

## Functions of natural resources payments

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**Abstract:** *The article substantiates the necessity to study the functions of the payments for the use of natural resources in more detailed way. The functions of payments have been considered as a means to realize their essential properties through purposeful influence on the economic relations of nature management. The presence of a particular function is determined by the peculiarities of the payment's nature and legal structure. The author argues that along with fiscal and control function natural resources payments also have regulative, compensative and distributive characteristics.*

**Key words:** *natural resources, natural resources payments, function, taxpayer, ecological tax, rent, budget allocation.*

### INTRODUCTION

At the last quarter of the 20<sup>th</sup> century the world's community under the auspices of the UN has been intensified the searching of the ways to humanize the men's progress. Joint efforts were applied to prepare and conduct the Earth summit in Rio de Janeiro in 1992. It declared the idea of sustainable development as the strategy of survival in the future. The next summits not only revealed practical problems but also exposed the necessity to devise more detailed concept of sustainable development, partially its economic and social aspects, issues of ecology and nature management. The important component of economic wheel in nature management within the context of principles of sustainable development is payment for exploiting natural resources as public heritage. It is put into practice through the system of compulsory natural resources payments.

Last decades most countries of the world in connection with realizing natural resources exhaustibility and dramatic worsening of environmental condition have met the necessity to change drastically the system of paid nature exploiting, transition from increasing resource consuming to efficient nature management, social justice and demands of environmental safety. Consequently the essence and purpose of payments for commercial utilizing of natural resources is changed which in its turn predetermines the necessity to reinterpret the scope of their intrinsic functions at the theoretical and practical level.

### LAYOUT

Importance of payments for special natural resources consuming is determined first by their socio-economic role and functions, which they fulfill within state financial system. The functions of compulsory payments present implementation of public allocation of different taxes, their effect on other social subsystems. The functions contain main directions of state-legal influence on social relations through fiscal payments [9, p. 31]. Among functions proper for natural resources payments scholars state the general functions of taxes and duties, namely fiscal and control as well as distributive, regulative and compensative. And if in regard of the necessary existence of fiscal and control functions disputes practically do not arise, reasoning of distributive and regulatory functions are open to discussion.

Fiscal function of payments for special natural resources consuming is the main one. It is aimed to provide the state with financial resources necessary to perform its duties through entry of money receipts for special nature use into revenue of State and local budgets.

Some authors often suggested an opinion that imposition of natural resources payments is aimed first for government to accumulate funds for further financing nature conservation measures, as well as stimulating efficient nature management. For instance, O. Semenchka notes that compensative and stimulatory functions are essential for natural resources consuming payments. Along with it the author states that the fiscal function as

compared with compensative provides movement of funds to the state budget or other official body without specifying the ways of their subsequent spending [8, p. 18]. Therefore, according to the author, it may be assumed that fiscal function is not inherent for special natural resources payments feature is not peculiar.

We consider the abovementioned point of view to be mistaken on the basis of variety of reasons. Natural resources payments are specific form of charge to government as a representative of the people for consuming its natural resources. Being sovereign and exercising property rights to natural resources on behalf of the people the state is authorized to determine freely spending of budgetary funds which came as the result of collecting natural resources payments not limiting only by financing the environmental protection measures. As V. Polyuhovich says it should be noted that fiscal function will be implemented in all taxes and duties even if they first were established in the form of purposeful obligatory payment [7, p.73]. Regulatory and stimulatory function in specific conditions can appear or absent. It depends on financial policy and socioeconomic strategy of the government at the certain stage of its development, specific legal structure any natural resources payment.

Analysis of the development of the Ukrainian legislation on issues of natural resources payments for last years testifies gradual strengthening of their fiscal character. This along with positive features (for example, increasing financial basis of social security, and reduction of budget deficit) also has a number of negative points. For instance, increasing rates of the payments without their proper differentiation causes excessive taxable burden on economic players who under objective natural and ecological factors are in unequal economic conditions. Their products become noncompetitive and activities – unprofitable. In Ukraine with its exhausting natural resources potential this problem of government's financial policy becomes extremely topical as it holds back economical development of the whole country and therefore requires urgent solving. However at the present moment the government is interested primarily in fiscal aspect of tax policy, but economical basis and establishment of effective financial leverage to stimulate efficient natural management moved to the sidelines [4, p. 77; 6, p. 38].

Along with fiscal regulatory function of natural resources payments is singled out. Some assign it even first-priority significance. It should be noted that fiscal and regulatory functions interact, they shouldn't be contrasted with each other. We believe that it is inadmissible to distinguish purely fiscal and regulatory payments. It is simply farfetched approach as we can not speak about regulatory influence on public relations without fiscal function of payment.

