

FEATURES OF SELF-TAXATION AS A FORM OF LOCAL BUDGET REVENUES

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Abstract

The aim of the article is to reveal the features of self-taxation as an independent form of local budget revenues. There is no consensus among domestic and foreign scholars on understanding the nature, place, and role of self-taxation in the system of income sources of territorial communities. Another problem is the fact that today in Ukraine there is virtually no legislative regulation of this financial and legal institution. The research methodology is based on formal-dogmatic, comparative-legal, systemic-structural and other scientific methods. It is substantiated that self-taxation is an independent type of mandatory payment, which is non-tax in nature and is used to address issues of local importance, the population at a general meeting or local referendum independently determines its size, procedure for introduction, and use.

Keywords

Self-Taxation, Tax, Local Budget Revenues, Local Government, People's Financial Initiative, Institution of Financial Law

I. Introduction

The effectiveness of local governments largely depends on the adequacy of their financial resources. Implementation of the constitutional principle of financial autonomy of territorial communities is one of the main tasks of the modern Ukrainian state. The financial autonomy of communities is possible provided there is sufficient own income, as intergovernmental transfers, and more recently fixed revenues is a good example of local communities' dependence on the central government. Traditionally, in the financial and financial-legal literature, local self-government revenues are considered through the prism of communal property revenues and local taxes and fees. At the same time, a very interesting and promising tool for mobilizing financial resources by local communities, which has a long history and domestic and foreign examples of effective use is largely ignored. We are talking about such a financial and legal institution as self-taxation.

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Completely distorted in the 1930s by the Soviet authorities, when self-taxation was used as a tool to combat those who disagreed with communist ideology, it aroused fears and negative associations among witnesses of that era today. However, what was happening at that time has nothing to do with the classical self-taxation of the population, and territorial communities in a shortage of financial resources should not give it up.

II. Methodology and Data

Despite the importance of this problem, thorough research on the legal nature, place and role of self-taxation in the system of financial law is extremely small, and most of the works is fragmented and relates to certain aspects of the manifestation of this phenomenon. In the science of financial law has not yet developed a unified approach to understanding the self-taxation of the population. This phenomenon is often identified with other categories of financial law, such as taxes, fees, charitable contributions and even local borrowing. Accordingly, there are no clear criteria for distinguishing these phenomena. The study is based on theoretical developments of both domestic and foreign scientists, in particular O. V. Borysiuk, B. Brzeziński, A. Ye. Buriachenko, M. Hyski, B. Jelčić, O. O. Kirin, E. Koniuszewska, A. Maksimovska Veljanovski, G. V. Morunova, A. Niezgodna, V. V. Pysmennyi, T. Rogić Lugarić, and others.

Based on these considerations, the purpose of this article is to reveal the features of self-taxation as an institution of financial law, to conduct a comparative analysis with related financial and legal phenomena, to show the importance of self-taxation as a form of local budget revenues.

The research will be carried out by using formal-dogmatic, comparative-legal, systemic-structural and other scientific methods. With the help of the formal-dogmatic method, legislation will be analyzed and definitions will be formulated. The use of the comparative legal method will allow to investigate the formation and development of the institution of self-taxation of the population in Ukraine and other European countries. The tools of the system-structural method will make it possible to determine the place and role of the institution of self-taxation of the population in the system of revenues of local budgets.

III. Results

The main difference between self-taxation and taxes

Although self-taxation and taxes have some common features (public nature, individual gratuitousness, mandatory payment), these payments cannot be equated. First, it is traditionally believed that the administration of taxes is carried out not to perform any specific tasks, but for the activities of the public entity as a whole. Almost half a century ago, Tsypkin (1973) noted that *“from a legal point of view, the tax means first a payment to the budget. This payment is not intended for specific expenses. All tax revenues are mixed in the budget in the form of sums of money and can be used to finance any purposes of general interest”*. Even more categorically expressed about the targeting of the tax Bekerska (2000), who claims that *“the tax amounts come only to the budget, without the right to include them in extra-budgetary funds or other state trust funds”*. However, some

