

DETERMINANTS OF FINANCIAL INDEPENDENCE OF MUNICIPALITIES IN THE CONTEXT OF FISCAL DECENTRALISATION

Abstract

The paper addresses the issue of municipal financial independence and the degree of self-financing within a group of selected municipalities from the Slovak Republic and the comparison of their levels and dynamics with municipalities from the Czech Republic. The quantification of the indicators expressing the level of fiscal decentralisation over a 5-year period, including a detailed analysis of the structure of the municipal revenues at both the absolute level and the per capita level, has made it possible to discover information which has allowed the designation of the determinants and factors which constitute the level of municipal financial independence or the municipal fiscal position. It has been shown that real estate tax, which is allocated to the municipal budget, does play an important role, albeit not a decisive one with regard to the formation of the municipality's total revenues. Not even the options of using coefficients or tax rates to increase their budgets, which are open to the municipalities by law, have had a significant influence on the overall municipal revenues. The tax share designated in favour of each municipality as a share from the national gross tax revenue and grants and subsidies have become the municipality's decisive sources of income. Relatively significant differences have been discovered at the level of the total income per inhabitant, as well as in the area of municipal financial independence within the researched group of 78 municipalities from the Slovak Republic and 81 municipalities from the Czech Republic. The paper analyses in detail the determinants or factors which have affected the levels of the given indicators.

Key words: fiscal decentralisation, municipality, fiscal independence, revenue, determinants, Slovak Republic, Czech Republic

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1 INTRODUCTION

The establishment of an independent Slovak and Czech Republic meant, among other things, the initiation of new stages in the development of modern society. It meant moving to a certain degree of decentralization, framed by a shared responsibility between institutions representing central, regional and local government. This process was to ensure an increase in the quality and efficiency of the public government system, in particular by increasing the power and responsibility of the individual decentralized levels of government. The significant reform was also at the level of local self-government (Imrovič - Švikruha, 2015).

In this context, it can be said that decentralization has its political, administrative, fiscal and economic form. From the point of view of self-sufficiency of municipalities, fiscal decentralization is crucial, especially in the context of the distribution of funds among the various levels of government. Through municipalities is applied particularly the allocation function, to a lesser extent the redistribution function, while the stabilizing function of public finances is almost exclusively applied at the level of central government. In order to carry out decentralization effectively including the public finance allocation function, it is necessary, in addition to the required statutory powers, to acquire adequate multi-source income, with a predominance of own income, which strengthen the financial self-sufficiency of municipalities.

It can be said that the decentralization of public administration should be an important factor in making the functioning of the public administration more efficient in every developed society. However, the degree and the way of decentralization varies considerably from country to country. The process of decentralization and deconcentration follows a specific course and contours across the European Union. In Slovakia, the decentralization of public administration was implemented within several reforms, decisive was the establishment of higher territorial self-governing units (regions) before joining the European Union, and the division of powers, responsibilities and fiscal resources for the provision of public goods among different levels of public government. The reforms in the Czech Republic had similar intentions, although not entirely identical. A common feature of the reforms in both countries before joining the European Union was to meet the demand for deeper decentralization, accompanied by the emergence of regions (higher

territorial units) and independent municipalities, as this trend tended to fit into the existing significant European development trend causally framed by the development of democracy through preference of regions and local self-governments. Within the European Union has been adopted a vision that the development of globalization and the market environment will not be identical to national territories, but will create an increasingly open economy with a lower level of economic dependence on central government. That is the reason for the evident political effort at European Union level to create one superstate with a planned identity without the need for a nation state and its sovereignty.

From a political point of view, the objectives are starting to materialize, but in terms of fiscal decentralization, there is a situation in the Slovak Republic and in the Czech Republic where the self-sufficiency of municipalities is very low and municipalities are largely dependent on subsidies from central government with semantic support especially in the framework of the law determining tax distribution. There is no solution which would significantly increase the self-sufficiency of municipalities. Both countries, the Slovak Republic and the Czech Republic, differ mainly in their different tax distribution, focusing in particular on the share from the national gross tax revenue in favor of municipalities. In the income structure of the municipal budget, revenues from the so-called share taxes play a decisive role. However, the impact of share taxes on the degree of financial self-sufficiency of individual municipalities does not differ much, although some differences in the level of fiscal self-sufficiency are evident, with Slovakia's fiscal decentralization measured by the indicator of self-sufficiency in municipalities being higher and less dependent on the state than in the Czech Republic (Vybíhal, 2018).

The aim of this study was, in addition to monitoring the level and the dynamics of indicators expressing the degree of fiscal decentralization, including the comparison between the average level of achieved indicators between municipalities in the Czech Republic and in the Slovak Republic, using the analytical-synthetic and comparative methods, to find out what the structure of income is and which determinants and factors affect the current level of financial self-sufficiency in the monitored municipalities of the Slovak Republic and the Czech Republic over a five-year period.

Tax distribution in the Slovak Republic and in the Czech Republic

A new tax system was enacted in Slovakia with effect from January 1st, 1993, together with the establishment of an independent state. The strategy of radical economic reform ensuring the transition of the economy to the market economy has been fulfilled. Gradually, the tax quota was reduced as an expression of the strategic goal of the economy, and this process was faster than usual in developed market economies. The tax quota declined very sharply to 29.5%, the lowest level across the European Union. This was naturally reflected in tax distribution and had a significant impact on the revenue of all public budgets, fiscal decentralization, but also on social policy in the form of undersized pensions and other social security benefits, including expenditures on social services.

It can be said that the institutional foundations of public administration in Slovakia were laid between 1991 and 1996. However, according to Vybíhal (2018), this period cannot be considered as a period characterized by fiscal decentralization. A dual model was created in the coexistence of state administration and local self-government represented by municipalities. This period is characterized by a high degree of centralization and minimum financial autonomy of municipalities, because the local self-government received subsidies from the central state budget.

Significant changes occurred between 1997 and 2002, when a number of documents and concepts were drafted and adopted to shape the vision of the functioning of public administration in Slovakia with an emphasis on the issue of regional self-government. Significant documents were adopted in this respect, such as the “The Strategy of Public Administration Reform of the Slovak Republic” and “The Concept of Decentralization and Modernization of Public Administration”. This period can be characterized by the fact that the municipalities received income to the municipal budget primarily in the form of tax revenue (about 40% of the municipal income), local taxes and fees (so-called own tax revenue) and in the form of share taxes (personal income tax from dependent activity, corporate income tax and road tax), while the own tax revenue accounted for about 15% of the municipality’s total income (Nižňanský and Valentovič, 2004). Other municipal incomes were grants, subsidies, funds from the sale of property, rent, or loans.

In the years 2002-2005 continued reform measures, which became another significant milestone in the development of fiscal decentralization

in Slovakia. It can be stated that the system and revenue structure of local self-government have changed significantly. During this period, more than 400 competencies were transferred from the state to municipalities and higher territorial units. The range of competencies is quite wide and complicated. However, the transfer of powers to municipalities and regions has led not only to strengthening the position of municipalities and regions but also to a natural increase of responsibilities of local and regional authorities in the management of public affairs.

Table 1: Structure of the share in the national revenue from personal income tax (%) in Slovakia

Year	2005-2010	2011-2013	2014	2015	2016	2017	2018
Municipality	70.3	65.4	67.0	68.5	70.0	70.0	70.0
Region	23.5	21.9	21.9	29.2	30.0	30.0	30.0
Country	6.2	12.7	11.1	2.3	0.0	0.0	0.0

Source: Act No. 337/2015 Coll., Government Regulation 668/2004 Coll. and materials of the Ministry of Finance of the Slovak Republic.

An important shift in this area occurred between 2005 and 2010, when municipalities, according to tax distribution, received 70.3% of the national gross revenue from personal income tax, and in the period from 2011 to 2016, this share has changed significantly in favour of municipalities, as shown in the Tab. 1.

