

# Tax Autonomy Indicators: Explanatory Annex

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# Tax Autonomy Indicators per country

## AUSTRALIA

In Australia the three levels of government - federal, state and local - work together to provide Australians with services. Each level of government has its own responsibilities and each uses different tax bases. The Commonwealth solely uses major tax bases such as income tax and customs and excise duties. These revenues exceed the Commonwealth's own expenditure requirements. Meanwhile, state and local governments have more limited means of raising revenue and receive financial assistance from the Commonwealth. The Commonwealth collects value added taxes and remits it to the States. The States themselves impose taxes on bases such as payroll, land, gambling, and insurance while local government's sole source of taxation is municipal rates.

## AUSTRIA

Austria's federal fiscal constitution is heavily centralised. A consensus-driven political system serves as a counterweight. While the federal parliament has overwhelming taxing authority and decides on tax sharing, cost bearing rules and transfers, legislation is usually drafted on a consensual basis across government levels and usually amended every four to six years. Within this framework, each Land (regional government) or local government is responsible for its own budget.

Tax autonomy of the Laender was not provided within the previous intergovernmental framework. With the current Intergovernmental Fiscal Relations Act (covering the period 2017-2021), a first step towards strengthening tax autonomy on subnational level was taken with the transfer of the so called "housing subsidy contribution" (in German "Wohnbauförderungsbeitrag") from the federal to the state government level. Starting with the 1st of January 2018, it became an exclusive state government tax (in German "ausschließliche Landesabgabe"). However, the taxable base is still defined on federal level (resp. federal tax laws) but the state governments can set the tax rate individually via state laws. In 2018 the total revenue from the "housing subsidy contribution" was approx. 1.12 bn Euros.

Due to the new Government plan: „Aus Verantwortung für Österreich 2020-2024“, tax autonomy will be part of the negotiations for the new Fiscal Relations Act (covering the years 2022 ongoing): one of the priorities is to examine the strengthening of tax autonomy for Laender and municipalities.

## BELGIUM

### Classification of "Impôt sur revenu global" in the OECD Tax Autonomy Survey 2023

The category “Impôt sur revenu global” at the state level (meaning the federated entities: Regions and Communities) in the OECD Tax Autonomy Survey consists of the **regional additional tax on the personal income tax (PIT)** in Belgium, or in short “the regional personal income tax”.

Since the Sixth State Reform (2014), the regions ( Flemish Region, Walloon Region and Brussels-Capital Region) have acquired broader autonomy with regard to personal income tax in the form of “the regional personal income tax”.

The tax component of the Sixth State Reform and in particular the reforms relating to the Special Finance Act of January 16, 1989 concerning the financing of the Communities and the Regions, came into force on July 1, 2014 and are applied as from tax year 2015<sup>1</sup>.

As of tax year 2015, there is therefore a federal personal income tax and a regional personal income tax.

### **Extended autonomy of the regions:**

#### **1. Surcharges on the PIT**

The regions can levy surcharges on part of the personal income tax based on the localization of the personal income tax. Each region can therefore levy surcharges on (a determined part of) the personal income tax located on its territory. The personal income tax is deemed to be located at the place where the taxpayer established his tax residence on January 1 of the tax year (= income year +1).

The regions can allow discounts, tax reductions and tax increases on these surcharges and apply tax credits..

The part of the personal income tax on which the regions can levy surcharges is “the reduced State tax”.

$$\text{Reduced State tax} = \text{State tax} - \text{State tax} \times \text{Autonomy factor}$$

A provisional autonomy factor was determined for the tax years 2015 to 2017, i.e. 25.990%. The final autonomy factor is 24.957% and is applied with effect from the 2018 tax year.

Without any regional initiative (i.e. rate changes or discounts, etc. applied by Region), the surcharge rate amounts:

$$\text{- Tax years 2015-2017: } 0,25990 / (1 - 0,25990) = 0,35117 \text{ or } 35,117\%$$

$$\text{- Tax year 2018 and following: } 0,24957 / (1 - 0,24957) = 0,33257 \text{ or } 33,257\%$$

The Brussels-Capital Region decided to reduce the surcharge rate as from tax year 2018:

$$\text{- Tax year 2018 and following: } 1 / (1 - 0,24957) \times (0,995 - (1 - 0,24957)) = 0,32591 \text{ or } 32,591\%$$

#### **2. Requirements for the regional autonomy on the PIT**

- **Requirements for the regional surcharges:**

- must be proportionate
- whether or not differentiated per tax bracket

- **Requirements for the regional discounts:**

- are flat-rate and are applied to all persons liable for personal income tax in the region concerned

- **Requirements for regional tax credits:**

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<sup>1</sup> The tax year is the year in which the income was generated +1, so tax year (t) = income year (t-1).

- must be linked to the substantive powers of the regions
- are proportional or fixed
- **Requirements for regional tax increases:**
  - must be linked to the substantive powers (material competences) of the regions<sup>2</sup>
  - are proportional
- **Requirements for regional tax credits:**
  - must be linked to the substantive powers (material competences) of the regions
  - are proportional or fixed
- **For certain expenses, the regions have the exclusive competence to grant tax reductions and tax credits:**

1° expenses for acquiring or maintaining the “own home” (owners’ dwelling)<sup>3</sup>

2° expenditure to protect homes against burglary or fire

3° expenditure on maintenance and restoration of protected monuments and landscapes

4° expenses paid for services within the framework of local employment agencies and for services paid with service vouchers (other than social service vouchers)

5° energy-saving expenses in a home (with the exception of interest relating to certain loan agreements)

6° expenditure on renovation of housing located in a zone for positive metropolitan policies

7° expenditure incurred for the renovation of homes rented at a reasonable rental price.

### **3. Outside the competence of the regions**

The regions cannot reduce or increase the tax base for personal income tax through their rebates, tax reductions and tax increases. So the regions cannot grant any advantages in the form of a deduction from the tax base.

The regions cannot affect progressivity through their surcharges, discounts, tax reductions and tax increases and tax credits: the exercise of all these listed powers must be done without reducing the progressivity of personal income tax.

The introduction of the regional personal income tax may not affect the right of municipalities and agglomerations of municipalities to levy additional taxes on personal income tax (the so-called surcharges on personal income tax in favour of the municipalities).

The regions are not competent for the provisions regarding withholding tax on income from movable property and withholding tax on earned income, which remain an exclusive federal competence.

The regions cannot take over the tax servicing of the personal income tax, only the federal government is competent to levy and collect the personal income tax.

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<sup>2</sup> The regions are responsible for, among other things, the economy, employment, agriculture, water policy, housing, public works, energy, environment, spatial planning and urban development, nature conservation.

<sup>3</sup> Exact definition in article 5/5, § 4, section 2, Special Finance Act of January 16, 1989.

More information can be found in the Belgian Tax Survey n° 32, 2021, page 19 – 21, 26, 27: Website: <http://finances.belgium.be> (provided that the formula for the surcharge rate of the regional PIT in the Brussels-Capital Region mentioned on page 20 of the Survey is corrected as indicated in the present text).

## BRAZIL

**ITCMD:** According to the Federal Constitution of 1988, the collection of estate, inheritance and gift taxes is a competence of States. Also, the Senate can determine the maximum permitted tax rate, which has been 8% since 1992. States can adopt progressive tax rates. Therefore, States have autonomy to set the tax rate, respecting the upper limit of 8% (b2) and have autonomy to define tax relief (c).

**IPVA:** The Federal Constitution of 1988 defines that the collection of Motor vehicle property tax is a competence of States. Also, the Constitution established that the Senate has the power to set a minimum tax rate, which has not been done so far. Therefore, currently States face no restriction on the definition of tax rate, but, once the Senate defines a lower limit, States will have to respect a minimum tax rate. States can adopt different tax rates according to the type and use of the vehicle. States have autonomy to define tax relief.

**ICMS:** The Federal Constitution of 1988 defines that the tax on the circulation of goods and services is a competence of States. The Constitution established that the Senate has the power to set the tax rate for interstate transactions. In 1989 a resolution of the Senate set two tax rates. The general tax rate is 12%, but in transactions from the richest to the poorest states the tax rate is 7% and in transactions of imported goods the tax rate is 4%. Moreover, the Senate has the mandate to set upper and lower limits on intrastate tax rates, but it has not legislated on this topic so far. The Brazilian Constitution determines that ICMS is a tax that can be selective, depending on the essential nature of goods and services. Thus, States are free to list which goods are more essential to the point of having a reduced ICMS rate, as well as which are superfluous products, which will have an increased rate. The concession of tax relief must be approved by a Council composed by state Secretaries of Finance (CONFAZ). Thus, States have no autonomy to grant tax relief.

**IPTU:** The Federal Constitution of 1988 defines that the collection of the tax on urban land property is a competence of Municipalities. The Federal Constitution allows the adoption of progressive tax rates according to the property value and the adoption of different tax rates according to the location and use of the property. In 2001 a federal law defined an upper limit of 15%.

**ISS:** According to the Federal Constitution, the collection of tax on general services is a competence of Municipalities. A federal law defined that the minimum tax rate is 2% and the maximum rate is 5%. Municipalities cannot grant tax relief, being 2% the lowest tax rate allowed.

**Constitutional grants:** the two main tax-sharing arrangements are the States' Participation Fund (FPE) and the Municipalities' Participation Fund (FPM). According to the Federal Constitution, the federal government must share 49% of the income tax (IR) and the tax on industrialised products (IPI) with states and municipalities. States receive 21,5% of this amount and municipalities receive 24,5%. The other 3% funds regional development banks. In general terms, the formula used to distribute these resources considers local population size and income per capita. For states (FPE) and state capitals (FPM) the formula tends to benefit the localities with lower income per capita and higher population. For municipalities that are not state capitals the formula tends to benefit localities with lower population. The source of the values included in this line is the SIAFI, which is the system to control and execute federal finance.