scientist express the opposite view, considering today taxes as “*mandatory and legally individual gratuitous payments of organizations and individuals, established within their competence by representative bodies of state or local government for enrollment in the budget system (or in cases specified by law – extra-budgetary state and municipal trust funds) with determination of their sizes and terms of payment*”². In this regard, scientists propose to divide taxes, depending on the purpose of their use, into general and target, where “*general taxes are the most numerous type of taxes levied on budgets of different levels and spent on various functions of the state. Target taxes are collected in special funds and spent on the implementation of certain programs*”³. There is a reasoned position in this dispute of Pryshva (2003), who notes that “*any payment to the trust fund is intended to make future expenditures in specific areas, and therefore it is devoid of abstraction. When paying funds to trust funds are speaking not so much about taxes, but about targeted payments, which, as a rule, are compensatory*”.

In our opinion, in resolving this dispute it is necessary to proceed from the financial needs of the public entity. After all, the condition for the successful performance of the government’s inherent functions is to ensure its financial needs. A multifaceted approach to the analysis of the financial needs of the state and local self-government allows distinguishing at least two levels of these needs – primary and secondary. Primary needs are limited to the framework that ensures the very existence of authorities. Within this framework, it conducts its financial activities exclusively in an unconditional, categorical imperative form, mainly in the form of taxation. Having secured its existence, the authorities also use softer, conditional forms of sharing the burden of public spending⁴. That is, taxes form the centralized monetary funds of the state or territorial community and ensure their existence; other forms of redistribution of national income ensure that they perform certain tasks.

The analysis of the legislation on self-taxation both in Ukraine and in other European countries shows that self-taxation is carried out exclusively for attraction of additional means for implementation of actions for improvement and social and cultural development of settlements. Experience shows that self-taxation was established to finance street lighting, reconstruction of cultural monuments, care for religious buildings, cemeteries, garbage collection, cleaning of public water bodies, etc. Based on this, both the introduction of self-taxation and the expenditure of funds raised are targeted. This is an exception to the principle of general coverage of budget expenditures inherent in taxes. The Polish scientist Hyski (2009) points out, “*self-taxation is a tool for accumulating community income for a clearly defined purpose*”. An abstract formulation of the purpose of self-taxation may be grounds for declaring it illegal.

Self-taxation is a targeted income that is intended in advance to finance a specific public good (the costs of which must be known in advance) of the daily interest of citizens and their interest and willingness to share with public authorities part of their income. However, this interest of citizens is one of the most sensitive elements of self-taxation. It

² Khimicheva (2000).

³ Tolstopyatenko 2001).

⁴ Babin (2008).

should be borne in mind that over time, during which citizens finance the public good and allocate part of their income, the initial enthusiasm declines significantly. As an example, we can cite the experience of paying payments from self-taxation for the improvement and arrangement of cemeteries in Chernivtsi. Thus, based on the results of the local referendum of April 16, 2000 and the decision of the XIV session of the Chernivtsi City Council of the XXIII convocation “On self-taxation of citizens of Chernivtsi” of May 18, 2000 №276, a fundraiser was introduced to finance the improvement and arrangement of city cemeteries. The collection was in effect for six years and ceased to exist due to a significant reduction in revenues from it. In the last year of its collection, the city budget received only 36.5 thousand hryvnias out of the planned 200 thousand hryvnias⁵. Therefore, it is not surprising that many scholars are in favor of limiting the period of self-taxation. It should be emphasized that there are different opinions, but the optimal term is usually three years, after which self-taxation becomes a local target tax⁶. Although it is difficult to find strong arguments in support of such claims. The most important thing to remember is the initial understanding of this institution as a spatially and purposefully limited instrument, the purpose of which is to finance additional benefits in the form of small objects for a limited time. Completion of the task for which funding was received through this instrument is equivalent to the completion of this form of communal income⁷. Therefore, self-taxation is best understood as an additional means of financing a certain general need at the local level.

