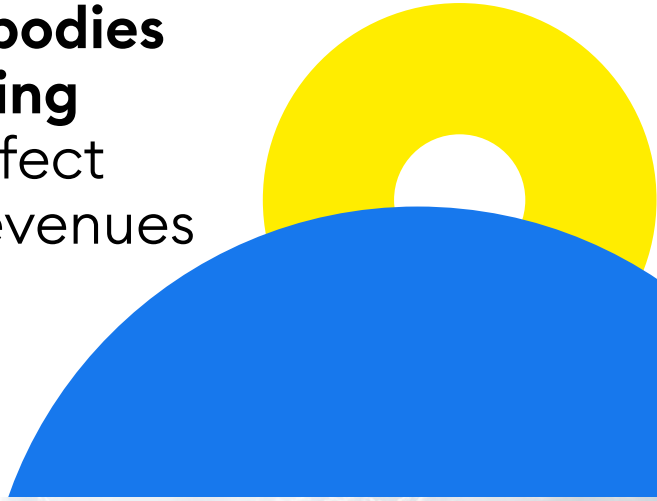


How **limited authority of local self- government bodies in administering local taxes affect community revenues**



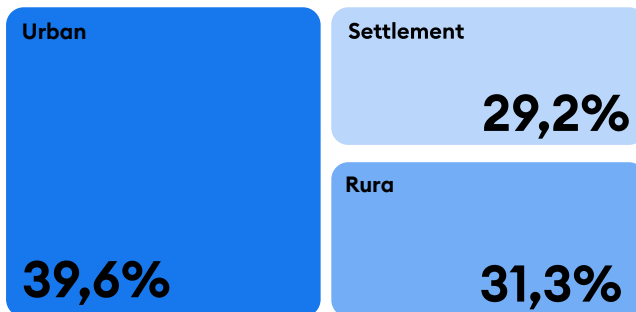


The survey was conducted in January 2026 among amalgamated territorial communities of Ukraine through an online questionnaire.

I. Profile of participating communities in the Survey

A total of **48 fully completed community questionnaires** were received. Urban communities were the most represented, with a slight margin.

Type of territorial community



The distribution of participating communities by population size is as follows. Only one respondent represented a community with a population of over 100 000.



Community population size

2,1% over 100k

8,3% 50-100k

41,7% up to 10k

47,9% 10-50k

The vast majority of communities whose representatives participated in the survey are located in **Sumy oblast (18 responses, or 37.5%) and Volyn oblast (14 respondents, or 29,2%)**. Two respondents each (4.2%) came from communities in Dnipropetrovsk, Ternopil, Poltava and Chernihiv oblasts. One response each (2,1%) was received from communities in Khmelnytskyi, Kherson, Mykolaiv, Vinnytsia, Odesa, Kyiv, Lviv and Zhytomyr oblasts.

The questionnaire was mainly completed by heads of community financial departments, accounting for 41,7% of surveyed communities (20 responses). In 18,8% of cases (9 responses), questionnaires were completed by community heads, and in 10,4% (5 responses) by **deputy heads**.

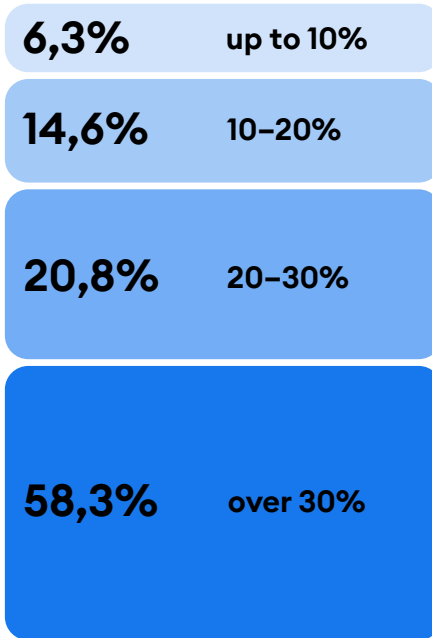
Overall, **the majority (≈65%) of the listed positions relate to the financial and economic sector**, indicating that the questionnaire was predominantly completed by specialized professionals with direct expertise in the subject matter.



II. The role of local taxes in the budget

In the vast majority of communities, **the share of local taxes and fees in community budget revenues** (excluding transfers/own revenues) exceeds 30%. Only 3 respondents (6,3% of those surveyed) reported this share to be less than 10%.

Share of local taxes and fees in community budget revenues (excluding transfers):



Key revenue drivers for the surveyed communities are:

- **Land tax** (identified by 42 respondents, or 87,5% of those surveyed);
- **Single tax** (identified by 41 respondents, or 85,4%);
- **Property tax** (selected by 21 respondents, or 43,8%).

