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**PROBLEMS AND PROSPECTS OF TRANSFORMATION OF NATURAL RENT
DISTRIBUTION ACCORDING TO THE PROVISIONS OF THE SUSTAINABLE
DEVELOPMENT CONCEPT**

Abstract. The urgency of the research consists in the imperfection of the mechanism of allocation and redistribution of natural rent, which significantly slows down the process of implementation of the sustainable development concept in Ukraine, both at the macroeconomic and microeconomic levels. The purpose and the objective of the research are to identify causes of unfair withdrawal and distribution of rental payments and the search for approaches to solve them considering the interests of the state, business entities that carry out economic activities using natural resources generating rent, and citizens of the country. To solve the research tasks and achieve the set purpose, the dialectical approach was used to assess the level of development of the formation, distribution and redistribution of natural rent; the system analysis was used to identify problems and substantiate measures of the state regulatory policy as to the redistribution of natural rent among entities of rental relations, as well as to determine areas for further use of rental income by business entities; the comparative analysis was applied to study the experience of using instruments, methods and levers of distribution and redistribution of rent; the statistical methods was used to analyse the main indicators of distribution and redistribution of natural rent in the national economy; the abstract-logical method was applied to substantiate the basic theoretical provisions, formulation of conclusions. It is proved that the existing distribution of natural rent in Ukraine is imperfect due to the existence of a number of legal and fiscal-distributive issues. The model of the regulation mechanism of rental relations, which considers all entities of such relations, as well as requirements, the implementation of which brings the national economy essentially closer to the desired parameters of sustainable development, is proposed. The primary measures for transformation of the regulation mechanism of rental relations and directions of use of rental income by the business entity are determined. The practical significance of the research is to

determine the necessary conditions and limitations of functioning of implementation mechanism of rental relations, as well as to determine the priorities of development of economic entities receiving natural rent.

The obtained results will form the prospects for further research, which will consist of recommendations for practical implementation of the proposed regulation mechanism of rental relations.

Keywords: natural rent, rental relations, rental payments, sustainable development

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JEL Classification: E60, O13, Q15

Introduction. In world practice, the tasks of withdrawal of rent by the state, in particular the natural one, and its redistribution are solved taking into account the peculiarities determined by the role of the country in the world markets of production factors, the potential of its natural resources, the administrative-territorial structure of the country, as well as the modern achievements of economic theory and the practical significance of rental payments in the system of budget and tax regulation.

The state, which, for the most part, owns natural production factors, while possessing tax sovereignty, may apply any combination of its available fiscal instruments for the withdrawal and redistribution of natural rent.

The imperfection of the state administration system, which is due to the gradual transformation of the whole system of economic relations, has led to hypertrophied development and formation of artificial monopolies that use monopoly status to maximize their own incomes, including for the redistribution of natural rent in their favor, because, having turnover of tens of billions, they pay symbolic rental payments and do not take any measures to ensure the comprehensive rationalization the use of natural resources.

The absence of rent rates, adequate to the real value of natural raw materials, stipulates its unfair withdrawal in favor of certain business entities. The need to change the basic principles of economic policy regulation in terms of ensuring the effective withdrawal, distribution, redistribution and use of natural rents in the national economy generates the need for research into these processes.

The methodological framework for the development of instruments for distribution and redistribution of rental payments and rent remaining at the disposal of the business entity is usually based on the theory of rent and rental relations, which covers the conceptual provisions on the basis of which the relationship between the owner of a particular resource generating the rent and its user is established.

Rent and rental payments that arise precisely because of these relationships are some of the quantitative characteristics of their intensity and productivity. In the context of the above, the task of optimal distribution of such rent between the owners of the resource generating the rent and its user, which would stimulate the supply and demand for such resource, in particular of natural origin, becomes a problem.

Literature review and the problem statement. Problems of formation, withdrawal and distribution of natural rent and rental payments were studied by O. Bodnar [Bodnar 2017], O. Vrublevska [Vrublevska 2007], M. Halushchak [Halushchak 2008], T. Hurovska [Hurovska 2011], N. Zhikalyak [Zhikalyak 2013], O. Zakharchuk [Zakharchuk 2011], I. Kyryliuk [Kyryliuk 2012], V. Mishchenko [Mishchenko 2004], H. Pasemko [Pasemko 2013], A. Zack-Williams

[Zack-Williams 2016]; S. Li, H. Wu, X. Jiang [Li, Wu, Jiang 2018]; D. Martimort, J. Pouyet, F. Ricci [Martimort, Pouyet, Ricci 2018] and others.