Secondly, self-taxation is characterized by its form of legalization (method of establishment) – holding a general meeting or local referendum, while in the case of taxes, such forms of direct democracy are expressly prohibited by the constitutional norms of almost all European states. Scholars largely attribute this constitutional ban to the inalienable right of the state to impose taxes. To establish taxes, in their opinion, the state does not need to obtain the consent of taxpayers, the tax is established unilaterally⁸. This is the essence of the state as a special subject of public law⁹. The right of the state to impose and collect taxes is sovereign and cannot belong to anyone else¹⁰.

In foreign scientific literature, based on this feature of self-taxation, it is often called an instrument of direct democracy and popular financial initiative. For example, the Law on Local Referendum of the Republic of Poland explicitly states that holding a community referendum is the only permissible form of self-taxation of residents, and the decision to hold it must be supported by at least half of the relevant local council. The decision must clearly state the specific objectives and principles of self-taxation. The introduction of self-taxation is possible if at least two-thirds of eligible residents voted for it during the referendum. According to Koniuszewska (2018), the use of the referendum on self-taxation of residents can also be supported by the need to involve community members

⁵ Pysmennyi (2008).

⁶ Jelčić (1987).

⁷ Kryczko (2013).

⁸ Makarenko (2003).

⁹ Zlobin (2003).

¹⁰ Perepelitsa (2003).

in the performance of public tasks and, as a result, in the formation of their responsibility for the functioning of their community. In our opinion, the reason that justifies the use of the referendum institution is primarily fiscal considerations. Authorities do not have the opportunity to increase the tax burden above the maximum level established by law. The introduction of self-taxation solely based a local referendum allows it to perform tasks recognized by the local community as important enough to express the desire to experience additional burden above what follows from tax law¹¹.

Third, self-taxation differs from taxes by the subject of the establishment. Due to the principles of unity of the tax system and the unity of the economic space of Ukraine, the limits of competence of representative bodies of local self-government in the field of taxation are limited to such actions as the choice from the list of local taxes and fees of a specific tax or fee established at the level of law, development, and specification of the content of clearly defined elements of the legal structure of the selected local tax or fee, and the process of taking the appropriate decision to impose a local tax or fees in the territory of their jurisdiction¹². Violation of the constitutional principle of division of competitions in the tax sphere by the central government and non-compliance with the procedure for imposing local taxes and fees has repeatedly served as a basis for the judicial appeal of tax notices-decisions by taxpayers¹³.

Article 10 of the Tax Code of Ukraine defines an exhaustive list of local taxes and fees: 1) property tax; 2) a single tax; 3) fee for parking spaces for vehicles; 4) tourist fee. Local governments are not entitled to impose additional local taxes and fees not provided by law. At the same time, Article 1 of the Law of Ukraine “On Local Self-Government in Ukraine”, acting as a manifestation of the constitutional principle of autonomy of local self-government, provides for the possibility by the decision of the meeting of citizens to attract voluntarily the funds of the population of the territory in the form of self-taxation to finance one-time targeted social activities. That is, the subject of the establishment of local taxes is a representative body of local self-government (local council), and self-taxation – residents directly relevant local community. The rapid development of information and communication tools allows the use of not only traditional but also new tools for initiating self-taxation. For example, e-petitions, this has become one of the most popular ways for civil society to interact with public authorities. The introduction of e-petitions expands the opportunities for citizens to participate in the management of public affairs, strengthens opportunities for additional control over the activities of public authorities, especially at the local level¹⁴.

The question of the subject of initiating and establishing self-taxation, according to Croatian and Macedonian scholars Rogić Lugarić and Maksimovska Veljanovski (2011), is key in identifying this institution, as only future payers can initiate the establishment. Another Croatian scholar Jelčić (1987), is more categorical in his position and notes that the decision is made by persons subject to such an obligation, besides, self-taxation can be

¹¹ Niezgoda (2004).

¹² Babin (2016).

¹³ Babin (2020).

¹⁴ Babin, Vakariuk (2019).

introduced only if approved by a qualified majority of future payers, namely at least 80% of them.