Regulatory function serves as a peculiar complement to fiscal one and includes production regulating (process of nature management) as well as consumption regulating (e.g. increasing rates of rent payments for oil and gas causes increasing prices at raw materials markets the result of which is searching for energy-saving technology by enterprises and therefore efficiency of consuming energy resources). Regulating wheel of payment often exists objectively and influence on behaviour of taxpayers is exerted irrespective of direct will of the government. Stimulatory function of payments for special nature resources use can be considered as subtype of regulatory one. It appears for instance in providing efficient territorial placement of productive forces through zone differentiation of rates for the payments. In this case incentive effect of NRP consists in equalizing business conditions of enterprises which consume natural resources of different quality and therefore – stimulating economic development of regions). It also appears in stimulating parties of ecological and economic relationships to provide efficient nature resources management and introduce low-waste technologies etc [5, p. 37]. Stimulatory mechanism of NRP is implemented essentially through rates varying, tax remissions (concessions) in the form of exemption private subjects from payment for natural resources which are in their development stage, changing the entity of taxation, reducing the basis of taxation.

In relation to regulatory and stimulatory functions V.V. Hohulyak's view (land tax as an example) is rather interesting. He believes that it should be spoken not about regulatory function implemented by land tax but possibility to apply it as economic regulating technique. The author bases his statement on the following arguments. In general function is considered as manifestation of properties of any object in the given system of relations [3, p.1324]. Analyzing the present definition V.V. Hohulyak makes conclusion according to which tax function is definite way of expressing its essence which always works within legal and economic relations presenting tax content. According to the scholar, in the case when action of the function applies to objects that are outside the scope of tax relations, then we are not talking about the functions of the tax here, but its role or influence, or the concrete results achieved through the function's realization [10, p. 74-77].

Partially agreeing with abovementioned statements we incline to refer regulatory and compensatory functions to the range of functions of natural resources payments. Thus, one of the nature manifestations of payments for special natural resources management is their compensatory character. Legal structure of the present payments is organised to provide compensating the losses of natural resources to society which appear as the result of their exploitation by private entities (taxpayers). On the other hand through the system of internal and external links between components of the legal structure of natural resources dues it reveals their property to encourage certain ecologically positive behaviour of nature consumers – payer of natural resources payments. With this aim the government through its legislator links qualitative and quantitative characteristics of components of the structure of relevant payments in a definite way. Besides in this case establishing e.g. environmental tax the government is interested not so much in growth of revenues in budget from given tax payment as in reduction of negative influence of nature consumers on environment.

Regulatory properties of natural resources payments is closely connected with its distributing function. Distributing function to some extent reflects fiscal one: due paid by a taxpayer allows forming the revenues of the budget in order to distribute accumulated funds then. Namely at this stage of distributing this function is intertwined with regulatory one. Here distributing of funds from one sphere of public production to the others often happens. Distributive function in the case of natural resources payments is aimed to provide equitable distribution of rental income between public owner of natural resources (nation or territorial community represented by the government or local government) and private owner. It can be implemented at two stages – at the stage of payments collection by means of distributing natural resources rent between consumer of natural resources and state or municipal government as the representatives of the society. The other stage of implementing distributing function is determining the directions of financing certain social expenditures or programmes at the expense of funds accumulated by means of natural resources dues. Within its legal structure it appears in the form of such organizational element as entry fund.

Distribution of revenues, involved in the procedure of applying the mechanism of natural resources payments may have more direct character – be directly realized among population of the country. For instance, in 1976 the Constitution of Alaska State introduced Permanent development fund, which accumulates about 50% of rental income from oil producing sector through the system of obligatory natural resources payments. Assets of the fund are gradually tended to finance various programs of social development as well as transferred in the form of annual dividends to state residents [1]. Similar scheme of distributing oil and gas rent is applied in Kuwait and Saudi Arabia [2].

### CONCLUSIONS AND FUTURE WORK

Significance of payments for special natural resources management is defined by the functions which they perform within the financial system of state. The functions of the natural resources payments are manifestation of their properties and present the directions of purposeful influence on the economic relations between private owners and state on the subject of exploiting of natural entity. Natural resources payments in their aggregate make major tools of financial and legal regulation of relations which appear in the sphere of nature management, nature protection, rental income distributing among population, environmental potential supporting. That's why they are multifunctional. Natural resources payments have fiscal, compensatory, distributing, and regulatory and control functions.

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