

**V. Kmit**

*Candidate of Economic Sciences,  
Associate Professor at the Department of Finance,  
Money Turnover and Credit,  
Ivan Franko National University of Lviv*

**O. Dobryanska**

*Master's Student,  
Ivan Franko National University of Lviv*

## **VAT REFUND ARREARS IN THE STRUCTURE OF THE UKRAINIAN PUBLIC DEBT**

Public debt is an important component of public finances in the formation and functioning of a market economy. The state budget deficit led to a significant increase of Ukrainian public debt value. Value added tax (hereinafter – VAT) refund arrears occupy a big portion of the Ukrainian public internal debt. Effective management of such indebtedness will provide economic development.

Public debt, according to the Budget Code of Ukraine, is the total government debt of returning the received and outstanding loans at the reporting date, which arise as a result of government borrowing.

Public debt is an important common feature characteristic of a market economy and it consists of internal and external public debt. Internal public debt is a domestic debt of the state enterprises, communities that arises from their involvement funds for state programs and orders, issuance of government bonds and other government securities. External public debt is a debt to foreign governments, organizations and individuals to date.

It becomes a burden for the country as it forces to give products and services as payment of interest and repayment of debt.

Public debt of most countries of the world is growing. The cause of this fact is the budget deficit, the cost of maintaining the national currency and financing social and infrastructure programs that are not commensurate with the state budgets.

The main causes that form VAT refund arrears include structural imbalances in the economy, distortions in the tax system, presence of the informal sector, low professional level of tax officials and inefficiency of the current mechanism of refunds.

As of 03.11.2014, the VAT-debt of Ukrainian government was 14.5 billion USD. In Ukraine, the problem of debt repayment of VAT refund is solved by using tools such as financial treasury bills and government bonds (hereinafter – bonds).

Thus, to overcome the state budget deficit it is necessary to monitor appropriateness of applications of

VAT refund, strengthening of supervisory review by the tax authorities and to improve the registration of taxpayers, the introduction of a differentiated approach to tax exports, improving tax legislation.