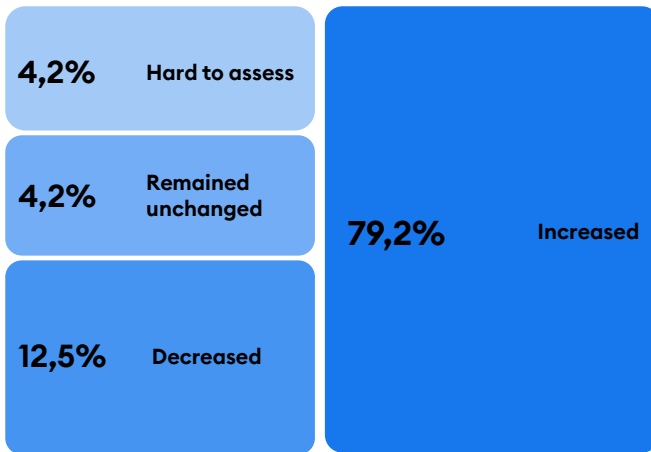
TTourist tax was the only predefined option (other than the three mentioned



above) that could be selected without providing a custom entry; it was chosen by only 1 respondent (2,1%). **Personal Income Tax (PIT)**, under various naming conventions, was manually entered by 10 respondents (20,8%). Additionally, three respondents (6,3%) specified **land lease payments**, while **excise tax** and **transport tax** were each mentioned by one respondent.

For nearly 80% of the surveyed community representatives, local tax revenues have increased over the last two years. Revenue remained unchanged for only two respondents, while another two selected the «hard to assess» option.

How have local tax revenues changed over the last 2 years?



III. Проблеми адміністрування

Regarding **the challenges of administering local taxes, the most severe issue identified by the survey** is the **inability to influence tax debt**: this problem was rated as critical by 13 respondents (27,1%) and significant by 27 respondents (56,3%). 7 respondents (14,6%) considered it a moderate issue, while only 2 stated they saw no problem in this area.

The second most critical issue is the **lack of access to tax databases**: only 8 respondents (16,7%) called this problem critical, though 26 (54,2%) rated it as significant.

Ranked third is the **problem of incomplete information regarding taxpayers**: 7 respondents (14,6%) identified it as critical, and 22 (45,8%) as significant.



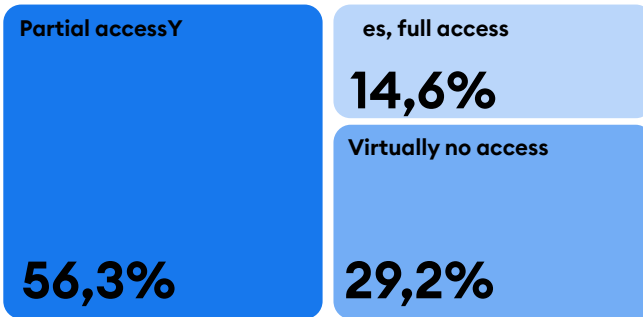
Meanwhile, 15 (31,2%) assessed it as a moderate issue.

Another serious concern is **the limited influence on determining the tax base**. This was identified as a significant problem by 23 respondents (47,9%), critical by 6 (12,5%), and moderate by 14 (29,2%).

The least severe issue, according to the survey, is formal cooperation with the State Tax Service (STS): 26 respondents (54,2%) described it as a moderate problem, and for 8 (16,7%), it was not a problem at all. However, **the complexity of working with large taxpayers is more polarized and serious:** while 10 respondents (20,8%) see no issue, 21 (43,8%) describe it as moderate, and 8 (16,7%) consider it critical – double the number compared to the previous issue.

Only 14,6% of those surveyed indicated that their community has full **access to the information necessary to monitor the completeness of local tax payments**.

Does the community have access to the information necessary to monitor the completeness of local tax payments?

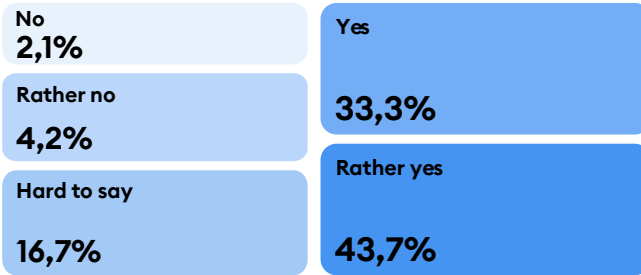


IV. Financial Impact

Overall, 77% of respondents answered «yes» or «rather yes» when asked whether the limited powers of **local self-governments (LSGs) lead to community budget losses**. Only one respondent answered «no», and two answered «rather no».

