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DETERMINATION OF ECONOMIC EFFICIENCY
OF THE SANCTIONS FOR VIOLATION OF THE CUSTOMS RULES

Abstract

This scientific article is dedicated to the problem issue regarding to choice of economically expedient kind of the sanctions for violation of the customs rules by the subjects of the foreign economic activity during the customs control. The appropriate algorithm of actions of customs authorities of Ukraine concerning the expediency determination of application of the final transformation of property relations in behalf of the state is developed.

Key words: the customs regulation, transformation of the property relations, violation of the customs rules, the algorithm of actions, the economic efficiency.

Introduction

As you know, in consequence of crossing the customs border of Ukraine with all kinds of material objects with violations of the established customs rules the responsibility of participants of the foreign economic activity should be set for this illegal step. And the responsibility, of course, should be adequate to the offence committed.

Today in the plane of implementing of the sanctions against violators of the established customs rules and, in particular, as to concrete property objects, which were the items of the offense, the following measures of influence could be used: the warning, the fine and the confiscation [1].

It is necessary to indicate that the warning and the fine are varieties of the administrative penalty to the offender. At the same time the confiscation applies to the relevant material objects and consists in the enforced removal of the appropriate goods, transport vehicles and other items, and involves their free of charge transfer to the state property. Therefore in this case the final transformation of property relations in favor of the state is presented [2].

Problem statement

It is useful to notice that not always the state receives the real benefit from the final transformation, which may seem undoubted at first. The essence of this issue lies in solving the problems concerning the utility of getting in the state possession of certain product and material items. So the main questions are as follows:

- Firstly, could these property objects cause some damage to the state?
- Secondly, how reasonable economically and beneficial a "full path" of the confiscated material objects from the moment of arrest until their final use by the state would be?
- Thirdly, could the state manage fully in the planned capacity with the obtained property objects? etc.

Consequently, exactly the expediency and effectiveness of application of the final transformation of the property relations in favor of the state as a result of the customs regulation are the main objects within our research.

Research results

Having paid some attention to the annual official statistics (Table 1) which is provided by the State Customs Service of Ukraine, we could find that the amount of violations of the customs rules from year to year is increasing steadily in value measurement. The level of the confiscation applying is also high. Unfortunately, however, as the final result of the sanctions applied, the total economic effectiveness of the final transformation of the property relations in favor of the state owing to applying of the confiscation is negligible.

Table 1.

The main indicators of the Customs Service of Ukraine in the context of the fight against violations of the customs rules *.

Indicators	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*
Protocols concerning the violations of the customs rules (mln. hrn.)	670,1	932,1	535,5	855,0	6092,8	14626,7
Items really removed on cases of violations of the customs rules (mln. Hrn.)	294,2	321,4	296,5	387,7	1046,5	825,7
Cases submitted to the court (mln. Hrn.)	576,6	618,9	538,7	414,0	5698,4	14156,0
Confiscation applied (mln. Hrn.)	158,0	108,3	89,9	102,3	165,7	318,5
Amount of money received in result of the sale of confiscated items (mln. Hrn.)	6,0	5,7	5,6	5,1	3,7	10,1

* The table is based on data of the State Customs Service of Ukraine [3-8].

In that way we can assume that the economic resource from application of this type of sanctions for violation of customs rules is not fully used. Therefore the

important question of searching for the most effective and appropriate means of the state reaction for violations of customs rules remains opened.

To solve the issues outlined above we consider necessary to perform some analytical procedures, which are, one way or another, connected with the comparison of some positive and negative moments in the plane of the results of the final transformation of property relations in consequence of the confiscation of the relevant material objects.

Herewith, one of the most important tasks in this area we consider the creation and usage of the algorithm of the customs authorities' actions concerning the determination of the activity effectiveness towards the application of the transformation of property relations.

We think that the first crucial step in the sequence of actions of the customs authorities connected with the appropriate sanctions for violation of customs regulations should be the issue of determination of the safety level relating the cross-border transportation of the certain property objects. It mainly applies to the situations with movement of unauthorized or dangerous objects to which should necessary been applied the final transformation of property relations in consequence of confiscation.

By the way, to determine the safety level of different product and material items, in our opinion, it's necessary to use the accordingly developed referential classification of 'typical objects for transformation of property relations', which can be moved across the customs border of Ukraine. This classification can be created on the example of so-called 'classification of goods and items of ' the risk group'. The usage of the corresponding classification in practice, we think, will allow to eliminate the potential danger caused by the possible crossing the customs border of Ukraine with the relevant property objects.