## CANADA

The three main levels of government in Canada<sup>4</sup> are the federal level, the thirteen provinces and territories, and the municipalities. *The Constitution Act, 1867*, addresses the distribution of legislative powers between the federal government and the provincial governments. The federal government deals with areas of law that generally affect the whole country, while the provincial governments in the ten provinces deal with areas such as education, health care, some natural resources, and road regulations. The three territories also have their own governments, with responsibilities that are given to them by the federal government. Municipal governments are responsible for areas such as libraries, parks, community water systems, local police, fire protection, roadways and parking. They receive authority for these areas from the provincial governments.

The *Constitution Act, 1867*, outlines a distribution of legislative powers with respect to taxation, between the federal government and the provincial governments.

- The federal government is given powers for “The raising of Money by any Mode or System of taxation” (section 91(3)), including therefore direct taxes and indirect taxes.
- Provincial governments are given powers for “direct taxation within the Province” to raise revenues for provincial purposes (section 92(2)) and for various licences to raise revenue for provincial, local or municipal purposes (section 92(9)). Similar powers are extended to the territorial governments by the federal government.

In practice, a broad interpretation of the direct taxation afforded to provinces and territories allows them to access most of the major tax bases.

Provinces and territories have access to, and full discretion over, a range of revenue sources. While they are sub-central governments (SCGs) or states, their tax autonomy is generally high and is most often reflected across the various streams (“a1”) meaning that they are able to set the tax rate and reliefs without need to consult a higher-level government. These revenues contribute to provinces’ and territories’ ability to discharge their primary responsibility in expenditure areas such as social welfare, health care, education, etc. Provincial and territorial revenue sources include:

- Under the *Taxes on income and profits of individuals* (1110) stream, personal income taxes imposed by all provinces and territories.
- Under the *Taxes on corporate profits* (1210) stream, corporate income taxes imposed by all provinces and territories.
- Under the streams of Social security contributions of employees (2100), *Social security contributions of employers* (2200) and *Taxes on payroll and workforce* (3000), sources such as:
  - payroll taxes or levies in certain provincial and territorial governments (e.g., Manitoba, Ontario, Quebec, Newfoundland and Labrador, Nunavut, and the Northwest Territories)<sup>5</sup> including in the form of health taxes or health and post-secondary education taxes;
  - Workers’ Compensation premiums in all provinces and territories;
  - Health premiums (e.g., in Ontario, British Columbia<sup>6</sup>).

<sup>4</sup> [https://lop.parl.ca/about/parliament/education/ourcountryourparliament/html\\_booklet/three-levels-government-e.html](https://lop.parl.ca/about/parliament/education/ourcountryourparliament/html_booklet/three-levels-government-e.html)

<sup>5</sup> <https://www.nrcan.gc.ca/our-natural-resources/minerals-mining/mining/taxation/mining-taxation-canada/taxes-levies-level-taxation/8884>; <https://home.kpmg/xx/en/home/insights/2011/12/canada-other-taxes-levies.html>

<sup>6</sup> Residents of British Columbia were required to pay monthly Medical Services Plan premiums under the province’s Medical Service Plan until their elimination effective January 1, 2020, following the introduction of the British Columbia Employer Health Tax at the start of 2019.



- Under the *Taxes on property* (4000) stream, recurrent and non-recurrent taxes on the use, ownership or transfer of property, including land transfer tax (in place in most provinces and territories), property tax on lands outside of municipal boundaries in some provinces (and therefore not subject to municipal property tax), education property tax, succession duties or estate tax (probate fees), taxes on net wealth namely of corporations, taxes on financial and capital transactions.
- Under the *Taxes on goods and services* (5000) stream, the taxes levied on the production, extraction, sale, transfer, leasing or delivery of goods, and the rendering of services, or on the use of goods or permission to use goods or to perform activities, such as
  - sales taxes in some provinces (British Columbia, Saskatchewan, Manitoba, and Quebec).
  - revenue entitlements, based on a revenue allocation framework, for provinces (i.e., Ontario, New Brunswick, Nova Scotia, Newfoundland and Labrador and Prince Edwards Island) that have agreed to harmonize their provincial sales tax with the federal Goods and Services Tax, and participate in the Harmonized Sales Tax (HST)<sup>7</sup>, the federally legislated and administered Value Added Tax.
  - various provincial and territorial excise taxes, e.g., on motor fuel, alcohol, tobacco.
  - various provinces' and territories' taxes on the extraction, processing or production of minerals and other natural resource products (such as mining<sup>8</sup> tax or royalties in place in most provinces and territories).
  - some provinces' and territories' taxes on specific services (e.g., insurance premiums, amusement parks, tax on meals and hotels);
  - provinces' and territories' taxes levied in respect of the use of goods and taxes on permission to use goods, or perform certain activities (e.g., licences related to motor vehicles, other permits and licences).

Municipal governments are the form of local government being tracked in the survey. In contrast with provinces, municipal governments are not recognised in the Canadian Constitution as a separate order of government, but provinces have exclusive powers to make laws in relation to “municipal institutions in the province” (*Constitution Act, 1867*, section 92(8)). Provincial legislatures authorize municipalities to levy certain taxes and fees in support of the services they provide. Municipalities are largely funded by annual property taxes on residential, industrial and commercial properties. Some municipalities (e.g., Toronto) also impose their own land transfer tax. In these instances of *Taxes on property* (4000), the tax autonomy (“b1”) reflects that the municipalities as SCGs are able to set the rate and a higher-level government (i.e., the province or territory) does not set upper or lower limits on the rate chosen.

For other streams, such as the *Taxes on goods and services* (5000) and *Other taxes* (6000), and for taxes on financial and capital transactions (4400) within under the *Taxes on property* stream, there is more variety in the tax autonomy code, corresponding to the different approaches that could exist among the large number (over 3500) of municipalities.

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<sup>7</sup> Participation of these provinces in the HST means that those provinces are under “a tax-sharing arrangement in which the revenue split can be changed only with the consent of SCGs” (d2).

<sup>8</sup> <https://www.nrcan.gc.ca/mining-materials/mining/taxation/mining-taxation-canada/tables-structure-and-rates-main-taxes/8890>

## CHILE

### A. **4100 Recurrent taxes on immovable property;**

In regard to these revenue items, there are a couple of considerations worth mentioning. While the collection of both taxes is carried out at a central government level, the distribution scheme, designed to allocate a greater share of resources to low-income jurisdictions, only considers the subcentral units<sup>9</sup>. In addition, the tax rate and the exemptions are determined by law, SCGs have no discretion over these variables.

### B. **<CHL, 5213, L1> - Municipal permits [B2]**

The practice of any profession, industry, business, art or any other lucrative activity, is subject to a municipal contribution. The law establishes a minimum rate of 0.25%, and a maximum rate of 0.5%, applied annually over the equity capital of the payer. Municipalities are free to choose the rate between this range. Nevertheless, in any case, the contribution must not be less than 1 UTM, and no more than 8.000 UTM<sup>10</sup>.

### C. **<CHL, 5213, L3> - Other**

There is no further information to classify this item.

## COLOMBIA

### A. **<COL, 4120> - Others (Real property tax)**

Property tax is levied on the immovable property. According to Law 44 of 1990, the taxable base is the cadastral appraisal ("*avalúo catastral*") determined by the cadastral authority or the taxpayer's self-assessment. In addition, until 2011, the general tax rate was set by law at a minimum of 0.1% and a maximum of 1.6%. Law 1450 of 2011 established a gradual increase of the minimum rate, from 0.1% in 2011 to 0.3% in 2012, 0.4% in 2013, and 0.5% from 2014, without changing the maximum rate. The municipalities can choose the rate within this range, taking into account the socio-economic strata; the land use in the urban sector; the antiquity of the creation or updating of the cadastre; the size of the area, and the cadastral appraisal.

A minimum tax rate of 0.1% is applied to urban real estate property with a residential economic destination or rural real estate with an agricultural purpose, of strata 1, 2 and 3, whose price is less than 135 current minimum monthly legal wages (135 *smmlv*, where *smmlv* corresponds to the acronym in Spanish for *salario mínimo mensual legal vigente*). On the other hand, the law establishes a maximum tax rate of 3.3%, which can only be applied to both undeveloped land for urbanization and to unbuilt urban land.

### B. **<COL\_5112\_L1> - Industry and Commerce tax (ICA)**

This tax is imposed on the performance of industrial, commercial, and service activities in the municipalities, directly or indirectly, by individuals or corporations, either in a permanent or occasional manner, with or without physical establishment. It applies to all gross income, both ordinary and non-ordinary, including financial income and commissions.

<sup>9</sup> This redistribution system known as *Fondo Común Municipal* even includes an additional portion of revenue provided directly from the central government revenue accounts. Regardless, after fund is distributed, national level administration doesn't retain any revenue from this fund

<sup>10</sup> UTM: A Chilean monetary unit, called "Monthly Tax Unit". In 2018, the average value of 1 UTM was 74.38 USD.