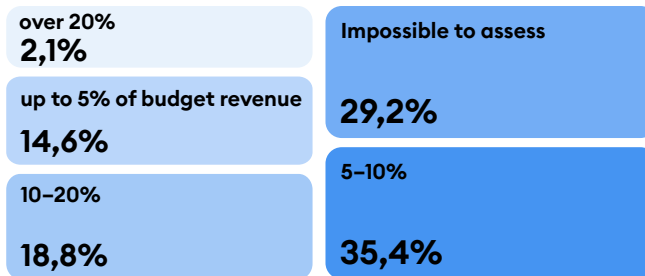


Do limited LSG powers lead to community budget losses?



Furthermore, 35,4% of respondents **estimate the volume of lost budget revenue due to local tax administration issues** to be between 5-10%.

Estimated volume of lost community budget revenue:



Responses to the open-ended question «Provide a specific example of losses or problems» can be grouped into the following thematic categories:

1. Problems with registries, databases, or real estate and land accounting (8 responses, 16,7%): issues regarding untaxed land and real estate, and incomplete registries, resulting in revenue shortfalls due to a lack of oversight.

Response examples:

- Incomplete database;
- Plots not entered into the state land cadastre (SLC) registry are not taxed;
- Economic entities are not fully covered;
- Deficiencies in the information base: real estate registries were



entered manually based on taxpayer applications and require frequent updates; the same applies to tax-exempt entities;

- Many real estate objects and land plots remain unrecorded, which reduces property tax revenue.

2. Lack of access to taxpayer data (7 responses, 14,6%): Lack of information regarding taxpayers, tax returns, and salaries.

Response examples:

- Difficult to analyze losses without access to information from tax returns;
- Lack of information from the STS;
- Lack of information regarding the number of employees and their salary levels;
- Inaccurate assessments and lack of taxpayer info; taxpayers adjust tax liabilities, but financial authorities cannot adjust revenue plans due to lack of access to tax returns.

3. Debtors and lack of influence (6 responses, 12,5%):

Response examples::

- Individual owners of residential real estate have tax arrears;
- No influence over debtors or those using real estate without registered ownership rights;
- Local taxes, specifically property and land taxes, are not paid on time;
- Debt is growing, particularly from state enterprises (nearly 6 million UAH).

4. Untimely/incorrect assessments and issuance of tax notification-decisions (TNDs), leading to late payments (5 responses, 10,4%):

Response examples:

- The community incurs losses in property and land tax revenues because some owners or users do not receive tax notices on time and are not registered in their personal tax accounts, leading to a total failure to pay these taxes.



- Incorrect assessments or failure to deliver TNDs on time.
- Untimely delivery of Tax Notification-Decisions (TNDs) to taxpayers.
- Delayed assessment of land tax.

5. Issues with tax exemptions and their verification (4 responses, 8,3%):

Response examples:

- Enterprises use land tax exemptions under CMU Resolution № 1364, but communities lack the legal tools to verify if the territory is actually unusable. Consequently, budgets lose millions without the ability to verify the legality of the exemption;
- Inability to assess the completeness of the property tax base held by the STS;
- Formal approach by tax authorities regarding land tax administration for legal entities on the simplified tax system who do not conduct business on land plots but still use exemptions.

6. Incorrect taxpayer registration (3 responses, 6,3%) - taxpayers register in one community but operate in another, leading to revenue losses for the community where the activity actually occurs.

Response examples:

- Tax code changes mean forestry enterprises do not pay property tax locally (legal entity re-registered in Kyiv despite physical location in the community);
- Sole proprietors or manufacturing operate in our community, but taxes are sent to their place of registration in another community;
- Information provided to tax authorities is not considered in local tax assessments.

Sectors primarily affected by revenue shortfalls:

- 1. Infrastructure** (cited by 38, or 79,2% of respondents);
- 2. Social Services** (30, or 62,5%);
- 3. Education** (21, or 43,8%);



4. **Healthcare** (20, or 41,7%);
5. **Business Support** (9, or 18,8%).

V. Powers and Changes

Powers most lacking in local tax administration:

1. **Access to tax registries** (cited by 39, or 81,3% of respondents);
2. **Influence on taxpayer accounting** (27, or 56,3%);
3. **Participation in tax debt management** (19, or 39,6%);
4. **Tools to influence large taxpayers** (18, or 37,5%);
5. **Right to initiate tax audits** (18, or 37,5%).

Responses to the question «**In your opinion, which changes would most increase the community's financial capacity?**» are divided into the following categories:

1. Expanding access to registries, databases, and other taxpayer information (25%, 12 responses).

Response examples:

- Access to tax databases;
- Understanding assessment amounts and tax debt with object/subject data;
- Access to tax registries;
- Granting LSGs access to tax returns as users;
- Enhancing interaction regarding information exchange;
- Access to real estate registries of community taxpayers and their monitoring.