Thereby, if the product and material objects of property are not covered under the category of 'dangerous', then all the possible sanctions should be examined on the

basis of determining the level of economic efficiency of using the final transformation of property relations in favor of the state [9]. That is to say it's necessary to determine the expediency level of taking the objects of violation of customs rules into the state's ownership.

In this case it is the most important issue and the most difficult problem at the same time as far as it is almost impossible to predict the future result reliably and in a univocal way.

But we have tried to deduce the general formula for determining of the economic effectiveness from applying of the final transformation of property relations in favor of the state. In simplified form it is based on a common formula of determination of the profits that compares the state's expenditures and revenues obtained from the usage of arrest and confiscation of the relevant objects of property of the participants of the foreign economic activity:

$$TP = TI - TE, \tag{1}$$

where:

TP – the total actual profit of the state from application of the chosen method of transformation of property relations relating the appropriate product and material objects, hrn.;

TI – the income of the state from the final transformation of property relations in favor of the state as a result of application of the chosen method of transformation, hrn.;

TE – the expenses of the state in the process of application of the chosen method of transformation of property relations for the final obtaining the relevant objects in possession of the state, hrn.

In the process of calculation for the above-mentioned formula it is necessary to take into account the possible rather than actual profit, incomes and expenditures. Then the formula should be presented as follows:

$$PTP = PTI - PTE, \qquad\qquad (2)$$

where:

PTP – the total potential profit of the state from application of the chosen method of transformation of property relations in favor of the state relating the appropriate product and material objects, hrn.;

PTI – the potential (the most predictable) incomes of the state from the final transformation of property relations in favor of the state as a result of application of the chosen method of transformation, hrn.;

PTE – the potential (the most predictable) expenses of the state in the process of application of the chosen method of transformation of property relations for the final obtaining the relevant objects in possession of the state, hrn.

On the basis of the above-mentioned formula it will be possible to define the coefficient of the planned profitability from the application of the chosen method of transformation of property relations on the appropriate product and material items, having expressed it through the formula 3:

$$k_{PTP} = (PTI - PTE) / PTI, \qquad\qquad (3)$$

where:

k_{PTP} – the coefficient of potential profitability of the state from the final transformation of property relations in favor of the state as a result of application of the chosen method of transformation, hrn.

If it will be necessary, this coefficient, of course, can be determined in a percentage ratio having multiplied it by 100%.

Using the aforecited formula it will be necessary to make some addition that the incomes and expenses of the state from the application of the final transformation of property relations in this case have the probabilistic nature. That is to say there is a

part of the assumptions in them, since the results obtained in future may differ from the initial calculation.

If we try to express the potential possible profit of the state from the transformation of property relations, taking into account the level of permissible deviations from the initial calculation, then the formula will look like:

$$PTP = (PTI - PTE) - D, \qquad (4)$$

where:

D – the admission of deviation from the planned calculation of the potential profit of the state from the application of the chosen method of transformation of property relations in favor of the state, hrn.

In turn we consider that the calculation of the admission level for the deviation from the initial calculations can be fulfilled using the following formula, based on the estimated potential expenses:

$$D = d*PTE , \qquad (5)$$

where:

d – the coefficient of admission of the deviation from the planned calculation of the potential profit of the state from the application of the chosen method of transformation of property relations in favor of the state, hrn.

Furthermore, in our opinion, the calculation of the admission level for the deviation should be conducted, taking into account the relevant practical situations that are possible in the future.

It's obvious that the most undesirable, dangerous and risky situation is that when in the real practical conditions there may be encountered the facts of deviations in the direction of not only the increasing of the final level of costs, but the simultaneous reducing of the obtained revenue from sales in comparison with the

planned level. Consequently in determining of the admission level for the deviation in the process of transformation of property relations we think it is necessary to take into consideration exactly this, the most dangerous situation.

Accordingly in order to be reinsured from unplanned, unwanted final results for the state from the transformation of property relations, we should double the size of allowable deviation. In this case taking into account the permissible deviation level from the initial calculation the formula of calculation of the possible state's profit from the transformation of property relations takes the following form:

$$PTP = (PTI - PTE) - 2D \ , \tag{6}$$

In turn, on the basis of the formulas deduced above we can form the general formula of coefficient of economic efficiency from the application of the chosen method of the final transformation of property relations on the appropriate product and material objects in favor of the state in the process of customs regulation of the foreign economic activity. This formula will be as follows:

$$k_{EET} = ((PTI - PTE) - 2D) / PTI \ , \tag{7}$$

where:

k_{EET} – the forecast coefficient of the economic efficiency from application of the chosen method of the final transformation of property relations in favor of the state, hrn.