The tax distribution in the form of a share from the national revenue from personal income tax is the result of the redistribution criteria (according to the amended Slovak Government Regulation No. 668/2004 Coll.), which are given for municipalities (year 2018) as follows:

- 23% according to the number of inhabitants of the municipality with permanent residence in the municipality, of which 57% is converted by the coefficient according to the municipality's altitude;
- 32% according to the number of inhabitants of the municipality with permanent residence in the municipality converted by the coefficient depending on the classification of the municipality by size category;
- 40% according to the number of pupils in schools and school facilities;
- 5% according to the number of inhabitants of the municipality who have reached the age of 62, with permanent residence in the municipality.

However, it should be emphasized that the municipalities in the Slovak

Republic (unlike the Czech Republic) receive only a share in the national revenue from personal income tax. So the higher territorial units in Slovakia (regions) lost the only one entrusted tax revenue (motor vehicle tax), in favor of the state budget (from January 1st, 2015).

The transformation of local fees into local taxes was an important step for municipalities. Some fees were abolished and others were transformed to local taxes and are assigned to the municipalities until today. The principle of subsidiarity has thus been fulfilled as a result of a systemic approach to the solution, accompanied by legislative guarantees for the stability of local self-government revenues.

At present (year 2019), these local taxes are assigned to the municipal budgets:

- property tax;
- dog tax;
- tax on the use of public space;
- tax on vending machines;
- accommodation tax;
- tax for non-winning gaming machines;
- tax for entering and parking of a motor vehicle in the historical part of the city;
- tax for the nuclear facility.

Another revenue of the municipality is:

- local waste fee;
- local development fee.

From the point of view of public finance theory, the local waste fee is a mixed public good, since citizens contribute to the public service from their private resources, while a significant part of the cost of the service is borne by the municipality. Therefore, this property does not have the nature of a pure public good, since it is not possible to operate with the so-called excludability. From the individual local taxes, in this paper we will focus (in order to compare the level of indicators achieved in Slovakia and in the Czech Republic) primarily on the immovable property tax (real estate tax), because it is the most abundant local tax in Slovakia and in the Czech Republic and has a similar structure in these countries (land tax, building tax and tax on apartments).

It can be said that in the Czech Republic, similarly as in Slovakia, several stages of public administration reform have taken place, which have directly influenced fiscal decentralization and the management of municipalities. Major changes occurred particularly in 2001, when new regions and their budgets (overall 14) were incorporated into the public budgets system. The budgets of

the voluntary unions of municipalities (779) and the budgets of the Regional Cohesion Councils (8) have also become part of the budget system of the Czech Republic. Legislatively, this issue is enshrined in Act No. 218/2000 Coll., on Budgetary Rules and Act No. 250/2000 Coll., on Budgetary Rules for Local Budgets (so-called small budgetary rules).

With effect from January 1st, 2001, a significant change in the budget determination of taxes was made. The income of the municipality became the shares from the national gross revenue from personal income tax, corporate income tax and value added tax. Since 2001, municipalities have been receiving shared tax revenue from the national gross tax revenue of 20.59% of personal income tax on dependent activity, withholding tax, income tax on self-employed persons (out of equivalent to 60% of the national income), corporate income tax and value added tax, and 30% of the income tax return of natural persons residing in the municipality.

Other changes took place on January 1st, 2008, when the municipality's share in shared taxes increased to 21.4%, while the criteria related to the number of inhabitants changed slightly.

Table 2: Budget determination of taxes for municipalities in the Czech Republic between 2012 and 2018

Year	2012	2013	2014	2015	2016	2017	2018
A	100	100	100	100	100	100	100
B	100	100	100	100	100	100	100
C	21.4	20.83	20.83	20.83	20.83	20.83	20.83
D	21.4	23.58	23.58	23.58	23.58	23.58	23.58
E	21.4	23.58	23.58	23.58	23.58	23.58	23.58
F	21.4	23.58	23.58	23.58	23.58	23.58	23.58
G	21.4	23.58	23.58	23.58	22.87	22.87	22.87
H	1.5	1.5	1.5	1.5	1.58	1.58	1.58

Source: Act No. 243/2000 Coll., on Budgetary Revenue of Some Taxes to Regional Self-Governments, as amended.

Legend:

A – real estate tax revenue;

B – corporate income tax revenue paid by municipalities;

C – share from the national gross value added tax revenue;

D – share from the national gross corporate income tax revenue;

E – share from the national gross withholding tax revenue;

F – share from the national gross business tax revenue (independent activities); the share shown in Table 2 is calculated from 60% of the gross tax revenue;

G – share from the national income tax of dependent persons (estimated tax)

revenue;

H – share from the national income tax of natural persons from dependent activity revenue according to the number of employees with the place of work in the municipality.

The last significant change in tax distribution came into effect on January 1st, 2013 with a subsequent partial change in 2016 related to the share from the national income tax of dependent individuals revenue (H) - see the data in Table 2.

2 CONCEPT AND TAX BURDEN OF REAL ESTATE TAX

Real estate taxation is one of the pillars of the state's tax policy. In terms of the volume of municipal budget income, the revenue from this property tax is not very high or decisive for municipalities. However, it has to be taken into account that revenues from real estate taxation contribute to a balance and a higher degree of structuring of the tax system, to a more even distribution of the tax burden to individual groups of taxpayers and, last but not least, to diversification of the income budget portfolio of municipal budgets.

The advantage of real estate tax is the fact that the subject of this tax is a part of the assets of natural and legal persons, which can be easily, accurately determined, identified, sanctioned, valued and also controlled. The construction of this tax is understandable and simple, tax revenues in this case cannot be shifted to other tax recipients, the space for tax evasion is significantly reduced, especially in comparison to indirect taxes. However, certain groups of taxpayers may experience the severity of the impact of the tax burden of this property tax, especially with regard to their lower solvency and in the situation when the municipality uses the legal possibility to increase the tax burden on land, buildings and apartments. In the Slovak Republic and in the Czech Republic (unlike in developed market economies), the real estate area is used as a subsidiary tax base, not the market price of the property or the price derived from it.

And why is the immovable property taxed with real estate tax? According to Vybíhal (1997), the reason for property taxation is:

- the necessity to pay the cost of the service associated with the function of the state as a protector of citizens' property, derived from the classic tax theory;
- the expected impact of property taxation on reducing its concentration, i.e. the redistribution of wealth through fiscal pressure, leading to a partial blurring of inequalities between different entities;
- economic advantage to the owners of the property in its capitalization,

- including an easier position in obtaining credit resources and the resulting other advantageous economic opportunities;
- a frequent view that property as a durable good should also be taxed by property tax just as other goods are subject to value added tax or excise tax;
- a more favorable price for services resulting from ownership of the property (reduction of the normal cost of living for the owner compared to the tenant);
- fiscal only, i.e. obtaining resources to finance needs and boost local budget revenue.

From a structural point of view, in determining the amount of real estate tax, the amount of land tax, building tax and tax on apartments (units) is determined separately, taxing only property which is taxable and not tax-exempt.

2.1 Construction of real estate tax in Slovakia

In the case of the land tax in Slovakia, the land within the subject to tax is divided as follows (Act No. 582/2004 Coll., on Local Taxes and Local Fee for Municipal Waste and Minor Construction Waste):

- arable land, hop gardens, vineyards, orchards, permanent grassland;
- gardens;
- built-up areas and courtyards, other areas;
- forest land on which there are farm forests, fish ponds and other utilized areas;
- building land.

The tax base for arable land, hop gardens, vineyards, orchards and permanent grassland is the value of the land determined by multiplying the land area in ha and the value of the land per 1 m² (Annex 1 to the cited act).

The annual land tax rate is 0.25%. This basic annual tax rate may be increased or decreased by the tax administrator and the annual land tax rate may not exceed:

- 5 times the base annual tax rate (for arable land, vineyards, hop gardens, orchards, permanent grasslands, gardens, built-up areas, courtyards, other areas, building land);
- 10 times the annual tax rate (for forest land, fish ponds and other farmland).

In the case of arable land, the land values (according to Annex 1 to the cited act) range from EUR 0.0647 to EUR 1.1674/m². The maximum and minimum values of arable land by cadastral areas are shown in Table 3. The

minimum value of 0.0647 m² reach 44 cadastral areas.