Law 14 of 1983, compiled by Decree-Law 1333 of 1986, established the main elements of this tax, leaving it to the municipalities to choose the tax rates to be applied in their territories, with reference to the range of the tax rates and the type of economic activities carried out by the taxpayers, as established for the law. The minimum and maximum tax rates are 0.2% and 0.7% for industrial activities; 0.2% and 1.0% for commercial and service activities; and a single rate of 0.5% for activities related to the financial sector. The Capital District of Bogotá has a special regime established by Decree-Law 1421 of 1993, which allows it a minimum tax rate of 0.2% and a maximum tax rate of 3.0% in this tax. Law 2082 of 2021 allows the possibility of applying the special tax measures that Bogotá has in the property tax and ICA to some municipalities that are now considered capital cities under the law.

**C. <COL\_5121\_L2> - Tobacco (State “Departamento”)**

Law 223 of 1995 defined the main elements of this excise tax, the revenue of which is property of the Nation but transferred to the Departments. This tax is triggered by the consumption of cigarettes and elaborated tobacco, within the jurisdiction of the States “*Departamentos*”. In the case of domestic products, the tax is due when the producer delivers them to the factory or plant for distribution, sale, or exchange in the country, or for advertising, promotion, donation, commission, or own consumption. In the case of foreign products, the tax is due at the time they enter the country, except in the case of products in transit to another country. The law established this tax as an ad valorem tax with a rate of 55%.

After Law 1111 of 2006, excise tax on tobacco was transformed into a specific tax, suffering adjustments in the tax rate over time, by Law 1393 of 2010 and 1819 of 2016. Finally, between 2010 and 2016 there was a 10% surcharge on the tax base. It was modified as an ad valorem component of the excise tax, equal to 10% of the tax base, by Law 1819 of 2016.

**D. <COL\_5121\_L3> - Beer (State “Departamento”)**

This excise tax has similar definitions of triggering events, taxpayers, and causation of the tax as those established for tax on tobacco. The tax base for tax on beer is the sales price to the retailer. For beers and siphons, the tax rate is 48%, while for mixtures and similar it is 20%. According to Article 193 of Law 223 of 1995, neither the Departmental Assemblies nor the District Council of Bogotá may issue regulations on this matter, so that this tax is governed entirely by the provisions of this law, by the regulations that the National Government may issue in its development and by the procedural rules established in the Tax Statute, with the exception of the taxable period.

**E. <COL\_5121\_L4> - Liquors (State “Departamento”)**

The excise tax on liquors, wines and similar aperitifs consists of a specific component and an ad valorem component. The taxable base of the specific component is the volume of alcohol contained in the product, expressed in alcoholimetric degrees. The taxable base of the ad valorem component is the retail price per unit of 750 cc, excluding excise tax or participation, certified annually by DANE, guaranteeing the individuality of each product. Like the tobacco and beer tax, the revenue generated by this tax belongs to the Nation but is transferred to the Departments. The provisions relating to this tax were enacted by Law 223 of 1995, with adjustments introduced subsequently by Law 788 of 2002, Law 1393 of 2010 and Law 1816 of 2016. Departments may not change the substantive elements of the tax.

**F. <COL\_5121\_L10> - Petrol surcharge (State “Departamento” and local)**

Petrol surcharge is a local and state “*departamento*” tax, according to Law 488 of 1998. It is levied on the consumption of extra and regular, national, or imported, motor gasoline, in the jurisdiction of each municipality, district and department. The taxable base is defined by law. The current definition was established by Law 2093 of 2021 as the volume of the product expressed in gallons. Regarding the tax rates, until 2002, Law 488 of 1998 allowed the municipalities to set the tax rate between 14.0% and 15.0%, while the states “*departamentos*” could set it between 4.0% and 5.0%, which applied to the reference retail price per gallon of motor gasoline, both extra and regular, as certified monthly by the Ministry of Mines and

Energy. Law 788 of 2002 changed this provision and it established the following single tax rates to be applied as of 2003: 18.5% for municipalities and districts, 6.5% for states “*departamentos*” and 25.0% for the Capital District of Bogotá.

From July 2021, the tax rates are expressed as Colombian currency (*pesos colombianos*) (COP) per gallon for each type of subnational government (state “*departamentos*”, municipalities and districts, Bogotá, and border areas), which are applied to the new definition of the tax base established by Law 2093 of 2021.

#### **G. <COL\_5211\_L1> - Tax on motor vehicle ownership (State “*Departamento*” and local)**

The characteristics of this tax were defined by Law 488 of 1998, reason for which the municipalities and states “*departamentos*” do not have autonomy on it. It is levied on the ownership of a vehicle or on the possession of a vehicle. The taxable base is the commercial value of the vehicle, determined annually by the Ministry of Transport, and the applicable tax rates are 1.5%, 2.5% or 3.5%, depending on the commercial value.

#### **H. <COL\_6200\_L3> - Other (sub-national) (State “*Departamento*” and local)**

In Colombia there are several and diverse taxes for each subnational government. Therefore, the characterization of tax autonomy or taxing power of other (sub-national) (State “*Departamento*” and local) corresponds to the taxes with the highest revenue reported, as follows:

##### **H.1. Stamp tax:**

Stamps are taxes of a documentary nature, with a specific destination, that are levied on contracts between public entities of the territorial order and individuals. Occasionally, it taxes those in which state social enterprises participate. It has its origin in the role of the State as guarantor, where an ad-valorem rate is imposed, depending on the amount of the contract.

According to what was stated by the Constitutional Court, the regulatory background of the modern stamp in Colombia corresponds to Law 90 of 1880, through which the printing monopoly of postage stamps was created, thus initiating the use of the stamps as a form of verification of payments, and eventually in a tribute by its own nature. (Sentence C-1097, 2001).

Stamps must be created by law, they are usually proposed and approved individually, therefore, the regulatory framework is broad. The corresponding laws usually define some of the elements of the tax, such as the taxable person. Several of those laws that create or modify the tax establish the limitation that the stamp can only tax acts in which public officials of the state “*departamento*”, municipality or district, where the tax applies, participate. However, it is one of the taxes in which the law grants more tax autonomy to local governments to define its elements, especially the rate, either within ranges or in some cases without limitation.

The general classification of the stamps can be summarized in the following categories: 1): pro-universities (56% of the total stamps), 2) those destined for social spending, public works or development (21%), 3) pro-health and pro-hospitals (20%) and, 4) those for culture (3%).

Generally, the law establishes limits on the revenue obtained through the limitation to the stamp issuance.

On the other hand, many laws provide the maximum rate limits up to 2% or 3% and occasionally no limit is established, as in the Laws: 687 of 2001, 1276 of 2009 and 1845 of 2017. In some cases, it provides the power for the local government to create exemptions to the tax, such as in the Law: 1222 of 1986.

##### **H.2. Registration duties:**

The characteristics of the tax are established in Law 223 of 1995. The taxable event is constituted by the registration of acts, contracts or documentary legal transactions that must be registered in the Registry Offices of Public Instruments or in the Chambers of Commerce. If an act must be registered in both entities, the tax will be generated only because of the registration at the Public Instruments Registry Office.

The taxable subjects are the contracting individuals and the individual beneficiaries of the act or providence subject to registration. Taxpayers will pay the tax in equal parts, unless expressly stated otherwise.

The tax base is the value incorporated in the document that contains the act, contract, or legal transaction. In the case of registration of contracts for the incorporation of companies, statutory reforms or acts that imply the increase of the share capital or the subscribed capital, the tax base is constituted by the total value of the respective contribution, including the share capital or the subscribed capital and the premium in placement of shares or social quotas. When the act, contract or legal transaction refers to real estate, the value may not be lower than the cadastral appraisal, the self-appraisal, the value of the auction or the award.

Law 1607 of 2012 authorizes departmental assemblies, at the initiative of the Governors, to set rates within the ranges established in the law. The rates established by law range between 0.1% and 1%

For documents without value, the rate established by the Law 223 of 1995 ranges between 2 and 4 minimum daily wages.

Sources: Comisión de Estudio del Sistema Tributario Territorial (año 2020); Catálogo de Clasificación Presupuestal para Entidades Territoriales y Descentralizadas – CCPET, Sección Ingresos' Dirección de Apoyo Fiscal, Ministerio de Hacienda y Crédito Público, Colombia.

## COSTA RICA

In Costa Rica, the municipalities are given the rank of tax administration, but without the power to change the rates given by law, therefore the municipalities do not have autonomy in setting the rates.

## CZECHIA

<CZE, 1210, L4> - Levy on lottery revenue: Since January 1, 2017, the **gambling tax** has replaced the levy on lotteries and other similar games. Tax consists of two taxes – tax from technical game and tax from other games. Tax sharing formula is different for each of them – tax from technical game is shared according to the information on permits issued for the placement of gaming space (municipalities and regional authorities are obliged to provide this information to the MoF) and the tax from other game is shared via the same formula used for income taxes and VAT. This is the reason for using two different explanatory codes in the excel file.

### A. *Revenue redistribution between state and local governments*

National gross tax revenues in the Czech Republic are redistributed between state, local governments represented by regions and municipalities and state funds.

- The main taxes are shared with state and local governments.
- Most of excise duties and Real property transfer tax are the state budget income.
- Real estate tax is the local government's income.
- Road tax is the state fund's income.

Taxes are levied by Tax or Custom Administration and these institutions redistribute a specific share of the income according the law to regions, municipalities or state funds.

Other fees are usually collected by municipalities. The tax rate is usually sets by the municipality but central government sets upper/ lower limits on the rate chosen.

## DENMARK

The two main sources of income for the municipalities are local taxes and general grants.

The by far largest tax revenues derives from the income tax.

The overall framework for the economy of the municipalities are laid down in the so-called annual economic agreements between the Government and the Local Government Denmark (The association for all the municipalities).

