SOCIAL STANDARDS OF UKRAINE – CURRENT SITUATION AND PROSPECTS OF CHANGES

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The article is devoted to the essential issue of adequate social standards provided by the state. Characteristic of official subsistence level in Ukraine is presented. The state reduction of the social standards of the population is proved. Such actions contradict Ukraine’s leadership choice of the Ukrainian people made on the 1991 referendum. The reason of reduction is budget deficit. The deficit is the result of avoiding tax payments and inefficient use of state budget.

The level of shadow economy in Ukraine in 2015 was 40% of GDP. In value terms, this amount is equal to 790 billion USD, or 29 billion US dollars.

In Ukraine, the avoidance of taxation of corporate profits oligarchs reached colossal scale volumes. Avoiding tax profit is through financial fraud through offshore companies. Some offshore derived income re-invested in Ukraine. As of January 1, 2015 the largest foreign direct investment in Ukraine was accounted for by Cyprus – 13.7 billion. A similar figure in Germany is only 5.4 billion US dollars and is in 2.5 times less than the Cyprus foreign direct investment in Ukraine.

Large scale of described problems makes it impossible for Ukrainian society evolution to build a social market economy with high social standards.

Reserves for increasing state budget revenues and raising social standards are proposed.

Solving of the above problems can be made due to the following:

A) openness of the state budget to audit;
B) limitation of the shadow economy and major corporations offshore fraud.

The first problem requires an immediate openness of the state budget to audit and punishment for looting of public funds.

Limitations of the shadow economy should be based on the system of gradual changes in the State Fiscal Service of Ukraine. The author offers its own mechanism for these changes.

Based on the proposed measures it is possible to provide an increase of social standards of living.