**THE MODEL OF THE FISCAL POLICY ECO-CONSCIOUSNESS INDEX**

**Abstract.** The author of the article developed a model of the fiscal policy eco-consciousness index, which provides a comprehensive assessment of the tax system, the system of tax control and administration, the system of distribution of financial resources by budget levels and by types of budget expenditures regarding their compliance with the principles of sustainability. For each component of the fiscal policy eco-consciousness index, blocks of directions for this assessment and the criteria for its implementation have been determined, which will be used to develop a system of indicators in the future.

**Keywords:** model, fiscal policy, sustainable development, eco-consciousness, index.

Over time, the policy of any country is subject to change depending on changes in the conjuncture, the emergence of new challenges, or identified imbalances in previous periods of government. The theory of taxation establishes the principle that fiscal policy should not undergo radical changes within five years. But this principle does not apply in the 20s of the 21st century. First, the long-lasting pandemic caused by the COVID-19 virus, and then Russia's military invasion of Ukraine in early 2022, prompted European countries to rethink their fiscal policies in the context of strengthening precautionary measures against existing and potential risks and crises and ensuring sustainable development.

Thus, on March 2, 2022, the European Commission published *Fiscal policy guidance for 2023* [1], which provides key recommendations for EU countries to overcome crises and suggests ways to use fiscal policy instruments to stabilize the economy and address social and energy issues. But this approach is based solely on
fixing the successful results of fiscal regulation in individual countries and does not take into account the legislative features of the tax and budget policies of each country or its features as a socio-economic system. In order to eliminate point state regulation and ensure the formation of fiscal policy that meets the criteria of sustainability and is able to withstand the crisis situation, this increases the urgency of the issue to develop a methodological apparatus that would allow both to assess the current state and regulatory impact of fiscal policy on socio-economic processes, and to monitor the level of its promotion of sustainable development.

In the previous stages of the research, the index of the "fiscal policy eco-consciousness" was proposed to describe the fiscal policy that meets the criteria of sustainability. This index was determined as «...an integrated indicator that allows a comprehensive assessment of the degree of orientation of each component of fiscal policy to achieve the three pillars of sustainable development (economic growth, human resource development, and the environment) and reflects the level of focus of individual and social consciousness in the country on responsible compliance principles of sustainability» [2]. Based on this definition and identified the main components of the fiscal policy eco-consciousness – the tax system, the system of tax control and administration, the system of distribution of financial resources by budget levels and types of budget expenditures, – we propose to develop a model of the fiscal policy eco-consciousness index (hereinafter – FPEC Index). To solve this problem, it is proposed to identify key areas and criteria for evaluation of each of the components of the FPEC Index. In the future, based on this model, it is planned to develop a system of indicators that will be used to assess each component of the FPEC Index and its overall value.

Thus, in order to assess the balance of the country's tax system and focused on achieving sustainable development goals, we propose to form the first component of the assessment of the FPEC Index (the tax system) of the following blocks:

1) providing the economic growth:
   – does the level of tax rates correspond to the level of economic development of the country;
   – the real income tax rate;
– the extent to which the property tax rate corresponds to the level of property security of the middle population;
– the extent to which business taxes effectively perform a regulatory function, and stimulate the small and medium-sized business development;
– does the tax system provide any tax incentives for taxpayers who make investments;
– does the tax system provide for preferential taxation of the agricultural segment of the economy (ensuring a sufficient number and range of food, addressing hunger);

2) providing the social development:
– are there any tax incentives for taxpayers who run social programs for employees;
– the extent to which the tax system restrains consumer potential by affecting the purchasing power of the population;
– the real wage tax rate;
– the extent to which the system of individual income taxation (including a set of tax benefits and deductions) is balanced in relation to different gender groups;

3) providing the environmental protection:
– does the established system of tax rates and other tax parameters provide for the rational use of energy resources, or is there a tax incentive for taxpayers who use, produce, etc. alternative energy sources;
– does the established system of tax rates and other parameters of taxation provide for the rational use of water and bioresources;
– does the established system of tax rates and other parameters of taxation provide for the rational use of terrestrial ecosystems and subsoil;
– does the established system of tax rates and other tax parameters provide for the reduction of waste, and emissions of pollutants into the atmosphere, and water, or does the tax system encourage the introduction of technologies for waste processing, recycling, or reuse of goods;

