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THEORETICAL, QUALITATIVE AND QUANTITATIVE ASPECTS OF MUNICIPAL FISCAL AUTONOMY IN BULGARIA[3]

Scientific research in the field of municipal financial policy covers a wide range of issues which include the issues analysed in this paper, viz. the theoretical foundations and the qualitative aspect of regional fiscal autonomy. The article explores the approaches to assessing the fiscal autonomy of local governments. The results of a detailed critical analysis conducted by the authors outline the merits and demerits of the normative and the positive approaches and justify the need for a balanced approach for assessing local fiscal governance. This approach is based on the idea that the process of extending the fiscal powers of local governments is part of a more general trend for public sector reforms to promote the principles of subsidiarity. The balanced approach was used for a qualitative and quantitative assessment of the fiscal autonomy of local governments in the Republic of Bulgaria. Empirical data were analysed to assess the financial capacity and relative position of Bulgarian municipalities in comparison with similar structures within the European Union (EU). The general conclusion is that the legislative measures for the implementation of the principles of local self-government are not sufficient for the achievement of an optimal ratio of local to state budget fiscal revenues.
JEL: H71; H72

Introduction

The policy of increasing the fiscal autonomy of local governments as a measure to optimize the vertical financial relations in the public sector increases the economic efficiency, on the one hand, and public welfare, on the other. This is why the last decades of the twentieth century and the first of the twenty-first century are characterized by a strong interest in theoretical issues regarding the revenue autonomy (including revenue from taxes) of local authorities.

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In this regard, the **subject** of this research paper is the fiscal autonomy of local governments and its **object** are the effects of tax autonomy and the characteristics of its implementation in Bulgaria. The research subject and object define the following **research thesis**: the assessment based on the balanced approach and an empirical analysis shows that of the fiscal autonomy of Bulgarian municipalities is limited, which leads to the conclusion that it is not related to the degree of spending autonomy and the scope of spending responsibilities of municipalities. The **aim** of the study is to perform a critical analysis of the issues related to the current approaches to assess municipal tax autonomy and to use the results to define the characteristics and to identify the possibilities for improving the national fiscal governance in accordance with the requirements for efficiency, transparency and accountability. This aim is achieved within the framework of a modern conceptual and balanced approach through the following major tasks:

- To perform a critical theoretical analysis of the normative, positive, and balanced approaches for assessment of regional tax assignment;
- To perform a qualitative assessment of the fiscal autonomy of Bulgarian municipalities and to analyse the related fiscal obligations of local governments;
- To analyse the main quantitative indicators characterizing the financial capacity of Bulgarian municipalities and assess their position in comparison with peer structures in the EU.

The research methodology includes scientific research approaches and methods based on the systematic approach as a global point of view considering all characteristics of the studied object. It also includes the methods of theoretical, empirical and structural analysis, the historical approach as well as the methods of comparison, analysis and synthesis, induction and deduction, and observation. The research is based on publications of Bulgarian and foreign authors and open-access publications and data.

1. The Balanced Approach as a Tool for Assessment of Local Fiscal Governance

The theoretical grounds of the traditional normative theory of federalism and the "public choice" approach are debatable (the theoretical foundations of the *traditional normative theory* were laid by the research of C. Tiebot, W. Oates and R. Musgrave and is also known as *TOM (Tiebot-Oates-Musgrave model)* **(**Musgrave, 1983; Bird, 2000; Martinez-Vazques, 2007). For example, R. Musgrave's theory that the stabilization and distribution policy of the state should be implemented only by the central government does not take into account the possibility for regional asymmetrical shocks and underestimates the influence of the external sector and the problems arising from the lack of access to perfect information. A less extreme approach would be to allow for some (and by far not leading) role of local governments in -implementing growth promotion measures and social inclusion incentives. This means that the issue regarding the right level of fiscal autonomy of the local governments needs further analysis.

Oates's decentralization theorem that formalizes the basic efficiency argument for the decentralized provision of certain kinds of public goods (i.e. participation of local governments in welfare allocation) is subject to certain criticism. Note that the problematic issues are not related to the assumptions underlying his theory, viz. the implicit assumption that the central government is constrained to provide a uniform level of output across all jurisdictions and the assumption about the existence of territorially determined consumer preferences. In the real world, Oates's theorem holds, because these assumptions tend to accurately reflect the reality in most countries. It suffices to take into consideration inter-regional disparities in income levels, resource allocation, and economic development to prove the existence of inter-jurisdictional consumer preference differences. On the other hand, the lack of sufficient information regarding the demand across the various jurisdictions and the legislative barriers to the preferential allocation of welfare to some jurisdictions at the expense of others, logically constrains the central government to provide a uniform level of output across all jurisdictions. The problems that arise from the theorem should be sought elsewhere. They boil down to the fact that it is virtually impossible to define clearly and unambiguously the expenditure responsibilities of the central government and the local governments. Specifically, the main issue is related to the exact set of public goods (e.g. services such as education, healthcare, and social security), which, regardless of any efficiency considerations, must be provided as a uniform level of output across all jurisdictions. This problem has a direct bearing on the fiscal powers of local governments.

Charles Tiebout’s model is the keystone in the concept of G. Brennan and J. Buchanan (Brennan & Buchanan, 1983; Brennan & Buchanan, 1980). However, it completely ignores the potential spillover effects of inter-jurisdictional competition and the practical difficulties of establishing a local tax system that can cover in full the spending obligations of the local government. Inter-jurisdictional competition may result in serious allocative distortions and, hence, to lower the efficiency on a national level (although at the same time it may result in an increase in public well-being at regional level). Regarding taxation, inter-jurisdictional competition often results in taxation spillover and preferential treatment of residents at the expense of non-residents. Moreover, an extreme level of fiscal decentralization, which creates both horizontal and vertical competition, will, *ceteris paribus*, narrow the scope and efficiency of the central government’s fiscal policy. The assumptions in both Tiebout’s model (including the presence of perfect mobility across jurisdictional boundaries, access to complete information, lack of externalities) and the Leviathan model[4] (including a uniform and monolithic central government and rulers who strive to maximize their political influence) further limit the cognitive scope of the two concepts.

Criticism of both the TOM approach and the public choice theory are not limited to expressing doubts about the logic underlying the works of R. Musgrave, W. Oates, C.

[4] The theoretical concept of Brennan and Buchanan is often referred to as the Leviathan hypothesis. In a purely Biblical sense, Leviathan is a mythical creature which symbolizes the power of matter (Nature) which humiliates men. However, the concept of G. Brennan and J. Buchanan is based on the treatise of T. Hobbes published in 1651 (see Hobbes; Civil, 1971). Hobbes defines Leviathan as the power of state over individuals (the state authority assumes the role of a “mortal god”.

Tiebout, and J. Buchanan. In fact, the main problem of the analysed approach is its normative essence. The TOM model analyses allocation of fiscal powers with the presumption that it is carried out through responsible, socially sensitive and cost-effective planning. Alternatively, the model of G. Brennan and J. Buchanan deals with the same issue by suggesting the need to limit the power of a “public entity that seeks to maximize its revenue”. Both approaches deal with the normative question “What should be done” rather than analyse the actual allocation of fiscal powers. Thus, the normative essence of the two approaches makes them markedly static. The recommended allocation of tax revenue and spending as a responsibility of the central government or the local governments is considered optimal at all times despite the fact that taxation in the public sector and its vertical units are undergoing significant evolution. This is why, within the normative approach, the applicability of many modern tax innovations (e.g. regional multiphase taxation) is very limited or even impossible.

Both the TOM approach and the Leviathan model of tax assignment optimization are unacceptable because of their normative character. It is logical to assume that the specific characteristics of each country are important and therefore the appropriate allocation of tax levying powers (in accordance with the allocation of spending responsibilities) cannot be determined following a purely theoretical approach. On the contrary, the influence of factors such as history, traditions, constitutional system, institutional development, etc. should be taken into account in all cases.[5]

The analysis of the characteristics of the normative approach leads to the conclusion that it can hardly explain the real-world systems or provide realistic forecasts. As C. McLure rightfully wrote: “it (the normative approach – L.N.) does not help much to understand why tax assignment is what it is or how it might change in the future.” (McLure, 2001).