The overwhelming majority of the positively assessed scientific results obtained by scientists take into account, to a greater or lesser extent, the consequences of the studies described in works of W. Petty [Petty 1940], A. Smith [Smith 2007], D. Ricardo [Ricardo 1955], A. Marshall [Marshall 2007], J. A. Schumpeter [Schumpeter 2007], M. Blaug [Blaug 2001], D. A. Worcester [Worcester 2000], G. Tullock [Tullock 1967], J. M. Buchanan [Buchanan 1980], E. Krueger [Krueger 1974] and other researchers, who were at the root of the theory of rent, and also put a lot of efforts into its development.

The issue of state regulation of the sphere of natural resource use, including subsoil use, tax and rent policy was highlighted in the works of O. Amosha [Amosha 2004], I. Andriievsky [Andriievsky 2005], M. C. Vlaskamp [Vlaskamp 2019], V. Besedina [Besedin 2016], O. Veklych [Veklych 2007], Y. Halynska [Halynska 2018], V. Zhuk [Zhuk 2017], B. Kvasnyuka [Kvasnyuk 2004], A. Lysetskyi [Lysetskyi 2004], S. Linnyk [Linnyk 2006], I. Malyi [Malyi 2000], V. Matiukha [Matiukha 2013], V. Mishchenko [Mishchenko 2004, Mishchenko 2003], M. Khvesyuk [Khvesyuk 2013], K. Sherstyukova [Sherstyukova 2017] and other researchers.

Positively evaluating the latest researches, one should recognize the existence of a number of problems that, according to scientists, require an urgent solution.

In particular, according to M. Khvesyuk, V. Holian and V. Bardas, the main reason for the irrational use of natural resources and the low efficiency of environmental activities consists in the imperfect system of fiscal regulation of natural resource use. The elimination of this disadvantage is possible due to deepening of institutional transformations in the sphere of natural resource use both as to the institutionalization of private and communal forms of ownership of natural resources, and organizational and legal forms of nature-use and nature-protection activities, as well as diversification of instruments and instruments of fiscal regulation of nature use in order to expand the spectrum of relations related to the redistribution of natural resource potential and use of assimilation capacity of territories [Khvesyuk, Holian, Bardas 2013].

According to K. Sherstyukova, "The problems of regulation of the redistribution of natural resource rent in the Ukrainian economy, at solving of which the state regulatory policy must be aimed, consist in the absence of effective institutions of rental relations and redistribution of rent and the concepts of their development; in ineffective redistribution of budget and tax systems; in the imperfection and contradiction of legislation regarding the definition of natural resource rent and its forms, specification of ownership rights to natural resources; in not taking into account scientifically substantiated norms of distribution and redistribution, sizes of rental payments, other instruments and methods of redistribution" [Sherstyukova 2017].

When analyzing the forms of manifestation of the socio-economic nature of rental payments, V. Besedin and others consider it appropriate to distinguish the interrelated problems, among which are ensuring the economically substantiated separation of the rental component from the user's income (profit); observance of the proportion of distribution of natural rent in the budget system optimal for the society; environmental protection and preservation of natural resource potential of the country for future generations" [Besedin, Stoliarov, Ostrovetskyi 2016].

According to Y. Halynska, the reasons for the fact that a part of the rental income is lost in financial flows are the peculiarities of the structure of the market during the transition

period, first of all its exposure to reforms and imbalance [Halynska 2018]. According to V. Holian, one of the problems, but rather the reason for the unfair distribution of natural rent, is, according to V. Holian, "recurrences of non-transparency in determining the rates of rent, as well as in its withdrawal into budgets of various levels" [Holian 2017], as well as the fact that "there is a certain institutional gap: the growth of tax revenues and charges to the budgets of large cities, primarily of regional centers, is rising significantly, while the actual increase in revenues due to the artificially narrowed tax base to the budgets of rural communities does not occur" [Holian 2018].

Thus, one of the main theoretical problems, solving of which remains relevant and of purely practical importance for any economic system, is the economically substantiated separation of the rental component from the income arising from the use of the resource that it generates with subsequent withdrawal of a share of rent due to the and its redistribution in the system of fiscal regulation.

The second problem, which is derived from the first one, is to provide the proportion of distribution and redistribution of rental payments optimal for the society. Its solving lies in providing a rational distribution of rent between the owners of natural resources and their users, which at the same time would create incentives for certain economic activities and would ensure a fair redistribution of rent within the economic system.

These tasks, the solution of which ultimately is aimed at ensuring the transformation of natural rent into the state's investment resources and its gradual transformation into a powerful factor of ecological and economic growth, can be implemented in the system of fiscal regulation. This stipulates the relevance of the researches aimed at the disclosure of instruments for the withdrawal of natural rent and the increase in their value in the system of the levers of state regulation of the economy on this basis, as well as at the determination of the directions of use of rental income remaining by the business entity after making rental payments.

