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TAX PREFERENCES AND THEIR INFLUENCE ON THE INVESTMENT IN UKRAINE

Abstract. The article characterizes the relationship between capital investments and corporate income tax preferences. It determines the low potential of the benefits from the corporate tax preferences in the financial investments of economic entities. The article proves that tax deduction of the personal income tax significantly affects the financial investments of individuals and investment in the development of human capital. Based on the calculation of correlation indicators, the article determines that it is worth paying attention to the mechanism of tax incentives for individuals' investment activity as to the only real incentive to invest for the population. The article emphasizes that the question of the effectiveness of preferential taxation has always been in the focus of theoretical research and practical measures, as it causes the non-receipt of certain sums to budgets of different levels and, at first glance, seems ineffective. The study expresses the view that it is unreasonable to cancel tax privileges. In particular, tax exemptions for VAT, in addition to mitigating its regressive impact on less affluent and socially vulnerable segments of the population, stimulate investment.

The article mathematically grounds and systematizes the indicators of regression dependence between the size of tax privileges and capital and financial investment, and investment in the development of human capital. The article determines that in general the size of tax privileges does not affect the volume of tax revenues and does not lead to the significant losses of the state budget. Taking this into account, VAT and land tax deductions for agricultural producers, aircraft, shipbuilding and other strategically important industries need to be preserved and optimized in order to eliminate tax evasion practices. The potential of corporate income tax benefits is not utilized and it does not stimulate the capital investment of legal entities. The article suggests the list of measures for its optimization.

Keywords: investment, tax preferences, corporate profit tax, development of human capital, tax regulation of investments, national economy, financial investments.

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ПОДАТКОВІ ПІЛЬГИ ТА ЇХ ВПЛИВ НА ІНВЕСТИЦІЇ В УКРАЇНІ

Анотація. Охарактеризовано залежність між капітальними інвестиціями та пільгами з податку на прибуток підприємств. Визначено низький потенціал пільг з податку на прибуток підприємств у фінансових інвестиціях суб'єктів господарювання. Доведено, що податкова знижка з податку на доходи фізичних осіб значною мірою впливає на фінансові інвестиції фізичних осіб та інвестиції в розвиток людського капіталу. На основі розрахунку кореляційних показників визначено, що варто приділити увагу механізму податкового стимулювання інвестиційної діяльності фізичних осіб як єдиному реальному стимулу до здійснення інвестицій населенням. Наголошено, що питання ефективності пільгового оподаткування завжди перебувало в полі зору теоретичних досліджень і практичних заходів, позаяк вони обумовлювали недонадходження певних сум до бюджетів різних рівнів і, на перший погляд видаються неефективними. У дослідженні висловлено думку, що однозначно не варто скасовувати податкові пільги. Зокрема, податкові пільги з ПДВ, окрім того, що спрямовані на послаблення його регресійного впливу на менш заможних і соціально незахищених верств населення, стимулюють інвестиції.

Математично обґрунтовано і систематизовано показники регресійної залежності між розмірами податкових пільг та капітальними, фінансовими і інвестиціями в розвиток людського капіталу. Визначено, що в цілому розмір податкових пільг не впливає на обсяги податкових надходжень і не призводить до значних втрат держбюджету. З огляду на це податкові пільги з ПДВ і плати за землю сільськогосподарським виробникам, літако-, суднобудуванню та іншим стратегічно важливим галузям потрібно залишити та оптимізувати з метою усунення практики ухилення від оподаткування. Потенціал пільг з податку на прибуток підприємств не використаний і не є стимулятором для капітальних інвестицій юридичних осіб. Запропоновано перелік заходів для їх оптимізації.

Ключові слова: інвестиції, податкові пільги, податок на прибуток підприємств, розвиток людського капіталу, податкове регулювання інвестицій, національна економіка, фінансові інвестиції.