At the same time, the history of self-taxation in Ukraine shows many cases when local councils tried to establish self-taxation on their territory without holding a general meeting of residents or a local referendum. For example, the Maloorchytisia village council in the Kharkiv region established a self-taxation of the rural population for 2013. According to the decision of the council, self-taxation covered about 1.6 thousand people. The rate was 10 hryvnias per person. The money from the self-taxation was to be used to repair the local monument. However, the Zachepylivsky District Prosecutor's Office, which is a clear confirmation of our position on the subject of establishing self-taxation, submitted a proposal to the session of the village council to cancel the illegal decision to protect the rights of citizens. The prosecutor's office substantiated its submission with the fact that according to the requirements of the new Tax Code of Ukraine, self-taxation is not included in the list of taxes and fees that local councils have the right to establish.

Fourth, self-taxation, unlike taxes, inherent in voluntary establishing. According to Polish scientist Brzeziński (1995), "*the idea of self-taxation is a voluntary transfer of funds to the local community*". This tool revenue collection by municipalities is defined as "*a situation where a certain group of subjects has no right to create tax liabilities decides on voluntary payments accrue some funds to the budget or other special-purpose funds*"¹⁵. Residents of the territorial community at a general meeting or local referendum voluntarily agree to the establishment of self-taxation, its size, payment procedure, purposes of use of funds raised or vice versa, do not agree, while with taxpayers these issues are not discussed, their opinions and positions may not be accepted to note. The establishment of taxes occurs unilaterally by public authorities subject (the Verkhovna Rada of Ukraine or the relevant local council) without fail. The payer cannot refuse to pay taxes by under Article 67 of the Constitution of Ukraine, which enshrines the obligation of everyone to pay taxes and fees in the manner and amounts established by law. Mandatory payment is one of the main criteria that distinguish taxes from other types of budget revenues established by budget legislation. If from the legal point of view the tax acts as a clearly defined obligation associated with the corresponding restriction of property rights of the person, then in ethical terms, as noted by the Russian scientist Vinnitskiy (2001), "*it (tax) is an individual's social debt to society*".

After the approval of the decision to establish self-taxation at a general meeting of residents or a local referendum, the payment of self-taxation, as well as the payment of taxes, becomes mandatory. Therefore, we cannot agree with the Ukrainian scientist Pysmennyi (2008) that "*the mechanism of making payments from self-taxation provides for voluntary contributions of citizens to finance measures for the improvement of settlements, development of utilities and consumer services, its facilities and infrastructure*". Such conclusions of scientists can be explained by the lack of developed financial legislation in terms of liability for non-payment of self-taxation. After all, self-taxation is not a tax; accordingly, the provisions of the Tax Code on liability for non-compliance with the tax

¹⁵ Kosikowski (1995).

obligation cannot be applied to it. In the practice of foreign countries, there are cases when municipal legal acts of self-taxation try to clearly and unambiguously call it a tax and apply to it the provisions of tax law, including in terms of legal liability for non-compliance with tax obligations, however, the scholars themselves, citing such examples, point to the futility of such an approach because self-taxation has more in different than common features with taxes¹⁶.

Fifth, a characteristic feature of taxes that stands out in the literature is gratuitousness. Taxes are transferred in ownership to the public authority and the public authority is not legally obligated in front of a particular citizen for the payment of taxes and does not provide for any personal compensation to the taxpayer. Therefore, the fulfillment by the taxpayer of the obligation to pay the tax does not give rise to a public authority counter-obligation to provide the person with any material benefits or to take actions in his favor. According to the Russian scientists Vinnitskiy and Belykh (2004), *“the state, represented by its services, will be obliged to provide appropriate services to a particular taxpayer even if it has not properly fulfilled its tax obligations. Similarly, the state’s failure to fulfill its social purpose does not legally exempt citizens from taxation”*. Reversibility and repayment of tax payments in the literature are mostly considered globally, ie they are returned to the payer in the form of the value of public goods provided by the state¹⁷. Thus, Nitti (1904) wrote in the early twentieth century: *“The tax is the part of the wealth that citizens are forced to give to the state and local social and legal bodies to meet collective needs”*.