The municipalities are free to set their own tax levels. However if the overall municipal taxation exceeds the agreed level, the general grant will be reduced accordingly, due to “the tax sanction act”. The purpose of “the tax sanction act” is thus to strengthen the local incentives to comply with the negotiated agreements on local taxes.

The overall level of municipal taxation are set by the annual economic agreements. The agreed level for local taxes binds the municipals as a whole. If one municipal wants to increase its tax rate, another municipal must reduce its tax rates.

This makes local tax differences possible and without limits (b1) by law.

So, municipalities are by law free to decide the local taxes within the boundaries of the negotiated agreements between the Government and the Local Government Denmark.

A significant note is, that the municipalities gets offered a state guaranteed income each year. In this way the state offers to bear the undesired risk from fluctuations in the economy.

Another municipal tax is the municipal land tax, which is controlled by tax limits by law (b2). For agricultural and forest properties (production land) the taxation is set 14.8‰ lower than the regular municipal land tax and with a maximum of 7.2‰.

There is also municipal duty (“dækningsafgift”) which is subsidiary for properties that are exempted from paying municipal land tax (properties of national interest and business properties). The municipal duty is voluntary for the municipalities to charge, and some choose not to charge it.

Finally it should be noted, that the public property assessments have been suspended since 2012 because of a large amount of errors in the assessments.

The Danish Property Assessment Agency (“Vurderingsstyrelsen”) began issuing the first bulks of new property assessments for 2020 in September 2021.

The Danish government has put forth new tax rules on land and property taxes which will be implemented in 2024 when passed in the Danish Parliament.

Due to this process the Danish Parliament has chosen, that the municipal land tax and duty rates are not allowed to increase through the years 2021 – 2028. The process also means, that all property taxes from 2021 and forth should be interpreted with reservations, as they are preliminary figures and not final.

## ESTONIA

About 56% of Estonian local governments’ revenues comes from state tax transfers or local taxes. Local governments receive almost 80% of their residents paid personal income tax, but the tax rates are universally same and set by law.

Local governments can set the land tax limits between 0.1 to 2.5 percent of land value, making it a biggest local tax income – about 3% of their total revenue. Other local taxes together account less than 1% of their total revenue.

## FINLAND

The Finnish Constitution and the Local Government Act guarantee Finnish municipalities strong self-government. Finnish municipalities are responsible for providing statutory basic public services, which include social and health care, daycare for children, preschools, comprehensive school, libraries, general cultural services and basic art school.

- The municipalities set the municipal income tax rate without a cap. This is the main tax revenue source for most municipalities; the municipal tax income was 82 % on average of the tax revenue for municipalities in 2022.
- The municipalities set the property tax rate within the range defined in the legislation.
- The municipalities receive a predestined share of the corporate tax income. The total corporate tax income is divided between the state and the local government according to a proportion defined in the legislation. The share for each municipality is based on a two-year average of its share of the total corporate tax income. The use of the two-year average is used to smooth the impact changes in the business structure in the municipality.
- The municipalities receive non-earmarked state grants (approximately 20 % of revenue base). The state grants system is based on the block grant system and the revenue equalization. The block grant system is based on calculatory costs based in the age structure, morbidity and some other factors in each municipality. The revenue equalisation equalises differences in the income base of the municipalities.
- The central government compensates tax income losses to municipalities due to legislative changes; the total cumulative amount of tax compensations was approximately 2,5 bln euros in 2021 and 2,8 bln euros in 2022.
- An important exception is the autonomous region of Åland. Åland Island has decision making power (Code a1) over a large share of taxes collected from Åland, even if the economic significance remains small (only circa 30 000 inhabitants). The codes in the excel sheet reflect the situation in the Mainland Finland.

## FRANCE

The French constitution guarantees the free administration of local governments. Their leaders elected by the population decide and execute their budgets. They have the capacity to set the tax rates of various levies for local purposes. In addition, they benefit from central government's endowments and from national tax allocations to meet the economic competences assigned to them. Since the decentralisation laws of the 1980s, the Constitutional Council has the habit of defending the principle of autonomy and free administration, for its judgement of all new measures in national finance laws. The range of modifiable local taxes has been slightly reduced in recent years, with the progressive removal of the housing tax, in return for the allocation of national taxes, which cannot be modulated by local governments.

## GERMANY

The Constitution jointly **allocates several particularly important taxes** to the Federation, Länder and, to a degree, the local authorities. According to the Constitution, either the Federation, the Länder or the local authorities are entitled to the remaining types of tax in full.

Income tax, corporation tax and VAT are divided between the Federation and the Länder as a whole. The local authorities are entitled to a share of the income tax and VAT. These taxes are therefore referred to as **joint taxes**. The joint taxes make up **more than 70 percent** of total tax revenue in Germany.

The Federation receives 42.5 % of the income tax, 50 % of the corporation tax and 2022 around 46,6 % of VAT (VAT shares are regulated by federal law and are thus more variable). The revenue accruing to the Länder is 42.5 % of the income tax, 50 % of the corporation tax and 2022 50.5 % of VAT. 15 % of the income tax and, in 2022 well over 2.8% of VAT go to the local authorities.

The Federation receives all of the revenue from **the federal taxes**. The majority of the excise duties (such as energy duty and tobacco duty) as well as the insurance tax are federal taxes.

The Länder are entitled to receive all of the revenue from **Länder taxes**. These include the inheritance tax, most types of transactions taxes (in particular, the real property transfer tax) as well as some other types of taxes that generate small amounts of revenue (e.g. the fire protection tax).

For Länder taxes the **legislative competence** is at the **federal level**. Since 2006 the Länder have the power to determine the tax rate for the real property transfer tax.

The **local authorities** receive the revenue from the trade tax, the real property tax as well as the local excise taxes. The Federation and the Länder receive a share of the trade tax receipts through an apportionment.

The municipalities can mostly determine the tax or assessment rates of the local taxes. However, the **legislative competence** is either at the **federal level** for the bigger local taxes (trade tax, real property tax) or at the **Länder level** for the smaller local taxes (e.g. dog tax, entertainment tax).

## GREECE

In relation to the methodology followed, the tax autonomy degree of tax revenue categories comprised in the questionnaire for the year 2017 has been defined as follows:

1. The Revenue Code Numbers have been identified, which correspond to each category of tax revenues based on the OECD Classification System and its connection to the respective European System of Accounts.
2. The degree of tax autonomy for each Revenue Code Number has been defined based on the provisions which govern the revenues to which it refers.
3. The Revenue Code Numbers have been grouped per the OECD tax revenue category and per tax autonomy sub-category
4. Per OECD tax revenue category, the participation of each tax autonomy sub-category has been calculated on the income realized for 2017 ( see table below)
5. The tax autonomy sub- category with the greatest participation in the revenues of the tax revenues category defines the degree of tax autonomy of the tax revenues category

| Revenue 2017    |  | Tax autonomy |      |    |       |
|-----------------|--|--------------|------|----|-------|
| OECD class code | OECD class description                 | b2           | e    | f  | Total |
| 4100            | Recurrent taxes on immovable property  | 86%          | 14%  | 0% | 100%  |
| 4200            | Recurrent taxes on net wealth          | 98%          | 2%   | 0% | 100%  |
| 5113            | L1>- Other taxes on goods and services | 0%           | 91%  | 9% | 100%  |
| 5126            | Taxes on specific services             | 0%           | 100% | 0% | 100%  |
| 5212            | Paid by others: motor vehicles         | 100%         | 0%   | 0% | 100%  |
| 5213            | Paid in respect of other goods         | 0%           | 100% | 0% | 100%  |
| Total           |  | 87%          | 13%  | 0% | 100%  |



- The above processing has been carried out based on the 2017 revenue figures / data obtained from the Ministry of Interior Interoperability Node on 07/06/2020.

- We also have at our disposal the files used for processing and completing the questionnaire together with the relevant material (instructions by OECD, works by GAO, figures by Hellenic Statistical Authority, references of the Interoperability Node, methodology to define tax autonomy)

- Finally, it is worth mentioning that the financial information on local authorities was gathered through the Interoperability Node, a specialized Information System of Business Intelligence, which, among others, allows automated availability of data, improved quality of information and faster access, easier submission of questions, dynamic reporting and the provision of high quality analysis. It is also noted that the Ministry of Finance (in order to publish the financial statements) and the Hellenic Statistical Authority and EUROSTAT (in order to compile the official statistics of the country) gather the financial information required for the Local Government sub- sector from the Ministry of Interior through the Interoperability Node.

## HUNGARY

Local governments provide public services in their communities. In order to be able to fulfill these duties corresponding with local characteristics and conditions, it is essential to establish the conditions for local governments to independently manage their own financial affairs.

One of the instruments of establishing financial independence is the collection of local taxes. This enables local governments to exercise the sovereign right of local taxation and correspondingly to establish a local tax policy.

Associations, foundations, public service organizations, public bodies, voluntary mutual insurance funds, private pension funds, and - only in respect of local business taxes - nonprofit business associations of the status of public-benefit organization shall be exempt from all local taxes.

Local taxes are the following:

- local business tax
- building tax
- property tax (site/land tax)
- communal tax on households
- tourism tax
- community tax

### A. **Building tax**

#### ***Subject to tax:***

- Structures located in the area of jurisdiction of a local government, dwelling places, buildings (hereinafter jointly referred to as 'buildings')

#### ***Exemptions***

Exemptions are determined by the law (e.g. building structures used under the Act on Atomic Energy in which radioactive waste or spent nuclear fuel is being stored). Local governments may introduce other exemptions (or allowances) not specified by the law.

*Tax base*

In case of buildings (depending upon the decision of the local government):

- the net floor space of the building expressed in square meters, or
- the adjusted market value of the building.