Table 3: Maximum and minimum values of arable land by cadastral areas of the SR

Maximum value (EUR/m ²)	Cadastral Area	CA Code	District	Minimum Value (EUR/m ²)	Cadastral Area	CA Code	District
1.16740	Čierny Brod	809799	Galanta	0.0647	Uhrovské Podhradie	866407	Bánovce nad Bebravou
1.1584	Báč	800406	Dunajská Streda	0.0647	Závada pod Čiernym Vrchom	872482	Bánovce nad Bebravou
1.1578	Košúty	827720	Galanta	0.0647	Horná Mariková	817287	Bánovce nad Bebravou
1.1189	Horné Holiare	816621	Komárno	0.0647	Peťovka	845957	Trenčín
1.1183	Baloň	800643	Dunajská Streda	0.0647	Petrova Lehota	845990	Trenčín
1.1153	Bodza	803359	Komárno	0.0647	Dlhá nad Kysucou	810908	Čadca
1.1123	Hoste	818607	Galanta	0.0647	Riečnica	852325	Čadca
1.1116	Malá Mača	835161	Galanta	0.0647	Zborov nad Bystricou	872903	Čadca
1.1076	Matúškovo	836451	Galanta	0.0647	Medzihradné	812463	Dolný Kubín
1.1073	Dolná Streda	811777	Galanta	0.0647	Osádka	844438	Dolný Kubín
1.1063	Horný Bar	818356	Dunajská Streda	0.0647	Lodno	832987	Kysucké Nové Mesto
1.1063	Šulany	818364	Dunajská Streda	0.0647	Liptovská Mara	832499	Liptovský Mikuláš
1.1063	Bodíky	818330	Dunajská Streda	0.0647	Oravská Lesná	844110	Námestovo
1.1056	Brakoň	814636	Galanta	0.0647	Brieštie	806935	Turčianske Teplice
1,1056	Gáň	814644	Galanta	0,0647	Dolný Turček	865826	Turčianske Teplice

Source: own processing according to Annex 1 to Act No. 582/2004 Coll., as amended.

In addition to cadastral areas with a minimum arable land value of EUR 0.0647/ m², listed in Table 3, another are Osada (Tvrdošín District), Divinka, Horná Tižina, Hričovské Podhradie, Peklina (Žilina District), Malchov, Pohronský Bukovec, Povrazník, Špania Dolina (Banská Bystrica District), Mýto pod Ďumbierom, Valkovňa (Brezno District), Prihradzany (Revúca District), Poproč, Ratkovská Zdychava (Rimavská Sobota District), Kremnica, Kremnické Bane, Nevoľné (Žiar nad Hronom District), Kríže (Bardejov District), Zálesie v Zamagurí (Kežmarok District), Doľany na Spiši, Lúčka pri Jablonove (Levoča District), Starý Smokovec, Tatranská Javorina (Poprad District), Renčišov (Sabinov District), Jalová, Parihuzovce (Snina District), Hraničné (Stará Lubovňa District), Henclová (Gelnica District), Štós (Košice-okolie District), Čučma (Rožňava District), Mlynky, Rudňany (Spišská Nová Ves District).

The value of permanent grassland ranges between EUR 0.0166 and EUR 0.294/ m².

The values of the land of gardens, built-up areas, courtyards, other areas and building lands, depending on the population, are shown in Table 4.

The basis of the building tax is the built-up area in m². The annual tax rate is EUR 0.033/m². The tax administrator can increase the tax rate to a maximum of 10 times the lowest annual tax on buildings. For multi-storey buildings, the tax administrator can determine the so-called floor surcharge at the maximum of EUR 0.33 for each above-ground floor, except for the first floor.

Table 4: Values of the land of gardens, built-up areas and courtyards, other areas and building lands by the population of the SR

Municipality with population (as of January 1st)	Gardens, built-up areas and courtyards, other areas	Building lands
up to 10 000	1.32	13.27
from 1001 to 6 000	1.85	18.58
from 6 001 to 10 000	2.12	21.24
from 10 001 to 25 000	2.65	26.55
over 25 000	3.31	33.19
municipalities, which are the seat of the district	4.64	46.47
municipalities, which are the seat of the region	5.31	53.11
Bratislava	5.97	59.74

Source: own processing according to Annex 2 to Act No. 582/2004 Coll., as amended.

The basis of the tax on apartment is the floor area of the apartment or non-residential area in m². The annual tax rate is EUR 0.033/m². The tax administrator can raise the tax rate to a maximum of 10 times the lowest annual tax rate for apartments.

2.2 Construction of real estate tax in the Czech Republic

In the case of the land tax in the Czech Republic, the land within the subject to tax is divided according to Act No. 338/1992 Coll. on Real Estate Tax, as follows (in brackets are the tax rates):

- arable land, hop gardens, vineyards, gardens, orchards (Sd = 0.75%);
- permanent grassland, forests and ponds with intensive and industrial fish farming (Sd = 0.25%);
- paved areas used for business or in connection with it used for primary agricultural production, forestry and water management (Sd = CZK 1.00/m²) and for industry, construction, transport, energy, other agricultural production and other types of business (Sd = CZK 5/m²);
- building land (Sd = CZK 2/m²);
- other areas (Sd = CZK 0.20/m²);
- built-up areas and courtyards (Sd = CZK 0.20/m²)

with assigned average basic prices of agricultural land, as amended.

The tax base for arable land, vineyards, hop gardens, gardens, orchards and permanent grassland is the price of land determined by multiplying the actual land area in m² and the average land price per m² set in Annex No. 5 to the valuation decree No. 441/2013 Coll., List of cadastral territories with assigned average basic prices of agricultural land. Table 5 shows the maximum and minimum values of agricultural lands by cadastral areas of the Czech Republic.

The tax base for farm forests and ponds with intensive and industrial fish farming is the product of the actual land area in m² and the amount of CZK 3.80. The tax base for other lands is the actual land area as of January 1st.

The tax base for buildings is the built-up area in m². The tax base for apartments (units) is the floor area in m², multiplied by the coefficient of 1.20 or 1.22 (closer specification in the cited act).

Basic tax rates for buildings are shown in Tab. 7. Basic tax rates for residential houses and apartments (units) are multiplied by the coefficient according to the number of inhabitants (1.0 to 5.0); whereas for most buildings the rate is increased by CZK 0.75/m² for each above-ground floor.

The municipality has the power to increase the tax rate for housing construction by one category or to reduce the basic tax rate by 1 to 3 categories,

for individual recreation buildings, for garages and business buildings to increase by a coefficient of 1.5, for buildings for recreation using a coefficient of 2.0 in the case of the location of a building in a national park or in zone I. in a protected landscape area.

Table 5: Maximum and minimum values of agricultural lands by cadastral areas of the Czech Republic

Maximum value (EUR/m ²)	Cadastral Area	CA Code	District	Minimum Value (EUR/m ²)	Cadastral Area	CA Code	District
19.04	Třebčín	769363	Olomouc	1.16	Suchý Dvůr v Krkonoších	643513	Trutnov
19.02	Lípy	684848	Olomouc	1.16	Hluboká u Liberce	631094	Liberec
18.93	Lutín	689122	Olomouc	1.16	Novina u Liberce	675482	Liberec
18.83	Ústín	775428	Olomouc	1.16	Kryštofovo údolí	675474	Liberec
18.83	Břuchotín	675628	Olomouc	1.18	Vykmanov u Měděnce	692565	Chomutov
18.82	Nedvězí	702358	Olomouc	1.18	Sklenářovice	696811	Trutnov
18.78	Vojnice	784583	Olomouc	1.19	Vernířovice	794252	Šumperk
18.77	Filipov	618497	Kutná Hora	1.19	Údolí u Lokte	686531	Sokolov
18.74	Horky	726401	Kutná hora	1.20	Labská	763012	Trutnov
18.69	Bystročice	616672	Olomouc	1.20	Horní Dušnice	642878	Semily
18.59	Vítonice na Hané	672467	Olomouc	1.21	Hartmanice II	798991	Klatovy
18.58	Dlouhé Dvory	626627	Hradec Králové	1.21	Prkenný Důl	794228	Trutnov
18.56	Kozojídky u Vinar	782165	Hradec Králové	1.21	Dolní Kochánov	719960	Klatovy
18.55	Krasice	733695	Olomouc	1.22	Hluboké u Dalečína	624471	Žďár nad Sázavou
18.49	Němčice u Holešova	703036	Olomouc	1.22	Kochánov	637327	Klatovy

Source: own processing according to Annex No. 5 of Decree No. 411/2013 Coll., List of cadastral territories with assigned average basic prices of agricultural land, as amended.