In this context, given that self-taxation is based on a kind of “mobilization” of citizens (the very possibility of its existence depends on their will), this tool must provide a feedback mechanism through which payers will systematically control costs. It follows that one of the most important initial elements of self-taxation is the presence of a system of supervision over the entire project. This element is especially prominent in the practice of using self-taxation in Northern Macedonia. In the Republic of Northern Macedonia, self-taxation is regulated by a special law, which determines the formal legal elements to be contained in the decision of the local self-government body on self-taxation. One of such elements is the supervisory management of citizens on the expenditures of funds received from self-taxation. However, according to local scholars, the mechanisms of forming an administrative body, supervisory board, or another form of supervision in which participating citizens (payers of self-taxation contributions) proved to be a legal gap in the Law, and therefore one of the most important areas for improving current Macedonian legislation¹⁸.

We cannot agree with the position of some scholars who believe that such trends in the development of the institution of self-taxation indicate the possibility of wider use of the method of direct financing of public goods¹⁹. In our opinion, this indicates financial and managerial decentralization, the involvement of citizens in the budget process. The

¹⁶ Kirin (2017).

¹⁷ Krokhina (2002).

¹⁸ Rogić Lugarić, Maksimovska Veljanovski (2011).

¹⁹ Jelčić, Lončarić Horvat, Šimović, Arbutina, Mijatović (2008).

purpose of the institute of self-taxation is not to replace local public authorities, but the maximum possible participation of community residents in its activities. Over the past few decades, countries, where there is an institution of self-taxation, have undergone a series of budgetary and governance reforms focused on the technical rationality of the budget system, increasing government accountability for what they spend and how they manage their finances. Strengthening the decentralization of state functions provides a greater influence of citizens on the identification of needs that are of immediate daily interest to the local population and the process of meeting them. On the other hand, forcing local governments to act as a manager (entrepreneur) and show high economic results of their activities. Only those local governments that act as effective managers can attract additional financial resources through self-taxation.

The main difference between self-taxation and fees

For the first time since the creation of its own system of taxes and fees, the Tax Code of Ukraine enshrines an attempt to differentiate between taxes and other mandatory payments, the collection of which is provided by this Code. Under paragraph 6.2. Article 6 of the Tax Code of Ukraine fee (payment, contribution) is a mandatory payment to the relevant budget, which is levied on taxpayers, provided they receive a special benefit, including as a result of committing in favor of such persons by state bodies, local governments, others authorized bodies and persons of legally significant actions. As we can see from this definition, self-taxation cannot be attributed to fees. The condition for collecting funds as a fee is the provision of a special benefit, including the implementation of legally significant individualized actions for a particular payer of the fee, and not public purposes. Resolving issues of local importance cannot be considered as the implementation of any legally significant actions for a person, as the funds raised are used to satisfy the interests of all or a certain part of the residents living in the territory of this territorial community²⁰. Moreover, the payment of fees, based on their definition, is not mandatory, the emergence of certain rights of the payer depends on their payment. Payment of funds in the form of self-taxation, in the case of approval of the relevant decision by a meeting of citizens or in a local referendum, is mandatory. Accordingly, fees and self-taxation differ in the consequences of non-payment. Failure to pay the fee entails the inability to enjoy certain special rights (for example, non-payment of rent for special water use entails the impossibility of special water use, non-payment of court fees results in a refusal to accept the claim, etc.). Non-payment of self-taxation funds should entail measures of financial and legal liability (due to the legislative unregulation of the financial and legal institution of self-taxation, the issue of liability remains unresolved), while the presence of certain rights or benefits is not dependent on payment of self-taxation funds (a person will be able to use street lighting, asphalt road, trash cans and other benefits for which funds were collected through self-taxation, regardless of their own participation in it).

At the same time, self-taxation and fees have some common features. Individuals become subjects of self-taxation as well as payers of fees in most cases due to their own will. In the

²⁰ Babin (2018).

first case, supporting the decision to establish self-taxation at a general meeting or local referendum and appealing to the relevant authorities to take certain actions in the second case. Besides, self-taxation, as well as fees, are mostly random, one-time, and relatively small.