Expanding LSG powers in tax administration (16,7%, 8 responses):

Response examples:

- Administration and control of local tax payments;
- Granting LSGs the power to administer local taxes (land and real estate);
- Legislative changes to expand LSG powers in administration and penalizing non-payers;
- Transfer administration to LSGs, let tax authorities maintain oversight.

3. Returning «military» PIT to local budgets or changing PIT allocation rules (8.3%, 4 responses):

Response examples:

- PIT at the place of registration;
- Returning «military» PIT to community budgets;
- The more PIT from the public sector (82% in our case), the larger the reversal. It is necessary at the state level to review the reverse subsidy approach to account for actual expenditure needs and wartime conditions.

4. Granting communities tools to influence taxpayers and the right to initiate audits (8,3%, 4 responses).

Response examples:

- Tools to influence large taxpayers;
- Participation in tax debt management and initiating audits;
- Business checks for workplace legalization and excise good sales volumes.

5. Business development, investment attraction, and increasing the number of taxpayers (8,3%, 4 responses):

Response examples:

- Increasing own revenues. 1. PIT: Increasing the number of able-bodied residents and salary levels. 2. Local taxes:

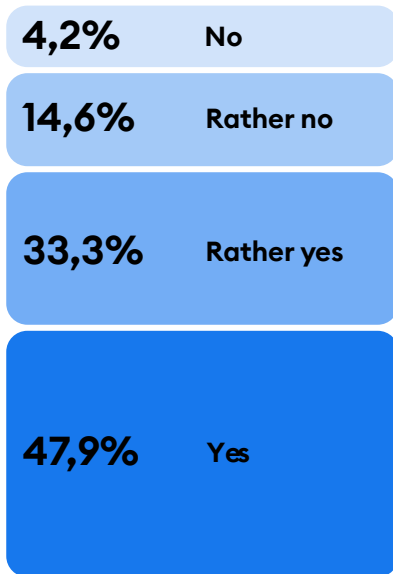


Entrepreneurship development and expanding the tax base;

- Developing local business and attracting investment;
- Increasing the number of taxpayers by filling registries.

The majority of respondents would support expanding LSG powers in local tax administration.

Would you support expanding LSG powers in local tax administration?



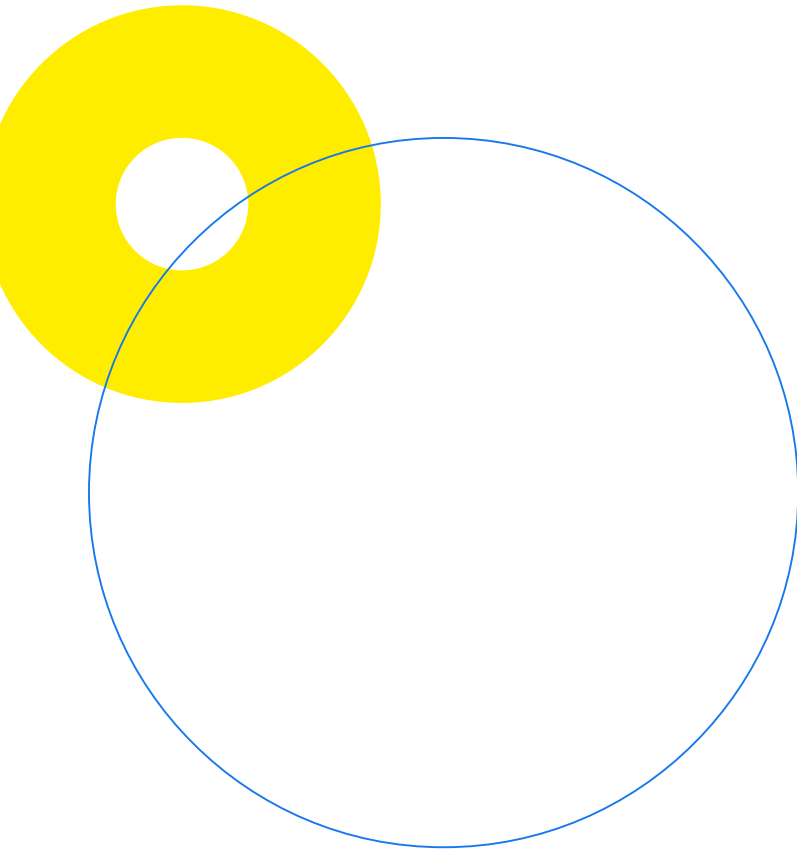


VI. Advocacy potential

The majority of communities are ready to advocate for changes in tax administration by LSGs.

Is your community ready to join advocacy for changes?





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This project, «Stronger Europe, United Front – Advancing Ukraine’s EU Membership for Greater Resilience and Security», was funded by the European Union. The content of this material is the sole responsibility of the «ANTS» NGO and does not necessarily reflect the views of the European Union.