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Essence, Effects of Shadow Economy and Red Flags to Combat it in Ukraine

The question of the shadow economy and its legitimization has recently become increasingly urgent. Large-scale shadow economy in Ukraine hamper social and economic reforms, distorting official data on the economy, affecting the volume and the GDP, acting as one of the main factors of criminalization of society. Shadow economy presupposes the economic activity associated with misappropriation of a person or group of persons of created value or proportion of assets through various distortions of objective information on cash flows and values, corruption of data obfuscation primary account for the sources of income and by lobbying through the implementation of applicable laws and regulations.

There are three areas of shadow economy: the informal economy - legal economic activity, within which there is no fixed official statistics of production of goods and services, to hide these activities from taxation; fictitious economy - corruption, registration, speculation and other types of fraud associated with obtaining and transfer money; underground economy-all are illegal economic activities. By transferring its activities in the informal channel of something a person must encourage. In most cases, the income level is too low that encourages people to increase their paths. One way of achieving this is concealing income or search for other activity which is not always legal. The main reasons for the existence of the shadow economy in Ukraine are: the interest of certain circles of the state apparatus in the existence of the shadow economy and receiving part of her income; fusion of government and business; systemic flaws tax and customs policy, imperfect regulatory policy on the registration and operation of the business; dollarization and more. The main effects of the shadow economy are: loss of tax revenue;increase in the criminalization of society by increasing the number of economic crimes. Deshadowing of the economy is a complete system of actions aimed especially to combat and eradicate the causes and preconditions shadowing processes. Deshadowing of the economy requires coordinated actions of all branches of government: legislative, executive and judicial. It should therefore be approved state program of legalization of the economy, which would have included a number of reforms of all three branches of government that would create conditions for reducing the shadow economy.

The main measures for reducing the shadow economy in Ukraine is liquidation non-criminal origin of capital; introduction of tax incentives for savings and investment in the innovation sector. So obligatory study the sources of funds for the purchase of goods whose value exceeds a predetermined amount; involvement in the strategy legalization representatives of international organizations specialized in combating illegal into farming like.