Regardless of the criticism and the shortcomings of the normative approach, it should be used as a starting point for analysing the fiscal aspects of the financial decentralization. Both the TOM approach and the Leviathan model proved indisputably the need for fiscal revenue autonomy of the local governments and provided the tools (although incomplete) for assessing the optimal (in terms of efficiency) vertical allocation of responsibilities and powers in the public sector.

The positive approach to regional tax assignment (in terms of its institutional, political, economic, and legislative interpretation) can be criticized in several aspects. Its shortcomings can be grouped into several categories.

First of all, lack of assessment criteria and the assumption that all tax systems and any tax assignment powers are set historically and institutionally and are therefore optimal in the circumstances, make the analysis incomplete and potentially incorrect. Trying to ignore the impact of scientific advances and scientific arguments as a factor in evolution and instead overestimating the effects of external factors on the system is logically unjustified, because

[5] This opinion is shared by S. Ivanov, who wrote: “Neither theory nor practice has provided a universal, invariable, or best solution to the questions “Which public institution should provide and what public services? and “What ratio of the volume of public goods should be provided by the state and municipalities?”. This is a matter of traditions, preferences, public attitudes." (Ivanov, 1999).

external factors are often in the form of a new idea or new explanation of an already existing problem. Although controversial in the context of a purely philosophical discussion, the argument that changes are caused by external shocks but decisions and specific consequences are determined by existing ideas, is not ungrounded.[6] A detailed analysis of the institutional aspect of the positive approach raises further doubts about its applicability in terms of its predictive power (i.e. if the institutional change is a function of unknown and incidental circumstances, it is therefore unpredictable) and the potential of such highly abstract and history-based approach to be applied to present-day problems of the developing and the Eastern European countries (the transition from a colonial or planned economy to free-market economy allows the implementation of new, historically and institutionally unburdened practices).

Secondly, an approach based entirely on political economy concepts is considered as biased. Indeed, politicians and bureaucrats can hardly be defined as people whose single aim is to maximize the public well-being, but it is also true that they could be driven by factors that go beyond winning the next elections and retaining their privileges. On the other hand, the vote of the consumers of public goods (voters and taxpayers) is influenced by both objective (i.e. purely fiscal) considerations and subjective preferences. Voters often behave irrationally. This can be explained with the fact that most state policy decisions "have indirect and lagged effects on the average citizen's welfare." (Donahue, 1997). The lack of complete, accurate and freely accessible information regarding the activities of politicians and bureaucrats makes their choice even more irrational.

The above facts significantly narrow the scope of political analysis and thus hinder the adoption of an optimal fiscal policy. Moreover, the politico-economic approach, which is inherently biased towards fiscal centralization, cannot give an explanation of the existence of decentralized fiscal systems in countries such as Brazil, India, Canada, some Scandinavian countries, and autocratic societies.

Thirdly, the normative approach recommends a total fiscal decentralisation, which is practically inapplicable in small unitary states. The approach is built on the assumptions that local government spending should be subject to clear, precise and comprehensive regulations, that there should be constitutional provisions regarding tax assignment, an agile and effective judicial system and no transaction costs incurred in the negotiation process. Only under the above conditions would the doctrine inspired by R. Coase lead to the establishment of an efficient and rational tax system.

Considering the advantages, disadvantages and constraints of the normative and the positive approaches discussed above, this paper proposes the development of a *balanced approach to the problems of regional tax assignment*. The proposed approach is based on the assumption that the process of fiscal decentralization is a component of a broader trend for reforms in the public (both profit and non-profit) sector towards the principles of liberal

[6] This view is supported by M. Friedman, who stated that "Only a crisis – actual or perceived – produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes the politically inevitable." (Friedman, 1982).

democracy and subsidiarity. The balanced approach addresses the issue of local fiscal autonomy under certain assumptions (or prerequisites for the success of such a policy), which include (Bahl, 1995):

- Institutional framework, including popularly elected local officials, an efficient local tax administration, an effective and transparent auditing and control system;
- Economic factors – enough skilled labour, access to materials, and capital to expand public service delivery when desired, efficient cost management, an income-elastic demand for public services;
- Legislative factors, including constitutional provisions for local self-government and local sources of tax revenue, regulations regarding the principles and calculation of the transfers from the central budget, some local discretion in shaping the local budget and local tax rates.

Summarizing the above assumptions of the balanced approach, it can be inferred that the local fiscal autonomy issue stems from and is to be discussed in terms of:

- Decentralization (political, administrative, and fiscal);
- A justified assignment of spending responsibilities between the national and the subnational governments.

Political *decentralization* can be discussed in terms of a number of different concepts[7] , but in general, it requires popularly elected local officials with powers to make independent and legally binding decisions in all political aspects. Administrative decentralization "re-distributes authority, responsibility and resources among different levels of government" (Von Braun, Grote, 2000). As a component of this process, fiscal decentralization has to do with "the degree of fiscal autonomy and responsibility given to subnational governments" (Bahl, 1995, p. 2) and the establishment of "a system of assignment of tax revenues and expenditures between the national and subnational governments." (Brown, Jackson, 1991). In a broader context, the process of fiscal decentralization is related to its objectives (usually to increase the efficiency of public sector functions) and the possibilities for their

[7] This opinion is shared by D. Treisman, who discusses a wide range of practical implications of the political decentralization. According to him, *structural decentralization* refers simply to the number of tiers of government. From this point of view, the countries with three tiers of government (federal, regional, and local) should be defined as more decentralized compared with countries with two tiers of government. *Decision decentralization* focuses on the scope of issues on which subnational governments can decide autonomously. The degree of decision decentralization depends on the constitutional provisions regarding policymaking by subnational governments. Another decentralization concept – *resource decentralization* – refers to how government resources (revenues, manpower) are distributed between central and subnational tiers. Often, the degree of political decentralization is defined in terms of the method by which subnational officials are selected. This concept is known as *electoral decentralization* – if subnational officials are elected by local communities, the system is more decentralized than if all local officials are appointed by the central authorities. In some systems (confederate states), the local communities have the right to veto on the decisions of the central government or must ratify constitutional amendments. Such legislatures are defined as more *institutionally decentralized*. (Treisman, 2000).

achievement (usually through inducing inter-regional competition). In the context of this study, financial decentralization is considered an essential element of the local governance system and a prerequisite for fiscal autonomy.

A clear assignment of *expenditure responsibilities* is the first step in the process of establishing an efficient and effective system of fiscal relationships between the central government and the subnational governments. The current normative theory of fiscal federalism (Martinez-Vazques, 2007) gives a justified priority to the clear assignment of functional responsibilities among different levels of government to all other issues related to decentralized finances, revenue assignments, transfers, and local indebtedness.

The basic principles that an ideal assignment system should reflect are:

- economic efficiency;
- fiscal equity;
- political accountability, and
- administrative efficiency.

The practical implementation of these principles (ACIR, 1974) is the second fundamental condition for a successful fiscal decentralization.

The main concepts underlying the proposed balanced approach can be summarized as:

- Decentralization requires that subnational jurisdictions have their own sources of fiscal revenues. Functional assignments should be made to jurisdictions according to the type and scope of the services they provide.
- There are no universal rules for establishing an ideal regional fiscal system. The assignment of fiscal powers should be carried out in accordance with the requirements for economic efficiency, equity, and macroeconomic stability. However, the related legislative framework should take into account the specific historical, political, and institutional characteristics of the country.
- The assignment system must comply with the principles of accountability and transparency in order to provide the best services to the citizenry. This implies that subnational jurisdictions should be given the possibility to pursue their own fiscal policies (thus ensuring transparency) and imposes the need for central regulation and legal control to comply with the rules of sound budgetary policy (thus ensuring responsibility and accountability).
- Subsidies from the national budget should be used to overcome regional disparities (including fiscal and administrative capacity differences) and provide equal access to basic public goods and services. The mechanism for transferring funds from the central government to the subnational authorities, as well as the rules for inter-municipal collaboration, should promote efficiency and avoid moral risk and fiscal illusion problems.