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НАЛОГОВЫЕ ЛЬГОТЫ И ИХ ВЛИЯНИЕ НА ИНВЕСТИЦИИ В УКРАИНУ

Аннотация. Охарактеризованы зависимость между капитальными инвестициями и льготами по налогу на прибыль предприятий. Определены низкий потенциал льгот по налогу на прибыль предприятий в финансовых инвестициях субъектов хозяйствования. Доказано, что налоговая скидка с налога на доходы физических лиц в значительной степени влияет на финансовые инвестиции физических лиц и инвестиции в развитие человеческого капитала. На основе расчета корреляционных показателей определено, что следует уделить внимание механизму налогового стимулирования инвестиционной деятельности физических лиц как единому реальному стимулу к осуществлению инвестиций населением. Отмечено, что вопрос эффективности льготного налогообложения всегда находился в поле зрения теоретических исследований и практических мероприятий, поскольку они оговаривали недопоступления определенных сумм в бюджеты различных уровней и, на первый взгляд кажутся неэффективными. В исследовании высказано мнение, что однозначно не стоит отменять налоговые льготы. В частности, налоговые льготы по НДС, кроме того, направленных на ослабление его регрессионного влияния на менее состоятельных и социально незащищенных слоев населения, стимулируют инвестиции.

Математически обоснованно и систематизировано показатели регрессионной зависимости между размерами налоговых льгот и капитальными, финансовыми и инвестициями в развитие человеческого капитала. Определено, что в целом размер налоговых льгот не влияет на объемы налоговых поступлений, а также не приводит к значительным потерям госбюджета. Учитывая это, налоговые льготы по НДС и плату за землю сельскохозяйственным производителям, самолето-, судостроению и другим стратегически важным отраслям необходимо оставить и оптимизировать с целью устранения практики уклонения от налогообложения. Потенциал льгот по налогу на прибыль предприятий не использован и не является стимулятором для капитальных инвестиций

юридических лиц. Предложен перечень мер по их оптимизации.

Ключевые слова: инвестиции, налоговые льготы, налог на прибыль предприятий, развитие человеческого капитала, налоговое регулирование инвестиций, национальная экономика, финансовые инвестиции.

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Formulation of the problem. In order to stimulate investment, the state resorts to various kinds of tax preferences, which mainly lead to tax losses, the size of which, sometimes, is very high. On the one hand, such losses are justified due to the importance of certain industries that receive them, and on the other hand, in addition to the losses, the use of tax incentives is aimed at obtaining positive social and economic effects.

The main objective of the tax regulation of investments is the application of certain stimulus tools in order to increase the investment activity of all subjects of economic relations, which should be accompanied by an increase: in the volume of investment resources in the economy, in the number of innovation-active enterprises, in the profitability of economic entities, in population's incomes, in GDP, etc. It means that the introduction of any tax incentive tool should yield positive results, such as those listed, which are quantitative and qualitative indicators of tax effect on investment activity.

Analysis of recent research and publications. Some domestic scientists assign the extremely important role in the tax regulation to the embedded system of taxation mechanisms, and as a result, in the definition of "tax regulation" they distinguish those levers that are used during its implementation. In particular, Y. Ivanov [1], A. Krysovatyi [1] and L. Demydenko [2] interpret tax regulation as measures of indirect influence on the economy and social processes through the changes in taxes, tax rates and preferences, reduction or increase of the general level of taxation, deductions to the budget. Among the foreign experts, we note E. Domar [3], A. Laffer [4], W. Sharpe [5], E. Elton [6], L. Kurowski [7].

The investigated publications on this topic do not cover the analysis of tools of tax incentives for investments on the basis of economic and mathematical techniques, which allows us to conclude on the efficiency by establishing an appropriate level of correlation dependence between the given values (results and costs). The use of this approach, unlike the traditional one, allows us to increase the credibility and visibility of the findings and to identify the potential of a certain type of tax preferences to stimulate capital and financial investment, and investment in human capital development undertaken by individual entrepreneurs and legal entities.

The purpose of this work is to explore the interconnection between tax preferences and the amount of investment in Ukraine.

In the course of research, we used systematic, statistical and analytical methods for studying cause-and-effect relations.