Table 6: The current land tax rates in the Czech Republic (as of January 1st, 2019).

Type of land	Tax rate
arable land, hop gardens, vineyards, gardens, orchards	0.75 %
permanent grassland, farm forests and fish ponds	0.25 %
paved areas used for business or in connection with business for primary agricultural production, forestry and water management	1.00 Kč/m ²
paved areas used for industry, construction, transport, energy, other agricultural production and other types of business	5.00 Kč/m ²
building land	2.00 Kč/m ²
other areas	0.20 Kč/m ²
built-up areas and courtyards	0.20 Kč/m ²

Source: Act of the Czech National Council No. 338/1992 Coll., on Real Estate Tax, as amended.

Table 7: The current building tax rates in the Czech Republic (as of January 1st, 2019).

Type of building	Tax rate
building of a residential house including accessories	2.00 Kč/m ²
buildings for family recreation	6.00 Kč/m ²
	1.00 Kč/m ²
garages built separately from houses	8.00 Kč/m ²
buildings for business in primary agricultural production, forestry or water management	2.00 Kč/m ²
buildings for business in industry, construction, transportation, energy or other agricultural production and in other types of business	10 Kč/m ²
other buildings	6 Kč/m ²
apartments (units)	2.00 Kč/m ²

Source: Act of the Czech National Council No. 338/1992 Coll., on Real Estate Tax, as amended.

Municipalities in the Czech Republic have important powers, because they can multiply taxes for all types of real estate in order to increase the real estate tax by a factor of 2, 3, 4 or 5.

2.3 The rate of utilization of municipal legal powers to increase real estate tax collection

In the Slovak Republic, municipalities use the possibility to increase the annual rates of tax on land and buildings frequently. The monitored group consisted of municipalities from 261 to 2255 inhabitants. Tab. 8 shows the comparison of the basic statutory rates of the tax on land, buildings and apartments with the level achieved in the monitored municipalities in the Slovak Republic in 2018. The author also has data on these tax rates for the reference period 2014 to 2018, which show (in roughly one third of municipalities) increase in tax rates, especially since 2016 (not mentioned in this text with respect to the scope of the paper).

The tax rates for arable land, vineyards, hop gardens and orchards may not exceed 5 times the statutory basic tax rates. Only one municipality (Zborov nad Bystricou, Čadca District, Žilina Region) does not use the increase of the statutory tax rate, for all types of land. On the other hand, only one municipality (Mýto pod Ďumbierom, Brezno District, Banská Bystrica Region) used the full increase to 5 times the basic tax rate. On average, for the group as a whole, municipalities in this category of land increased the tax rate to 220% of the statutory tax rate, roughly to 2-fold.

Table 8: Comparison of basic statutory rates of the tax on land, buildings and apartments with the level achieved in the monitored municipalities in the Slovak Republic in 2018

Type of land, building	Basic statutory tax rate	The average tax rate for a group as a whole	The range of tax rates achieved
arable land, vineyards, hop gardens, orchards	0.25 %	0.55 %	0.27 – 1.25 %
gardens	0.25 %	0.59 %	0.25 – 1.10 %
forest land and ponds	0.25 %	0.60 %	0.25 – 2.50 %
building land	0.25 %	0.81 %	0.25 – 2.00 %
housing construction	0.033 EUR/m ²	0.11 EUR/m ²	0.033 – 0.40 EUR/m ²
cottages and recreational buildings	0.033 EUR/m ²	0.48 EUR/m ²	0.07 – 1.00 EUR/m ²
garages	0.033 EUR/m ²	0.31 EUR/m ²	0.10 – 0.663 EUR/m ²
buildings for business	0.033 EUR/m ²	1.10 EUR/m ²	0.40 – 1.66 EUR/m ²
apartments	0.033 EUR/m ²	0.12 EUR/m ²	0.04 – 0.346 EUR/m ²

Source: own processing based on data provided by municipalities and relevant provisions of Act No. 582/2004 Coll., on Local Taxes and Local Fee for

Municipal Waste and Minor Construction Waste

The tax rates for gardens may also not exceed 5 times the statutory basic tax rates. On average, for a group as a whole, municipalities increased the tax rate to 236% of the statutory tax rate, i.e. more than 2 times the statutory tax rate. None of the municipalities used the maximum tax rate increase in this category.

The tax rates for forest land and ponds may not exceed 10 times the statutory base rate. Only one municipality (Mýto pod Ďumbierom, Brezno District, Banská Bystrica Region) used the full increase to 10 times the basic statutory tax rate. On average, for the group as a whole, the increase was 2.4 times the legal base tax rate.

Building land tax rates may not exceed 5 times the statutory tax base rates. On average, for the group as a whole, municipalities increased the tax rate to 0.81%, i.e. to 3.24 times the legal base rate.

The tax rates for housing construction should not exceed 10 times the lowest annual building tax rate. On average, for the group as a whole, municipalities increased the tax rate to 0.81%, i.e. to 3.24 times the legal base rate. On average, for the group as a whole, the tax rate was EUR 0.11/ m², i.e. 3.3 times the base tax rate. The highest tax rate in the monitored set of municipalities for housing construction in the amount of 0.40% is reported by the municipality Lopašov, Skalica District, Trnava Region.

Tax rates for cottages and buildings for individual recreation are a popular type of buildings for municipalities in terms of increasing tax rates. The tax rates for this category may not exceed 10 times the lowest annual tax rate. On average, for the group as a whole, municipalities increased the tax rate to EUR 0.48 / m², i.e. by 14.5 times, in the village of Trstín, Trnava District, Trnava Region even 30 times, i.e. EUR 1/m².

The tax rates for garages may not exceed 10 times the lowest annual building tax rate. On average, for the group of municipalities as a whole, they reached 0.31 EUR/ m², which is 9.4 times the statutory tax rate.

Tax rates for buildings for business must not exceed 10 times the lowest annual building tax rate. On average, for a group of municipalities as a whole, they reached 1.10 EUR/m², which is 33.3 times the statutory tax rate.

The tax rates for apartments amounted to EUR 0.12/ m², which is 3.6 times the basic statutory tax rate. The highest level of this tax rate in the amount of EUR 0.346/m² is set by the municipality Kláštor pod Znievom, Martin District, Žilina Region.

It is obvious that tax administrators in the Slovak Republic focus decisively on raising tax rates for cottages, individual recreation buildings and business buildings.

The situation in the Czech Republic is completely different. Of the

whole set of municipalities, the local coefficient 2 is used only by Mikulášovice, Děčín District, Ústí Region, and by Bedřichov, Jablonec nad Nisou District, Liberec Region. Further coefficients of 3, 4 and 5 were not applied by any of the monitored municipalities in the Czech Republic. Even using this coefficient, the share from real estate tax in the total income of the municipality is 5.5% (Mikulášovice) and 7.7% (Bedřichov) on average over the monitored period.