Research results. High rates of growth of consumption of natural resources and the progressive reduction of their non-renewable types are appropriate for the vast majority of countries of the world. Aggravation of the problems of exhaustion of raw materials is also characteristic of the Ukrainian economy. Currently, there is a hidden exploitation in Ukraine, and therefore an uncontrolled use of natural resources, which causes unreasonable appropriation of income and profits in the form of rent with their subsequent use by a limited group of persons in their own interests. According to some calculations, the scale of the shadow coal market in the country makes about 5% of the total extraction, illegal mining of amber brings income up to 3,000 every daily, with illegal forest clearing, and the monthly turnover of cash can reach 10 million UAH [Sherstiukova 2017]. Such deviant behavior reduces the revenue part of budget of different levels and significantly impedes the implementation of socio-economic programs.

Eliminating these deficiencies is possible at the expense of strengthening control over the mining activity, as well as the establishment of a fair distribution of rental payments, which are considered as rent for owners of natural resources. The essence of rental payments is the withdrawal of a part of the surplus profit and is a tool for the distribution and redistribution of rental income in the national economy. Rental payments have this designation worldwide and are levied on the amount of rental income.

The rent for special use of natural resources is a fiscal instrument that is designed to ensure withdrawal of the natural resource rent in favor of the owner of natural resources

and to encourage natural resource users to minimize the losses of natural raw materials during its extraction and involvement into economic turnover [Holian 2017].

The analysis of world practice has made it possible to find out that rental payments can take the form of special fees, payments, taxes, lease payments etc., use of which has its advantages and disadvantages. As the experience of developed countries shows, much of the taxes are oriented on rent withdrawal. In addition to the well-known, special taxes on profit of mining companies, differentiated rental payments, land tax, export duty, excise taxes are applied. These are accompanied by indirect taxes, using which the excessive income received through the redistribution of rent by consumers of natural resources is withdrawn. In general, according to world experience, rent policy concerning natural resources is largely transformed into a policy of limiting profits [Halynska 2018].

The charge rates may be determined in absolute and interest indicators and calculated depending on the value of the raw material extracted or on the products received from it, on the sales prices, on the annual income (gross or net), on the sizes and characteristics of the land plots (land, deposits) provided for use, etc. In the national economy, administrative, legislative, economic methods, methods with direct and indirect effect, tax and non-tax methods are used to regulate the distribution and redistribution of rental income. In aggregate, the tools and methods determine the system of granting the right to use subsoil (permit, licensing or contract) by the state [Sherstiukova 2017].

Thus, in the modern economy, the rental part of the income is levied in accordance with the general system of income taxation through the income tax, to a small extent through the value added tax, the actual payer of which is the final consumer of goods made of natural raw materials, as well as through the export duty on products of the business entities that use or exploit natural resources.

With a sufficiently debatable mechanism for collecting rental income, the most urgent issue is the observance of the principle of equity in the distribution of natural rent among citizens of the country, because they are the owners of natural resources according to the legislation of the vast majority of countries.

In Ukraine, payments that are a type of distribution of the business entity's rent, and are paid to local or national budgets are rental charges, land payment, environmental tax, fees for use of mineral resources, fees for special use of water, fees for special use of forest resources, fees for use of other natural resources. The stated payments are rental payments, which fulfill functions as follows:

- economic, including fiscal and regulatory - the size of rental payment is differentiated depending on the type of rent (absolute, differential I or II), aimed at equalization of the level of profitability of enterprises operating under different natural conditions. The size of the rental charges is used as an instrument of a uniform distribution of the load on natural resources, stimulating the extraction of resources from depleted and small deposits; filling the state treasury; redistribution of rent in the budget system; transformation of rental payments to sources of financing of social expenditures, capital investments of the state; regulation of access to the use of natural resources and ensuring its availability for a price and timeliness;
- environmental, aimed at stimulating rational use, ensuring protection and reproduction of natural resource potential as a factor generating rent (for non-renewable natural resources it is expedient to use special instruments for taxation of income from their extraction; the rate for use of renewable natural resources should be high

enough to encourage the rational use, protection and reproduction of such resources taking into account their limitation). Fulfillment of the function is possible by directing the revenues from the payment for use of natural resources to special funds of the national and, above all, local budgets, which will facilitate the effective financing of environmental protection measures; financing programs for reproduction and preservation of natural resource potential, as well as programs of other orientation (social, investment, etc.);

- social, which is related to the distribution of income from use of rent-creating factors among all members of society.

Hence, rental payments are an instrument for implementing all three components of the concept of sustainable development: economic, environmental and social. However, now it should be admitted that the fulfillment of social and environmental functions by rental payments is far from optimum.

