The aim of the article is to clarify the evolution and prospects of the system of local taxation in Ukraine.

Providing local budget the necessary financial resources and insufficient revenue sources of instability in Ukraine is for a long time a significant problem. Ukrainian government pays a significant attention to this problem in recent years. In the world practice, local taxes and fees have played a leading role in ensuring the necessary resources of local budgets. Therefore, the reform of local taxation system is becoming an urgent matter, since it is not able to achieve financial independence and autonomy of local governments.

Local taxation in Ukraine since the beginning of its establishment is characterized by the constant renewal of the local taxes and fees, their rates, development of normative-legal acts, which are designed to improve the system of local taxation.

The current Ukrainian system of local taxes and fees, as well as the tax system of a country as a whole, requires continuous improvement. The problems of local tax system functioning in Ukraine are caused by imperfect system of tax administration. Search for ways to increase the amount of local taxes and fees have to go towards the establishment of such taxes and choice of their smelters, which would provide small administrative costs and effective tax control with a sufficient amount of income that will make it possible to create a reliable source of revenue base of local budgets. Adherence to these conditions is the key to creating a strong, stable and socially equitable local taxation system that will contribute to the effective implementation of regional social and economic policy and ensure the financial stability of the regions, as well as to help citizens overcome poverty.

In the formation of financial resources of local budgets, the main role is played by tax reform of fiscal decentralization. The result of this reform should be to fill local budget revenues from used taxes. However, the success of fiscal decentralization depends on the consistent implementation of the redistribution of the sources of income of the local budgets, which will encourage local authorities and allow creating additional opportunities for economic and social development of local communities.

Therefore, in order to strengthen the financial capacity of local budgets it is necessary to carry out further reform of tax laws regarding the filling of local budgets and enhance their financial stability. It is necessary to create such a tax law, which would stimulate production, innovation in the field. One of the most important tasks of authorities today should be to give wider plenary power to local authorities.