The article was prepared on the subject of the GDR: “The Financial and Budgetary Strategy for Economic Growth” (No. 0119U100577).

REFERENCES

- Agénor, P. (2016). Optimal fiscal management of commodity price shocks. *Journal of Development Economics*, 122, 183-196. <https://doi.org/10.1016/j.jdeveco.2016.05.005>
- Bethencourt, C., & Kunze, L. (2019). Social norms and economic growth in a model with labor and capital income tax evasion. *Economic Modelling*, 86, 170-182. <https://doi.org/10.1016/j.econmod.2019.06.009>
- Bondonio, D., & Greenbaum, R. T. (2007). Do local tax incentives affect economic growth? What mean impacts miss in the analysis of enterprise zone policies. *Regional Science and Urban Economics*, 37(1), 121-136. <https://doi.org/10.1016/j.regsciurbeco.2006.08.002>
- Chang, X., Wu, J., & Li, T., & Fan, T.-J. (2019). The joint tax-subsidy mechanism incorporating extended producer responsibility in a manufacturing-recycling system. *Journal of Cleaner Production*, 210, 821-836. <https://doi.org/10.1016/j.jclepro.2018.10.300>
- Coen-Pirani, D., & Sieg, H. (2019). The impact of the Tax Cut and Jobs Act on the spatial distribution of high productivity households and economic welfare. *Journal of Monetary Economics*, 105, 44-71. <https://doi.org/10.1016/j.jmoneco.2019.04.001>
- Dang, D., Fang, H., & He, M. (2019). Economic policy uncertainty, tax quotas and corporate tax burden: Evidence from China. *China Economic Review*, 56, 101303. <https://doi.org/10.1016/j.chieco.2019.101303>
- DeBacker, J., Heim, B.T., Ramnath, S.P., & Ross, J.M. (2019). The impact of state taxes on pass-through businesses: Evidence from the 2012 Kansas income tax reform. *Journal of Public Economics*, 174, 53-75. <https://doi.org/10.1016/j.jpubeco.2019.03.008>
- Fang, G., Tian, L., Fu, M., & Sun, M. (2013). The impacts of carbon tax on energy intensity and economic growth – A dynamic evolution analysis on the case of China. *Applied Energy*, 110, 17-28. <https://doi.org/10.1016/j.apenergy.2013.04.041>
- Faraji Dizaji, S. (2014). The effects of oil shocks on government expenditures and government revenues nexus (with an application to Iran's sanctions). *Economic Modelling*, 40, 299-313. <https://doi.org/10.1016/j.econmod.2014.04.012>
- Freire-Serén, M. J., & Panadés i Martí, J. (2013). Tax avoidance, human capital accumulation and economic growth. *Economic Modelling*, 30, 22-29. <https://doi.org/10.1016/j.econmod.2012.08.021>
- Guner, N., Lopez-Daneri, M., & Ventura, G. (2016). Heterogeneity and Government revenues: Higher taxes at the top? *Journal of Monetary Economics*, 80, 69-85. <https://doi.org/10.1016/j.jmoneco.2016.05.002>
- Gwartney, J., & Stroup, R. (2014). 10 - fiscal policy and demand management. *Macroeconomics (third edition), Private and Public Choice*, 191-202, 205-209. <https://doi.org/10.1016/b978-0-12-311071-8.50016-0>
- Hung, F.-S. (2017). Explaining the nonlinearity of inflation and economic growth: The role of tax evasion. *International Review of Economics & Finance*, 52, 436-445. <https://doi.org/10.1016/j.iref.2017.03.008>
- Keynes, J. M. (1936). *The General Theory of Employment, Interest, and Money*. Macmillan Cambridge University Press. 263.
- Laffer, A. (2004). The Laffer curve: Past, present and future. *Backgrounders*, 1765, 1-16. <https://www.heritage.org/research/taxes/bg1765.cfm>
- Lin, B., & Jia, Z. (2019). Tax rate, government revenue and economic performance: A perspective of Laffer curve. *China Economic Review*, 56, 101307. <https://doi.org/10.1016/j.chieco.2019.101307>
- Lloyd-Ellis, H., & Zhu, X. (2001). Fiscal shocks and fiscal risk management. *Journal of Monetary Economics*, 48(2), 309-338. [https://doi.org/10.1016/S0304-3932\(01\)00081-2](https://doi.org/10.1016/S0304-3932(01)00081-2)
- Lopez-Martin, B., Leal, J., & Fritscher, A. (2019). Commod-