The study of world experience in the regulation of rental relations in the processes of nature use, conducted by Y. Halińska, shows that there are several models in the world, the application of which gives certain socioeconomic benefits due to the fair redistribution of rental income from the use of natural resources, but Ukraine together with Russia, Kazakhstan and Azerbaijan should be considered as a country characterized by an underdeveloped system of distribution of rental income [Halynska 2018].

This is explained to a certain extent due to the fact that "in Ukraine, the withdrawal of natural rent has a non-system character, where the state constantly changes the rules of the game, trying to withdraw the maximum income and explaining it with the need to replenish the budget" [Halynska 2018].

Currently, the existing state policy on rent regulation and withdrawal of natural rent should be considered as failed (see table), since the ratio of the amount of rent revenues of the Consolidated Budget of Ukraine to GDP makes 2.95% by the end of 2016, which is several times lower as compared to other countries [Sherstiukova 2017].

Table 1 – Separate absolute and relative indicators of rental payments to the consolidated budget of Ukraine, 2013-2016

Types of natural rent	Description of the indicators to be paid to budget
Rent charge for special water use	Revenues at comparable prices of 1998 show that in 2015-2016, real revenues to the consolidated budget (hereinafter referred to as the CB) of Ukraine are lower than the indicator in 1999. As compared to 2008, revenues at comparable prices in 1998 decreased by 39.2 million UAH and 46.4 million UAH in 2015 and in 2016 respectively. Relative share in the total revenues of natural resource payments to the CB of Ukraine decreased significantly in 2015 and 2016 as compared to the beginning of the 2000s. In particular, in 2001, its relative share in the total amount of natural resource rent, which was collected to the CB of Ukraine, was 13.42%, in 2008 - 6.2%, in 2013 - 5.11%, and in 2016 - 3.0%.

Rent charge for special use of forest resources	In 2016, as compared to 1999, revenues to the CB of Ukraine increased by 24 times, as compared to 2008 - by 4.9 times, as compared to 2013 - by 2.9 times. In the dynamics of revenues at comparable prices of 1998, no significant increase at the end of the time horizon, which is being analyzed, was observed. In 2016, as compared to 2008, rent charge at comparable prices of 1998, increased by UAH 22 million, as compared to 2013 - by 19 million UAH. Instead, as compared to 2015, its decrease by 7 million UAH is observed.
Rent charge for subsoil use	The regrouping of certain components of rent for subsoil use and assigning the payment for land to property taxes has led to the fact that the relative share of rent for subsoil use increased from 3% in 1999 to 12.8% in 2008 and to 90.6% in 2015 in the total revenues of natural resource payments to the CB of Ukraine. In 2013, as compared to 2012, the nominal value of revenues to the consolidated budget of Ukraine increased by 4.3 times, in 2016, as compared to 2013 - by 2.8 times. Significant nominal increase in rent charge for subsoil use in 2013-2016 also resulted in a significant increase in rent charge at comparable prices of 1998. In particular, in 2016, as compared to 2012, the value of rent for subsoil use collected to the CB of Ukraine in comparable prices of 1998, increased by 5.5 times. The main reason for the significant increase in revenues to the Consolidated Budget of Ukraine was several waves of increase in rent charges for natural gas extraction. In 2016, in the structure of revenues to the CB of Ukraine, the relative share of rent charge for use of natural resources for natural gas extraction amounted to 76.7%.
Rent charges for subsoil use for amber extraction	Applied since January 2016. In 2016, the plan of revenues of this fiscal payment to the CB of Ukraine amounted to 1.5 billion UAH, and actually was received the amount of 2.08 million UAH.

Source: *author's development by the source [Holian 2017]*

When analyzing the information presented in the table, one should admit that the rental relations require a significant transformation, since even under the prevailing conditions of the state's interests there are grounds to assert that there is no control over the natural resource potential of Ukraine, which causes significant gaps in planning of revenues to the CB of Ukraine. The proof of this assertion is the fact that:

- in 2016, the revenues of rent and fees for use of other natural resources amounted to 46.608 billion UAH, or only 72% of the planned amount, which was envisaged in the amount of 64.751 billion UAH [Holian 2018];

- in 2016, as compared to 2013, the revenue volume from rent for special use of natural resources at comparable prices of 1998 to the consolidated budget of Ukraine decreased by 1.301 billion UAH as compared to 2014 - by 753 million UAH [Holian 2017].