2.4 Determinants and factors affecting the total level of municipal revenue and the financial independence of municipalities

In examining the issues of fiscal decentralization of municipalities and the structure of the municipality's income, both in terms of static and dynamic, we found that the overall revenue level of the municipality is influenced primarily by:

- real estate tax structure (land tax, building tax and tax on apartments);
- cadastre area in ha;
- population;
- tax rates for individual types of land, buildings and apartments;
- other local tax burden (especially taxes on accommodation, dog taxes, taxes on the use of public space, taxes on vending machines, taxes on non-winning gaming machines, taxes on entry and stay of a motor vehicle in the historic city, local municipal tax waste, local development fee);
- the amount of the share tax from the national gross revenue;
- classification of the municipality into the size category;
- altitude of the municipality;
- number of school pupils;
- number of pensioners;
- economic growth determining the tax collection volume at the national level;
- phase of the business cycle;
- political decisions;
- availability and usability of natural resources;
- landscape dislocation of the municipality;
- revenue from business and ownership;
- the amount of administrative fees;
- revenue from the sale of land, buildings and apartments;
- the amount of subsidies in the form of grants and transfers, or other determinants.

It is clear that some determinants have had a significant impact on the level of income, but many of them have been negligible. That is why we focused

primarily on exploring the structure of municipal revenue in municipalities in Slovakia and in the Czech Republic, which have the highest level of total income in EUR/inhabitant. For the group of municipalities in the Czech Republic, we applied the EUR/CZK exchange rate of 25.725, valid at the end of the period under review (i.e., 31.12.2018) for a qualified comparison.

Table 9: Dynamics of monitored indicators of the municipality of Mýto pod Ďumbierom from 2014 to 2018 (indicators 1 – 10 in EUR)

No.	Indicator/ year	2014	2015	2016	2017	2018	\bar{x}_1
1	DN	38 723	38 805	52 221	43 602	52 362	45 143
2	OMDP	25 213	20 452	23 873	29 262	36 758	27 112
3	VDPP (1+2)	63 936	59 257	76 094	72 864	89 120	72 255
4	PD	111 904	130 226	139 374	153 416	171 250	141 234
5	DP (3+4)	175 840	189 483	215 468	226 280	260 370	213 488
6	NVP	563 184	175 167	40 652	51 759	79 703	182 093
7	KVP	327 853	57 480	27 301	668 103	59 422	228 032
8	VP (3+6+7)	954 973	291 904	144 047	792 726	228 245	482 380
9	PGT	17 377	11 017	24 407	456 870	21 340	106 202
10	CP (4+8+9)	1 084 254	433 147	307 828	1 403 012	420 835	729 816
11	PO	506	512	511	505	515	510
12	A (1:3) %	60.6	65.5	68.6	59.8	58.8	62.7
13	B (1:5) %	22.0	20.5	24.2	19.3	20.1	21.2
14	C (3:5) %	36.4	31.3	35.3	32.2	34.2	33.9
15	D (1:10) %	3.6	9.0	17.0	3.1	12.4	9.0
16	E (8:10) %	88.1	67.4	46.8	56.5	54.2	62.6
17	F (1:11) EUR/inhab.	76.53	75.79	102.19	86.34	101.67	88.50
18	G (4:11) EUR/inhab.	221.15	254.35	272.75	303.79	332.52	276.92
19	H (8:11) EUR/ inhab.	1 887.30	570.12	281.89	1 569.75	443.19	950.45
20	I (10:11) EUR/inhab.	2 142.79	845.99	602.40	2 778.24	817.16	1 437.32

Source: own calculations based on the database provided by the municipality.

Legend:

DN- real estate tax;

OMDP – other local taxes and fees;

VDPP – own tax and fee revenue;

PD – share taxes from national gross revenue;

DP – total tax revenue;

NVP – non-tax own revenue (e.g. revenue from business and ownership, administrative fees);

KVP – own capital revenue (e.g. revenue from the sale of land, buildings and apartments);

PGT – grants and transfers received;

VP – total own revenue;

CP – total revenue;

PO – population;

\bar{x}_1 - simple arithmetic average from 2014 to 2018.

Among municipalities in the Slovak Republic, the highest level of total income in EUR per capita reached Mýto pod Ďumbierom, Brezno District, Banská Bystrica Region (1437.32), Trstín, Trnava District, Trnava Region (1063.44) and Turčianske Jaseno, Martin District, Žilina Region (713,93), with an average level per group as a whole EUR 610,12/inhabitant. Among municipalities in the Czech Republic, the municipalities of Pasohlávky (2196.18), Karlova Studánka (3162.31) and Strážné (1731.49) with an average level per group of municipalities in the Czech Republic amounted to EUR 1044.00/inhabitant.

On the example of the above mentioned municipalities, we will analyze the quantification of the determinants, which in these municipalities formed a relatively high level of total municipal income per capita. With regard to the irregularity of some incomes (e.g. non-tax and capital revenue, grants and transfers received), we will take into account particularly the average level of indicators over the whole period under review.

We will divide total revenue into subsections as follows:

$CP = DN + OMDP + PD + NVP + KVP + PGT$,

in absolute (EUR) and in relative terms (%). In this way we find out which determinants and factors, or structural items significantly influence the level of the municipality's total revenue.

The data in Tab. 9 shows that the real estate tax in the municipality of Mýto pod Ďumbierom represents only 9.0% of the income structure, the volume of share tax (personal income tax) grows about 15% annually, which is the result of the growth of the national gross revenue from income tax, mainly due to wage growth and the performance of the national economy.

It should be emphasized that this phase of economic growth has a significant impact on the municipal budget revenue. In terms of self-financing or financial self-sufficiency, it should be pointed out that the municipality's own income accounts for an average of 62.6%, thus the municipality's self-financing rate is significantly the highest in the monitored set of municipalities, although

the real estate tax collection does not play any role in the current scope or structure, despite the municipality's efforts to use the statutory provisions to increase land and building tax rates and limit the impact of the lowest statutory value of land tax (e.g. EUR 0.0647/m² for arable land).

The municipality of Mýto pod Ďumbierom is characterized by the fact that in addition to the high level of revenue from share tax and grants and transfers received as fundamental non-own revenue, it was able to secure its own revenue from business, ownership, rent and land sales throughout the period under review, therefore, its 62.6% rate of self-financing is extremely high within the sample, as it normally ranges from 14 to 50%.

Table 10: The structure of average income of the municipality of Mýto pod Ďumbierom from 2014 to 2018

Indicator	CP	DN	OMDP	PD	NVP	KVP	PGT
Absolutely (EUR)	729 816	45 143	27 112	141 234	182 093	228 032	106 202
Relatively (%)	100	6,2	3,7	19,4	25,0	31,2	14,6

Source: own calculations based on the database provided by the municipality.

The municipality of Trstín also has a low share from real estate tax collection in the total revenue of the municipality (6.3%). The municipality uses the legal possibility of increasing the price of land and buildings, while the decisive revenue from the collection of real estate tax is just from the collection of land tax (62.1%). The rate of self-financing of the municipality is 25.1%, which is roughly the average between the monitored municipalities. Although the municipality is one of the municipalities with the highest total per capita income, it is dependent on external sources. From the data in Tab. 12 it is evident that in addition to the share tax (29.4% in the revenue structure), decisive role play grants and transfers received (almost half of the total revenue). This is advantageous for the municipality from the economic point of view, but the overall situation in the area of receiving various subsidies from the state and from European Union funds generates significant income differences among municipalities in the Slovak Republic and, in terms of economic theories, significantly undermines not only the market environment but also the general public sector situation.

The municipality of Turčianske Jaseno is one of the municipalities where the collection of real estate tax does not stagnate but it is growing slightly. Of the total own tax and fee revenue, real estate tax accounts for 56.5% of total own tax and fee revenue, only 8.3% of tax revenue. From the data in Tab. 14 it is evident that the 4.0% share from real estate tax collection in the total revenue of the municipality is not a fundamental income for the municipality, even though the municipality uses increasing of the tax rate for land and buildings under the relevant law.

The decisive income for the municipality is the share tax (41.8% of the income structure), not only in terms of absolute amount but mainly in terms of dynamics, as the share tax increased by 63.7% over the period under review, i.e. approximately by 12.7% annually. The average of this indicator for the period from 2014 to 2018 was EUR 300.22/inhabitant.

Another significant income, which shifts quantitatively the amount of own and total revenue of the municipality, is the capital own revenue of the municipality, which represents 41.3% in the structure of the total average revenue of the municipality. Therefore, the indicator of self-financing, i.e. financial self-sufficiency, is 49.1% on average over the period under review. Grants and transfers received do not play a significant role in this, since they account for only 5.3% of total revenues.

