

BUDGET-2005/2008 of UKRAINE
BUDGETS of UKRAINE 2005-2008.
Cabinet(Study) of the President of Ukraine
To the chief of Service of economic policy
To the chief of Service of social policy
To the chief of Service of internal policy

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BUDGETS of UKRAINE 2005-2008.

We direct you calculations for an opportunity to estimate an opportunity of use of the tax to the industrial real estate for the budget of Ukraine in 2005 with prospect till 2008, that practically solves a problem worth today. However calculations it is desirable to specify and develop more strict and differentiated system of the taxation.

Yours faithfully,

Valery Aleksandrovich Vasiljev

Director of Institute economic – socio-cultural researches (assignee ДЕНМС of ДНЦ АН of Ukraine), the academician of Academy of economic sciences of Ukraine, academician AES&E of Russia, academician of the New York Academy of Sciences, the doctor of commerce AES&E of Russia, high scis. empl., cand. econ. scis.

BUDGETS of UKRAINE 2005-2008.

And the TAX TO the INDUSTRIAL REAL ESTATE

/one more variant of specific proposals to the Government of REFORMS of Ukraine/

In the report of Jefry Saks "Investment in development: the Practical plan, achievement of the Purposes in the field of the development, formulated in the Declaration of a Millennium", prepared by group of 265 scientific different fields of activity, are offered a way of liquidation of famine, poverty and diseases, and also increases of an educational level and services in sphere of public health services. And this work was a basis for preparation of performance(statement) of Kofi Annan at 60-th session of General Assembly of the United Nations on March, 21, 2005. Ukraine, certainly, is not the richest in the country in the world, but also is not deprived neither natural, nor manpower resources. Therefore to the Government of Ukraine it is necessary to overcome poverty (installation of the President of Ukraine V.A. Jushchenko), but Ukraine not must overcome food crisis. It essentially changes our approaches to problems of economic growth and to achievement of the European standards of a standard of living.

Experience of development of some the states injured during wars and crises testifies, that only proportional involving in production of all components of national riches at objective optimum use of laws of preservation of labour and non-destroy intellectual - spiritual labour brings rather appreciable result.

By calculations of the world bank the national riches of the world will consist from:

- The physical capital - 16 %;
- The natural capital - 20 %;
- The human capital - 64 %.

In the statistical directory of the United Nations "the Countries of the world 2001 " (Moscow, 2003) are resulted the following data across Ukraine:

Nomenclatures	1990	2000
Internal total product (gross national product),	250, 9	30, 3

billion US dollars		
Index of an agricultural production	74	49
Index of industrial production	77	49
Gross national product per capita, in \$ the USA	4835	606
Motor transport on 1 thousand чел., pieces	74,9	102,5
Telephone lines on 100 inhabitants	13,6	19,9

As we see from resulted given gross national products (GNP) it was reduced in 8 (eight) times, the index agricultural and industrial production was reduced in 1,5 times, at the same time the quantity(amount) of motor vehicles has increased by 1000 inhabitants in 1,37 times, the quantity(amount) of telephone lines has increased by 100 inhabitants in 1,46 times.

In 2003 made in Ukraine of gross national product has made 49,64 billion US dollars in view of a rate of inflation for these four years (1, 4355) gross national product has increased by 14,1 % (mid-annual growth has made 2, 7 %).

For these years the gain of the basic production assets has made 19,78 % or 2,1 % in a year.

Mid-annual gain of the profit of 1,4 %.

Mid-annual gain of the budget of 1,9 %.

Thus available production assets were used on 40 %. Actually 60 % of funds were not used, or participated in shadow economy; thus the significant part of production assets is privatized.

During all years of independence occurred and till now there is an outflow of capitals in other countries and, hence, they do not participate in becoming domestic economy.

Efforts of the government undertaken now on updating the budget have disposable character and do not solve a problem on the future. Till now the budget of the state was formed due to the following tax revenues:

1. The profit tax of the enterprises - 17, 5 %;
2. The tax to incomes of citizens - 18, 0 %;
3. Payments for use of natural resources - 4, 0 %;
4. The value-added tax - 18, 0 %;
5. Duties - 7, 0 %;
6. The tax to international trade - 5, 6 %;
7. Tax revenues, including from privatization
State ownership - 7, 0 %;
8. Administrative gathering and payments - 2, 0 %;
9. Incomes of operations with the capital, in
that Number the tax to the real estate - 0, 8 %;
10. Other tax revenues - 22, 0 %.