It should be noted that there were no substantial changes aimed at the fair distribution of natural rent in 2018, in particular, it is worth paying attention to the projected amounts of rent charges, for example, Ukrnafta PJSC, which change on a monthly basis. So in April 2018, Ukrnafta PJSC declared that according to preliminary estimates, it will pay about 5.5 billion UAH of rent in 2018, and, therefore, there should be about 270 million UAH of income from rental payments [Retrieved from: <https://www.ukrnafta.com/za-veresen-ukrnafta-splatila-721-mln-grn-renti>] in the budgets of regions, districts and communities, and in September 2018, it was about payment of about 6.4 billion UAH of rent, and, consequently, about 320 million UAH of income from rental payments would be received to the budgets of regions, districts and communities [Retrieved from: <https://www.ukrnafta.com/za-veresen-ukrnafta-splatila-721-mln-grn-renti>]. However, even planning for an increase in rent is in no way indicative of the existence of a mechanism for its fair distribution and redistribution, since rental income after interbudget redistribution is received by the communities of Sumy region, Ivano-Frankivsk region and Poltava region, and according to the Constitution of Ukraine, the owners of natural resources are all citizens of Ukraine.

The imperfect state regulation of rental relations stipulates the fact that a significant part of the income from exploitation of natural resources is not controlled by the state and does not come to the state and local budgets. In particular, the analysis of the state of rent relations in the system of forest resource and economic relations testifies the imperfection of the mechanisms of withdrawal, redistribution, and also assignment of forest rent to ensure the integrated development of forest resource complexes. The proof of this is that "The profit from the export of rough timber per unit of area covered with forest is only partially returned to the industry, where it can be used to restore forest. The rest of the added value is concentrated by the owners of private capital, which would not be so negative if this part of the rent was distributed more evenly in society" [Vrublevska 2007].

Consequently, the low level of income from differential forest rent I is due, on the one hand, to the imperfection of ownership relations on the forest fund land, forest resources and production structures, and, on the other hand, incomplete consideration of forest resource specific of the payments for forest resources and strictly regulated tax policies. Under the existing economic conditions, even the incomes derived from the differential forest rent II, are used ineffectively, are not enough aimed at further improvement of the forest resource complexes. The main disadvantages of the current state of rental relations to ensure the development of forest resource complexes are that:

- a small part of the formed forest rent is aimed at the restoration and protection of forest resources;
- an imperfect system of accounting and inventory of rent sources (forest-land resources, forest resources, resources of secondary forest use and resources of non-raw material origin, location of forests and forest enterprises, forms of their organization, etc.) does not allow to evaluate fully and qualitatively the rental forest resource base;
- there is an incomplete use of sources of the forest rent and a low level of its involvement in improving the system of production of sectoral structures of the complex.

Thus, in the future, development of rental forest-resource relations is associated with the further introduction of effective market pricing methods, the expansion of exchange trade with modern market-oriented forms, the economy liberalization and simultaneously with the formation of mechanisms for effective support of the forest resource complex. The mechanism for the withdrawal of rental payments for subsoil use by the business entities of Ukraine is also imperfect. Due to the fact that the deposits and the territory of extraction of minerals are owned by the people of the country, and the extraction of minerals is carried out by an entrepreneur, then the received mining rent must be divided between two entities: the state, including its citizens, and the enterprise-deposits owner.

Different countries have different mechanisms for distributing mining rent between designated entities of rental relations. The method of redistribution of rent in Ukraine is the system of granting special permits for subsoil use, through which a part of the created mining rent comes from subsoil users to the state. Instruments for withdrawing mining rent, which are used in Ukraine, can be divided into those that make it possible to separate its absolute and differential component. Absolute rent is withdrawn using licenses (permits), fees for subsoil, fees for geological exploration works. Differential rent is paid using special rental payments (for oil, natural gas and gas condensate extraction).

At the same time, it should be acknowledged that "The system of determination of rental payments for oil and natural gas extraction in Ukraine envisages the determination of the amount of rental payments, which depend on the volumes of extraction, but do not take into account the prices of sold products". Thus, today rental payments provide guaranteed income of the state, but do not solve the problem of withdrawing surplus extra profits from the mining industry. Economically unreasonable determination of rental rates for oil and natural gas leads to a loss-making activity in oil and gas extraction companies, does not allow increasing stocks and providing technical re-equipment of deposits" [Halynska 2018].

In addition, the extracting enterprises pay mandatory the rest of other taxes (fees, compulsory payments), the totality of which forms a system of taxation. In some cases it is planned to withdraw a part of the rent in the framework of the concluded agreements on the production distribution. So, the system of state withdrawal of a part of the mining rent in Ukraine in the modern form consists of three interrelated elements. In this case, production distribution agreements are considered as a separate mechanism that can completely or partially replace the rent withdrawal system on the basis of a combination of taxes and special charges. The situation with the withdrawal of rent for subsoil use to extract amber is a kind of quintessence of the low efficiency of the tax regulation of nature use in general. Failing implementation of the plan for revenue of rent for subsoil use for amber extraction is associated with the fact that the extraction of this valuable organo-mineral substance is controlled by regional business groups that physically do not allow identification of the actual base of withdrawal of this type of payment by the relevant controlling authorities [Holian 2017]. In terms of withdrawal of rent for the special use of water from both surface and underground sources from business entities, there are also a number of systemic deficiencies, the main of which is the fact that the role of the water resource in economic turnover, which may be the means of production, the material basis of finished products, a component that provides the production process, or the end product, is not taken into consideration. This, according to V. Holian, has led to significant imbalances in the formation and withdrawal of water rent, since in some segments of the economy, the water rent is almost entirely assigned to the water user and forms a surplus profits (in particular, in the