4) general characteristics of the tax system:
– the level of redistribution of GDP through tax tools;
– due to which types of taxes the bulk of budget revenues are formed and who is the payer of these taxes (population or business entities), Concentration Index [3];
– are there taxes in the system that have a low level of budget revenues, complicate the tax system, and reduce the efficiency of tax administration, Dispersion Index [3];
– the extent to which the system of tax legislation ensures the full realization by taxes of its fiscal potential, namely the compliance of actual tax bases with potential ones and minimizes tax gaps, Erosion Index [3];
– the extent to which the tax base for basic taxes and fees established by tax legislation is objectively determined, Objectivity Index [3];
– the extent to which the tax system ensures a steady flow of revenues to the country's budget during the financial year (rhythmical financial support of the expenditure part of the budget).

Assessment of the tax system in all these areas will determine the level of its balance, fairness (from an objective point of view – for different groups of economic entities), as well as the effectiveness of its regulatory and fiscal functions. At the same time, the identification of assessment areas that are identical to the three pillars of sustainable development will form a vision of the nature of the impact of tax policy separately on economic growth, social development, and environmental protection, as well as identify the imbalance between the effects on these components of sustainable development.

Regarding the assessment of the second component of the FPEC Index – the system of tax control and administration – it should be noted that in the international practice of assessing the quality of tax administration is actively used TADAT methodology [4], which provides an assessment of key components of the tax control and administration system in nine areas (POA): 1) maintaining a database of taxpayers, 2) effective risk management, 3) supporting voluntary compliance, 4) on-time filing of declarations, 5) on-time payment of taxes, 6) accurate reporting in declarations (reporting complete and truthful information by the taxpayer); 7) the procedure of tax disputes resolution; 8) efficient revenue management; 9) accountability and transparency of tax authorities. The results of the evaluation
of this system are the basis for the formation of proposals for reforming the system of tax control and tax administration or identifying priorities to focus on a particular segment of this system. Using this approach as a basis, we propose to form the second component of the assessment of the FPEC Index with the following blocks:

1) *quality and scale of tax administration:*

   – is there the software that allows you to administer taxes, minimize the human factor, simplify the work of tax officials, as well as the declaration process for taxpayers (corresponds to POA1 and POA4, TADAT);

   – is there the software that allows managing of the tax revenues, measuring gaps with forecasts and the impact of factors that caused them, as well as how it affected the execution of the expenditure side of the budget (compliance with budget expectations) (corresponds to POA8, TADAT);

   – whether the plan of tax revenues and the results of its implementation for the formation of the next year’s plan are analyzed (corresponds to POA8, TADAT);

   – whether there is software that allows the calculation of tax gaps (corresponds to POA8, TADAT);

   – the extent to which taxpayers timely fulfill their responsibilities for filing declarations and paying taxes;

   – whether the amounts are paid on time from the state budget in favor of taxpayers (for example, VAT refunds) (corresponds to POA8, TADAT);

   – the extent to which the existing system of tax administration provides for the submission of complete, accurate, and reliable information in tax returns and reports, and whether the mechanism of verification of information is applied, and whether this mechanism is automated (for example, SAF-T file in e-audit) (corresponds to POA6, TADAT);

   – how minimized are the costs of the tax administration (corresponds to POA5, TADAT);

2) *the quality and scale of tax control:*

   – is there the software for tax control, audit of taxpayers;

   – is there the software for tax risk management (pre-audit analysis, audit) (corresponds to POA2, TADAT);
– the extent to which the tax risk management system allows to identify all tax risks and to rank taxpayers according to the degree of compliance with tax legislation (corresponds to POA2, TADAT);

– the average level of fiscal return of tax control measures – the ratio of costs and accrued amounts as a result of tax control (corresponds to POA5, TADAT);

– the percentage of arrears on the payment of accrued amounts of taxes as a result of tax control measures (corresponds to POA5, TADAT);

– the percentage of tax revenues to the country's budget which is provided as surcharges on the results of tax control measures (corresponds to POA5, TADAT);