*Tax rate*

The maximum rate is determined by the law. Local governments can decide to use a rate below the maximum rate. Or not levy the building tax at all.

**B. Property tax (site/land tax)***Subject to tax:*

Lands situated in incorporated areas within the area of jurisdiction of a municipal government.

*Exemptions*

Exemptions are determined by the law (e.g. a part of the land on which the building or building section stands, of the same size as the net floor space). Local governments may introduce other exemptions (or allowances) not specified by the law.

*Tax base*

Depending upon the decision of the local government:

- the actual area of the land parcel expressed in square meters, or
- the adjusted market value of the parcel.

*Tax rate*

The maximum rate is determined by the law. Local governments can decide to use a rate below the maximum rate. Or not levy the property tax at all.

**C. Local business tax***Subject to tax*

All business activities pursued in the area of jurisdiction of a municipal government.

*Tax base*

The tax base is determined by the law. The basic concept of the tax calculation is: net turnover – allowed expenses. Allowed expenses include: material purchases' costs, cost of goods sold and cost of services sold (forwarded services).

If the taxpayer has establishments in the territory of several local governments, the tax base must be divided between the local governments. Some of SMEs can decide to determine the tax base with a simplified method.

### *Exemptions*

There are two kinds of exemptions (allowances)

- Exemptions (allowances) determined by the law, mandatory
- Exemptions (allowances) determined by the law, at the discretion of the municipalities (municipalities can decide whether to apply them or not)

Local governments cannot introduce exemptions/allowances except the above mentioned.

### *Tax rate*

The maximum rate is determined by the law. Local governments can decide to use a rate below the maximum rate. Or not levy the local business tax at all.

## **D. Communal tax on households**

### *Subject to tax*

- Private individuals
- Private individuals holding lease rights to dwelling place owned by a person other than a private individual in the area if the jurisdiction of a local government shall be subject to pay this tax.

### *Exemptions and reliefs*

There are no exemptions or reliefs determined by the law, but local government may introduce exceptions (or allowances).

### *Tax base*

Each lands, building or lease rights.

### *Tax rate*

The maximum rate is determined by the law. Local governments can decide to use a rate below the maximum, or not levy the tax at all.

## **E. Tourism tax**

### *Subject to tax*

Private individuals who are not permanent residents, spending at least one guest-night within the area of jurisdiction of a local government.

### *Exemptions*

Exemptions are determined by the law (e.g. private individuals under the age of 18, private individuals who reside within the jurisdictional area of the local government because they are students in an institution of secondary or higher education). Above this, the local governments may introduce other exemptions (or allowances) not specified by the law.

### *Tax base*

Depending upon the decision of the local government:

- number of guest-nights
- accommodation fee

#### *Tax rate*

The maximum rate is determined by the law. Local governments can decide to use a rate below the maximum, or not levy the tax at all.

### **F. Community tax**

Local governments may levy community tax by decree on any tax subject that is not taxed by another local or central tax and not prohibited by another act. Community tax may not be imposed as payable by the State, Local governments, organizations or enterprises, only private individuals can be taxpayers. Local governments have total autonomy over this tax; they can set the tax rate, tax reliefs and exemptions.

## **IRELAND**

Only a small number of levies are set by local government.

2100 Employees and 2110 On payroll basis is based on our Pay Related Social Insurance (PRSI) which is a revenue of local government but set by the Central Government and therefore no minimum or maximum rates apply.

4000 Taxes on property and 4100 Recurrent taxes on immovable property are a mix of both Local Property Taxes and Non Principle Private Residence Tax which ended in 2014.

## **ISRAEL**

Local Authorities derives 75% of their taxes from a recurrent tax on immovable property (Item 4100 in the OECD classification) called "Arnona". This is a tax based on the area of real estate assets. They are 12 kinds of assets (For example residential housings, Banks, Hotels, Industry, Agricultural land,...), with further subdivision. Each year, the Central government sets <sup>11</sup>not only the minimum and the maximum rate of the Arnona for each of these assets but also the rate of increase over the previous year. For example the Arnona for residential housing in 2023 is set to be between 37 to 129 (LIS per square meters) but has to increase by 1.37% <sup>12</sup>over the previous year level. The Central government sets also the rules and the rates for tax reliefs. A Local Authority that desires to deviate from the CG rules must ask a prior permission from the CG<sup>13</sup>. This describes the limited tax autonomy of the Local Authorities in Israel in at least the past 30 years.

Under 5213, there is a wide range of fees <sup>14</sup>and the degree of autonomy depends on the specific licences. At the minimum, the Local Authority must consult with the Central government (a2) but other fees are a b2 or a c tax. Without going into a statistical analysis, the tax autonomy for the fees is a little bit higher than for the Arnona but there is definitely a dependence on the CG. Given that the amount of these taxes is relatively modest, it is not worth it to differentiate between the various fees and licenses. This said, the

<sup>11</sup> [https://www.gov.il/BlobFolder/guide/tax/he/Guides\\_local-government-criticism\\_min-max.pdf](https://www.gov.il/BlobFolder/guide/tax/he/Guides_local-government-criticism_min-max.pdf)

<sup>12</sup> <https://www.gov.il/he/Departments/Guides/tax?chapterIndex=9>

<sup>13</sup> <https://www.gov.il/he/Departments/Guides/tax?chapterIndex=10>

<sup>14</sup> [https://www.nevo.co.il/law\\_html/law01/p182\\_001.htm](https://www.nevo.co.il/law_html/law01/p182_001.htm)

most appropriate is probably an a2 given that this category encompasses both some autonomy and some restrictions from central government.

## ITALY

### **A. <ITA, 1110, L1> - Local surcharge on Income Tax**

With regard to the local income tax surcharge (ITA, 1110, L1) Municipalities can establish an additional income tax, the amount of which cannot exceed 0.8% overall (only for Roma Capitale 0.9%) and they can set different rates, using only the same income tax brackets established by state income tax. Municipalities can also introduce an exemption threshold due to having specific income requirements.

### **B. <ITA, 4100, L8> - Municipal real estate tax**

The IMU is due for the possession of buildings, building areas and agricultural land. The tax is calculated by applying the rate established for the particular case to the tax base, consisting of the value of the property determined in the manner required by law. The ordinary rate set by law for properties other than the main house is 0.86%. Municipalities can reduce the rate to zero and can introduce specific concessions. The rate can therefore vary from a minimum of 0% to a maximum of 1.06% (1.14% in case of application of additional tax rate on vacant immovable property). Only for category D production buildings, municipalities will not be able to decrease the rate below the 0.76% limit (share due to the State as a tax reserve). For non-exempt main house (cadastral categories A / 1, A / 8 and A / 9), however, the rate established by law is 0.5% and municipalities can vary the rate in a range between 0 and 0.6%

At the following link, you can consult a summary table with the rates of Imu for each category of property:

<https://www.finanze.gov.it/it/fiscalita-regionale-e-locale/Imposta-municipale-propria-IMU/disciplina-del-tributo/aliquote/>

PLEASE NOTE The budget law 2020 provided for the reorganization of the local property tax by creating a single local tax by eliminating the distinction between IMU and TASI. With this reform, an important process of simplification and reduction of compliance costs for taxpayers is attempted. The reform provides for invariant revenue and therefore excludes an increase in the tax burden. Starting from 2020, the base rate provided for each category of property is the sum of the current IMU and TASI standard tax rates. For example, for properties other than the main home the standard rate of 0.86% is made up of the sum of the current IMU base rates (0.76%) and TASI (0.1%).

### **C. <ITA, 4100, L9> - Tax on indivisible services (TASI)**

The tax was abolished starting from 1 January 2020, the sums that are displayed in the table refer to the delayed tax payments referring to previous years.

### **D. <ITA, 5300, L2> Single Patrimonial Fee - Canone Unico Patrimoniale (ex Tosap)**

The budget law 2020 provided unification in a Single Patrimonial Fee (Canone Unico Patrimoniale) of the so-called minor taxes (TOSAP, COSAP, Tax on advertisements). This process allows on the one hand rationalizing and making more efficient the collection of these revenues and on the other hand simplifies the obligations for taxable persons. The concession, authorization or advertising exposure fee comes into force from the year 2021.

The provision of a single fee does not result in an increase in the burden of the obliged subjects, since the tariffs envisaged simply constitute a revaluation to the ISTAT indices of the minimum rates set by

Legislative Decree no. 507 of 1993 for TOSAP. It should also be noted that the fee can be cancelled and the institution can introduce exemptions for particular cases.

Considering the patrimonial nature of the fee, the tariffs foreseen in the normative text simply constitute standard amounts on which municipalities can however intervene in such a way as to concretely realize the same revenue received through the previous revenues that the fee replaces.

In line with the patrimonial nature of the fee, the rule limits itself to regulating only the fundamental features of the service imposed, leaving the punctual provision of the fee almost entirely to the regulation of municipalities.

For the year 2021, exemptions from the payment of the single fee have been provided for the activities most affected by the Covid-19 crisis, therefore the revenue for this year may be lower.

### **E. -6100 Paid solely by business**

The standard rate is 3.9% that the region can increase or decrease up to a maximum of 0.92%. Starting from 2013, each region with ordinary statute, with its own law, can reduce the rates of IRAP up to zero and arrange deductions from the tax base. However, the reduction of IRAP cannot be ordered if the increase to the regional additional to the IRPEF referred to in article 6, paragraph 1, of Legislative Decree no. 68 of 2011 is higher than 0.5 percentage points.