The main difference between self-taxation and initiative budgeting

Self-taxation should also be distinguished from initiative budgeting, which has recently become popular among local governments as a mechanism for consolidating financial resources. Initiative budgeting is a set of various practices based on a public initiative to address issues of local importance with the direct participation of citizens in the definition and selection of objects of budget spending²¹. This concept also includes the following control over the implementation of selected projects. This tool is most often used at the budget drafting stage and concerns the practice of inclusion and participation of the local population in the decision-making process to improve accountability and transparency in the budget process at the local level.

From a financial and legal point of view, the participation budget can significantly contribute to a fairer allocation of resources and overall financial responsibility. In modern local democracies, as noted by Rogić Lugarić and Maksimovska Veljanovski (2011), *“the participation budget provides an excellent way to promote the application of the principles of good municipal governance, in particular the principle of transparency. End-users of the participation budget – residents are allowed to directly participate in and influence local financial resources, the level of certain public services and priorities in financing certain infrastructure projects”*. Based on this, initiative budgeting can be considered as a special case of participatory budgeting, which is also called public budgeting. In recent years, initiative budgeting has become widespread in Ukraine and has proven to be a very effective budget practice.

There is much in common between initiative budgeting and self-taxation, as two promising models of local financial democracy. They are focused on the will and needs of the inhabitants of territorial communities, have a common goal (implementation and financing of a project of local significance), provide for the involvement of a wide range of the public in solving problems of local significance. Involving citizens and listening to their “problems” is an integral part of the process of initiative budgeting and self-taxation. If the public feels that its opinion is taken into account, it will certainly be more willing to participate in additional funding for public needs. Therefore, the feedback mechanism is important in each case. These models are based on the premise that in a democratic society, citizens are more than users/consumers, as they have the right and obligation to influence government decision-making and can hold civil servants accountable for their budget decisions²².

At the same time, initiative budgeting allows you to quickly make a decision on fundraising and quickly attract them. In this case, fundraising is taking into account the individual capabilities of benefactors. At the same time, there is a danger of using “donation in

²¹ Levina (2016).

²² Frank (2006).

exchange for government loyalty” schemes against entrepreneurs, as well as pressure on citizens to collect the required minimum donations. Besides, it is necessary to take into account the distrust of residents, due to the reflection of funds not as co-financing of a particular project, but as “charitable contributions” to the budget. At the same time, self-taxation allows to involve the whole population in solving local issues, although such involvement can sometimes be formal. Another advantage is the greater likelihood of raising the projected amount of funds. In turn, the disadvantage of self-taxation is the significant cost of raising funds, as the organization of a local referendum is almost commensurate with the amount of funds raised.

Comparative analysis of these two mechanisms of consolidation of financial resources allows to show the following features: 1) decision-making on raising funds – local referendum or general meeting of residents (self-taxation) and individually (initiative budgeting); 2) coverage of residents – all residents of the territorial community (self-taxation) and only those who wish (initiative budgeting); 3) the amount of payment – is set in absolute terms equal for all residents of the community (self-taxation) and may be different for each of the benefactors (initiative budgeting); 4) legal regulation: financial legislation (self-taxation) and financial and civil legislation (initiative budgeting).

The main difference between self-taxation and charitable contributions

Self-taxation funds of the population belong to the group of non-tax revenues of budgets, so they must be distinguished from other types of own revenues of local budgets – charitable contributions. Charitable contributions are charitable (voluntary) contributions and donations from legal entities and individuals. A benefactor may be an able-bodied natural or legal person of private law (including a charitable organization) who voluntarily carries out one or more types of charitable activities. Article 5 of the Law of Ukraine “On Charitable Activities and Charitable Organizations” defines types of charitable activities. Among them is the free transfer of funds and other property to the ownership of the beneficiaries. Beneficiaries are recipients of charitable assistance (individuals, non-profit organizations, or local communities) who receive assistance from benefactors to achieve the goals set by the Law of Ukraine “On Charitable Activities and Charitable Organizations”. The goals of such activities are to assist in the areas of charity, in particular: education, health care; social protection, social security, social services; culture and art, protection of cultural heritage; science and research; sports and physical culture.