Presentation of the main material. It is known that the reduction in the corporate profit tax rate, or granting of preferences for the reduction of the tax base, should ensure the increase in investment volumes. The Government of Ukraine has repeatedly resorted to changing the rate and procedure for determining the tax base for corporate profit tax. The maximum rate (35%) was in 1991, and the value of the base was calculated based on accounting indicators. It is possible to distinguish between two critical periods: 1) the reduction of the corporate profit tax rate from 30% to 25% (2003-2004); 2) the period of the global financial crisis (2008-2009).

The decrease of the tax rate positively influenced the volumes of investments, which increased by 2.5 times during 2004-2007 (despite the moderate inflation rates in this period). However, the impact of the global financial crisis manifested itself in reducing the investment activity of all subjects of economic relations and reducing investment in the economy by 1.5 times. That is, it would seem that there is a close relationship between the change in the tax rate and the volume of investments. However, such a conclusion seems questionable, as it shows the absence of any effect of lowering the rate of corporate profit tax on the investment activity of business entities. Starting from 2012, the decrease in the rate of the corporate income tax has not had any effect on

the investments of business entities, whose chain growth rate has declined dynamics.

Thus, the growth rate of capital investments made by enterprises and organizations with their own funds in 2008-2010, at the rate of income tax 25%, increased and decreased periodically. With a slight decrease in the rates in 2011-2012 (by 2%), the investment slightly increased, however, already in 2013-2014, with further reduction of the rates to 19-18%, investments also decreased.

The data of State Statistics confirms that in 2008 and 2013, business entities paid more than the tax established by law (the difference between the normative and effective rate of the corporate income tax was -8.1 and -4.5, respectively). In addition, in these years taxes had the highest productivity (132.4 and 123.7), indicating its fiscal orientation. Certainly, this situation did not contribute to the investment activity of enterprises. Instead, years 2010-2011 were favorable to investing, as the analyzed indicators reached their maximum values (5.9 in 2010 and 4.8 in 2011) and indicated that there were a number of tax privileges and preferences granted to enterprises and, in theory, they should have stimulated them for investment activity. Indeed, in those years there was an increase in the volume of capital investments at the expense of own financial resources of enterprises and volumes of realized innovative products, the number of introduced new technological processes and mastered production of innovative products increased.

Therefore, at first glance, tax incentives have the greatest impact on the growth of investment by business entities; however, the dynamics of their growth rates and capital investments generally suggest the opposite.

The dynamics of the chain growth rate of tax preferences with corporate income tax and capital investment, carried out at the expense of enterprises and organizations, is even more impressive. With the significant increase in preferences with corporate income tax in 2011, the dynamics of others was moderately increasing in 2010-2012 and falling in 2013-2014.

Considerable in the structure of capital investment of enterprises, and therefore, an effective tool to stimulate them for investment activities is depreciation, which, making a significant part of the cost of production, affects their financial results. The use of the accelerated depreciation helps to increase the investment activity of the latter, since it involves a quick amortization of the value of fixed assets and thus accelerates the circulation of their equity capital.

There is a moderate connection between the amount of depreciation and investment. With the increase in depreciation, the size of capital investment increases. However, in 2010-2012, the share of depreciation in financing capital investment declined in average by of 9%, and in 2013, with the decrease in capital investment by 4.7 billion UAH in general, the depreciation rate, on the contrary, increased to 65.3% due to the increase in its volumes by 4.4 billion UAH compared to 2012 [8].

With regard to the corporate income tax preferences in the field of publishing and printing, they help to overcome the problems of the decline of production and sales, taking into account the need for state support in the form of protection of the domestic market and copyright, popularization of reading, book purchasing for libraries, etc., and the presence of other urgent national problems that include the stability of the national economy and overcome the military conflict. Tax preferences for enterprises of this industry in 2014 led to tax losses of 33.8 million UAH, and the volumes of production are directly dependent on the size of state support. With almost double decrease of state support for book publishing in 2009 comparing to 2008, the annual circulation also decreased. Despite a slight increase in 2013, there were 1-2 copies per person in Ukraine (for comparison, in the EU countries – 5-8 copies, in the Russian Federation – 4-5). And this is despite the miscalculations in book publishing, which allow the old editions and those received by the state order to be credited to the new [9].