Using the formula deduced by us we have fulfilled the sequential analysis of the possible variants of dependence of the potential profit of the state and the admission level of deviation in the process of implementation of transformation of property relations as a result of the customs regulation. For the convenience of the calculations fulfillment the obtained results are presented in Table 2.

Table 2.

Dependence of the admission level of deviation and the level of economic efficiency from the transformation of property relations as a result of customs regulation of foreign economic operations.

№	k_{PTP}, %	d	k_{EET}	d	k_{EET}	d	k_{EET}	d	k_{EET}	d	k_{EET}	d	k_{EET}
1	1	0,1	-0,19	0,2	-0,39	0,3	-0,58	0,4	-0,78	0,5	-0,98	0,6	-1,18
2	5	0,1	-0,14	0,2	-0,33	0,3	-0,52	0,4	-0,71	0,5	-0,90	0,6	-1,09
3	10	0,1	-0,08	0,2	-0,26	0,3	-0,44	0,4	-0,62	0,5	-0,80	0,6	-0,98
4	15	0,1	-0,02	0,2	-0,19	0,3	-0,36	0,4	-0,53	0,5	-0,70	0,6	-0,87
5	20	0,1	0,04	0,2	-0,12	0,3	-0,28	0,4	-0,44	0,5	-0,60	0,6	-0,76
6	25	0,1	0,10	0,2	-0,05	0,3	-0,20	0,4	-0,35	0,5	-0,50	0,6	-0,65
7	30	0,1	0,16	0,2	0,02	0,3	-0,12	0,4	-0,26	0,5	-0,40	0,6	-0,54
8	35	0,1	0,22	0,2	0,09	0,3	-0,04	0,4	-0,17	0,5	-0,30	0,6	-0,43
9	40	0,1	0,28	0,2	0,16	0,3	0,04	0,4	-0,08	0,5	-0,20	0,6	-0,32
10	45	0,1	0,34	0,2	0,23	0,3	0,12	0,4	0,01	0,5	-0,10	0,6	-0,21
11	50	0,1	0,40	0,2	0,30	0,3	0,20	0,4	0,10	0,5	0,00	0,6	-0,10
12	55	0,1	0,46	0,2	0,37	0,3	0,28	0,4	0,19	0,5	0,10	0,6	0,01
13	60	0,1	0,52	0,2	0,44	0,3	0,36	0,4	0,28	0,5	0,20	0,6	0,12
14	65	0,1	0,58	0,2	0,51	0,3	0,44	0,4	0,37	0,5	0,30	0,6	0,23
15	70	0,1	0,64	0,2	0,58	0,3	0,52	0,4	0,46	0,5	0,40	0,6	0,34
16	75	0,1	0,70	0,2	0,65	0,3	0,60	0,4	0,55	0,5	0,50	0,6	0,45
17	80	0,1	0,76	0,2	0,72	0,3	0,68	0,4	0,64	0,5	0,60	0,6	0,56
18	85	0,1	0,82	0,2	0,79	0,3	0,76	0,4	0,73	0,5	0,70	0,6	0,67
19	90	0,1	0,88	0,2	0,86	0,3	0,84	0,4	0,82	0,5	0,80	0,6	0,78
20	95	0,1	0,94	0,2	0,93	0,3	0,92	0,4	0,91	0,5	0,90	0,6	0,89
21	99	0,1	0,99	0,2	0,99	0,3	0,98	0,4	0,98	0,5	0,98	0,6	0,98

Using this table and starting from the obtained data of the economic efficiency from application of the transformation of property relations in favor of the state we can determine the appropriate admissible deviations from the initial calculation.

Conclusion from the research

In consequence of summarizing all the above mentioned moments and conditions we can represent the recommended simplified algorithm of actions of customs authorities regarding to determination of the activity effectiveness towards the transformation of property relations on the product and material objects which could be transported through the customs border of Ukraine with violation of customs rules (Figure 1).

Certainly, if in the result of analytical procedures fulfilled with the help of all the above cited measures provided for the algorithm created by us it is discovered that it is profitable for the state to apply the final transformation of property relations in favor of the state, then with respect to the relevant property objects which were involved in the violation of the customs rules it is necessary indeed to apply the confiscation. However, the quite opposite situation can be met when in the result of calculations it would be found that the final transformation of property relations in consequence of the confiscation of some relevant product and material objects does not lead potentially to the real economic benefit for the state.

In this case there is an obvious need for efficient selection of other sanctions, which are more appropriate and economically effective for the state, and which are connected with the reaction to the concrete fact of violation of the customs rules.