For some categories, there is a special basic rate, in particular:

- 1.90%, for those operating in the agricultural sector, small fishing cooperatives; cooperatives operating in the forestry sector;
- 4.20%, for joint stock companies and commercial entities that carry out activities of concessionary companies other than those for the construction and management of motorways and tunnels;
- 4.65%, for banks and financial companies;
- 5.90%, for insurance companies.

IRAP is a tax instituted and regulated by state law, the proceeds of which are attributed to the regions, which must, therefore, exercise their tax autonomy within the limits established by state law.

In the event that the Regions subject to the Plans for the recovery of health deficits, during the annual verification, do not achieve the set objectives, the automatic increase will apply in the fixed amount of 0.15 percentage points with respect to the level of the rates in force.

## **JAPAN**

Important sources of income for local public entities in Japan are individual inhabitant tax, local corporate taxes, local consumption tax, and fixed asset tax. Basic part of local taxes is determined by law, and local public entities have to enact their regulations on local taxes based on the law. They have the rights to establish their own tax items and to set tax rates within law.

## **KOREA**

Many local taxes in Korea are *de jure* "Category b2", but *de facto* "Category e". This is because no local governments in Korea have exercised their taxing power since the system of local autonomy was introduced in 1995. In Korea, Local Tax Act is enacted and enforced by the Parliament. Since the Parliament determines (standard) local tax rates and tax bases, a local government which raises local tax

rates will be regarded by its residents as a particular tax-raising government. This implicit political pressure makes local taxes in Korea *de facto* “Category e”.

## LATVIA

### A. 1000 Taxes on income, profits and capital gains

#### B. 1111 Personal income tax

Law On Personal Income Tax - <https://likumi.lv/ta/en/en/id/56880-on-personal-income-tax>

As of 2018, a progressive PIT rate was introduced in Latvia. In 2018 the progressive PIT rates were:

- 20% for the annual income up to 20 004 *euro*;
- 23% for the annual income exceeding 20 004 *euro*, but not exceeding 55 000 *euro* in 2018 ( in 2019 – 2021 not exceeding 62 800 *euro*; in 2022 – 2023 not exceeding 78 100 *euro*);
- 31.4% for the annual income above 55 000 *euro* (in 2019 - 2021 above 62 800 *euro*; in 2022 – 2023 above 78 100 *euro*) (conditional rate, as it will not be applied during the taxation year, but, when filing the annual income declaration and performing the recalculation by three PIT rates. As it is not necessary to perform the state social security contributions above 55 000 *euro* (in 2019 – 2021 above 62 800 *euro*; in 2022 – 2023 above 78 100 *euro*), but the conditional share of the employee's solidarity tax is being included into the paid PIT, the total tax burden for the payer will not exceed the referred to threshold).

The amounts of PIT from the payer's taxation year income in conformity with the allocation specified in the annual State Budget Law shall be paid into the State basic budget and into the local government budget in the administrative territory of which the person's declared place of residence was at the beginning of the taxation year. According to the State Budget Law 2018, 80% of the revenue from PIT was allocated to the local government budget and 20% was allocated to the state budget (in 2019 – 2020 this proportion to remains 80% / 20% also). From 2021 until 2023 75% of the revenue from PIT was allocated to the local government budget and 25% was allocated to the state budget.

### C. 4000 Taxes on property

#### D. 4110 Households and 4121 Tax on property - Real Estate Tax

Law On Immovable Property Tax - <https://likumi.lv/ta/en/en/id/43913-on-immovable-property-tax>

The Real Estate Tax rate or rates from 0.2 to 3% from the cadastral value of the immovable property shall be determined by a local government in the binding regulations thereof, which shall be published thereby until 1 November of the pre-taxation year. The Real Estate Tax rate exceeding 1.5% from the cadastral value of the immovable property shall be determined by a local government only when the immovable property is not maintained in accordance with the procedures laid down in laws and regulations. If the local government has not published the binding regulations until the specified deadline, the Real Estate Tax rate shall be as follows:

- land – 1.5% of the cadastral value;
- buildings used for economic activity, engineering structures – 1.5% of the cadastral value;
- residential buildings, apartments – 0.2% - 0.6%:
  - 0.2% of the cadastral value not exceeding 56 915 *euro*;
  - 0.4% of the part of the cadastral value exceeding 56 915 *euro*, but less than 106 715 *euro*;

- 0.6% of the cadastral value exceeding 106 715 *euro*.

An additional 1.5% tax rate is applicable for uncultivated agricultural land, excluding land that has an area less than one hectare.

The Law on Real Estate Tax provides the following reliefs:

- for politically repressed persons (regarding land and residential property) 50%,
- for poor persons – 90%,
- for low income persons – up to 90%,
- for families (which have 3 and more children) regarding the residential building or apartment with the land annexed thereto owned by them – 50 %, but not more than 500 *euro*.

Local governments may issue binding regulations, which provide the exemption for separate categories of immovable property taxpayers. This regulations provide reliefs for separate categories of taxpayers (specific groups of population (pensioners, persons with disabilities, performers of economic activities etc.) – 25%, 50%, 75% or 90%.

All revenue from the Real Estate Tax is allocated to the local government budget.

### ***E. 5126 Taxes on specific services***

#### ***F. 5126.1. Taxes on lotteries and gambling***

On Lotteries and Gambling Fee and Tax - <https://likumi.lv/ta/en/en/id/57415-on-lotteries-and-gambling-fee-and-tax>

As of 2020, income from the gambling tax in the amount of 95% shall be transferred into the State basic budget, but in the amount of 5% - into the local government budget in the territory of which the gambling is organised. The foregoing shall not apply if gambling is organised via telecommunications, the gambling tax shall be 10% of the revenue from organisation of this game, irrespective of the type of game.

Income from the national lotteries tax shall be transferred into the State basic budget, but from the local lotteries tax - into the local government budget in the territory of which the lottery is organised.

### ***G. 5200 Taxes on use of goods and perform activities***

#### ***H. 5213.4. Tax on natural resources***

Natural Resources Tax Law - <https://likumi.lv/ta/en/en/id/124707-natural-resources-tax-law>

The purpose of the natural resources tax (hereinafter - tax) is to promote economically efficient use of natural resources, restrict pollution of the environment, reduce manufacturing and sale of environment polluting substances, promote implementation of new, environment-friendly technology, support sustainable development in the economy, as well as to ensure environmental protection measures financially.

Tax payments for the extraction or use of natural resources or environmental pollution within the amounts specified by the limits, shall be paid as follows:

- 1) 40% - into the State basic budget;
- 2) 60% - into the basic budget of such local government in the territory of which the relevant activity is performed.

Exceptions of such tax payments:



- the utilisation of useful properties of the subterranean depths by pumping natural gas into geological structures shall be paid into the basic budget of such local government in the territory of which the relevant activity is performed (if the activity takes place in the territory of several local governments - proportionally to the territory utilised);
- the use of radioactive substances to the amount of 100% shall be paid into the basic budget of such local government in the territory of which the radioactive waste disposal site is located;
- the emissions of carbon dioxide (CO<sub>2</sub>) in the air shall be paid in the amount of 60% into the State basic budget and in the amount of 40% - into the basic budget of such local government in the territory of which the relevant activity is performed;
- tax payments for goods harmful to the environment, packaging, disposable tableware and accessories, vehicles, coal, coke and lignite (brown coal), fireworks, for the use of water resources for production of electricity in a hydroelectric power plant, and for illegal extraction or use of natural resources shall be paid in the State basic budget;
- tax payments for the disposal of municipal (and other non-hazardous) waste: 85% into the State basic budget and 15% into the basic budget of such local government in the territory of which waste is disposed of; for the disposal of hazardous waste: 80% into the State basic budget and 20% into the basic budget of such local government in the territory of which waste is disposed.

### ***I. 5213.1. Duty for keeping animals***

Law On Taxes and Fees – <https://likumi.lv/ta/en/en/id/33946-on-taxes-and-fees>

According to Law On Taxes and Duties the local government council has the right to levy local government duties within their administrative territory in accordance with procedures specified in Cabinet regulations on keeping of all kinds of animals.

In carrying out their functions, local governments have the right to introduce local fees and determine their magnitude, decide on tax rates and relief from paying taxes.

All revenue is included in the local government budget.

### ***J. 5213.2. Income from lease of reservoirs and fishing rights and non-production use of fishing rights (angling cards)***

11.08.2009. Ministru kabineta noteikumi Nr. 918 Noteikumi par rūpnieciskās zvejas tiesību nomu un zvejas tiesību izmantošanas kārtību - <https://likumi.lv/ta/id/196472-noteikumi-par-udenstilpju-un-rupnieciskas-zvejas-tiesibu-nomu-un-zvejas-tiesibu-izmantosanas-kartibu>

and

22.12.2015. Ministru kabineta noteikumi Nr. 799 Licencētās makšķerēšanas, vēžošanas un zemūdens medību kārtība - <https://likumi.lv/ta/id/279203-licencetas-makskeresanas-vezosanas-un-zemudens-medibu-kartiba>

Fishing rights in the waters specified in Section 10 of the Fishery Law may be utilised by any natural person from 16 to 65 years of age by purchasing an annual or short-term (three months; one month or one day) angling, crayfishing and underwater hunting card (angling card).

Children and teenagers up to 16 years of age, as well as persons older than 65 years and disabled persons have the right to angle without purchasing angling cards.

Distribution of angling cards is organised by the Ministry of Agriculture. The Ministry of Agriculture may delegate the distribution of angling cards to a limited liability company “Latvian Rural Advisory and Training Center”. The limited liability company “Latvian Rural Advisory and Training Center” performing the

delegated task, is under the supervision of the Ministry of Agriculture.