The balanced approach to the problems of regional tax practice is an attempt to find a compromise between a purely normative approach, which would formulate and impose general rules that are not feasible and the positive models, which are not based on evaluation analyses and thus have limited cognitive role. *Although the balanced approach is methodologically normative, it expands the analysis of regional tax practice to include non-economic factors*.

2. Quantitative and qualitative evaluation of the fiscal autonomy of Bulgaria's municipalities

2.1. Parameters of municipal fiscal autonomy in Bulgaria

The types of taxes that shall accrue to the municipal budgets and the assignment of functional spending powers to municipalities in the Republic of Bulgaria are provided for by the *Local Taxes and Fees Act (LTFA)* (2019). The municipal taxes include:

- real estate tax;
- succession tax;
- donation tax;
- tax on onerous acquisition of property;
- transport vehicle tax;
- licence tax;
- tourist tax;
- tax on passenger transport by taxi;
- other local taxes as determined by a law.

The Municipal Councils determine by ordinance the amount of the taxes under the terms, according to the procedure, and within the range established by LTFA (2019) (Art. 1, Para.2). This provision has two important aspects:

1) as a self-governance authority, the Municipal Council is authorized to determine local tax rates;
2) the powers of the Municipal Council are limited by the law.

A brief and non-exhaustive analysis of the legislation regarding local self-government in terms of the scope of local taxes provides the information needed for a *qualitative evaluation of the parameters of fiscal autonomy of Bulgarian municipalities* (see Table 1). The information presented in the table shows that local governments are not authorized to levy their own taxes, define the tax base, grant tax exemptions and reliefs, and yet they can set some tax rates and are given some revenue collection rights.

Table 1

Comparative analysis of the theoretical possibilities and the current practice regarding the main parameters of local fiscal autonomy in Bulgaria

Parameter	Theoretical possibility	Current practice
Levying of taxes	Possibility for assignment with statutory constraints or a shortlist of optional local taxes.	Bulgarian municipalities are not authorized to levy their own taxes
Tax base definition	There are two options: a statutory definition of the bases taxable by the national and the subnational jurisdictions or a shared tax system.	Bulgarian municipalities are not authorized to define the tax base.
Tax rate definition	Tax rates can be set by the local governments freely or within certain statutory constraints.	Bulgarian municipalities set the local tax rates within statutory defined upper and lower limits.
Granting of tax exemptions and reliefs	Exemptions and reliefs may be based on the tax base and/or tax rate and/or the outstanding amount of tax	Bulgarian municipalities are not authorized to grant tax exemptions and reliefs
Tax collection	There are four options: a central revenue service, local services, a mixed tax collection service and a decentralized approach	Each tier of governance in the public sector has a tax collection service authorized to collect different types of taxes

Objectivity, indeed, dictates that to grant the local governments the right *to levy new or repeal existing taxes* is a risky decision, which requires central regulations to avoid introducing economically inefficient and resource-distorting taxes, and to ensure the functioning of the single national (domestic) market. Therefore, the fact that Bulgarian municipalities are not given such powers does not limit their fiscal autonomy.

Giving the local governments the right to define the tax base is a legislative solution whose impact on the scope of local revenue power is more important than levying of taxes. Note that although in some developed countries (e.g. the USA, Canada, Switzerland) the subnational jurisdictions have such powers, they often do not take full advantage of them and prefer to use the tax base defined by the central government with some locally-defined modifications. This, as well as the fact that the defining of the tax base by the municipal authorities is often economically inefficient[8], lead to the conclusion that tax assignment to local jurisdictions must not be pursued at all costs. Therefore, the practice in Bulgaria in this respect does not (or at least not drastically) violate the principles of fiscal decentralization and regional tax autonomy.

In view of the above considerations, *the degree of municipal tax autonomy in Bulgaria should be discussed in terms of the rights given to the local jurisdictions to set the local tax rates and grant tax exemptions and reliefs*. Of course, there are regulatory constraints on these rights in a number of countries around the world and such constraints can be

[8] In many developing countries, the assignment of tax base definition to local governments has resulted in tax spillovers and high costs related to aligning the tax provisions of the separate local jurisdictions (see Section Two).

explained from a theoretical point of view. However, within the process of fiscal decentralization and local self-governance in the Republic of Bulgaria, the inability of the municipalities to grant *tax exemptions and reliefs* at their own discretion is unjustified. Moreover, the analysis of the LTFA provisions clearly shows the negative impact of the current system on the volume of budget revenues. Allegedly, the aim of this legislative solution is to ensure equal treatment of tax objects and taxpayers on a national scale. However, it is worth noting that the same effect can be achieved without limiting the fiscal autonomy of municipalities by enforcing national regulations regarding the tax base and a list of legitimate tax exemptions.

Local *tax rate assignment* is the most important component of regional tax revenue autonomy. In Bulgaria, the lower and upper limits of the annual local tax rates are provided for with amendments of the LTFA. Such a practice has certain advantages as well as disadvantages. On the one hand, it undoubtedly provides a certain degree of municipal fiscal autonomy and creates basic (but not sufficient) conditions for better financial responsibility and political accountability. On the other hand, it creates at least three types of problems, such as:

1) the specific lower and upper limits for the local tax rates;
2) regulatory sustainability;
3) restrictions imposed by the national government.

The first problem stems from the practical impossibility to justify lower and upper tax rate limits that are objective and acceptable for all municipalities. Currently, these limits are set as projections based on historical data and do not take into account the actual fiscal needs of municipalities or the changes in the economic situation on a national scale. The problem is aggravated further by the existing economic, demographic and social disparities among the separate local jurisdictions. The second problem is related to the fact that the upper and lower limits are modified too frequently in our country. This creates problems for the strategic planning and rational behaviour of taxpayers as well as local governments.

Of particular interest is the third of these issues, because it concerns the fundamental question of whether central regulations are needed. This question is usually discussed in terms of the statutory provision for a tax rate threshold. Some experts believe that "the idea of financial decentralization ... is compromised because municipalities can only increase the rates of the local taxes and fees." (Активно гражданско общество за успешна и прозрачна администрация, 2008, p. 3). We should point out that this view does not take into account the fact that many Bulgarian municipalities actually set tax rates above the threshold provided for by the LTFA, which means that they are not willing to reduce the local tax rates. Moreover, the benefit of such a policy is that in conditions of permanent budget deficits, higher tax rates provide the revenue needed to finance key public goods and services. Therefore, by setting rates above the statutory thresholds, municipalities demonstrate their intention to be independent from the subsidies from the central government and assume the related political risks. Another popular argument against the thresholds is based on the fact that they limit the possibilities for attracting investment and for influencing the local business environment. Although such an opinion is not completely ungrounded, it does not consider the goal of these thresholds, which is to prevent unfair tax competition and provide incentives for non-fiscal rivalry among the municipalities (e.g. by improving the performance of municipal administration, introducing "one-stop shop" and e-services, etc.) Indeed, the statutory-defined span between the lower and the upper tax rate limits is broad enough to allow some fiscal competition.

The above arguments against lower tax rate limits and their questionable usefulness mean that there is no universal solution. What is interesting is that tax rate ceilings are generally considered appropriate (probably for social or populist reasons). We believe that the current system should be criticised from a principled, theoretically sound and general point of view and should therefore focus on the very idea of central control over property, patent and tourist tax rates. The advantage of absolute local autonomy is that it solves the problems with the assignment of specific rates and with their temporal stability (assuming that the municipal council will not change the rates annually).

The analysis of the parameters in Table 1 is indicative of the degree of municipal revenue autonomy and clearly outlines the areas in which local authorities have fiscal powers. However, the qualitative characteristics of the local tax system in the Republic of Bulgaria should be considered in yet another context as well (Table 2). The theoretical analysis in the preceding sections focuses on the following major questions:

- to what extent the taxes levied in the Republic of Bulgaria can be categorized as sources of own revenue for the local governments;
- to what extent the taxes levied in the Republic of Bulgaria can be categorized as exclusively local, typically local, or parallel;
- what is the type of the Bulgarian system of tax assignment;
- what forms of local taxation are used in Bulgaria;

For the purpose of our study, *own revenue for the local governments* is the revenue that meets the following two basic criteria:

1) it is provided for by the current legislation;
2) its sources, size, and spending are controlled to a large extent by the local government.

