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## **MANAGING LOCAL BUDGETS DURING THE WAR IN UKRAINE**

Managing local budgets always requires significant effort and responsibility on the part of local authorities. However, when complex economic and financial tasks are compounded by a state of war, the situation becomes extremely challenging. In Ukraine, which has experienced military aggression from the Russian Federation, managing local budgets during a state of war has become a true test for local authorities. In this article, we will explore the challenges faced by local authorities and the achievements made in managing local budgets in the conditions of armed conflict.

The Russian Federation's military aggression against Ukraine, which began on February 24, 2022, significantly affected the situation of regions and their local budgets throughout 2022. Challenges related to the armed conflict had a negative impact on the implementation of financial plans by regional authorities. However, despite this, local authorities demonstrated the ability to withstand difficult conditions, ensuring overall success in the execution of local budgets.

Overall, in 2022, the general fund of local budgets received UAH 398.1 billion, indicating an increase of UAH 46.2 billion (+13.1%) compared to the previous year.

The main source of financing the general fund of local budgets is the personal income tax, which increased to UAH 272.2 billion (+128.3%) compared to 2021. This tax accounts for 68.4% of the total revenue. The increase in personal income tax revenue resulted from an increase in the rate of its allocation to local budgets and a significant increase in revenue from the tax on monetary support of military personnel. Almost a third of the total personal income tax revenue is generated by taxing military personnel

payments. It should be noted that the revenue from the tax paid by tax agents from wages of taxpayers decreased.

Revenue from the unified tax to local budgets also increased compared to the previous year, reaching an increase of UAH 1.0 billion (+2.1%). This was achieved through changes in tax legislation that allowed high-income business entities to switch to a simplified taxation system.

However, some types of taxes and fees did not achieve the expected growth. For example, land fee revenues decreased by 16.2% compared to 2021, as according to tax legislation, no land fees were charged or paid in territories where hostilities are taking place or temporarily occupied.

Revenue from property tax also decreased by 9.0% due to changes in tax legislation, which provided for temporary exemption from this tax payment in territories where hostilities are taking place or temporarily occupied.

The tax on corporate income of private sector enterprises decreased by 22.5% due to the introduction of a new format of the unified tax for large businesses, which amounts to 2% of turnover, as an alternative to corporate income tax and value-added tax.

An analysis of the revenue indicators of local budgets in different regions showed that the level of their execution directly depended on the state of hostilities in each specific region.

Overall, the execution of local budgets during a state of war has been a challenge; however, local authorities have demonstrated the ability to adapt to new conditions and ensure the revenue execution of local budgets. Specifically, there has been successful growth in the revenue from personal income tax, unified tax, and other sources, although some types of taxes, such as land fees and property tax, have not reached the expected level due to limitations and changes in tax legislation in territories where hostilities are taking place or temporarily occupied.

Managing local budgets during a state of war is an extremely complex task, but successfully implemented strategies and measures demonstrate that local authorities can effectively address budgetary challenges even in the most difficult circumstances. Ensuring stable revenue for local budgets, increasing income from certain sources, adapting to changes in tax legislation, and dealing with limitations in the conflict zone are just some of the achievements worth noting. These successes reflect the professionalism and ability of local

authorities to adapt to extraordinary circumstances and ensure financial stability in regions.

However, executing local budgets during a state of war remains an ongoing challenge, requiring constant monitoring, strategic planning, and coordination of efforts. Developing new approaches to local financial management, improving the efficiency of the tax system, and mobilizing additional resources can be key factors in ensuring financial stability and overcoming challenges in the budgetary sphere during a state of war.

Managing local budgets during a state of war requires a special approach focused on ensuring financial stability and effective resource utilization. This demands collaborative efforts from local authorities, central government structures, local enterprises, and the public. Only through teamwork and strategic planning can we ensure the sustainability and development of local budgets even in the most challenging times.

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