market of bottled water) [Retrieved from: <http://jkg-portal.com.ua/ua/publication/one/vodna-renta-khto-shho--jak-vplivaje-na-tarif-51794>].

When summarizing the critical assessment of the existing system of distribution and redistribution of certain types of natural rent in Ukraine, set out in publications [Vrublevska 2007; Zakharchuk 2018; Pasemko 2013; Amosha 2004; Halynska 2018; Lysetskyi 2004; Malyi 2000; Mishchenko 2004; Mishchenko 2003; Sherstiukova 2017; Retrieved from: <http://jkg-portal.com.ua/ua/publication/one/vodna-renta-khto-shho--jak-vplivaje-na-tarif-51794>; Holian 2017; Holian 2018], it should be noted that the main deficiency of the rent regulation systems is low mobilization and accumulation of rent for implementation of the provisions of the concept of sustainable development. It is worth paying attention to the fact that there is a problem regarding the fair distribution of rental payments between the members of the rental relations.

Currently, there are two entities - the state that issues permits for use of natural resources and collects rental payments, which are distributed between budgets of different levels. The second entity of rental relations is a business entity, a miner or user of natural resources, who makes rental payments, and also receives a rental income from the resource generating rent. There is also a third entity that receives rent as a passive additional income, including financial rent; however, the issue of rental payments from such income is currently unresolved. In the above-mentioned situation, the state authorities do not activate solution of the issue of taxation of passive rental incomes in the hope that civil society, which only goes through the stage of formation, will not raise the question of a fair distribution of natural rent between the real owners of the resources that generate it. After examining information on distribution and use of rent as income, it has been established that there is a significant number of trends in use of rent, and the choice of an enterprise depends on its sphere of activity, economy, ownership form, development of market relations, financial and economic activity of the enterprise, etc. In the course of rent distribution, the role of the state should be determined. Thus, the state stimulates directing rent on capital investments of productive and non-productive nature, on charitable purposes, financing of environmental measures, expenditures for maintenance of objects and institutions of non-productive sphere, etc. through the procedure of providing tax privileges.

However, even in the context of deployment of decentralization, the distribution of rent for use of these resources takes place in the direction of centralization in the State Budget of Ukraine, and only their scant share goes to rural budgets. For example, the principle of distribution of rental payments for oil and gas extraction involves the transfer of 95% of rental payments to the general fund of the state budget, and 5% - to local budgets. At the same time, 2% of the income from rent is aimed at district budgets, and 3% - at budgets of cities of regional importance, budgets of united territorial communities at the place of extraction of natural resources [Retrieved from: <https://www.ukrnafta.com/vidrahuvannya-z-renti-ukrnafti-za-kviten-do-miscevih-byudzhetiv>]. Even with such a distribution, there is an increase in tax and charge revenues to the budgets of large cities, primarily regional centers, and there is no real increase in revenues due to artificially narrowed tax base to the budgets of rural communities [Holian 2018]. In our opinion, deduction of only 3% of rent for oil and gas extraction to the budgets of the united territorial communities at the place of extraction of natural resources cannot be a sign of its fair distribution, as well as a significant source of development of the united territorial communities. The presented distribution "does not allow to link the rates and volumes of economic development of natural raw

materials within the territorial communities and adjoining territories with the priorities of socio-economic recovery of the village, including as to implementation of projects for modernization of social and industrial infrastructure of rural settlements” [Holian 2018].

For the period 1999-2016, a number of main phases were observed in the dynamics of revenues of rental payments for subsoil use to rural budgets. In 1999-2002, revenues of this kind of fiscal payments fluctuated in the range of 0.3-2.3 million UAH. In 2012-2016, there was a gradual decrease in the amount of revenues from use of mineral resources to rural budgets. If in 2012, rural budgets received rent for use of mineral resources in the amount of 158.4 million UAH, in 2014 - 85.9 million UAH, then in 2016, this amounted to 55.5 million UAH [Holian 2018]. According to our belief, the harmonization of rental relations with the provisions of the concept of sustainable development can be achieved by expanding the range of subjects of the mechanism of distribution of natural rent, changing the interbudget distribution of income from rental payments, directing the use of natural rent on the socio-ecological component of the development of the national economy (Fig. 1).