From this point of view, the tax revenue to the municipal budgets in Bulgaria should be considered own revenue, because it meets the above criteria, i.e. local taxes are provided for by the current legislation (the LTFA) and municipal councils have a completely independent control over the spending of the collected tax revenue. Also, they can more or less control the size of the local budget revenue because they are authorized to collect the revenues from all local taxes provided for by the LTFA and to set their rates (within the statutory limits). However, they cannot influence the tax base and thus do not have full control over the nominal amount, the sources, and the structure of their tax revenue, but such a *full* control is not required for categorizing a certain type of revenue as own revenue.

The analysis of the main provisions of the national legislation in the field of municipal taxes leads to the conclusion that they cannot categorically be placed in any of the above *theoretical groups of local taxes*. Undoubtedly, the local taxes levied in our country are not exclusively local, because municipal councils neither have the right to impose new and repeal existing taxes nor to determine the tax base and set their own tax rates. This fact should not be considered a demerit, since, as we already pointed out, the exclusively local taxes following the model of the United States (and to some extent that of Switzerland) are not appropriate for a small unitary state. Strictly speaking, municipal taxes in the Republic of Bulgaria cannot be categorized as typically local, since they only meet the conditions for municipalities to receive the full amount of revenue, to spend the revenue at their discretion, and to collect the taxes. It should be noted, however, that the powers of the central government vested in the Parliament as a legislative authority are much greater than those of the municipal councils. The limits on both the tax base and the tax amount as well as any reliefs or exemptions and all fiscal procedures are statutory.

Table 2

Other fiscal autonomy parameters – a comparative analysis of the four theoretical constructs and the actual local taxes in Bulgaria

Parameter	Theoretical interpretation	National practice
Classified as a source of own revenue	Statutory defined own revenue; Its sources, amount, and spending is controlled by the local governments	Local taxes in Bulgaria can be considered sources of own revenue for the municipalities
Classification in terms of taxing power	According to the extent of taxing power of the municipalities, taxes are classified into exclusively local, typically local, parallel, and shared	Local taxes in Bulgaria can be classified as “typically local with statutory limits”
Tax assignment model	The models can be classified as extremely centralized, extremely decentralized, and mixed. The mixed model can be organized according to 6 approaches	Bulgarian municipalities operate according to a mixed model with the centralized assignment. The model is partially applied
Forms of local taxation	In unitary countries with a statutory VAT the local taxes should include: property tax and income tax	The main source of own revenue for the Bulgarian municipalities is the property tax. The tourist tax is turnover-based

Despite these doubts, municipal taxes in the Republic of Bulgaria meet most of the theoretical criteria for the group of autonomous (typically local) taxes. For the purposes of this study, they can be defined as “*typically local taxes within statutory limits*.” In terms of the OECD’s Classification (as of 2019), the municipal taxes in our country should be considered as a specific case of Type B2 levies (the recipient SCG can set the tax rate, and a higher level government does set upper and/or lower limits on the rate chosen).

There is no parallel taxation in Bulgaria, which logically means that municipalities cannot impose surcharges on the taxes collected by the central government. Not only is this a disadvantage, but also there is no tax sharing along with the vertical levels of the public sector. Although such taxes cannot be classified as sources of own revenue for the local governments, they can generally be used for corrections of fiscal distortions (both horizontal and vertical).

The specific statutory provisions classify Bulgaria' *tax assignment model* in the mixed models' group. The existing types of local taxes are indicative of the actual fiscal independence of the local governments and the degree of their responsibility to the local citizens. The local tax structure and techniques in the Republic of Bulgaria lead to the conclusion that taxes on property and change in ownership of property are sources for own fiscal revenue for the municipalities, i.e. the central government has assigned in full property taxation to the local governments. The license tax is levied on certain activities and tourist tax is based on turnover. The decision to assign the revenue from the three groups of taxes to the municipal authorities is logical and theoretically justified – they meet the optimality criteria because they are levied in proportion to the consumption of local public goods, their collection is relatively easy, and they do not affect the fiscal, monetary, and trade policy of the central government. Therefore, such a regulatory provision has a highly positive effect.

The nub of the problem with the structure and techniques of local taxation in the Republic of Bulgaria lies elsewhere. It stems from the fact that apart from the taxes discussed above, all other taxes levied in our country are collected and spent entirely by the central government. This means that all *major* sources of fiscal revenue are used by the central government, which defines the related tax bases, rates, and reliefs and spends the revenue entirely on its own discretion. The main flaw of Bulgaria's fiscal system is that municipalities are deprived of direct or indirect (through revenue sharing) access to the revenue from individual and corporate income taxes as well as VAT and excise duties. The fact that the revenue from taxes on consumption, such as VAT and excise duties, is collected and spent by the central government is understandable for a small, unitary country. In terms of economic efficiency, the corporate income tax should also be centrally regulated. However, there is no reason why the revenue from those taxes (or any of them) should not be shared directly by the sub-national governments since the revenue from consumption taxes and the corporate income tax is the main source of the government subsidies to the municipal budgets. A direct sharing of the revenue from VAT, excise duties and income taxes is just one of the options for changing the financial relationships between regional levels of government. Another and definitely more appropriate (own) source of revenue for the local governments is the individual income tax. The current practice whereby they cannot share the revenue directly from this type of tax is unjustified and subject to improvement. In fact, the individual income tax can easily be collected as a parallel tax.

The limited scope and the specific types of local taxes in our country have some more important disadvantages. On the one hand, this system makes the municipalities fiscally dependent on central transfers and thus deprived of incentives (and real opportunities) for efficient and responsible governance in the interest of the local residents. On the other hand, only the revenue from the licence tax and the tax on the onerous acquisition of property are based on economic results from the activities of the taxed entities. In this context, municipal budget revenue is relatively independent from the quality of local government, thus further compromising the benefits (economic, political and socio-cultural) of public sector decentralization.

Overall, the analysis of tax assignment parameters (levying of taxes, setting of tax bases, rates, and reliefs) and the specific forms of local taxation leads to the conclusion that the *qualitative autonomy of Bulgarian municipalities is very limited*. The main arguments for this conclusion are not related to the lack of statutory rights in respect of some of the parameters (including tax collection and determining the tax base) but rather to:

1) the limited scope of the statutory local taxes;

2) the statutory upper and lower limits of the local tax rates.

The qualitative assessment of the local tax revenues leads to the conclusion that the tax system of the Republic of Bulgaria does not comply with the declared intention to implement the principles of local self-government and regional economic initiative. Moreover, the centralized approach to taxation runs counter to the subsidiarity principle of the European Charter of Local Self-government.