Consequently, state support in this area is inadequate and should be strengthened, since the consumption of products in this sector directly affects the level of education of citizens, and therefore, increases the quality of human capital.

When assessing VAT tax preferences, domestic scientists and researchers mostly consider them to be ineffective, because they do not provide the improvement in the financial status of their

recipients. First of all, this applies to agricultural enterprises. However, in the case of their cancellation, despite the avoidance of tax losses in the state budget, it can be argued that the situation of certain industries will worsen further. At the same time, it is worth mentioning the high level of criminality and corruption of this tax, which allows individual taxpayers to use the specifics of calculating tax liabilities to pay to the budget and, using gaps in domestic legislation, to illegally obtain extra profits. This is due to the fact that in reality nobody seeks to improve the efficiency of tax regulation with VAT in order to stimulate investment, but rather to create a legitimate basis for the interests of certain lobby groups.

The example of abuse in the area of VAT is the introduction of privileges for certain operations for importing into the customs territory of Ukraine of equipment by economic entities that introduce energy-saving technologies into production. So, every year the state lost more than 10 billion UAH revenues from providing VAT preferences to NJSC “Naftohaz Ukrainy” in the form of taxation at the rate of 0%, which was canceled only in 2012. The cases of abuse of VAT in the implementation of export-import operations are widespread among business entities. These include: “Carousels” (the practice of multiple sale of goods through fake companies); artificial overestimation of the value of goods before export and undercutting the import price; dual and fake exports; sale of goods in the customs territory of Ukraine at prices lower than purchase prices; “Tax holes”, and others [10].

The standard VAT rate does not contribute to stimulating investments, in particular, of the population. It only emphasizes the unfairness of consumption taxation in the current conditions of Ukraine, since it is known that it is significantly higher for people with lower incomes and, therefore, significantly reduces their investment activity.

In addition, the fiscal efficiency of VAT is overstated, since, despite the significant amount of tax revenue, which it provides, the amount of tax refunds from VAT is significant. For example, taking into account the preferences and the amount of VAT claimed by enterprises that implement investment projects in Ukraine, actual VAT revenues amounted to only 11-27% of the tax paid to the budget during the analyzed period, and in 2012 and 2014 – - 26.6 and -5.1%. This indicates that the state incurred damages in the appropriate amounts. At the same time, during the analyzed period, about 12-86% of VAT revenues had to be recovered in the form of a refund [11].

At the same time, conscious refusal to make profits from the state may mean fulfilling other strategic goals, such as stimulating investment activity. We say this with the regard to the effectiveness of tax regulation of investments, which will be discussed in more detail later.

In general, the question of the effectiveness of preferential taxation is always in the sight of various scholars and practitioners, as they cause the loss of large sums and seem ineffective. However, it cannot be clearly stated that tax preferences should be abolished. For example, tax deductions for VAT, which are aimed at weakening its regressive impact on less affluent and socially vulnerable groups of the population, stimulate investment. An example of this could be the provision of preferences to agricultural producers, which resulted in 2014 in more than 18 billion UAH losses of the state budget, as well as VAT preferences for supply of services: education and health, which resulted in budget losses amounting to 2313.7 million UAH; baby food products and the corresponding range – 5,5 million UAH.

Some direct link can be traced between a tax deduction of personal income tax and investments in human capital development undertaken by the population. With the increase in the amount of tax deductions of personal income tax during 2010-2012, the size of the investment of the population in the development of human capital increased, though the basic rate of their growth lags behind the growth rate of the preferences from this tax on average by 29.7% during 2010-2012. In view of the further growth of the tax deduction from the personal income tax in 2013, the growth rate of investments of citizens in the development of human capital slowed down slightly, amounting to 136% of such investments in 2010 (for comparison – in 2012 they made 139,1%). In 2014, the tendency to slowdown of investment growth preserved, however, in the same year, the growth rate of personal income tax preferences also slowed down.

