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Yuliia Burlak

*Vasyl' Stus Donetsk National University
Vynnytsia*

*Research Supervisor: N. Yu. Ishchuk, PhD in Pedagogy, Ass.Prof.
Language Supervisor: N. Yu. Ishchuk, PhD in Pedagogy, Ass.Prof.*

THE IMPACT OF GLOBAL OFFSHORE AREAS ON NATIONAL ECONOMY

Introduction. Nowadays, globalization has impacted nearly every aspect of modern life, economy being one of them, leading to interdependence between nations, which could cause regional or global instabilities. Another significant feature of globalization is the international movement of capital which is reflected in the counterflow of goods, services, capital, and R&D findings.

Review of recent publications. The problem of offshore zones has been studied by such scientists as O. Bozulenko, O. Kostyshyn, O. Myroshnychenko, A. Peshko, O. Zorina and many others.

Objectives of the paper. The paper aims to outline the negative impact global offshore zones have on national economy, to study their state and problems, and to suggest possible solutions as in case of Ukraine.

Results of research. In order to find different ways to solving the problem we should primarily give the definition of offshore zones.

The term “offshore” first appeared in a newspaper on the east coast of the USA in the mid of the 20th century. According to Investopedia, the term “offshore” “identifies any item that is located or based outside of one’s national boundaries. The term “offshore” is used to describe foreign banks, corporations, investments and deposits. A company may legitimately move offshore for the purpose of tax avoidance or to enjoy relaxed regulations. Offshore financial institutions can also be used for illicit purposes such as money laundering and tax evasion”. [1]

Offshore is regarded as a service free economic zone, the distinguishing feature of which is to provide entrepreneurs with favorable monetary and fiscal conditions, high and legislative guarantees of banking and commercial secrecy, loyalty to government regulation. Conditionally geographically these areas are located in Europe, the Caribbean, Persian Gulf and South East Asia.

A spectacular increase in the development of domestic business using foreign offshore companies began in 1991 and was associated with the abolition of the state monopoly to conduct foreign trade. Most offshore activities have existed in Ukraine for over 20 years now. Although it is clear that an offshore area is a territory of another country providing certain privileges regarding taxation of foreign capital, the notion has no legislative regulation in Ukraine. Thus, Art. 18 of the Law of Ukraine “Law on Taxation of Company Profit” says that “when making contracts envisaging payment for goods (works, services) for the benefit of non-residents with offshore status, or when making payments through such non-residents or their bank accounts, regardless of whether such payments (in the form of money or other forms) are made directly or through other residents or non-residents, the expenses of taxpayers on such goods (works, services) shall be included in the taxpayer’s gross expenses in the amount equal to 85 percent of the cost of such goods (works, services)”. [2]

Nowadays, businesses are increasingly becoming concerned about global offshore zones. This indicates that almost half of the global movement of capital is made through offshore companies. These instruments are legal and allowed, and these companies can be effective mechanisms to lawfully reduce tax payments and asset protection provided that they are properly organized and managed.

In Ukraine, offshore areas can be special (free) economic zones (FEZ), considered as one of the important tools which facilitate openness of the national economy to the world and foster international economic cooperation based on foreign investment. Today, there are 11 FEZs in Ukraine but their activity suspended. A comprehensive list of offshore zones is compiled by the Cabinet of Ministers of Ukraine.

It was in 1991 that Ukrainian businesses first opened offshore companies. In April of the same year, the Swiss company Riggs Walmet Group announced entering the Ukrainian market with an offer to set up a number of companies providing assistance in the establishing tax-free companies along with support for their activities. The latter included making annual contributions to the budget, providing secretarial assistance in processing mails, organizing annual meetings of shareholders, complying balance sheets and so on [3].

Offshore schemes are based on concluding agreements on avoidance of double taxation and offshore business is negatively regarded as “tax haven” and “financial heaven” because it is often used for tax evasion purposes. Moreover, offshore areas contribute to:

- unfair tax competition and tax evasion;
- instability in the world economy and finance due to the accumulation of large amounts of capital in offshore zones;
- increase in the outflow of capital;
- increase in the shadow economy;
- decline in employment in the donor countries;
- getting an unfair competitive advantage.

The subject of laundering the Ukrainian capital is quite compelling because the greater amount of Ukrainian capital is transferred to foreign accounts through offshore. Our imperfect legislation promotes the laundering in foreign-exchange control. The analysis of the negative phenomena of the credit and financial and banking area shows that the dealers of shadow economy improve the ways and methods of fraud with financial resources. This has a negative impact on the Ukrainian economy and economic security in general. [4]

The removed funds remain in the offshore zones maintaining the economic stability of other countries. Moreover, a number of corporations and large enterprises in different countries developed due to illegal schemes of tax evasion, which stimulates the movement of shadow capital. A crucial instrument of outflow and tax evasion is the transfer pricing. The essence of transfer pricing is setting minimum or zero tax rate; this is called tax dumping and attracts the mobile capital from other countries restricting the tax base in these countries. Thus, tax evasion is encouraged and tax burden is imposed on the less mobile tax base (work, consumption, real estate). Accordingly, the structure of economic incentives is degraded. Another incentive is the low level of state regulation because the offshore business is unattainable for financial intelligence and for law enforcement agencies of both major countries and donor countries, which is beneficial for banks and the other financial institutions.

In general, the above-mentioned negative aspects weaken the regulatory requirements in the financial system and adversely affect the well-being of global society, undermining financial stability. In addition, the tax systems of different countries do not have to be identical, and developed countries should not oblige their terms to poor offshore donor countries, they can tax only what they possess.

Conclusion. Today business with offshore zones are an integral part of the global economy. So, one of the most important tasks of any state is the legal control of the offshore business. Businesspeople, hiding behind offshore transactions in order to launder money, move into the shadow sector and grind the country’s economic development to a halt, hindering transformation processes aimed at improving the welfare of the state. To avoid this, Ukraine’s legislation must be improved. The offshore will only be used as a legitimate tool for minimizing tax by its planning, which is defined as legitimate reducing tax liability through taxpayer’s legal actions

that include full use of all the benefits provided by the law, tax exemptions and other legal techniques and methods.

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Svitlana Honcharuk

Vasyl' Stus Donetsk National University

Vinnitsia

Research Supervisor: V.O. Klochkovska, PhD in Economics, Ass.Prof.

Language Supervisor: O.O. Savrasova, Lecturer

COOPERATION OF THE PARTICIPANTS OF THE TOURIST SPHERE AS A PERSPECTIVE WAY OF THE DEVELOPMENT OF THE CARPATHIAN REGION

Introduction. Due to social needs, the pace of industrial development is increasing and people are trying to find a place to rest as far away as possible from polluted cities. Therefore, the development of tourism in the Carpathian region is becoming more and more relevant.