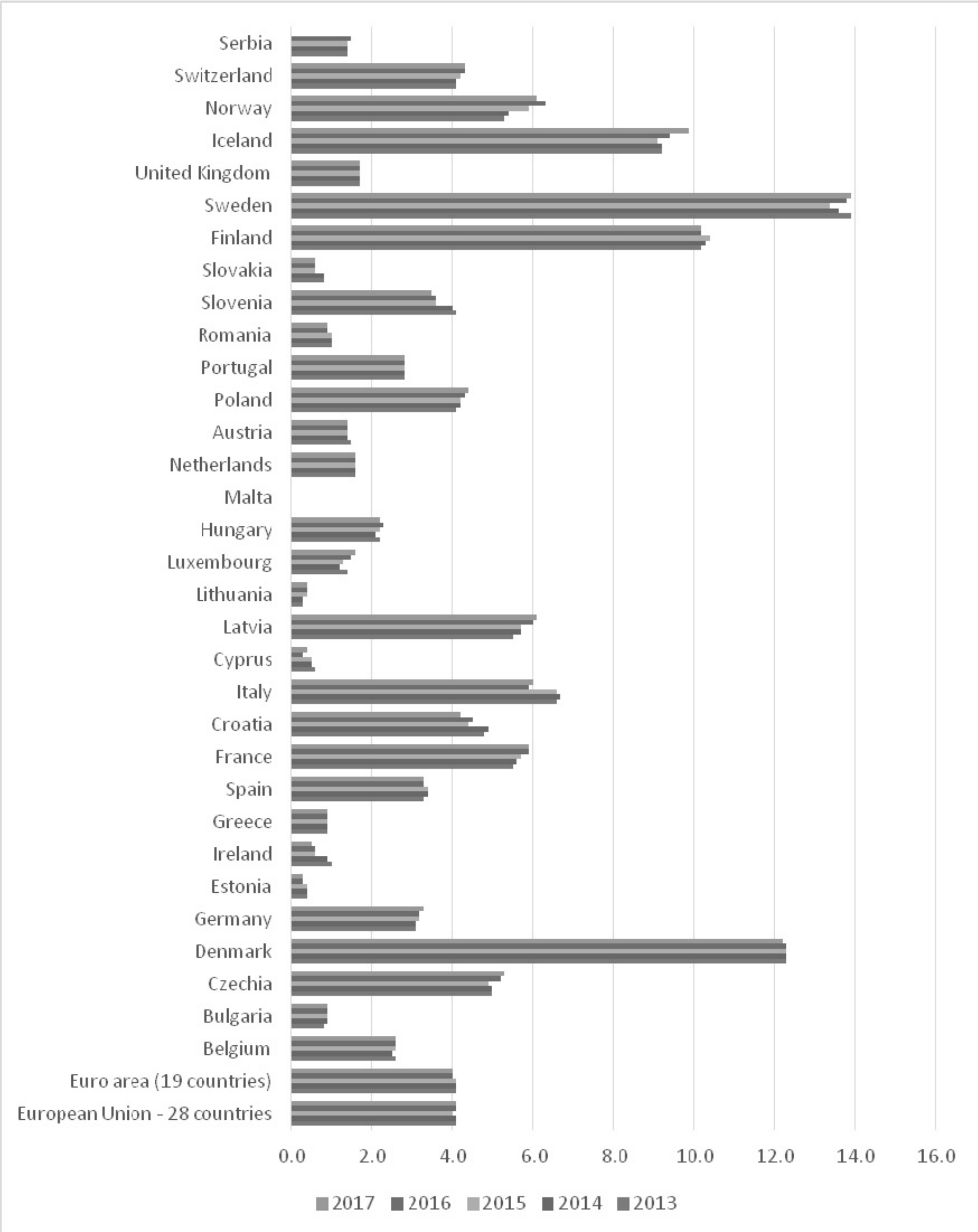
It should be objectively taken into account that the system of distribution of tax powers between the central government and the municipalities adopted in Bulgaria, although contrary to the spirit of the LSLAA and the intentions set out in the Decentralization Strategy and the Program for its Implementation, is a possible option for improving the vertical fiscal relationships. However, the system adopted in our country is feasible only when the local governments are responsible for the provision of a limited range of public goods and services for which they spend a relatively small amount of their budgets. Therefore, the *amount of municipal budget spending* is of primary importance. Limited revenue autonomy and significant spending responsibilities make Bulgarian municipalities highly dependent on central transfers. The above considerations lead to the conclusion that we need to reorganize the system of tax assignment in order to provide local governments with more tax revenue.

2.2. Comparative analysis of Bulgarian municipalities' financial autonomy

The narrow scope of the statutory local taxes and the limits regarding their rates affects the actual amount of local budget revenues and their relative share of GDP. According to Eurostat (see Figure 1 with the last updates as of 19 July 2019) from 2008 to 2017 the revenue from local taxes as a percentage of GDP in the Republic of Bulgaria varied between 0.7% in 2010 to 0.9% in 2017. In 2008, it reached 0.9% of the GDP and remained unchanged over the last four years of the survey period (2014 through 2017). At the same time, in 2017 the same index was 13.9% in Sweden and 12.2% in Denmark and much lower in Lithuania (0.4%), Estonia (0.3%) and Slovakia (0.6%). The EU-28 average in 2017 was 4.1%, compared to 3.9% in 2008. Therefore, local tax revenue as a percentage of GDP in Bulgaria for the period 2014-2017 was 4.5 times lower than the EU-28 average, i.e. Bulgaria's municipal budgets receive 4.5 times less revenue as a percentage of GDP compared to the average EU-28 Member State. In 2008, the Bulgarian municipalities received 4.3 times less revenue as a percentage of GDP compared to the average local revenue-to-GDP level in the EU-28 Member States. This indicates a rather negative trend of widening of the gap between Bulgaria and the other EU Member States instead of the expected "catching-up".

Figure 1

Local government revenue (incl. taxes and social security contributions) as a percentage of GDP (2013-2017)



Source: Eurostat, Last update 19 July 2019 (Eurostat, 2019).

According to the statistical data shown in Figure 1, the EU Member States may be classified into three groups. The first group comprises the countries whose local revenue-to-GDP ratio is above the European average. This group includes Sweden, Denmark, and Finland.

The second group comprises the countries whose local income-to-GDP ratios are below the European average. In 2017, this group includes Estonia (0.3%), Ireland (0.5%), Greece (0.9%), Cyprus (0.4%), Lithuania (0.4%), Slovakia (0.6%) and Bulgaria.

The third group comprises the countries whose local revenue-to-GDP ratios are close to the European average. This group includes France (5.9%), Germany (3.3%), Croatia (4.2%), Italy (6.0%), Latvia (6.1%), Poland (4.4%), Slovenia (3.5%), the Czech Republic (5.3%), and Spain (3.3%).

Indicative of the limited tax autonomy of local authorities in the Republic of Bulgaria is the ratio of municipal revenues to the total amount of state revenues. According to Eurostat data (see Figure 2 with the last updates as of 19 July 2019), the share of municipal revenue in the total receipts from taxes in the Republic of Bulgaria varies from 6.7% in 2008 to 7.4% in 2017 while the EU-28 average ratio was 11.0% in 2008 and 10.7% in 2017. The highest ratios in 2017 were reported for Denmark (33.9%), Sweden (24.9%), and Finland (21.7%.) This means that the tax revenue of the Bulgarian municipalities as a percentage of the total tax revenue was between 1.6 (in 2008) and 1.4 (in 2017) times lower than the EU-28 average. Regardless of this fact, the trend regarding this index is positive. At the same time, the same ratio in Sweden and Finland is more than twice as high as the EU-28 average, and the ratio of Denmark is three times above the European average. In 2017, low ratios were reported for Malta (0.4%), Cyprus (1.6%), Ireland (2.3%), and Greece (3.8%).

According to the share of municipal revenues in their total tax revenues, the 28 EU Member States may be classified into three groups. The first group comprises the countries whose ratios are above the EU-28 average, i.e. Denmark, Sweden, Finland, Italy, and Poland. Iceland and Norway, which are not members of the EU, also have ratios that are higher than the EU-28 average.