We must say that the state budget the USA is formed for the account:

- Taxes to incomes of physical persons - 50-60 %;
- The profit tax of the enterprises - 5-10 %;
- Indirect taxes (including
the tax to the real estate) - 35-40 %.

Last years to lower a level of washing away (перекачивания) capitals in banks or in economy of other countries, and also for creation of conditions of an investment of capitals in development of own economy in some less developed countries the tax to the capital which is paid irrespective of is entered where is (or the capital is used).

Taking into account all above-stated there is a necessity of development of substantive provisions for successful development of a national economy and creation of legitimate conditions of development and perfection both small, and the big business.

First steps in this direction are already made - the progressive norms of depreciation charges providing 4 groups of the basic production assets are authorized:

1-st group - passive funds, annual norm of deductions - 8 %;

2-nd group - active funds with service life till 3 years with annual norm of depreciation charges - 40 %;

3-тя group - active funds with service life over 4 years, annual norm of depreciation charges - 24 %;

4-th group - active funds with service life till 2-th years, annual norm of depreciation charges - 60%.

Naturally, the tax to the industrial real estate should be a part of the charged amortization. In table 1 calculations of size of depreciation charges, the sums of charges on repairs of the basic production assets and the sums of the tax to the real estate on branches of a national economy for 2005, and the next three years - in Table 2 are resulted.

Table 1

**Fixed capital, amortization, the sums of the tax and investments into 2005,
In billion grvn.**

Branches of national economy	Cost of funds				Amortization				The tax on estate	Return on repairs	Invest. Fund
	Total	Including			Total	Including					
		1 gr.	2 gr.	3 gr.		1	1 gr.	2 gr.			
Agriculture	84,8	57,7	15,3	11,8	13,57	4,62	6,12	2,83	3,39	3,06	7,12
Industry	363	167	25,0	171	64,40	13,36	10,0	41,04	16,10	14,49	33,81
Construction	27,8	10,0	5,6	12,2	5,97	0,80	2,24	2,93	1,49	1,34	3,14
Transport and communication	155,5	62,2	46,7	46,7	34,84	4,98	18,7	11,2	8,71	7,84	18,29
Wholesale & sell trade, service	25,5	12,2	5,1	8,2	4,98	0,98	2,04	1,96	1,25	1,12	2,61
Operations immovable, tenancy, services, law service persons	215,1	151	53,8	10,7	36,14	12,05	21,5	2,57	9,04	8,13	18,97
Other branches	143,2	71,6	35,8	35,8	28,64	5,73	14,32	8,59	7,16	6,44	15,04
Total	1014,9	531,3	187,3	296,4	188,5	42,52	74,9	71,02	47,14	42,42	98,98