The local municipalities have the rights in their administrative territory where licensed angling, licensed crayfishing or licensed underwater hunting is organized, can issue special permit (license).

The funds collected from angling, underwater hunting and crayfishing rights (excluding funds collected according article 97 of the Regulation of the Cabinet of Ministers No 918 regarding the Lease of Industrial Fishing Rights and the Procedure for the Use of Fishing Rights), are allocated as follows:

1. 70 % of the total amount collected by the Ministry of Agriculture and 30 per cent of the total amount collected by local municipalities are transferred to the State core budget every month for the formation of Fish Fund grants;
2. 70 % of the total amount collected by local governments shall be transferred to the account of local municipalities special budget;
3. 30 % of the total amount collected by the Ministry of Agriculture shall remain for angling card distributors.

If the local municipality has introduced licensed fishing reservoirs, then the collected revenue from the licenses are transfer to the Fish Fund of State budget for the formation of grants, according the status of waters (Cabinet Regulation No. 799):

1. at least 20 % - if the licensed fishing, crayfishing or underwater hunting takes place in the coastal waters of the Baltic Sea or the Gulf of Riga, in public lakes and lakes where fishing rights belong to the state, as well as in public rivers and rivers where fishing rights belong to the state;
2. at least 10 % - if the licensed fishing, crayfishing or underwater hunting takes place in private waters in which the fishing rights belong to a private owner.

#### **K. 5213.3.4. Payment for rental of commercial fishing rights**

11.08.2009. Ministru kabineta noteikumi Nr. 918 Noteikumi par rūpnieciskās zvejas tiesību nomu un zvejas tiesību izmantošanas kārtību - <https://likumi.lv/ta/id/196472-noteikumi-par-udenstilpju-un-rupnieciskas-zvejas-tiesibu-nomu-un-zvejas-tiesibu-izmantosanas-kartibu>

In accordance to “Regulation regarding the Lease of Industrial Fishing Rights and the Procedure for the Use of Fishing Rights” (hereinafter – Regulation) commercial fishing rights (for commercial and self-consumption uses) in public waters (including the sea coastal waters) and other inland waters where fishing rights belong to the state, are leased by the local municipalities, exercising functions delegated by the state (executive). The local government organizes the use of fishing rights belonging to the state in accordance with the procedures specified in the regulatory enactments regulating fishing and manages the use of private fishing rights in the waters located in or adjacent to the administrative territory of the local government.

The local government has the rights to double the payment evaluating the local fishing advantages, the market availability and the worthy fish species composition in the haul.

There is a wide range of different payments for different objects/units and the set amount for these payments differ depending on the object/unit for which the payment is to be made. Therefore, in our opinion it is incorrect to show here the minimum and maximum sizes of the payments as they are not comparable.

In accordance to the Regulation the Ministry of Agriculture organizes the use of state-owned fishing rights in territorial waters, waters of the economic zone, as well as in the waters of other European Union Member States and international waters in which the Republic of Latvia has a catch quota or in the waters of third countries the European Community has fisheries agreements.

The funds collected from the leasing or auctioning of commercial fishing rights are allocated as follows:

1. 100 % of the total amount collected by the Ministry of Agriculture and 30 per cent of the total amount collected by local municipalities are transferred to the State core budget every month for the formation of Fish Fund grants;
2. 70 % of the total amount collected by local governments shall be transferred to the account of local municipalities special budget.

## LITHUANIA

### **A. Corporate income tax (code 1210)**

Until 31 December 2002, a share of income tax<sup>15</sup> (levied on profits of individual entities and partnerships until 31 December 2001) advanced corporate income tax (levied on profits of individual entities and partnerships from 1 January 2002) and withholding corporate income tax paid by the individual entity and partnership were allocated to the budget of the municipality in whose territory the individual and partnership were registered. Tax rates and reliefs were set in the law, but Municipal councils had the right to reduce income tax for individual taxpayers or to grant a relief from income tax payment for some period of time compensating respective sums from their budgets.

### **B. Tax on land for households and corporations (codes 4110 and 4120, L1)**

Private land except forest land is the object of land tax<sup>16</sup>. Land tax must be paid by owners both natural and legal persons of private land. This tax undergone essential reform in 2013 replacing the nominal value (based on productivity) of land by average market value established by massive appraisal every 5 years as basis for imposing the land tax. At the same time Municipal councils were entitled to set concrete tax rates within the range 0,01 – 4 per cent provided by the law. Before that the tax rate set in the law was 1,5 per cent. Tax reliefs are set in the law but Municipal councils also have the right to reduce the amount of land tax or grant exemption from the payment of land tax compensating sums from their respective budgets.

### **C. Tax on immovable property (code 4120, L2)**

Tax on immovable property<sup>17</sup>, which is allocated to municipal budgets, is imposed on privately owned buildings and premises used for commercial purposes. This tax was essentially reformed in 2007 broadening tax base to individuals owning immovable property for commercial purposes accompanied by movement to average market value established by massive appraisal every 5 years as basis to impose the tax and entitlement of Municipal councils to set concrete tax rates within a range 0,3 – 1 per cent since 2007, 0,3 – 3 per cent since 2013, 0,5 – 3 per cent since 2020 provided in the law. Before 2007 the tax rate set in the law was 1 percent of taxable value of the property. Tax reliefs are set in the law but Municipal councils have the right to reduce the amount of the tax of immovable property or grant exemption from the payment of the tax compensating sums from their respective budgets.

<sup>15</sup> <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.440/UZLIJOETIG>

<sup>16</sup> <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.2202/asr?positionInSearchResults=0&searchModelUUID=298e3423-b560-46f3-8d7e-aed793a8fab0>

<sup>17</sup> <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.257650/asr?positionInSearchResults=1&searchModelUUID=74b4fbc1-7995-4045-806a-9e7a94da6fae>

#### **D. Inheritance tax (code 4310)**

[The Inheritance Tax Law](#)<sup>18</sup> was adopted on 10 December 2002 and came into effect on 1 January 2003. This law replaced the Republic of Lithuania Law on Taxation of Inherited or Donated Property which had been in effect since 1996. Main differences between two laws are that till 2003 residents and non-residents paid tax on inherited property or property acquired under the donation agreement. Since 2003 inheritance tax is imposed only on inherited property. Tax rates and reliefs were set in both laws, but since 2003 the municipalities have the right to postpone tax payment deadline no longer when a year and to reduce the amount of tax or to grant exemption from the payment of the tax sum from their respective budgets.

#### **E. Tax on marketplaces (code 5213, L3)**

A tax on marketplaces<sup>19</sup> was paid until 2005 by companies which operated certain market places (where non-food and non-agricultural goods were sold). The tax rates were set by the law but the municipalities had the right to set concrete tax rates depended on the size of the market place, as well as the number of sales-kiosks and parking places, by reducing it up to 70 percent.

#### **F. State- imposed fees and charges (code 5213, L4)**

State – imposed fees and charges<sup>20</sup> are compulsory payments for services that are provided by state or local government institutions, bodies, offices or agencies, except courts. If state – imposed fees and charges are allocated into municipality budget Municipal councils have the right to reduce state – imposed fees and charges for individual payers or to grant exemption from fees and charges payment.

#### **G. Payments by households for licences (not for business purposes) and other taxes on production (codes 5213, L2 and 5213, L5)**

Municipal councils, by their decisions, establish the size of local fees and charges<sup>21</sup>, determine reductions and cases of refund. Municipal council may index local fees and charges once a year, by applying annual consumer price index.

#### **H. Lottery and gambling tax (code 5126, L1)**

Lottery and gambling tax<sup>22</sup> paid by legal persons operating local lotteries<sup>23</sup> is allocated in the budget of the municipality which has issued a lottery operating licence. Lottery and gambling tax rates are set in the Lottery and gambling law and Municipal councils have no control over the tax rates. From May 1<sup>st</sup> 2020 all income from lotteries are allocated in the state budget<sup>24</sup>.

<sup>18</sup> <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.197557/asr?positionInSearchResults=0&searchModelUUID=298e3423-b560-46f3-8d7e-aed793a8fabcb>

<sup>19</sup> <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.5635/YkCdnyBfAE?jfwid=xmcuk4w6>

<sup>20</sup> <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.103713/asr?positionInSearchResults=0&searchModelUUID=298e3423-b560-46f3-8d7e-aed793a8fabcb>

<sup>21</sup> <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.103713/asr?positionInSearchResults=0&searchModelUUID=298e3423-b560-46f3-8d7e-aed793a8fabcb>

<sup>22</sup> <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.133563/ubSMjHoglp?jfwid=1dunv96zxf>

<sup>23</sup> Licenced by the municipality where the lottery is operated when the lottery takes place during a sporting, cultural or any other public event and the face value of all tickets in the lottery does not exceed EUR 30 000.

<sup>24</sup> <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.133563/asr?positionInSearchResults=0&searchModelUUID=298e3423-b560-46f3-8d7e-aed793a8fabcb>

### **I. Tax on pollution (code 5213, L1)**

Tax for polluting environment is paid by natural and legal persons. Tax rates and tax reliefs are set in the law by central government and Municipal councils has no control neither over rates nor over tax reliefs. Also there is a tax-sharing arrangement set in the law. The pollution tax, except for polluting the environment with goods or packaging waste or waste disposed of at a landfill, is allocated in the following way<sup>25</sup>:

- 30 per cent – to the state budget with purpose to finance environmental investment projects (programme of the Lithuanian Environmental Investment Fund).
- 70 per cent – to the budget of the municipalities where pollution occurs, with purpose to finance measures provided for special municipal Environment Protection Support Programme.

