

TOO LITTLE TO BE BOTHERED: ANALYSES OF MUNICIPAL OWN TAX REVENUE IN SLOVENIA

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Abstract

Municipalities in order to carry out their tasks require a material basis, which guarantees the necessary capacity, autonomy and independence. Respectively, fiscal decentralization and the financial autonomy of local communities are vital. The purpose of allocating jurisdiction over local tax resources is to ensure that local authorities are motivated to exploit their own potentials according to the needs of the local community. Slovenia ranks lowest on the Local Autonomy Index for Financial self-reliance, that measures proportion of local government revenues derived from own or local sources. There are only a handful of sources municipality can independently set (or set within set parameters), with Compensation for the use of building land being by far the greatest source of revenue. However there are other sources that don't get as much attention as they are minor contributors to the local budget. Every year government and municipalities have lengthy negotiations regarding appropriate expenditure of municipalities that determines how much funds are reallocated from national to local budgets. However these negotiations are never accompanied by discussion how much revenue could municipalities raise through own sources. Even more, national databases do not gather information on how much revenue is gained with individual municipal own tax and non-tax revenue, meaning that aside sum of all revenues we do not know how effectively municipalities tax their population.

Aim of the article is to present municipal revenue data for own tax and non-tax resources (from 2007-2018), that was gathered as a part of a project "Municipal fiscal capacity". Focus is on resources that can be (co)set by municipalities but are not a mayor revenue contributor, thus these resources were neglected by detailed analyses so far. Results show significant differences in the level of municipal own taxation, with some municipalities avoiding local taxing altogether. Presented data show that unutilised own taxes usually represent a marginal share of the local budget, implying that local governments are not stimulated to collect them at all.

Points for practitioners

Aside sheer volume of own taxes (therefore assessing fiscal autonomy) it is important to understand If local governments will or are able to collect them. Administrative capacity needed to collect taxes should be established. If own taxes represent a marginal share of the local budget, than local government might not be stimulated to collect them. National policy-makers should take administrative capacity of local governments into consideration when decentralising tax authority.

Key words: fiscal autonomy, local taxes, under-taxing, tax taxonomy

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