In addition, the growing lag of the growth rate of investment from the growth rate of the tax rebate from 2013, obviously, should be regarded as a negative impact of the recession of the domestic economy on the investment of human capital, due to the depreciation of the national currency and the curtailment of investment activity of the population, which in these conditions became poorer. At the same time, the growth of the mentioned indicators shows that citizens nevertheless use the tax deduction of the personal income tax for the purpose of obtaining education and improving the state of health.

Regarding the preferences of corporate income tax and land rent for shipbuilding, we believe that they are justified in view of the strategic importance of the industry and the significant demand in the domestic and foreign markets. At the same time, tax losses from the provision of benefits in 2014 amounted to only 23.5 million UAH. A similar conclusion is extrapolated to the aircraft industry, which, in addition to the above, also grants VAT preferences (until 01.01.16) in the form of tax exemptions for delivering scientific and research works that are used for the needs of the aircraft industry in the amount (tax loss in 2014 amounted to 707.1 million UAH) [8].

The incentive effect on investments is also made by the special regime for taxation of agricultural producers, although, given the profitability of certain groups of taxpayers, they should be provided only to the actors engaged in the field of plant growing, as their profitability is higher than the profitability of livestock that could be observed during 2008-2014 years, except in 2013, when the profitability of both branches of agriculture was practically the same. On the other hand, the use of such a tax regime allows vertically integrated agricultural producers to optimize the price structure and manipulate their privileged position. Livestock complexes, greenhouse plants, poultry factories have the opportunity to pay small amounts of tax, because they require relatively small areas for the implementation of activities. Consequently, the state actually allows taxpayers, whose interests are lobbied, to evade taxation. Compared to other sectors in 2013, agriculture received the most tax preferences: from agricultural tax – 3.5 billion UAH on VAT taxation of meat and milk producers at the rate of 0% - 1.6 billion UAH; under a special regime with VAT – 14.8 billion UAH. (in 2014 – 18.2 billion UAH).

The aforementioned indicators of lowering the rates of profitability of livestock and crop production sectors obviously require the maintenance of existing preferences in respect of taxation of agricultural producers, but their abolition would allow supplementing the budget by at least 19.9 billion UAH. However, for such a financial situation, their investment opportunities are limited, and in the event of cancellation of existing tax preferences, it will further deteriorate.

Taking into account the strategic importance of the industry, we believe that tax preferences are appropriate, as for today, a significant part of the financial resources of agricultural enterprises is formed via a special VAT regime, which accounts for about 10% of the capital of the agricultural business entities. The dynamics of export indicators of agricultural products in general exports is significant and tended to increase during 2008-2013, except in 2011, when it slightly decreased (to 10.7%).

Summarizing the above-mentioned, we come to the conclusion that tax incentives for agricultural producers are important, as they contribute to increasing their income, reinvestment in expansion of production and, ultimately, increase tax revenues to the budget. However, it is necessary to improve the mechanism of their provision in order to increase the direction of such preferences on those producers who really work in favor of investing in the development of the industry, and not on those who seek to obtain extra profits using preferences.

With regard to the special tax regimes in special economic zones (SEZ) and territories with special tax regime (TST), it is obvious that today they are ineffective because they not only do not contribute to the increase of investment activity, but, on the contrary, lead to significant tax losses. During 2010-2014, the volume of tax preferences granted to the subjects of SEZ and TST constantly increased and in 2014 amounted to 243.3 million UAH, with the increase of 64.2% compared to 2010. Instead, the dynamics of investments is quite opposite; they decreased throughout the analyzed period, amounting to only 20.1% of investments in 2014 comparing to

2014. This affected the tax revenues; the dynamics of their growth rates was also declining, and their value (as well as the basic rate of investment growth) reached the minimum level in 2014 – 40.1% of the amount of tax revenues in 2010 [8].