– the extent to which a functioning system allows for a comprehensive assessment of the taxpayer's activities or controlled transactions, without significant interference in its business activities (corresponds to POA2, TADAT);

3) balance of interests and democratic mechanisms for resolving disputes:

– the extent to which the system of tax control and administration is focused on the interests of taxpayers, the extent to which the activities of tax officials are aimed at forming partnerships with taxpayers;

– whether the practice of "assistance", advising and explaining to taxpayers by tax officials (corresponds to POA6, TADAT);

– whether there is a special department in the tax authorities that deals with information support of taxpayers and clarification of tax legislation;

– whether measures to increase the level of tax culture and social responsibility of the population are taken, in particular aimed at raising children (tax alphabets, competitions, etc.);

– whether there is a mechanism for assessing the conscientiousness of performance of the taxpayers’ obligations to pay taxes, as well as their relationship to the fairness of the tax system;

– whether a mechanism for assessing the degree of trust of taxpayers in tax authorities has been introduced, whether this mechanism is applied on a regular basis, and the extent to which the established assessment mechanism allows to obtain truthful information from taxpayers;

– the extent to which the existing system of tax control and administration
promotes voluntary compliance with tax legislation (corresponds to POA3, TADAT);

– the percentage of decisions of tax authorities on the results of tax control which are appealed by taxpayers in court (corresponds to POA7, TADAT);

– the percentage of tax disputes which is decided in favor of taxpayers (corresponds to POA7, TADAT);

– how the practice of tax mediation is developed in the country, what percentage of disputes between taxpayers and tax authorities are resolved as a result of the use of tax mediation (corresponds to POA7, TADAT);

4) the level of righteousness, professionalism and quality of work of tax officials:

– is there a system of control over the work of tax officials (corresponds to POA9, TADAT);

– is the system of assessment of the quality of work of employees of the tax authorities of the country automated (corresponds to POA9, TADAT);

– the extent to which the established criteria for assessing the performance of employees of tax authorities are objective and comprehensively assess the work of the employee (corresponds to POA9, TADAT);

– the results of the assessment of the work of tax authorities are open information to the public (corresponds to POA9, TADAT);

– is there a system for assessing the effectiveness of the tax authorities' use of budgetary resources allocated to finance their operation and development, and whether information on the directions of use of budget funds by tax authorities (for what purposes and measures) is disclosed;

– is there a system for assessing the level of corruption of tax officials or their propensity to illegal actions, and how automated is this system and excludes the human factor, and how objectively this system allows testing tax officials for corruption;

– is there a system of punishment for the poor or incomplete performance of professional duties by officials of tax authorities.

The results of the assessment of the system of tax control and administration in
all the above areas and criteria will determine the level of comprehensiveness, objectivity and effectiveness of control measures by tax authorities, as well as the level of propensity of tax officials to illegal actions. Also, the results of the analysis of the second component of the FPEC Index will form a vision of the nature of the attitude of most taxpayers to the tax system (level of fairness) and the degree of their trust in tax authorities, which gives an understanding of fiscal eco-consciousness.

In order to assess the extent to which the country's fiscal policy is balanced and focused on achieving sustainable development goals, we propose to form the third component of the FPEC Index (the system of distribution of financial resources by types of budget expenditures) from the following blocks:

1) providing the economic growth:
   – whether the budgets of different years provide funding for programs of development of the different segments of the country's economy, what percentage of total budget expenditures is funding for such programs;
   – whether the budgets of different years provide funding for programs of small and middle-sized business development, what percentage of total budget expenditures is funding for such programs;
   – whether the budgets of different years provide funding for programs of innovative development of the country's economy, research and development in the economic sphere (for different segments of the economy), what percentage of total budget expenditures is funding for such programs;
   – whether the budgets of different years provide funding for programs to build, upgrade and modernize the infrastructure;

2) providing the social development:
   – whether the budgets of different years provide funding for programs for the development of health care, education, science, spiritual and physical development of humans, what percentage of the total budget expenditures is the funding of such programs;
   – whether the budgets of different years provide funding for social protection programs for different segments of the population, what percentage of the total budget expenditures is the funding of such programs;
– as fiscal policy in the social sphere is gender-balanced;
– whether the budgets of different years provide funding for programs of innovative development of the social sphere of settlements of the country, what percentage of the total budget expenditures is the funding of such programs;