The Civil Code of Ukraine considers charitable assistance as a donation. This is consistent with Article 6 of the Law of Ukraine “On Charitable Activities and Charitable Organizations”, which deals with charitable donations. When concluding donation agreements, the provisions of the deed of a gift shall apply, unless otherwise provided by law. Such agreements may be concluded both orally and in writing. That is the written form of the agreement is not required. However, the agreement was drawn up if the benefactor insists on drawing up such an agreement and wants to indicate the directions of spending charitable contributions.

The charitable contribution is a voluntary contribution of a natural (legal) person provided to a budgetary institution that belongs to the spheres of charitable activity. Budget legislation considers such contributions as own revenues of budgetary institutions, which are part of the special fund of state and local budgets. According to Part 4 of Article 13 of the Budget Code of Ukraine, charitable contributions in cash can be used to organize the main activities of budgetary institutions, if the benefactor has not determined the direction of spending charitable contributions. In this case, the head of the budget institution (acquirer) directs them to the priority needs related only to the main activities of the institution²³. Thus, the unifying features of self-taxation and charitable contributions can be targeted and a one-time character. A consistent legislative solution would be to make appropriate changes to the Tax Code of Ukraine on the example of charitable contributions, in respect of which the Code provides for a tax rebate. Distinctive features are the subject composition, legal grounds, and the procedure for making the relevant contributions. Self-taxation funds are paid by individuals (residents) based on a decision made at a general meeting of residents or a local referendum in a mandatory manner determined by financial legislation. In turn, individuals and legal entities voluntarily without the need for a general meeting or local referendum make charitable contributions to local budgets. As donations can be a variety of assets, including cash, things, and property rights. The procedure for making donations is determined by civil law.

IV. Conclusion

One of the most important trends in the modern development of public finance is financial decentralization, redistribution of financial powers between different levels of public authority, the transfer of revenues and expenditures in favor of lower levels of government. The constitutional principle of financial autonomy of local self-government in practice means providing local authorities with sufficient financial resources to perform the tasks assigned to them. In the context of the democratization of public relations and building a civil society, local authorities are closest to the citizens. The local self-government bodies are able to ensure the most effective implementation of the constitutional rights and freedoms of citizens. At the local level, citizens can be most fully involved in public administration, in monitoring the transparency and expediency of spending public funds. The limited financial resources, both at the state and local level require finding new sources of financing public spending. The problem of local self-government is the limited use of tax instruments to mobilize financial resources. Taxes are the prerogative of the state, an element of state sovereignty. Local governments have the right to impose local taxes only in accordance with the list and limits set by law. Therefore, local governments should look for non-tax instruments to mobilize financial resources to effectively perform their tasks. One such tool is self-taxation. It has a long and successful tradition of use in Eastern Europe, including Ukraine.

²³ Listrova (2017).

Self-taxation should be considered as an independent type of mandatory payment that is non-tax in nature and is used to address issues of local importance, the amount and procedure for the introduction and use of which is set independently by the population at a general meeting or local referendum. Self-taxation is a spatially and purposefully limited instrument that aims to finance additional benefits in the form of small objects for a limited time. Given that this tool is based on the consent of citizens to allocate certain funds, its use can avoid certain negative features of taxation, such as tax evasion. The feedback mechanism, which exists in self-taxation, allows citizens to strengthen control over the use of public funds by local authorities. In further legislative regulation, it is necessary to take into account these features and approach self-taxation not as a local taxes and fees, but as one of the instruments of direct democracy at the local level, the people's financial initiative.

The introduction of self-taxation of the population is important for the development of territorial communities. First, local communities receive additional financial support to address pressing issues of local importance. Second, the introduction of self-taxation of the population allows residents to participate directly in local self-government, thereby increasing their civic activity. Third, the level of responsibility of local governments to community residents is growing; as they will be able to count on these funds only if, the latter are confident in the effectiveness and appropriateness of their use. Self-taxation becomes especially important in the process of voluntary association of territorial communities, because within a large territorial entity, some settlements, primarily rural, through self-taxation can form their own financial resources and freely dispose of them.

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