The situation of the reduction of investments and the growth of tax preferences is the reflection of the corruption and proves the facts of tax evasion and support for certain lobbied groups of taxpayers in SEZ and TST that have exhausted their fiscal and investment potential. Therefore, today the issues of the prohibition of their functioning in Ukraine and the search for new tax regulation tools that would ensure the liberation of the investment potential of individuals and legal entities and the “inflow of investments” have become a matter of particular importance. We agree with the thesis that it is necessary to introduce rigorous control over the provision of tax benefits. First of all, they should be provided in accordance with the WTO law, and secondly, for the strategically promising enterprises, so that they could use these assets for the modernization of fixed assets, which must be carried out immediately, because this will enable to overcome the crisis phenomena and to establish the process of production of innovation and competitive on foreign markets products that will provide the state with foreign currency [2].

If we analyze the volume of tax preferences, which is a loss of budget revenues in general, then, obviously, the biggest losses are borne by the state when granting VAT privileges. VAT privileges lead to the largest loss of budget revenues: from 90.1% in 2008 to 80.5% in 2014. At the same time, there is a tendency to reduce the amount of VAT privileges that began in 2011 and continued in 2012, which was evidently due to the significant increase in corporate income tax preferences in those years, the share of which in the structure of benefits was also high and increased to 26.1% in 2011 and 31.1% in 2012, after which it fell again to 15.5% in 2013 and 13.9% in 2014. The preferences in all other taxes do not generate significant losses in budget revenues [8].

Thus, when granting a number of tax preferences for different industries, they have little effect on the investment activity of business entities, as it is evidenced by the level of profitability of some of them. The profitability of agriculture, fisheries and forestry has been steadily declining in 2008-2013, reaching the minimum of 11.8% in the end of this period; in 2014, it rose by 8.5% over the previous year (or 1.7 times). Instead, the growing dynamics of the profitability of education in 2008-2013, which was the maximum in 2013 (8.6%), in 2014, changed to declining, falling by 3.2%. The sharp decline in the profitability of the healthcare and financial and insurance sectors in 2014 clearly indicated deterioration in their financial situation and the necessity of constructive measures to overcome the crisis.

To formulate reliable conclusions, we will try to establish the correlation between the size of tax preferences and tax revenues, as well as the size of tax preferences and capital investments.

Thus, according to the results of the correlation-regression analysis of the impact of tax preferences on the volume of tax revenues to the state budget of Ukraine, it was established that these two values practically do not correlate with each other, as shown by the very low value of the indicator $R^2(0.0028)$. It means that practically the size of tax privileges does not affect the amount of tax revenues. Therefore, we can conclude that due to granting of operating preferences to economic entities, tax losses are insignificant.

A slightly higher correlation value ($R^2 = 0.5425$) in establishing a correlation-regression relationship between tax revenues and corporate income tax privileges suggests that granting privileges to this tax leads to higher losses of the state budget than others. A similar situation is with VAT, where the coefficient of correlation of tax preferences R^2 and the amount of tax revenues is only 0.3101.

The research on the relationship between the size of tax preferences in corporate income tax and investments by legal entities shows a very weak link between preferences in corporate income tax and capital investments $R^2 = 0.3039$ and benefits from preferences in corporate income tax and financial investments – $R^2 = 0.1065$ (Table 1.).

Table 1

Indicators of the regression relationship between the size of tax preferences and investments*

Relationship	Equation
Capital investments	
Capital investments of legal entities from the preferences of corporate income tax	$Y=2,0983x+135644$ $R^2=0,3039$
The funds of the population for housing construction from the tax deduction from the personal income tax	$Y=58,136x+13546$ $R^2=0,4919$
Finance investments	
Financial investments of business entities from the preferences of corporate income tax	$Y=0,0041x+575,77$ $R^2=0,1065$
Financial investments of individuals from the tax deduction from personal income tax	$Y=16,59x+18076$ $R^2=0,7292$
Investments in the development of human capital	
Investments in the development of human capital of individuals from the amount of tax deduction from personal income tax	$Y=1367x-151163$ $R^2=0,7421$

*We did not manage to establish a correlation between the size of tax preferences of the corporate income tax and investments in human capital development undertaken by legal entities due to the lack of statistical data on the latter.