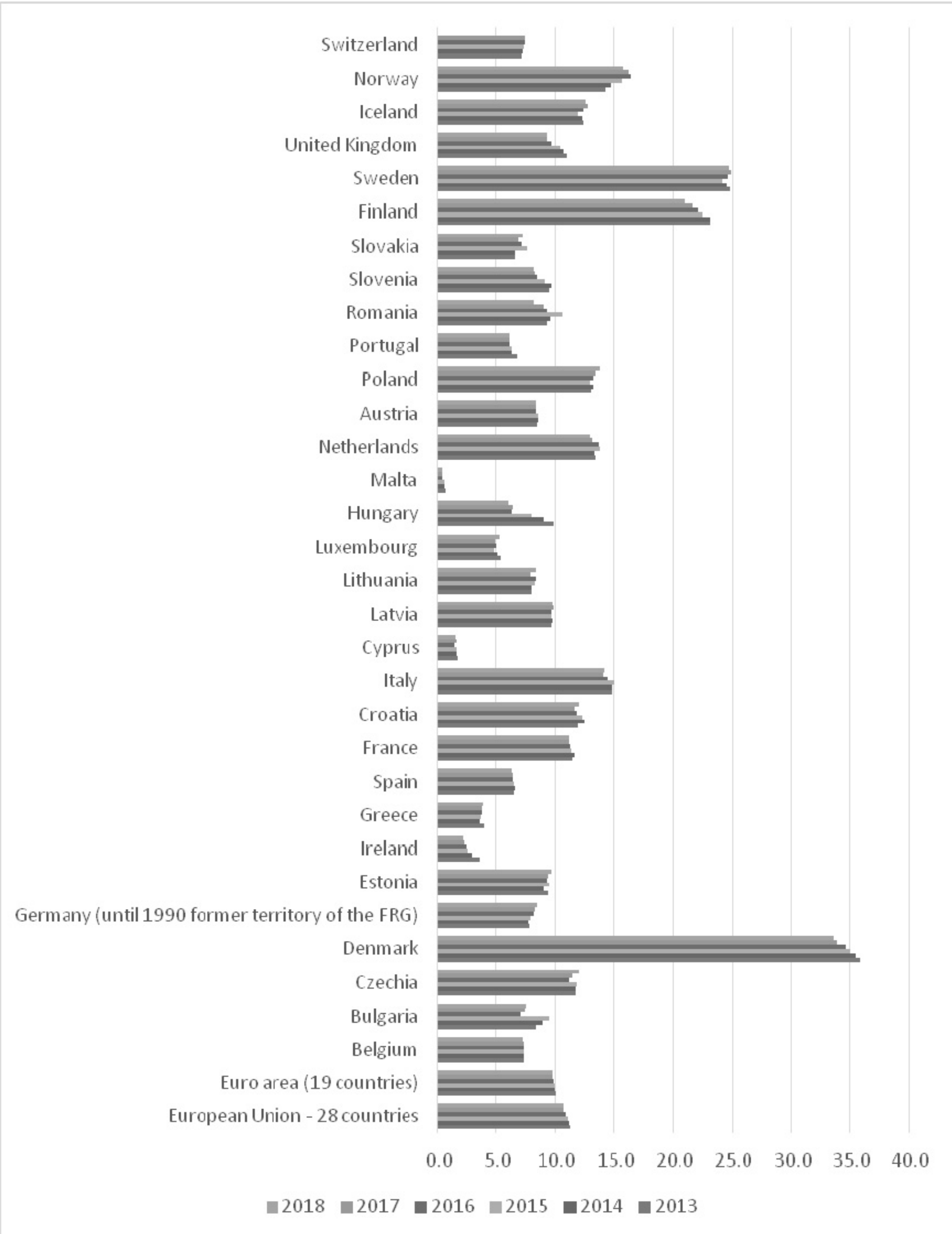
The second group comprises the countries whose ratios are lower than the EU average, i.e. Malta, Cyprus, Ireland, Luxembourg, Greece, Slovakia, Portugal, and Bulgaria.

The largest is the group of countries whose ratios are close to the European average, i.e. Estonia, France, Croatia, Latvia, Austria, Romania, Slovenia, Austria, Czech Republic, and the United Kingdom.

The comparative analysis of some key fiscal autonomy indicators of the EU member states shows that the countries with ratios that are higher than or close to the EU-28 average are able to provide local public goods and services with higher quantity and quality. Both the ratio of local revenues to GDP and the share of municipal revenue in the total government revenue in Bulgaria are lower than the European average, which shows that not only in qualitative but also in quantitative terms, the autonomy of Bulgarian municipalities is limited.

Figure 2

Share of municipal revenue in the total government revenue(incl. social security contributions), % (2013-2018)



Source: Eurostat, Last update 19 July 2019 (Eurostat, 2019).

2.3. Specific measures for reorganization of the system of local government responsibilities and powers

A distinct feature of the current system of vertical allocation of expenditure responsibilities is the *pronounced imbalance between municipal responsibilities regarding their functions and the current system of state-delegated transfers*. In this respect, it should be noted that local functions are financed by own source revenues and an equalization subsidy, while the lack of centrally defined cost standards (except for two types of activities – childcare facilities and home social patronage) allows for an autonomous local policy. Delegated functions are fully funded with a subsidy that ensures that state standards are met, but due to the fact that it does not take into account the territorial origin of the funds, it does not create incentives for effective and efficient local governance. Another feature of the system of vertical allocation of expenditure responsibilities is the *imbalance between the scope of local and state-delegated activities* – the former represent a small part of municipal responsibilities and therefore the broad powers over their exercise and characteristics do not indicate a high degree of local autonomy. This fact was emphasized in the report on Bulgaria at the Congress of Local and Regional Authorities in the EU, which states that “as long as that imbalance persists, the financial autonomy of municipalities will be reduced.” (Перейра & Совенс, 2011, стр. 15). The situation requires measures to expand the range of local functions. This can be achieved in two ways: 1) by transferring to municipalities some of the functions that are currently a responsibility of the central government; and 2) reducing the share of delegated activities in the structure of local government-funded functions. The second option is considered a priority, but nonetheless, the other options should not be regarded as mutually exclusive. Thus, local public goods should be provided and funded by the government that is closest to the citizens (Стоилова, 2009, с. 11-16). Therefore, the division between delegated powers and authorities' own powers should be reconsidered.[9] This is logical, given the fact that the currently delegated functions meet all requirements for local functions. However, the restructuring of municipal activities should be accompanied by an increase in the relative share of municipal tax revenues, both as a share of GDP and as a share in the total government revenue.

Expanding the scope of local government powers, as already mentioned above, would create conditions for real spending autonomy while respecting the principles of subsidiarity. However, for the sake of cost-effectiveness, local costs should be financed by local sources. For this reason, the recommendation on the granting of greater responsibilities at the disposal of the municipal authorities should be supplemented by an analysis of the possibilities for *expanding their sources of own revenue*. There are several factors to consider in this respect. First of all, the revenue potential of municipal property (income from rents and privatization) is limited. Although there are certain possibilities for increase of the revenue from rents, which is possible and advisable, and there are also unused public-private partnership opportunities, these sources cannot provide sufficient funds to cover the cost of local functions. The revenue from fees and service charges, on the other hand, are intended to finance the provision of specific local public goods and should not be

[9] For more details and arguments for abolishing the division between delegated powers and authorities' own powers, see Programme for Implementation of the Decentralization Strategy 2010-2013 (Съвета по децентрализация на държавното управление, 2010).

used as a tool for effective taxation. This means that the system of local taxation should be improved and new types of tax should be levied.

According to the provisions of the LTFA, municipal councils should determine with ordinances the amount of the local taxes per unit of tax base within certain statutory limits set by the central government. This provision has both merits and demerits. It is true that Bulgarian municipalities were the last local governments in the EU that were given the right to determine themselves the amount of their local taxes. However, it is true that this is a positive step towards municipal self-government and financial independence of local governments in Bulgaria. The provision was enforced after an amendment to the Constitution and, accordingly, to the LTFA, and is an important condition for the adoption of all forms of decentralization. However, it is criticised with regard to the lower tax rate limit. The main argument against this limit is that it does not allow the municipalities to reduce certain taxes and therefore provide tax reliefs for some of the local citizens. However, it should be noted at the outset that, all other things being equal, a reduction in own revenue would require an increase of the equalization subsidy and thus affect the redistribution of funds from the state budget. Therefore, a tax relief for a certain group of citizens will increase of the tax burden for the rest of the citizens of the Republic of Bulgaria. The argument that local tax rates below the statutory lower limit would attract foreign investments is ungrounded as well. The lower limit gives equal opportunity to all municipalities to compete for foreign investments. The same result could be achieved even if there were no such limit, since their rivalry for foreign investments would set the local tax rate at a certain optimal level. Therefore, the authors believe that the tax rates should not be reduced below the limit provided for by the LTFA.

The objective analysis of the statutory tax rate limits shows that the tax burden actually depends on the upper limit rather than the lower one. The simple fact that statutory upper limits are provided for leads to the conclusion that the citizens are protected from the uncontrolled reduction of their disposable income.