It turns out that among the municipalities with the highest total per capita income in Slovakia, the common denominator is the low share from real estate tax in the overall revenue structure, then there are quite large differences in which type of income is dominant. Once it is a share tax, sometimes non-tax own revenue or own capital revenue, in another case grants and transfers received.

Table 11: Dynamics of monitored indicators of the municipality of Trstín from 2014 to 2018 (indicators 1 – 10 in EUR)

No.	Indicator/ year	2014	2015	2016	2017	2018	\bar{x}
1	DN	86 212	87 815	71 052	110 454	100 707	91 248
2	OMDP	41 879	41 702	41 765	46 004	45 356	43 341
3	VDPP (1+2)	128 091	129 517	112 817	156 458	146 063	134 589
4	PD	346 948	369 749	424 501	467 893	537 531	429 324
5	DP (3+4)	475 039	499 266	537 318	624 351	683 594	563 913
6	NVP	68 117	75 224	81 714	90 253	99 388	82 939
7	KVP	121 663	104 930	345 999	51 423	116 678	148 139
8	VP (3+6+7)	317 871	309 671	540 530	298 134	362 129	365 661
9	PGT	722 142	599 513	551 599	740 419	690 911	660 917
10	CP (4+8+9)	1 386 961	1 278 933	1 516 630	1 506 446	1 590 571	1 455 908
11	PO	1 352	1 363	1 364	1 385	1 379	1 369
12	A (1:3) %	67.3	67.8	63.0	70.6	68.9	67.6
13	B (1:5) %	18.1	17.6	13.2	17.7	14.7	16.3
14	C (3:5) %	27.0	25.9	21.0	25.1	21.4	24.1
15	D (1:10) %	6.2	6.9	4.7	7.3	6.3	6.3
16	E (8:10) %	22.9	24.2	35.6	19.8	22.8	25.1

17	F (1:11) EUR/ inhab.	63.77	64.43	52.09	79.75	73.03	66.61
18	G (4:11) EUR/ inhab.	250.62	271.78	311.22	337.83	389.80	312.17
19	H (8:11) EUR/ inhab.	235.09	227.20	396.25	215.26	262.60	267.28
20	I (10:11) EUR/inhab.	1 025.86	938.32	1 111.90	1 087.69	1 153.42	1 063.44

Source: own calculations based on the database provided by the municipality.

Table 12: The structure of average income of the municipality of Trstín from 2014 to 2018

Indicator	CP	DN	OMDP	PD	NVP	KVP	PGT
Absolutely (EUR)	1 455 908	91 248	43 341	429 324	82 939	148 139	660 917
Relatively (%)	100	6,3	3,0	29,4	5,7	10,2	45,4

Source: own calculations based on the database provided by the municipality.

Table 13: The structure of average income of the municipality of Turčianske Jaseno from 2014 to 2018

Indicator	CP	DN	OMDP	PD	NVP	KVP	PGT
Absolutely (EUR)	280 202	11 063	8 518	117 120	12 954	115 672	14 874
Relatively (%)	100	4,0	3,0	41,8	4,6	41,3	5,3

Source: own calculations based on the database provided by the municipality.

Table 14: Dynamics of monitored indicators of the municipality of Turčianske Jaseno from 2014 to 2018 (indicators 1 – 10 in EUR)

No.	Indicator/ year	2014	2015	2016	2017	2018	\bar{x}
1	DN	10 812	10 814	10 839	11 602	11 247	11 063
2	OMDP	7 973	7 690	8 446	9 211	9 271	8 518
3	VDPP (1+2)	18 785	18 504	19 285	20 813	20 518	19 581
4	PD	89 519	101 156	115 217	133 133	146 573	117 120
5	DP (3+4)	108 304	119 660	134 502	153 946	167 091	136 701
6	NVP	11 171	12 758	12 374	14 233	14 236	12 954
7	KVP	27 372	103 140	105 202	53 072	289 575	115 672
8	VP (3+6+7)	57 328	134 402	136 861	88 118	324 329	148 208
9	PGT	12 761	7 872	7 686	15 509	30 544	14 874
10	CP (4+8+9)	159 608	243 430	259 764	236 760	501 446	280 202
11	PO	368	377	3836	402	410	388
12	A (1:3) %	57.6	58.4	56.2	55.7	54.8	56.5

13	B (1:5) %	10.0	9.0	8.1	7.5	6.7	8.3
14	C (3:5) %	17.3	15.5	14.3	13.5	12.3	14.6
15	D (1:10) %	6.8	4.4	4.2	4.9	2.2	4.5
16	E (8:10) %	35.9	55.2	52.7	37.2	64.7	49.1
17	F (1:11) EUR/inhab.	29.38	28.68	28.30	28.86	27.43	28.53
18	G (4:11) EUR/inhab.	243.26	268.32	300.83	331.18	357.50	300.22
19	H (8:11) EUR/inhab.	155.78	356.50	357.34	219.20	791.05	375.97
20	I (10:11) EUR/inhab.	433.72	645.70	678.23	588.96	1223.04	713.93

Source: own calculations based on the database provided by the municipality.

Within the monitored set of municipalities in the Czech Republic, the highest level of total income in EUR per capita was reported in Pasohlávky, Brno-Country District, South Moravian Region (2 196.18), Karlova Studánka (Bruntál District, Moravian-Silesian Region (3,162.31) and Strážné, Trutnov District, Hradec Králové Region (1,731.47). Some municipalities reported the number of inhabitants only for the year 2018.

Table 15: Dynamics of monitored indicators of the municipality of Pasohlávky from 2014 to 2018 (indicators 1 – 10 in EUR)

No.	Indicator/ year	2014	2015	2016	2017	2018	\bar{x}_1
1	DN	52 762	53 994	68 727	72 108	72 109	63940
2	OMDP	225 384	261 769	186 861	276 968	253 916	240 980
3	VDPP (1+2)	278 146	315 763	255 588	349 076	326 025	304 920
4	PD	250 340	274 091	284 004	311 409	355 258	295 020
5	DP (3+4)	528 486	589 854	539 592	660 485	681 283	599 940
6	NVP	663 946	516 074	774 266	861 302	917 707	746 659
7	KVP	259 397	316 463	182 507	31 642	35 646	165 131
8	VP (3+6+7)	1 201 489	1 148 300	1 212 361	1 242 020	1 279 378	1 216 710
9	PGT	112 420	182 935	127114	23 440	25 384	94 259
10	CP (4+8+9)	1 564 249	1 605 326	1 623 479	1 576 869	1 660 020	1 605 989
11	PO	722	727	733	731	743	731
12	A (1:3) %	19.0	17.1	26.9	20.7	22.1	21.2
13	B (1:5) %	10.0	9.2	12.7	10.9	10.6	10.7
14	C (3:5) %	52.6	53.5	47.4	52.9	47.9	50.9

15	D (1:10) %	3.4	3.4	4.2	4.6	4.3	4.0
16	E (8:10) %	76.8	71.5	74.7	78.8	77.1	75.8
17	F (1:11) EUR/inhab.	73.08	74.27	93.76	98.64	97.05	87.36
18	G (4:11) EUR/inhab.	346.73	377.02	387.45	426.00	478.14	403.07
19	H (8:11) EUR/inhab.	1 644.11	1 579.50	1 653.97	1 699.07	1 721.91	1659.71
20	I (10:11) EUR/inhab.	2 166.55	2 208.15	2 214.84	2 157.14	2 234.21	2 196.18

Source: own calculations based on the database provided by the municipality.