In our opinion, for example, the application of the appropriate administrative penalties, that is to say the imposing of relevant fines which may actually be higher than 'normal' level depending on the 'weight' of the offense would be the most advisable in this case.
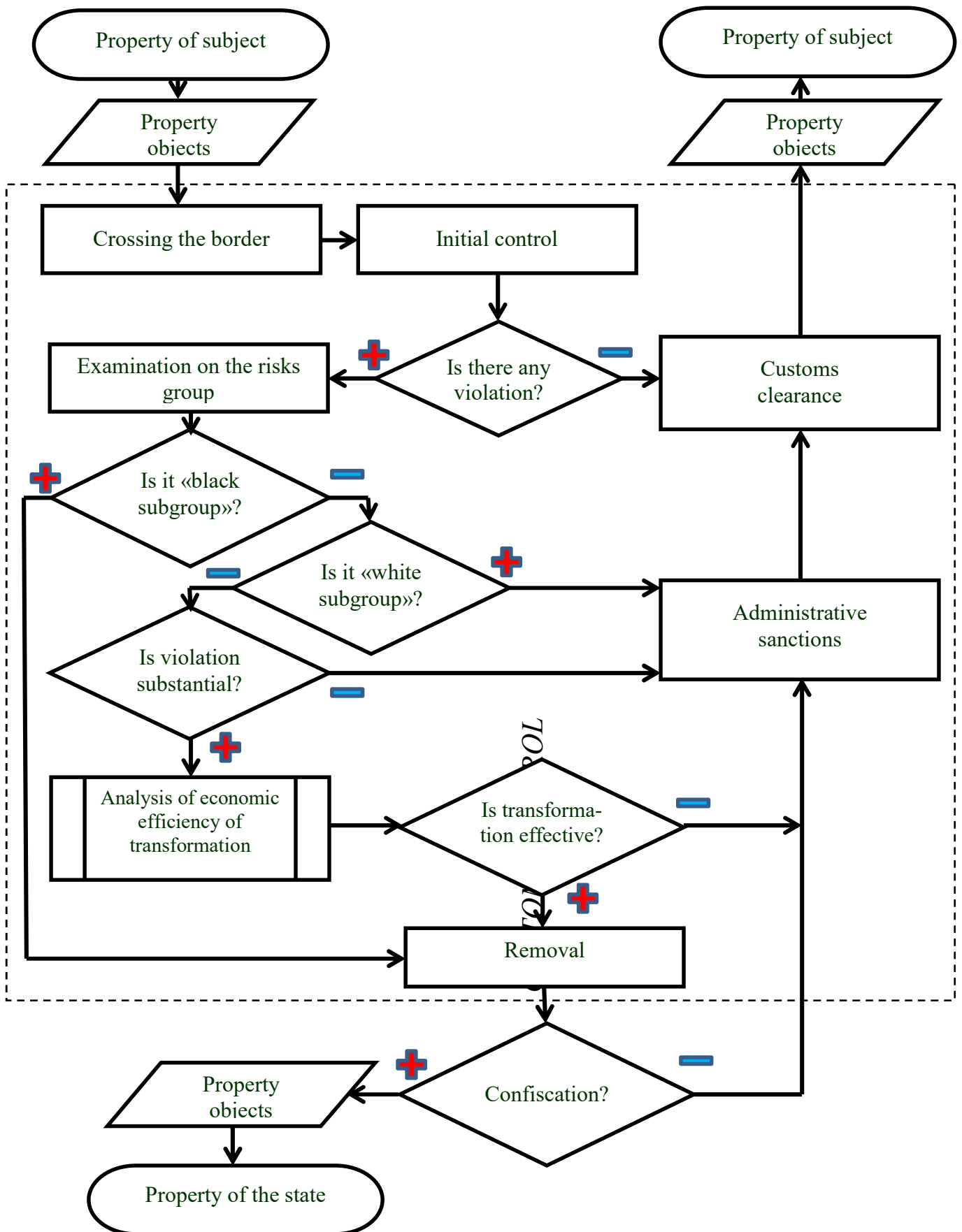
Fig. 1. The algorithm of actions of customs authorities concerning the determination of the effectiveness towards the transformation of property relations.

The important point is that the level of the administrative penalties should be relatively high that the subject of violation except the compulsory taxes and charges will have to pay an additional amount almost equal to the value of the property objects that were moved by him through the customs border with the concrete violation which could cause the confiscation. It can be considered as a payment for the attempt of violations of the customs rules by the participant of the foreign economic activity. Of course, in that way the state will obtain the net income without any related expenses.

Thereby we have demonstrated that the confiscation as a sanction for the violation of the customs rules, in consequence of which the final transformation of property relations in favor of the state occurs, can be effective not always and it is not the only possibility for the state to obtain the real profit.

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