A disadvantage of the current LTFA is the fact that municipal tax revenue is not related to the economic activities of municipalities. While the conflicting interests of the local and central governments are not in the interest of the whole country, in this particular case, the negative effects are borne by the local governments. This, on the one hand, the low relative share of own revenues to total municipal revenues, limits the financial capacity of local governments and calls into question the achievement of the goals set in the decentralization strategy and program. Another negative factor is the low relative share of municipal revenues from own sources in the total municipal revenue, which limits the financial capacity of the local governments and hinders the implementation of the decentralization objectives set in the national Decentralization Strategy and the programme for its implementation. For example, according to Decentralization Strategy 2016-2025, "Measure 1, Priority 2 of Strategic Objective 1 was not implemented "Improvement of the regulatory framework of local taxes and fees", including the conversion of part of the state personal income tax into a local tax" (Министерство на регионалното развитие и благоустройството, 2016, с. 31). Considering these facts, it is logical to conclude that "one of the aspects of tax autonomy of local authorities is the ability of municipalities (local structures) to have sufficient financial resource to pursue goals, activities, and projects independently, without government support and funding" (Павлова-Бънова, 2018, стр. 13), i.e. municipal revenue should be increased through statutory provisions for new revenue sources, including:

1. Parallel personal income taxation.
2. The revenue from the tax on rental income or other consideration for the use of rights or property should be collected by the municipality on whose territory is located the leased property.

The key benefits from these new sources of municipal revenue are;

First. They provide municipal revenue in proportion to the number and size of the businesses that operate on the territory of the municipality, which is important for several reasons, including:

- Municipalities are interested in increasing the number of jobs on their territory, which is directly related to the scope of activities of the local businesses;
- Municipalities are interested in increasing the personal income of their citizens;
- The growth of local businesses and the related increase of personal income improve the quality of life of the local citizens and their purchasing power, which has a positive effect for the development of local business.

Second. They create incentives for a comprehensive and timely collection of the individual income tax and the tax on rents and increase the control over their administration.

Third. They would increase the share of revenue from own sources in the total municipal revenue and thus increase the financial autonomy of the local government.

Fourth. They would reduce the imbalance between the functional responsibilities and the revenue of the municipalities;

Fifth. They creates conditions for improvement of the scope and quality of the local public goods and services.

A reform in the field of local taxation should also take into account what Stancho Cholakov referred to as "individual and corporate tax tolerance", i.e. the extent to which individual and business would avoid the risk of evading taxes. Note that "the higher their income, the higher tax tolerance is, which means that they would tolerate higher tax rates." (Чолаков, 1936). However, the three bases for taxation – income, consumption, and property – are based on income. Therefore, the proportion of tax bases is essential both in terms of national tax policy as an element of the national financial policy and in terms of financial decentralization and municipal self-government the ratio of taxable tax bases. The tax burden of property taxes as a source of own revenue for municipalities can be defined as second-tier since a tax on the primary income has already been levied for the state budget. In respect, the "tax tolerance" of legal entities and natural persons should be estimated, taking into account the fact that it is affected by consumption taxes as well.

The theoretical concepts regarding the financial autonomy of local governments lead to the conclusion that the statutory provisions for parameters related to local taxes, incl. tax base, tax amount, tax liability are explicit and often ambiguous. The powers of local governments to include or exclude certain elements from the tax amount and to set tax rates beyond the statutory limits are limited. The list of exemptions is long, the possible reliefs are defined meticulously and thus the powers of the local authorities are very limited. A fiscal reform should address issues such as clear legal differentiation of state from the municipal property; reorganization of the structure of municipal and state-delegated functions; property taxes that are levied on already taxed objects; ensuring the financial independence of municipalities; increasing the quantity and quality of local public goods; linking municipal revenues with their economic activity, etc. In other words, the local tax system should be simplified, and the remaining exemptions that apply to all taxes should be pooled, defined clearly and listed in section one of the Local Taxes and Fees Act.

The analysis of the propositions for improvements in regulations regarding local taxes is in line with National Development Program: Bulgaria 2030, adopted by Decision No. 33 of the Council of Ministers of January 20, 2020. For example, Development Axis 3. Integrated Bulgaria aims "to create conditions for increasing the competitiveness and sustainable development of the regions…." (Министерство на финансите на Република България, 2020). Special attention is given to the Local Development priority, which focuses on the territorial unit with its specific characteristics and needs. Emphasis is put on objectives such as employment and growth, environmental quality, adaptation to adverse climate changes, infrastructural investment, better access to public services. The implementation of the Local Development Priorities of the National Development Program Bulgaria 2030 requires an increase of the financial resources of the local governments.

Conclusion

The theoretical analysis of the tax assignment approaches and the comparative analysis of the theoretical interpretations and the actual values of Bulgaria's key fiscal autonomy indicators lead to the conclusion that local governments' fiscal autonomy is a key factor for adherence to the principles of fiscal decentralization. Being of paramount importance, fiscal decentralization requires a revenue system (including tax collection) that would ensure an optimal structure of the public sector and increase the efficiency of both levels of governance.

Considering the stated goal and tasks as well as the specific characteristics of the balanced approach to assessing the regional tax autonomy in the Republic of Bulgaria, the authors have formulated the following main conclusions and recapitulations:

First. Local government fiscal autonomy is defined as the opportunity or the right of local governments to pursue an independent local tax policy in accordance with their own priorities and in the interest of the local community.

Second. The assessment of the fiscal autonomy of local governments following the balanced approach proves the positive effects of a multi-tiered administration structure and budget revenue (including tax collection) autonomy of local governments.

Third. The analysis of the key fiscal autonomy indicators of Bulgarian municipalities (tax imposition, tax base definition and setting of local tax rates, setting of tax reliefs, collection and spending of local taxes) leads to the conclusion that their autonomy is qualitatively limited.

Fourth. The empirical analysis aiming to determine the position of Bulgarian municipalities in comparison with their EU counterparts, has shown that the values of the indicators characterizing the financial autonomy of Bulgarian municipalities are below the EU-28 average.

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Appendix 1

Local government revenue (incl. taxes and social security contributions) as a percentage of GDP (2008-2017)