Table 16: Dynamics of monitored indicators of the municipality of Karlova Studánka from 2014 to 2018 (indicators 1 – 10 in EUR)

No.	Indicator/ year	2014	2015	2016	2017	2018	\bar{x}_1
1	DN	4 120	4 431	3 499	3 421	3 537	3 802
2	OMDP	54 344	69 621	64 062	65 462	77 668	66 231
3	VDPP (1+2)	58 464	74 052	67 561	68 883	81 205	70 033
4	PD	94 189	94 461	93 800	95 899	104 762	96 622
5	DP (3+4)	152 653	168 513	161 361	164 782	185 967	166 655
6	NVP	240 233	236 735	240 272	270 243	321 516	261 800
7	KVP	0	0	0	1 944	0	389
8	VP (3+6+7)	298 697	310 787	307 833	341 070	402 721	332 222
9	PGT	187 872	128 902	147 211	179 670	153 081	159 347
10	CP (4+8+9)	580 758	534 150	548 844	616 639	660 564	588 191
11	PO					186	
12	A (1:3) %	7.0	6.0	5.2	5.0	4.4	5.5
13	B (1:5) %	2.7	2.6	2.2	2.1	1.9	2.3
14	C (3:5) %	38.3	43.9	41.9	41.8	43.7	41.9
15	D (1:10) %	0.7	0.8	0.6	0.6	0.5	0.6
16	E (8:10) %	51.4	58.2	56.1	55.3	61.0	56.4
17	F (1:11) EUR/inhab.	22.15	23.82	18.81	18.39	19.02	20.44
18	G (4:11) EUR/inhab.	506.39	507.85	504.30	515.59	563.24	519.47
19	H (8:11) EUR/inhab.	1 605.90	1 670.90	1 655.02	1 833.71	2 165.17	1 786.14
20	I (10:11) EUR/inhab.	3 122.35	2 871.77	2 950.77	3 315.26	3 551.42	3 162.31

Source: own calculations based on the database provided by the municipality.

Typical for the municipality of Pasohlávky (Tab. 15) is that the share from real estate tax in tax revenue is 10.7%, only 4.0% in the total revenue of the municipality, even though for example the average price of land is CZK 11.62/m². The self-financing rate was 75.8% and it is one of the highest among the monitored municipalities, which positively influences the financial self-sufficiency of the municipality. Within the structure of the municipality's total revenue (Tab. 18), non-tax own revenue (revenue from business, ownership, leases, etc.) plays a decisive role. The share taxes (18.4%) are also a significant income.

Table 17: Dynamics of monitored indicators of the municipality of Strážné from 2014 to 2018
(indicators 1 – 10 in EUR)

No.	Indicator/ year	2014	2015	2016	2017	2018	\bar{x}
1	DN	22 857	23 790	26 278	23 984	23 324	24 047
2	OMDP	128 513	80 855	56 910	92 439	54 733	82 691
3	VDPP (1+2)	151 370	104 645	83 188	116 423	78 057	106 737
4	PD	95 899	101 147	122 643	125 520	141 691	117 380
5	DP (3+4)	247 269	205 792	205 831	241 943	219 748	224 117
6	NVP	51 040	47 502	51 429	44 548	41 283	47 161
7	KVP	161 050	1 127	4 198	8 241	9 446	36 813
8	VP (3+6+7)	363 460	153 274	138 815	169 212	128 786	190 709
9	PGT	43 032	5 909	35 646	78 717	183 557	69 373
10	CP (4+8+9)	502 411	260 330	297 104	373 449	454 034	377 462
11	PO					218	
12	A (1:3) %	15.1	22.7	31.6	20.6	29.9	24.0
13	B (1:5) %	9.2	11.6	12.8	9.9	10.6	10.8
14	C (3:5) %	61.2	50.9	40.4	48.1	35.5	47.2
15	D (1:10) %	4.5	9.1	8.8	6.4	5.1	6.8
16	E (8:10) %	72.3	58.9	46.7	45.3	28.4	50.3
17	F (1:11) EUR/inhab.	104.85	109.13	120.54	110.02	106.99	110.31
18	G (4:11) EUR/inhab.	439.90	463.98	562.58	575.78	649.96	538.44
19	H (8:11) EUR/inhab.	1 667.25	703.09	636.77	776.20	590.76	874.81
20	I (10:11) EUR/inhab.	2 304.55	1 194.17	1 362.86	1 713.07	2 082.72	1 731.47

Source: own calculations based on the database provided by the municipality.

According to the number of inhabitants (186), the municipality of Karlova Studánka is one of the smallest municipalities in the monitored set of municipalities, with an average total income of EUR 3162.31 per capita (Tab. 16). The share from property tax in total revenue was only 0.6%. The financial self-sufficiency reached an average level of 56.2%, which is de facto above standard. In the structure of total revenue, decisive is non-tax own revenue (revenue from business, ownership and leases). The share taxes (16.4%) and other local taxes and fees (11.3%) also play an important role.

Table 18: The structure of average income of the municipality of Pasohlávky from 2014 to 2018

Indicator	CP	DN	OMDP	PD	NVP	KVP	PGT
Absolutely (EUR)	1 605 989	63 940	240 980	295 020	746 659	165 131	94 259
Relatively (%)	100.0	4.0	15.0	18.4	46.5	10.3	5.8

Source: own calculations based on the database provided by the municipality.

Table 19: The structure of average income of the municipality of Karlova Studánka from 2014 to 2018

Indicator	CP	DN	OMDP	PD	NVP	KVP	PGT
Absolutely (EUR)	588 191	3 802	66 231	96 622	261 800	389	159 347
Relatively (%)	100.0	0.6	11.3	16.4	44.5	0.1	27.1

Source: own calculations based on the database provided by the municipality.

Table 20: The structure of average income of the municipality of Strážné from 2014 to 2018

Indicator	CP	DN	OMDP	PD	NVP	KVP	PGT
Absolutely (EUR)	377 465	24 047	82 691	117 380	47 161	36 813	69 373
Relatively (%)	100	6.4	21.9	31.1	12.5	9.7	18.4

Source: own calculations based on the database provided by the municipality.

The municipality of Strážné belongs also to the group of relatively smaller municipalities (218 inhabitants), but reaches a high level of total per capita income (EUR 1731.49), as shown in the Tab. 17. The rate of self-financing is 49.6%, which is one of the highest among the monitored municipalities. The share from real estate tax on total revenues of 6.8% illustrates the role of real estate tax in the financial self-sufficiency of municipalities. The decisive income of the municipality is the share tax (31.1%), although other local taxes, especially fees (21.9%), received grants and transfers (18.34%), have a significant share in the overall income structure of the municipality (Tab. 20), and non-tax own revenue (from business, ownership, rent) is also significant. In this municipality,

the overall income structure, with the exception of real estate tax, is relatively balanced.

Table 21 shows the dynamics of the share tax collection with the quantification of the base index. It is evident that the share tax collection in the monitored time frame has been growing significantly, in Slovakia faster than in the Czech Republic. As already mentioned, this fact is directly related to the current phase of the economic cycle, when the economy of both countries has been showing solid growth for several years. All municipalities of the monitored group are obviously dependent on income in the form of a share tax, which dominates the structure of total income for the most of the monitored municipalities.

However, in this context, it should be pointed out that reducing of the growth rate or decreasing the gross national product, with which the lower tax collection is usually related, will result in decreasing of the income from share taxes, which depend on the national gross tax revenue and the funds available to municipalities will be reduced.

