

MECHANISMS OF ECO-LABOR TAX REFORM IMPLEMENTATION IN UKRAINE

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Ukraine is now in need of new effective policy instruments of environment protection. Present tax system requires reform with taking into account ecological challenges. Ukraine experiences decrease of able-bodied population. Present system of fiscal pressure does not contribute to ecological problems solving. Ukraine has highest in the region tax pressure on labor, while ecological taxes are non-existent.

Research in the field of eco tax reform implementation had shown that it is possible to achieve double dividend phenomenon, which implies that while introducing eco taxes harmful for environment activities would decrease, relieving of tax burden on labor would stimulate employment, as work force becomes cheaper (D. Helm and D. Pearce, 1991; D. Pearce, 1992). Study of Ukrainian peculiarities in context of eco tax reform resulted in proposal of implementation of eco-labor tax reform, as Ukraine has employment problems due to high labor taxation (O. Maslyukivska, 2006). Possible income from introduction of eco taxes, on CO₂ emissions in particular, in Ukraine was calculated (O. Veklych, O. Maslyukivska, 2008). Possible ways for implementing such reform in Ukraine were not proposed.

Goal of this research was to suggest mechanism of eco-labor tax reform implementation in Ukraine.

In this research method of mathematical prognosis was used, with the help of MicroSoft Exell software. Pension fund collection rate was calculated using own developed formula. Population stratification was also calculated using own formula. Data used for calculations was mainly taken from annual reports of State Statistics Committee of Ukraine.

Results of research were following: implementation of eco-labor tax reform requires redistribution of taxes in manner that would leave total tax pressure unchanged. Implementation of eco taxes requires relief in other taxes and collections, social in particular. Collections to the Pension fund could be halved as they compose largest part of social taxes and collections. This could be achieved if pension reform is conducted simultaneously with tax reform.

Pension reform implies that till 2020 pension age of Ukrainians would be 65 years for men and 60 years for women. This is supported by the fact in developed countries with average life span lower, same and higher than Ukrainians have higher pension ages. Analysis of Ukraine population stratification shows that in future we will face decrease in able-bodied and pre able-bodied population while pre-pension and pension age population will remain the same, this would mean that social collection would inevitably rise. See fig.1.

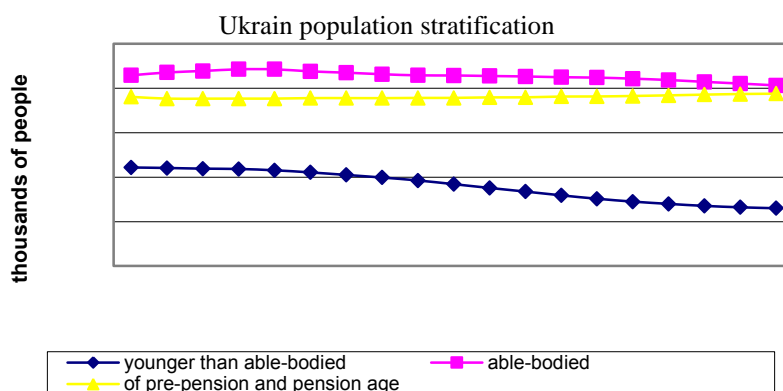


Fig.1.

Implementation of pension reform would decrease collection to pension fund to the 16,6%, which is two times lower than existing. This relieve would allow to implement ecological taxes.

Possible income from tax on CO₂ (O. Veklych, O. Maslyukivska, 2008) was used to determine amounts of acquisition from eco-taxes. According to these calculations income from CO₂ tax in 2015 would equal 1,7% of Ukraine's GDP which equal to state expenditures on environmental protection activities. Surplus from eco-tax could be used on programs of employment stimulation, When this number double tax income would be divided 1:1 between environment protection and employment stimulation founding. In 2020 income from CO₂ tax would reach level of 11,5% of Ukraine's GDP, so 5,75% of GDP could be directed to environment protection, which is 3 times more than present amount.

Scenario for eco-labor tax reform is following:

1. 2010 First phase. Introduction of eco-taxes. Environmentally unfriendly industry would be forced to decrease negative influence on the environment\$
2. 2012-2020 Second phase. Pension age limit is raised to 60 years for women, and then to 65 for men. This would lead to decrease of population on pension, and increase able-bodied population, allowing significant decrease expenditures on pensions, and thus decrease in pension collections. Saved money could be used to fund industry modernization.

3. 2020 Third phase. Eco-taxes income fund environmental protection activities and employment stimulation. Double dividend is achieved: employment is stimulated, while harmful for environment activity is discouraged.

Implementation of eco-labor tax reform is possible in Ukraine using mentioned above mechanisms. This reform would allow to simultaneously solve problems of unemployment, pension financing, industry modernization, environment protection founding, and decreasing harmful for environment activities.