Table 2

**Fixed capital, amortization, the sums of the tax and investments
In 2006-2008, in billion grvn.**

Branches	Cost of funds	Amortization	The	Retu	Invest.
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of national economy	Years	Total	Including			Total	Including			tax on estate.	rn on repairs	Fund
			1 gr.	2 gr.	3 gr.		1 gr.	2 gr.	3 gr.			
Agriculture	2006	91,90	62,50	16,6	12,8	14,7	5,00	6,64	3,07	3,68	3,31	7,72
	2007	99,62	67,75	18,0	13,9	16,0	5,42	7,20	3,33	3,99	3,59	8,37
	2008	108,0	73,44	19,5	15,1	17,3	5,88	7,80	3,61	4,32	3,89	9,08
Industry	2006	396,8	182,7	27,3	187	70,4	14,6	10,9	44,8	17,6	15,8	36,94
	2007	433,8	199,9	29,8	204	76,9	16,0	11,9	49,0	19,2	17,3	40,38
	2008	474,2	218,7	32,6	223	84,0	17,5	13,0	53,5	21,0	18,9	44,12
Construction	2006	30,94	11,30	6,23	13,6	6,64	0,90	2,49	3,25	3,68	1,49	3,49
	2007	34,61	12,56	6,93	15,1	7,40	1,00	2,77	3,63	3,99	1,67	3,89
	2008	38,50	13,96	7,71	16,8	8,24	1,12	3,08	4,04	4,32	1,85	4,33
Transport and communication	2006	173,8	69,52	52,1	52,1	38,9	5,55	20,9	12,5	17,6	8,76	20,43
	2007	194,2	77,69	58,3	58,3	43,5	6,22	23,3	14,0	19,2	9,79	22,84
	2008	217,1	86,83	65,1	65,1	48,6	6,95	26,1	15,6	21,0	10,9	25,53
Wholesale & sell trade, service	2006	28,11	13,45	5,62	9,04	5,45	1,03	2,25	2,17	1,66	1,23	2,86
	2007	31,00	14,82	6,19	9,96	6,06	1,19	2,48	2,39	1,85	1,36	3,18
	2008	34,16	16,35	6,83	11,0	6,68	1,31	2,73	2,64	2,06	1,50	3,51
Operations im-movable, tenancy, services, law service persons	2006	233,5	163,3	58,5	11,7	39,3	13,1	23,4	2,80	9,73	8,84	20,62
	2007	254,1	177,7	63,7	12,7	47,7	14,2	25,5	3,04	10,9	9,61	22,43
	2008	276,5	193,4	69,3	13,8	46,5	15,5	27,7	3,31	12,2	10,5	24,41
Other branches	2006	158,2	79,12	39,6	39,6	31,6	6,33	15,8	9,49	7,91	7,12	16,60
	2007	174,9	87,43	43,7	43,7	35,0	6,99	17,5	10,5	8,74	7,87	18,35
	2008	193,2	96,61	48,3	48,3	38,6	7,73	19,3	11,6	9,66	8,69	20,29
Total on a national economy	2006	1113,3	581,87	206	326	207	46,5	82,4	78,	51,8	46,58	108,7
	2007	1222,2	637,84	227	358	228	51,0	90,6	86	56,9	51,19	119,4
	2008	1341,6	699,26	249	393	250	56,0	99,7	94	67,5	56,24	131,3

Apparently from table 1 in the budget of the State in 2005 should act(arrive) due to the tax to the industrial real estate 47,14 billion grn. And further at use of investment means for development and perfection of manufacture annually the sum of tax revenues will grow (see Table 2) on 10 %. That investment means were used in full to destination it is necessary to enter the tax to builded objects at a rate of 5 % and in a case оставления or accumulation of means on depositary bank accounts are expedient for establishing the tax to these means at a rate of 7 %. Export of the capital and its accommodation in banks or in the joint-stock companies not below 5% also are desirable to assess.

Introduction of the tax to the industrial real estate will provide increase in receipts in the budget of the state at least on 47,14 billion grn.; it will provide formation(education) of own investments in the sum 98,98 billion grn. and increase in the basic production assets at 10 %, and also the minimal gain of gross national product at 7,5 %.

Hence, if to assume as a basis calculation of the budget for 2003 as a result of introduction of the tax to the industrial real estate the budget will make 122, 93 billion grn.

The real stimulus to the manager effectively is created to use the industrial real estate (!). And this stimulus will work, if the management case will be convinced of sequence of the Governmental program.

The further perfection of the tax laws should be directed on attraction to formation of the budget of all capitals which are taking place both in Ukraine, and behind its limits.

Except for its It is necessary to lead(carry out) a numbers of serious researches and to develop system objective social - fair, adequate(answering) to the labour contribution, distributions of the made social blessings, and corresponding participation in formation of the budget of the state.

We would like to accept more active participation in these development, and also in development of concrete practical recommendations.

Vasiljev V.A., Vasiljev A.V.,

Institute economic–socio-cultural researches (assignee DESMC of DSC AS of Ukraine)

Academician of the New York Academy of Sciences and the Research Board of the American Biographic Institute, Academician of the AES&E of Russia, Dr. com. scis., high scis. empl.

Vasiljev A.V.,

Academician of the New York Academy of Sciences, member AAAS and the Research Board of the American Biographic Institute, Honorary member AES&E of Russia, Dr. econ. scis., high scis. empl..

The Odessa National University name I.I. Mechnikova