Table 21: Dynamics of share tax collection indicator in EUR/inhabitant and in % (basic index) in municipalities Mýto pod Ďumbierom (MD), Trstín (TR), Turčianské Jaseno (TJ), Pasohlávky (PA), Karlova Studánka (KS) and Strážné (ST) from 2014 to 2018

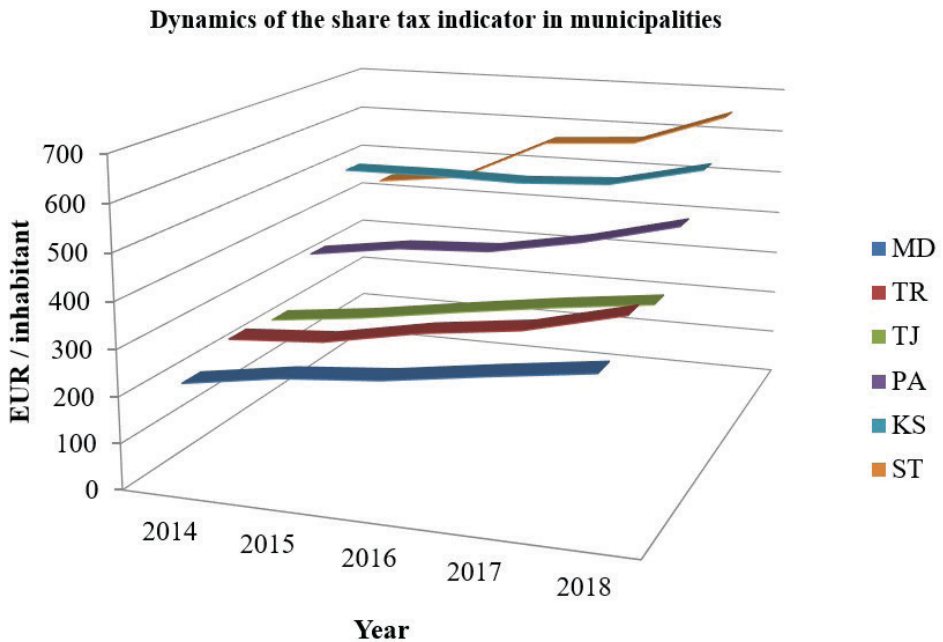
Municipality/year	2014	2015	2016	2017	2018
Mýto pod Ďumbierom (SR)	221.15	254.35	272.75	303.79	332.52
	100.0	115.0	123.3	137.4	150.4
Trstín (SR)	256.62	271.28	311.22	337.83	389.80
	100.0	108.2	121.3	131.6	151.9
Turčianske Jaseno (SR)	243.26	268.32	300.83	331.18	357.50
	100.0	110.3	123.7	136.1	147.0
Pasohlávky (ČR)	346.73	377.02	387.45	426.00	478.14
	100.0	108.7	111.7	122.9	137.9
Karlova Studánka	506.39	507.85	504.30	515.59	563.24
	100.0	100.3	99.6	101.8	111.2
Strážné	439.90	463.98	562.58	575.78	649.96
	100.0	105.5	127.8	130.9	147.8

Source: own calculations based on the database provided by municipalities.

Dynamics of the share tax in municipalities with the highest total per capita income in the Slovak Republic and in the Czech Republic, i.e. with the highest available financial means intended for the fulfillment of their functions within the system of self-government and the transferred level of state administration, are shown in Graph 1. It is clear from the graph that the share taxes grow in all

the graphs of the above mentioned municipalities. This fact can be generalized, as similar tendencies were also manifested in other examined municipalities in the Czech Republic and in the Slovak Republic.

Graph 1: Dynamics of the share tax (EUR/inhabitant) in the monitored municipalities in the period from 2014 to 2018 (explication of abbreviations in Tab. 20)



Source: Own calculations based on the database provided by municipalities

CONCLUSION AND DISCUSSION

The paper analyzes and synthesizes the findings resulting from the monitoring of indicators expressing the structure of municipal revenue and the current state of fiscal decentralization at the municipal level in the conditions of the Slovak and the Czech Republic. It is an issue which, in my opinion, is very topical and needs to be constantly monitored. Fiscal decentralization is currently becoming a typical trend in the world, de facto since the 1980s. Fiscal decentralization is also supported by transnational institutions, such as the UN, OECD and the World Bank, the European Union, to promote public sector transparency and help economic and social development. Decentralization tendencies are becoming more intense with the growth of the country's economic level. Tanzi (2001) states that decentralization tendencies stem from the democratization of society itself and also from globalization, decentralization

is sometimes considered to be a “superior good”. Fiscal decisions taken in the municipality can respond better to citizens’ preferences than at the central government level.

In my opinion, the depth of fiscal decentralization should take into account the size of the country (in terms of the size of the area and population), as large state units (e.g. France, Germany, Great Britain and others) should have, unlike the Slovak and the Czech Republic, substantially deeper decentralization. An important role in this respect is played by the perception and introduction into the social practice and thinking of politicians and citizens, the approach to the level of fulfillment of the principle of solvency, which is consistently applied in the tax systems of developed countries, not in the Slovak and in the Czech Republic.

Municipalities in these countries would need to increase their financial self-sufficiency, but there are no fragments through which the necessary dynamics can be achieved. In fact, real estate tax accounts for up to 10% of the total municipal income, and the use of statutory options to increase the collection of this tax, even to the maximum possible level, will not cause a significant increase in the real estate tax share in the municipality’s total income or a significant shift in the financial self-sufficiency of the municipality. Individuals are taxed at the carrying capacity limit (especially as consumers of the highest value-added tax in particular on food and other vital needs within the European Union) and do not have the ability to face the increasing tax burden on property taxes. Therefore, all efforts to increase tax collection should be directed to legal entities whose taxation is very low in international comparison.

Municipalities in Slovakia and in the Czech Republic, which have dislocation landscape advantages (extraction of raw materials, spas, sports facilities, lucrative tourist centers, etc.) generally have higher total per capita incomes, especially in the form of non-tax own revenue from business, ownership and rentals, but also significant fee revenue and revenue from other local taxes.

Grants and transfers received also play an increasingly important role, but they generate significant variability in revenue decentralization. It makes assessing of fiscal decentralization difficult and affects the behavior of the beneficiary. Differences in income in the form of grants and transfers are more significant than differences in revenue from share taxes.

In this study, we wanted to focus, among other important facts, on the detection of determinants which affect the overall revenue of municipalities. We found that in the case of municipalities with the highest level of total per capita income, these municipalities have a high degree of financial self-sufficiency stemming mainly from the above-standard level of non-own tax revenues in the form of property income, rentals and business exceeding the volume of collected

share taxes. Grants and transfers received as well as other local taxes and fees are also a significant income for some of these municipalities.

In municipalities with the average level of total per capita income, their structured portfolio is determined by grants and transfers received, as well as share taxes. In municipalities included in the group of municipalities with lower total per capita income, the share tax is decisive. The results of the analytical-synthetic study show that in the set of municipalities of the Slovak Republic (a set of municipalities with the population of 261 to 2255) and the Czech Republic (municipalities with the population of 176 to 2189) was also analyzed the context of formation of the real estate tax collection in detail. The value of arable land, vineyards, hop gardens and orchards in Slovakia ranges from EUR 0.0647 to EUR 1.1674/m². The maximum value is thus 18 times the minimum value. Property tax administrators use a relatively high increase in tax rates not only for land, but also for buildings. Despite this, real estate tax does not play an important role in the overall revenue structure. In the Czech Republic, agricultural land values range from CZK 1.16/m² to CZK 19.04/m². The maximum value is 16 times the minimum value. There is no significant difference between the Slovak Republic and the Czech Republic. A significant difference lies in the fact that municipalities in the Czech Republic do not use the so-called local coefficients to increase real estate tax; only 2.5% of municipalities use them.

Despite all these facts, the share from real estate tax in the total revenue structure is relatively low. However, the tax burden related to this tax can no longer be substantially increased. As already mentioned above, it is prevented by the principle of the solvency of the population, which is a concept generally accepted in both theory and practice at the global level. In Slovakia, similarly to other transition economies, due to the low level of wages and pensions forming the payment capacity of the population, it is not possible to further increase taxes imposed on real estate and thus reduce available resources of the population. The only way to possibly increase the revenue side of municipal budgets is to allocate in favour of municipalities in Slovakia a share in nationwide corporate income tax revenues or value added tax revenues as part of tax distribution. This is because businesses routinely use publicly funded municipal infrastructure (local communications, lighting, utilities, etc.) for their business activities without bringing any significant financial benefits for the specific municipality.

According to Jílek (2008), fiscal decentralization is a key component of decentralization. The distribution of finances between different levels of government should be characterized by transparency in the allocation of funds, predictability of their size for decentralized levels of government and some autonomy of decentralized levels of government in obtaining and using financial resources. In my opinion, it is a kind of memento for further development of fiscal

decentralization and strengthening of financial self-sufficiency of municipalities in the Slovak Republic and in the Czech Republic.

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