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**LOCAL BUDGET REVENUES:  
 PROBLEMS OF FORMATION AND DIRECTIONS OF IMPROVEMENT**

In the modern economic system, in terms of expanding the powers of local governments, a special role is played by the formation of the revenue base of local budgets and increasing the sources of their replenishment. The need appears due to the fact that local governments can fully perform their functions only if they have the financial resources. The socio-economic role of local budget revenues is that they are the main tool of local governments to implement their own policies to prioritize the use of own budget funds, as well as a source of funding for social spending and implementation of economic, social and infrastructure programs.

The main sources of local budget revenues include tax revenues, non-tax revenues, revenues from capital transactions and transfers. In the structure of local finances, the ratio of these sources determines the level of independence and autonomy of local budgets [1, p. 160].

However, in Ukraine for many years there are problems of formation and rational use of the revenue side of local budgets. Among the problems is the fact that there is a partial lack of funding for the obligations that local governments have to fulfill due to lack of funds, instability of revenues and budget deficit. As a result, local authorities are unable to address the basic problems of citizens, provide the relevant areas with adequate funding for economic and social development, and improve their well-being and the management of public utilities, education and health care.

Reducing the pace of socio-economic development of the country is another negative factor that affects the dynamics of local budget revenues and is characterized by rising unemployment and inflation, devaluation of the national currency, as well as a high level of subsidies for local budgets [2, p. 87].

Another weakness, even in the context of fiscal decentralization, is the significant share of transfers. This indicates the imperfection of the distribution of revenue and expenditure powers between the levels of government and systems of inter-budgetary relations, as well as problems with increasing the revenue side of local budgets due to the weak economic development of certain areas. The problem is related to the search for own sources of income for local governments and the lack of influence on the formation of most existing types of income.

In general, the main problems of forming the revenue base of local budgets are the following ones: instability of economic life; crisis phenomena in the economy; significant military expenditures; lack of effective incentives to increase revenues; state financial assistance decreases with increasing fixed revenues; the state does not compensate for the loss of local budget revenues as a result of providing benefits; lack of mechanisms for waiving delegated powers without financial resources.

Therefore, to improve the formation of local budgets in Ukraine in the context of optimizing their revenue side, it is advisable to take such measures as: expanding the list of local taxes and fees that can be introduced by local governments in the territory; stimulating tax efforts of territorial communities; ensuring a close link between taxes received by local budgets and the benefits of related expenditures; effective public control over the movement of budget resources and the application of austerity measures; support for small and medium-sized businesses as a source of tax revenues; job creation and increase in wage funds; ensuring publicity and transparency of the budget process; implementation of a set of measures to regulate relations in the field of ownership and use of natural resources; setting the upper threshold of local budget contributions to the equalization system, etc.

**References:**

1. Tatarin N.B., Voitovich V.V. Local budgets as a financial base of local government. *Scientific Bulletin of UNU: Series: International Economic Relations and the World Economy.* Uzhhorod: Helvetica Publishing House, 2017. Issue. 11. Pp. 159–162.

2. Tatarin N.B., Pupko I.V. Formation of local budgets in terms of financial decentralization. *Black Sea Economic Studies*. 2018. Vip. 29 (2). Pp. 85-89.