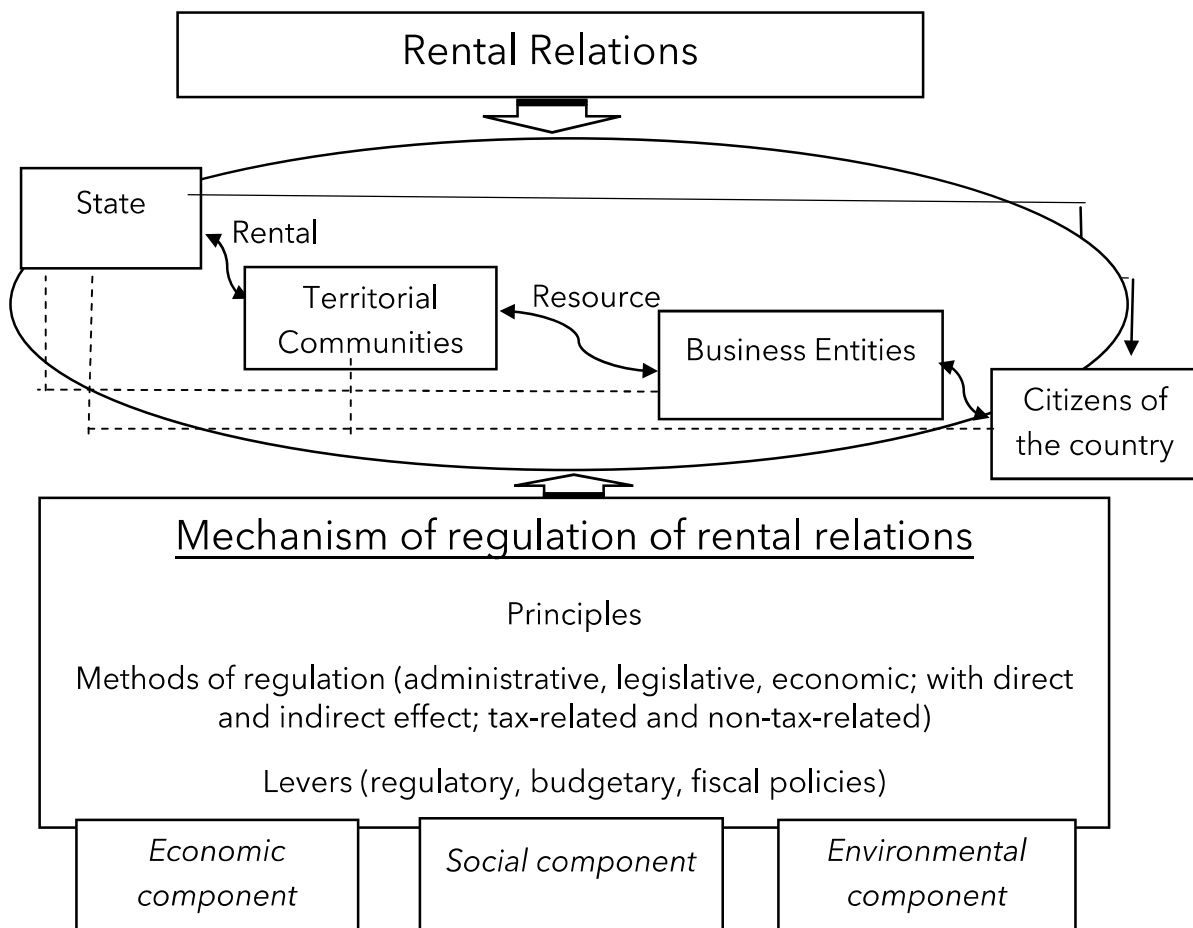


Figure 1 - Rental relations and their mechanism of regulation in the context of implementation of the concept of sustainable development

Source: author's development

The basis for transformation of the distribution of natural rent will be the definition of the principles of functioning of the mechanism of regulation of rental relations.

So, the principles that reflect the economic component should be the principles as follows:

- mandatory availability for a price for special nature use;
- balance of economic interests of the subjects of rental relations;
- implementation of entrepreneurial activity taking into account the interests of the owner of natural resources;
- substantiation of rates of rental payments and charges;
- correspondence of rental payments with sectoral levels of development;
- differentiation of payment standards for use of various types of natural resources;
- transparency of administration of rental payments.