3) *providing the environmental protection*:
– whether the budgets of different years provide funding for resource conservation and recycling programs, what percentage of the total budget expenditures is the funding of such programs;
– whether the budgets of different years provide funding for programs to reduce harmful emissions and pollution or mitigating greenhouse gas emissions [5], what percentage of the total budget expenditures is the funding of such programs;
– whether the budgets of different years provide funding for programs for the creation and development of nature parks and reserves, biodiversity conservation [5], what percentage of the total budget expenditures is the funding of such programs;
– whether the budgets of different years provide funding for alternative energy development programs, what percentage of the total budget expenditures is the funding of such programs;
– whether the budgets of different years provide funding for programs of green technological innovations [5], what percentage of the total budget expenditures is the funding of such programs, Index of state support for innovation;

4) *general characteristics of the budget policy*:
– the extent to which budget plans correspond to the real situation in the economic, social, and environmental spheres, as well as take into account all current problems and imbalances in the country's development;
– the extent to which the process of forming and implementing the distribution of financial resources of the budget by various items of expenditure is transparent and accountable to the population;
– whether the automated process of maintaining the country's budget, the extent to which this process excludes the possibility of "manual" management of the expenditure part of the budget;
– whether the mechanisms for controlling the targeted use of budget resources
are used, the extent to which this process is automated;

– whether the system of evaluation of the efficiency of budget resources allocation and their use is envisaged, whether the mechanism of monitoring the implementation of budget programs is applied, and the extent to which the indicators used allow to qualitatively and quantitatively assess the effectiveness of budget program implementation;

– the extent to which the schedule of execution of the expenditure part of the budget (in terms of financial resources and time parameters) corresponds to the schedule of receipts of financial resources in the revenue part of the budget;

– whether the budget reporting allows revealing all directions and parameters of use of budgetary resources, whether the mechanism of reporting to the population of the country on directions of use of budgetary resources is applied, and the extent to which this information is accessible.

Thus, the assessment of fiscal policy in all the above areas, which also correspond to the three main pillars of sustainable development, will determine the level of its structure and balance, as well as economic, social, and environmental efficiency. At the same time, thanks to the general direction of budget policy assessment, it is possible to assess the quality of the country's budget system in terms of planning, using, controlling, and reporting on the allocation of financial resources for various expenditures and development programs, as well as identify problems and imbalances in these processes.

Regarding the fourth component of the FPEC Index – *the system of distribution of financial resources by budget levels* – in order to achieve balanced and sustainable development it is necessary to assess budget policy also in terms of nature, volume, sources, and time parameters of financial resources distribution. This will make it possible to identify imbalances in the financial provision of various levels of government, and, accordingly, their ability to implement development programs in the economic, social, and environmental spheres. Given this, we propose to form the fourth component of the FPEC Index assessment of the following blocks:

1) *compliance with the scope of powers of authorities at different levels*: the extent to which the established procedure for the distribution of financial resources
by budget levels (state and local) corresponds to the distribution of powers between authorities at different levels;

2) the level of financial (tax) capacity of state and local authorities: the level of the financial needs of budgets of different levels are met; the extent to which budgets at different levels have a stable base for the sources of different types of revenue;

3) the level of differentiation of the system of taxes received at each level of the country's budget (includes different groups of taxes with different tax bases and payment deadlines);

4) the amount of budget expenditures of each level which is formed through cooperation with foreign partners.

As a result of generalizing the proposals on the assessment of each component of the FPEC Index, we propose to form the FPEC Index model (Fig. 1), which demonstrates the structure of an integrated approach to assessing the degree of fiscal policy compliance with sustainability and its focus on economic growth, social development and environmental protection.

Fig. 1. Model of FPEC Index

Source: prepared by the author
Thus, the FPEC Index model developed and the list of key directions and criteria for assessing the tax system, the system of tax control and administration, the system of distribution of financial resources by budget levels and types of budget expenditures can be further used as a basis for the development of a system of indicators that will form the basis of a comprehensive methodological approach to assessing the level of environmental awareness of fiscal policy.

References:
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