This gives grounds for stating that the provision of tax benefits of this tax practical law does not affect the investment activity of business entities.

In the study of the relationship between the capital investments of individuals and the size of the tax deduction from personal income tax, the average level of correlation dependence ($R^2=0,4919$) is established, which indicates the significant potential of using this type of preferences for the stimulation of the investment activity of individuals that needs to be developed.

There is a slightly higher value of the correlation coefficient when establishing the dependence of the tax deduction from the personal income tax and the financial investments in the development of human capital; R^2 is 0.7292 and 0.7421, respectively. This indicates that the tax discount is not significant; nevertheless, it stimulates these types of investments carried out by individuals.

Similarly, by establishing the correlation between the amount of tax privileges of VAT, excise duty, land payments, customs payments, etc., and the amount of capital, financial and investments in human capital development undertaken by legal entities, it is possible to determine the degree of dependence between the indicated values and to analyze the impact of such tax preferences for the investments of business entities.

Thus, according to the assessment of tax regulation of investments, it has been established that the most effective incentives for the investments of legal entities are the preferences in income tax, whereas significant losses of state budget revenues from VAT privileges do not affect capital investment. It is advisable to provide privileges to aircraft engineering, shipbuilding, agriculture, given the strategic importance of these industries. There is a need to improve the mechanism of tax incentive of investment activity of individuals for all types, since tax deduction from the personal income tax is the population's only incentive to invest.

Conclusions. The analysis of the practice of tax regulation of investments in Ukraine made it possible to draw such conclusions and generalizations.

For the present day, the level of investment in the domestic economy is insufficient due to the influence of internal and external factors, which include the recession of the economy and the threat of default, military actions in the east, imperfect legislation, unattractive investment climate and lower investment attractiveness of Ukraine on the background of macroeconomic instability, etc. At the same time, it can be argued that the Ukrainian investment market is integrated into the world market, as it is evidenced by a significant drop in investment returns in the crisis of 2009-2010, by a slight recovery in the post-crisis period of 2011-2012 and further decline in 2013-2014 (which is obviously due to the aggravation of the socio-political situation in the country).

The dynamics of capital investment by sources of financing during the analyzed period

shows that the largest share in their structure was taken by own funds of enterprises and organizations (it varied in the range of 61.3-70.5% in 2010-2014). In addition, we have set the low share of capital investment of the population, which invested about 7-11% of capital investments in 2010-2014.

Financial investments and investments in human capital development undertaken by business entities and individuals are insignificant given their lack of confidence in the domestic financial market and its low level of development, stimulating tax levers, as well as the imperfection of the legislative and institutional environment. In addition, the size of foreign investments and innovations is insufficient for the modernization of the domestic economy. Therefore, the issues of improving tax regulation in the direction of stimulation of the specified types of investments are becoming urgent.

In the course of comparison of tax tools and results of investment activity, it has been established that in general tax regulation of investments in Ukraine is ineffective. Correlation-regression analysis made it possible to establish a weak correlation between the size of tax privileges with the corporate income tax and the capital and financial investments carried out by legal entities, the values of the correlation coefficient of which were 0.3039 and 0.1065. This gives grounds for considering tax exemptions from this tax (which are reduced to the narrowing of the tax base of certain economic entities) as an ineffective tool of tax incentives for legal entities. Instead, as a result of the correlation between the amount of the tax deduction from the personal income tax and the amount of capital and financial investments and investments in the development of human capital made by individuals, it has been established that such a preference somewhat simulates the population to the last two of these types of investments.

At the same time, the average correlation between tax breaks for each analyzed tax and budget revenue losses indicates that they are small. In the view of this, VAT and land tax deductions for agricultural producers, aircraft, shipbuilding and other strategic industries need to be preserved and optimized in order to eliminate tax evasion practices. There is also a need to improve the tax tools for stimulating the innovations of legal entities due to their low level of investment, on the one hand, and great importance in terms of promoting economic development based on the innovation vector, on the other hand.

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