Accordingly, the social orientation of the mechanism of regulation of rental relations will be reflected through observance of the principles as follows:

- specification of the property rights of the participants of the rental relations (ownership, disposal, use, responsibility) within the limits of public (social) ownership of natural resources;
- free access of business entities with any form of ownership to activities in the field of nature use;
- prevention of the domination of certain groups of economic entities;
- prevention of monopoly in nature management;
- transparency of activity of entities of rental relations in terms of extraction, use of natural resources, receipt of rental income and making rental payments, expenses incurred for restoration of natural resources;
- restriction of unfair assignment of natural rent.

The environmental orientation of the mechanism of regulation of rental relations will be guaranteed by compliance with the principles as follows:

- promotion of environmental protection measures;
- prevention of ecologically destructive and naturally destructive consequences of activity of business entities-users of natural resources;
- stimulating the introduction of resource-saving technologies for extraction of natural raw materials and use of natural resources;
- increase of the investment component of the environmental protection direction;
- controllability of ecological consequences of economic activity of subjects of rental relations;
- unconditional reimbursement of the consequences of ecological destructive and nature-destructive type.

In addition to observing the stated principles of the mechanism of regulation of rental relations, the fair distribution of natural rent in accordance with the concept of sustainable development, the recommendations set forth in publications [Halynska 2018; Khvesyk, Holian, Bardas 2013; Sherstiukova 2017] will also contribute to. In our opinion, measures of the highest priority are as follows:

- improvement of the accounting of natural resources and control over their use;
- identification of the real base of withdrawal of land tax and lease charge for use of agricultural and forestry land, as well as lands of the inventory of water resources;
- increase of rental rates for special use of natural resources determined in Ukraine to the payment standards for natural resources that are determined in highly developed countries. This will force the main natural resource users to pay to the owner of the vast majority of natural resources the price adequate to the real cost of the withdrawn natural resource and to direct the natural benefits to serving the territorial communities;

- change of the format of rent regulation of use of forestry lands in terms of development of hunting industry and use of non-resource forest properties;
- ensuring transfer of state-owned lands to communal ownership that are located near rural settlements, which will provide an extension of the base for withdrawal of land tax and land rent in the budgets of rural communities, and will increase the ability of communities to receive additional revenues through the use of communal property objects;
- reduction of rental payments on the amount of environmental expenditures incurred by the business entity related to the minimization of anthropogenic pollution and the destruction of natural resources. Reinvested natural rent will bring a significant economic effect subject to financing innovation projects as to ensuring resource use, which would be in line with the provisions of the concept of sustainable development. Innovation projects should be aimed at ensuring the environmental friendliness of the products manufactured and services provided, which will potentially contribute to the growth of the company's income and the formation of its positive social image;
- revision of the principles of interbudget redistribution of rent for special use of natural resources in order to increase substantially the share of deductions to the baseline budgets, primarily in rural budgets, including the united territorial communities. This will encourage the state to perform its functions not at the expense of the depletion of natural resource potential, but due to the search of new sources of filling the state budget, including creating new jobs in the industries in which the intellectual product is produced.

The distribution of rent remaining by the business entity must be consistent with the process of its strategic development and determine the direction of its future use. The most promising directions for use of rent by the business entity are as follows:

1. Economic direction:

- investment fund of the enterprise (financing of research expenditures, development and implementation of new types of products and technologies, equipment modernization, reconstruction and modernization of production, acquisition and creation of intangible assets, replenishment of current capital);
- fund for financing of expenditures related to social needs (expenditures for operation of the social facilities being in inventory of the enterprise), construction of non-productive objects, recreation and other activities;
- formation of a reserve for payment of dividends (typical for private joint-stock companies). The dividend policy of the company is a serious lever for increasing the efficiency of its activities;
- financial reserve, which is formed in volumes recommended by the current legislation;

2. Social direction:

- fund for stimulation of the enterprise's personnel (material incentives for employees: payment of lumpsum bonuses for fulfilling important production tasks, provision of lumpsum material assistance, bonuses for creation, development and introduction of new technique, etc.);

3. Environmental direction:

- environmental protection fund;
- fund for restoration of natural resources.

Conclusions. The existing distribution of natural rent in Ukraine should be considered imperfect, since neither the ultimate beneficiary of natural resources - the people of Ukraine, nor the executive authorities receive rental income, which is comparable with the market value of such resources. One of the main causes of this situation is imperfection of the mechanism of regulation of rental relations, which consists in existence of a number of issues of legal and fiscal-distributive nature. It is possible to achieve fair distribution and redistribution of natural rent, and at the same time to bring the national economy closer to the parameters of sustainable development by improving the mechanism of regulation of rental relations with an appropriate definition of the principles of its functioning. Achievement of the parameters of sustainable development should take place in compliance with the recommendations on the distribution of natural rent by the business entity. They can be implemented only on the basis of accounting of the results of rental relations. Perspectives for further research consist in developing recommendations for practical implementation of the proposed mechanism of regulation of rental relations.

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