GEO/TIME	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
European Union – 28 countries	3.9	3.9	3.8	4.0	4.1	4.1	4.1	4.0	4.1	4.1
European Union – 27 countries (2007-2013)	:	:	:	:	:	:	:	:	:	:
European Union – 25 countries (2004-2006)	3.9	3.9	3.8	4.0	4.1	4.2	4.1	4.1	4.1	4.1
European Union – 15 countries (1995-2004)	4.0	4.0	3.8	4.1	4.2	4.2	4.2	4.1	4.1	4.2
Euro area (19 countries)	3.8	3.8	3.6	3.9	4.0	4.1	4.1	4.1	4.0	4.0
Euro area (18 countries)	3.8	3.8	3.6	3.9	4.0	4.1	4.1	4.1	4.0	4.0
Euro area (17 countries)	3.8	3.8	3.6	3.9	4.0	4.1	4.1	4.1	4.0	4.0
Euro area (16 countries)	3.8	3.8	3.6	3.9	4.0	4.1	4.1	4.1	4.0	4.0
Euro area (15 countries)	3.8	3.8	3.6	3.9	4.1	4.1	4.1	4.1	4.0	4.0
Euro area (13 countries)	3.9	3.8	3.6	3.9	4.1	4.1	4.1	4.1	4.0	4.1
Euro area (12 countries)	3.9	3.8	3.6	3.9	4.1	4.1	4.1	4.1	4.0	4.1
Euro area (11 countries)	3.9	3.9	3.7	4.0	4.1	4.2	4.2	4.2	4.1	4.1
Belgium	2.4	2.7	2.6	2.6	2.5	2.6	2.5	2.6	2.6	2.6
Bulgaria	0.9	0.8	0.7	0.8	0.8	0.8	0.9	0.9	0.9	0.9
Czechia	4.7	4.5	4.5	4.6	4.6	5.0	5.0	4.9	5.2	5.3
Denmark	11.2	11.7	12.1	12.1	12.2	12.3	12.3	12.3	12.3	12.2
Germany	3.2	3.0	2.9	3.0	3.1	3.1	3.1	3.2	3.2	3.3
Estonia	0.4	0.4	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.3
Ireland	1.0	1.0	1.0	1.0	1.0	1.0	0.9	0.6	0.6	0.5
Greece	0.7	0.7	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9
Spain	2.8	2.7	2.9	2.9	3.1	3.3	3.4	3.4	3.3	3.3
France	4.9	5.2	4.2	5.4	5.5	5.5	5.6	5.7	5.9	5.9
Croatia	4.4	4.4	4.4	4.4	4.7	4.8	4.9	4.4	4.5	4.2
Italy	6.5	6.0	6.1	6.2	6.7	6.6	6.7	6.6	5.9	6.0
Cyprus	0.5	0.5	0.5	0.5	0.4	0.6	0.5	0.5	0.3	0.4
Latvia	5.3	5.1	5.8	5.5	5.5	5.5	5.7	5.7	6.0	6.1
Lithuania	0.4	0.5	0.5	0.5	0.5	0.3	0.3	0.4	0.4	0.4
Luxembourg	1.7	1.7	1.6	1.7	1.5	1.4	1.2	1.3	1.5	1.6
Hungary	2.6	2.6	2.4	2.4	2.4	2.2	2.1	2.2	2.3	2.2
Malta	:	:	:	:	:	:	:	:	:	:
Netherlands	1.4	1.5	1.5	1.5	1.6	1.6	1.6	1.6	1.6	1.6
Austria	1.4	1.5	1.4	1.4	1.4	1.5	1.4	1.4	1.4	1.4
Poland	4.7	4.2	4.0	4.0	4.1	4.1	4.2	4.2	4.3	4.4
Portugal	2.6	2.5	2.4	2.5	2.5	2.8	2.8	2.8	2.8	2.8
Romania	0.9	0.9	1.1	1.1	1.0	1.0	1.0	1.0	0.9	0.9
Slovenia	3.3	3.8	4.1	4.1	4.2	4.1	4.0	3.6	3.6	3.5
Slovakia	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.6	0.6	0.6
Finland	9.0	9.7	9.9	9.7	9.7	10.2	10.3	10.4	10.2	10.2
Sweden	14.3	14.5	13.5	13.4	13.8	13.9	13.6	13.4	13.8	13.9
United Kingdom	1.8	1.9	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.7
Iceland	8.9	8.5	8.2	8.9	8.9	9.2	9.2	9.1	9.4	9.9
Norway	4.9	5.7	5.7	5.1	5.2	5.3	5.4	5.9	6.3	6.1
Switzerland	4.1	4.2	4.1	4.1	4.1	4.1	4.1	4.2	4.3	4.3

Source: Eurostat, Last update 19 July 2019 (Eurostat, 2019).

Appendix 2

Share of municipal revenue in the total government revenue(incl. social security contributions), % (2008-2018)

GEO/TIME	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
European Union – 28 countries	11.0	11.7	11.5	11.3	11.4	11.3	11.2	11.1	10.9	10.7	10.7
European Union – 27 countries (2007-2013)	:	:	:	:	:	:	:	:	:	:	:
European Union – 25 countries (2004-2006)	11.1	11.7	11.6	11.4	11.5	11.3	11.2	11.1	10.9	10.7	10.7
European Union – 15 countries (1995-2004)	11.0	11.7	11.6	11.4	11.5	11.3	11.2	11.1	10.9	10.8	10.7
Euro area (19 countries)	9.8	10.4	10.1	10.0	10.1	10.1	10.0	10.0	9.9	9.8	9.8
Euro area (18 countries)	9.8	10.4	10.1	10.0	10.1	10.1	10.0	10.0	9.9	9.8	9.8
Euro area (17 countries)	9.8	10.4	10.1	10.0	10.1	10.1	10.0	10.0	9.9	9.8	9.8
Euro area (16 countries)	9.8	10.4	10.1	10.0	10.1	10.1	10.0	10.0	9.9	9.8	9.8
Euro area (15 countries)	9.8	10.5	10.2	10.0	10.1	10.1	10.1	10.0	9.9	9.8	9.8
Euro area (13 countries)	9.8	10.5	10.2	10.1	10.2	10.2	10.1	10.1	9.9	9.8	9.8
Euro area (12 countries)	9.8	10.5	10.2	10.1	10.2	10.2	10.1	10.1	10.0	9.8	9.8
Euro area (11 countries)	10.0	10.7	10.4	10.2	10.3	10.3	10.2	10.2	10.1	9.9	9.9
Belgium	7.1	7.3	7.1	7.2	7.1	7.3	7.3	7.3	7.3	7.3	7.2
Bulgaria	6.7	7.4	7.2	6.6	6.8	8.3	8.9	9.5	7.0	7.4	7.5
Czechia	11.5	12.3	12.3	12.0	11.2	11.7	11.7	11.8	11.2	11.5	12.0
Denmark	31.9	35.2	35.7	35.7	35.9	35.8	35.5	35.0	34.6	33.9	33.6
Germany	7.6	7.7	7.5	7.7	7.6	7.8	7.7	7.9	8.1	8.2	8.4
Estonia	10.1	10.8	10.0	9.4	9.5	9.4	9.1	9.5	9.3	9.4	9.7
Ireland	6.6	6.1	5.4	4.7	4.2	3.6	2.9	2.5	2.4	2.3	2.2
Greece	3.6	4.1	3.5	3.3	3.6	4.0	3.6	3.7	3.8	3.8	3.9
Spain	6.0	6.5	6.4	6.0	6.2	6.5	6.6	6.5	6.4	6.4	6.3
France	10.7	11.6	11.4	11.4	11.5	11.5	11.6	11.4	11.3	11.2	11.2
Croatia	12.0	11.8	12.0	11.5	12.1	11.9	12.5	12.3	11.8	11.6	12.0
Italy	14.9	16.1	15.3	14.8	15.1	14.9	14.8	15.0	14.4	14.0	14.1
Cyprus	1.7	1.9	2.0	2.1	1.8	1.7	1.6	1.6	1.4	1.6	1.5
Latvia	10.6	11.0	11.7	10.3	9.7	9.7	9.8	9.7	9.7	9.9	9.8
Lithuania	9.0	10.3	11.2	9.6	9.1	8.0	8.0	8.2	8.3	7.9	8.3
Luxembourg	5.4	5.5	5.4	5.3	5.5	5.4	5.1	4.8	5.0	4.9	5.3
Hungary	11.4	11.5	11.6	12.0	9.7	9.9	9.1	8.0	6.3	6.4	6.0
Malta	0.5	0.6	0.7	0.7	0.7	0.7	0.6	0.6	0.4	0.4	0.4
Netherlands	13.7	15.0	14.6	14.4	14.2	13.4	13.3	13.8	13.7	13.1	12.9
Austria	8.0	8.3	8.2	8.1	8.2	8.4	8.5	8.5	8.3	8.3	8.3
Poland	13.9	13.4	13.7	13.3	13.0	13.0	13.2	12.9	13.2	13.4	13.8
Portugal	6.5	6.7	6.6	6.7	6.7	6.8	6.3	6.3	6.1	6.1	6.1
Romania	8.4	8.8	9.5	9.8	9.2	9.3	9.6	10.6	9.3	9.1	8.1
Slovenia	8.4	9.3	9.6	9.4	9.6	9.5	9.7	9.2	8.4	8.2	8.1
Slovakia	6.1	6.6	6.4	6.6	6.5	6.6	6.6	7.6	7.1	6.9	7.2
Finland	19.6	21.7	22.2	22.0	22.3	23.1	23.1	22.5	22.1	21.7	21.0
Sweden	23.5	24.6	24.0	23.8	24.5	24.8	24.5	24.2	24.6	24.9	24.7
United Kingdom	12.0	12.7	12.8	12.1	12.1	11.0	10.7	10.4	9.7	9.3	9.3
Iceland	12.4	11.8	11.6	12.2	12.2	12.4	12.3	11.9	12.4	12.7	12.6
Norway	11.9	14.1	14.1	13.9	14.0	14.2	14.7	15.7	16.4	16.2	15.8
Switzerland	7.0	7.3	7.1	7.2	7.1	7.1	7.2	7.3	7.4	7.4	:

Source: Eurostat, Last update 19 July 2019 (Eurostat, 2019).