- ity price risk management and fiscal policy in a sovereign default model. *Journal of International Money and Finance*, 96, 304-323. <https://doi.org/10.1016/j.jimonfin.2017.07.006>
19. Ministry of Finance of Ukraine (n.d.). Official site of Ministry of Finance of Ukraine. Retrieved from <https://minfin.gov.ua>
 20. Miyazawa, K., Ogawa, H., & Tamai, T. (2019). Capital market integration and fiscal sustainability. *European Economic Review*, 120, 103-305. <https://doi.org/10.1016/j.euroecorev.2019.103305>
 21. Official site of the Statistical Office of the European Commission. Retrieved from <http://ec.europa.eu/eurostat>
 22. Ojeda, A., & Yamarik, S. (2012). Tax policy and state economic growth: The long-run and short-run of it. *Economics Letters*, 116(2), 161-165. <https://doi.org/10.1016/j.econlet.2012.02.023>
 23. Olayungbo, D., & Olayemi, O. (2018). Dynamic relationships among non-oil revenue, government spending and economic growth in an oil producing country: Evidence from Nigeria. *Future Business Journal*, 4(2), 246-260. <https://doi.org/10.1016/j.fbj.2018.07.002>
 24. Pasichnyi, M. (2017). Empirical study of the fiscal policy impact on economic growth. *Problems And Perspectives in Management*, 15(3), 316-322. [http://dx.doi.org/10.21511/ppm.15\(3-2\).2017.01](http://dx.doi.org/10.21511/ppm.15(3-2).2017.01)
 25. Pasichnyi, M., Kaneva, T., Ruban M., & Nepytyaliuk, A. (2019). The impact of fiscal decentralization on economic development. *Investment Management and Financial Innovations*, 16(3), 29-39. [https://doi.org/10.21511/imfi.16\(3\).2019.04](https://doi.org/10.21511/imfi.16(3).2019.04)
 26. Restrepo, F. (2019). The effects of taxing bank transactions on bank credit and industrial growth: Evidence from Latin America. *Journal of International Money and Finance*, 93, 335-355. <https://doi.org/10.1016/j.jimonfin.2019.02.005>
 27. Roşoiu, I. (2015). The Impact of the Government Revenues and Expenditures on the Economic Growth. *Procedia Economics and Finance*, 32, 526-533. [https://doi.org/10.1016/S2212-5671\(15\)01428-8](https://doi.org/10.1016/S2212-5671(15)01428-8)
 28. Stoilova, D. (2017). Tax structure and economic growth: Evidence from the European Union. *Sistema fiscal y el crecimiento económico: evidencia de la Unión Europea. Contaduría y Administración*, 62(3), 1041-1057. <https://doi.org/10.1016/j.cya.2017.04.006>
 29. Wang, Y., Gao, H. O., & Liu, J. (2019). Incentive game of investor speculation in PPP highway projects based on the government minimum revenue guarantee. *Transportation Research Part A: Policy and Practice*, 125, 20-34. <https://doi.org/10.1016/j.tra.2019.05.006>
 30. Zhang, Z., & Li, Y. (2011). The Impact of Carbon Tax on Economic Growth in China. *Energy Procedia*, 5, 1757-1761. <https://doi.org/10.1016/j.egypro.2011.03.299>