From January 1<sup>st</sup> 2023<sup>26</sup>:

- 30 per cent – to the state budget.
- 70 per cent – to the budget of the municipalities where the stationary polluting object (device) is, and in the case of pollution from a mobile pollution source – to the budget of the municipality in where the taxpayer operating (using) the mobile pollution source is registered. These revenues are used to finance measures provided for special municipal Environment Protection Support Programme.

## **LUXEMBOURG**

The Grand Duchy of Luxembourg has a single tier of subnational government composed of 100 municipalities (communes). The Luxembourg Constitution defines them as autonomous authorities having a territorial basis and a legal personality with the responsibility of managing their own patrimony and interests (under central government control). All municipal taxes are own-source.

The main one is the municipal business tax that ranges between 6.75% and 10.5% depending on where the undertaking is located. Each municipality determines the rate individually - approved by the central government - which is applied to the tax base. Tax collection is made by the central government and receipts are then fully redistributed. However the main part is transferred to the fund for the global endowment of the communes („fonds de dotation globale des communes, FDGC“). Another important tax revenue is the property tax that municipalities impose on the unitary value of real estate property, including industrial plants. On 10 October 2022, the Luxembourg government filed a bill at the Luxembourg Parliament to completely reform the existing property tax and by additionally introducing two new national taxes, namely a land mobilisation tax (impôt à la mobilisation de terrains) and a tax on the non-occupation of houses (impôt sur la non-occupation de logements).

The new property tax will continue to apply to all owners of land in Luxembourg (with a lump sum tax deduction of EUR 2,000 for the primary residence - subject to conditions). The main element of the reform is the creation of new land values that are largely conditioned by the building potential according to the classification in the General Development Plans (PAG). The land mobilisation tax should encourage the construction of housing and is based on the establishment of a national register of undeveloped land, listing all land available for construction under the PAG. The introduction of a national tax on the non-occupation of houses is to mobilise existing unoccupied housing.

<sup>25</sup> <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.80721/HHxPXWmzod>

<sup>26</sup> <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.80721/ujqAJUACWs>

Other examples for municipal taxes are the taxes related to drinking water, water purification or waste, as well as the tourist tax or the dog tax. All these taxes are voted individually by the municipalities and then subject to the approval of the Minister.

## MEXICO

There are three types of taxes in Mexico: Federal, State and Municipal. The Mexican Political Constitution in its 115<sup>th</sup> and 124<sup>th</sup> articles establish the rights and faculties of subnational governments, States and Municipalities, to manage, create, or suppress taxes. In this matter, for local taxes, States and Municipalities are able to establish their own rates within their local laws.

### *Mexican Political Constitution*

*Article 115: The states comprising the United Mexican States shall adopt a republican, representative, democratic, secular and popular form of government for their own organization. The states shall be divided into municipalities, which shall be the basis of the political and administrative organization according to the following criteria:*

...

*II. Municipalities shall be vested with legal status and shall manage their own assets in accordance with the law.*

...

*III. City Councils shall be in charge of the following functions and public services:*

- a) Drinking water, drainage, sewerage system, treatment and disposal of sewage.*
- b) Street lighting.*
- c) Garbage cleaning, collection, transport, treatment and final disposal.*
- d) Municipal markets and wholesale markets.*
- e) Cemeteries.*
- f) Slaughterhouse.*
- g) Streets, parks and gardens, as well as their equipment.*
- h) Public security, according to the provisions established by the Article 21 of this Constitution, as well as preventive and transit police.*
- i) Other affairs determined by the state legislature, depending on the territorial, social and economic conditions of the municipality and on the administrative and financial resources of the Municipal Council.*

*The Municipal Councils, prior agreement of their councils, can coordinate their activities and collaborate to improve public services and their functions. For this purpose, the approval of the state legislature is necessary.*

...

*IV. Municipal Councils shall freely manage their properties and assets, which shall be composed of the yields generated by their properties, as well as of the taxes and other revenues authorized by the state legislatures. Municipal Council's assets shall include:*

a) Property tax and taxes on breaking up, division, consolidation, improvement and transfer of property, as well as any others that result from a change in the value of real estate.

City Councils can make and execute agreements with the state to authorize the state government to take charge of some functions regarding to management of local taxes.

b) Federal contributions authorized annually by the state legislature, specifying conditions, amounts and terms.

c) Revenue generated by provision of public services.

Federal laws shall not restrict the power of the state legislatures to fix the taxes and prices of the public services mentioned in the previous paragraphs "a" and "c". Federal laws shall not grant tax exemptions thereof. State laws shall not grant tax exemptions or allowances to the benefit of any person or institution. Only the properties belonging to the federal, state and municipal governments shall be exempt from taxes, provided that they are not used by semipublic or private entities for purposes different to those defined as public purpose.

Municipal Councils shall submit to the state legislature their proposal for tolls, charges, rates, taxes and the table of property value, which serve as basis to fix the property tax.

State legislatures shall approve the revenue law for the Municipal Councils, and shall review their public accounts. The Municipal Council, based on the available revenue, shall approve the expense budget and it shall include detail information about the salaries of the municipal public servants, according to that established in the Article 127 of this Constitution.

The resources constituting the municipal treasury shall be applied directly by the Municipal Council or by whomever it authorizes, according to the law.

...

Article 124: The powers not expressly granted by this Constitution to federal officials, shall be understood to be reserved to the States.

The National Council for Accounting Harmonization (CONAC in Spanish) defines taxes as the contributions that must be paid by Law, by individuals and legal entities that are different from social security contributions, improvement contributions, and rights. According to CONAC, taxes in Mexican subnational governments are classified as follows:

1. Income taxes.
1. Wealth and property taxes.
2. Taxes on production, consumption and transactions.
3. Payroll taxes, fixed on the taxable basis of remuneration for subordinate or corresponding personal work.
4. Accessories, income received for surcharges, penalties, execution costs, compensation, among others, associated with taxes, when these are not covered in time.
5. Other taxes, revenues received for concepts not included in the above types.

### Box 1. Main taxes collected by Subnational Governments according to CONAC's classification

- **Impuestos sobre los ingresos**
- Ejercicio de profesiones y honorarios
- Instrumentos públicos y operaciones contractuales

- Otros impuestos sobre ingresos
- Impuestos sobre el patrimonio**
- Adquisición de bienes inmuebles
- Enajenación de bienes muebles y adquisición de vehículos
- Impuesto predial
- Impuesto sobre tenencia o uso de vehículos
- Traslado de dominio de bienes inmuebles
- Otros impuestos sobre el patrimonio
- Impuestos Sobre la Producción, el Consumo y las Transacciones**
- Actividades industriales
- Actividades mercantiles
- Comercio de libros y revistas
- Diversiones y espectáculos públicos
- Explotación de minas
- Impuesto sobre hospedaje
- Loterías, rifas, sorteos y juegos permitidos
- Impuestos sobre Nóminas y Asimilables**
- Impuesto sobre nómina
- Remuneraciones al trabajo no subordinado
- Accesorios**
- Accesorios
- Otros impuestos**
- Impuestos adicionales diversos
- Para educación
- Para obras de infraestructura urbana
- Para fomento al turismo
- Para seguridad pública

Source: CONAC and National Institute of Statistical and Geographical Information (INEGI).

Mexico works within a National System of Fiscal Coordination (SNCF, for its acronym in Spanish) which organizes the fiscal system of the Federation with that of local governments in order to harmonize and simplify the fiscal system.

The **National System of Fiscal Coordination** aims to organize the fiscal system of the country and establishes a mechanism to compensate what subnational governments give up to collect in favor of the Federation. Its structure and operation is regulated by the *Ley de Coordinación Fiscal* (LCF). The LCF sets:

- a) Coordination of the federal fiscal system with the States, Municipalities and Mexico City.
- b) Allocation of the appropriate participation to the state public finances within the federal revenue.
- c) Rules on administrative cooperation among the different fiscal authorities.
- d) Government bodies on fiscal coordination, their organization and operation rules.

Reforms made in 2007 and 2013 introduced new taxes to the states and transferred the management of the vehicle tax as well as increased incentives for states to manage the rates them.

Coordination in exercising revenue powers along the different government levels involves an equity between the revenue system and tax payers when: (i) avoids an overtaxation on fiscal charges; (ii) encourages the simplification of the national revenue system in order to set only one tax per revenue stream (at federal, state or municipal level as appropriate), or generates an scheme of coordinate contributions; and (iii) strengthens state and municipal public finances, through revenue-sharing transfers (participations), and the creation of new revenue streams.



The resources collected through the SNCF, are allocated to the subnational governments through *Ramo 28 Participaciones Federales* (non-earmarked) and *Ramo 33 Aportaciones Federales* resources with a specific purpose and their allocation formulas seek an equity on its allocation, taking into account different elements as population, social matters like security, health care, and education. Both are delivered to the States and Municipalities as Federal Transfers (ear and non-earmarked).

The states and municipalities receive economic incentives, which derive from the federal fiscal administration activities they carry out. This economic resources are regulated by the Agreements of Administrative Collaboration in Federal Tax Matters (CCAMFF in Spanish) and its Annexes.

References:

CCAMFF: [http://dof.gob.mx/nota\\_detalle.php?codigo=5402294&fecha=30/07/2015](http://dof.gob.mx/nota_detalle.php?codigo=5402294&fecha=30/07/2015)

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[https://www.gob.mx/cms/uploads/attachment/file/583896/son\\_modificacion\\_cca\\_24abr2020.pdf](https://www.gob.mx/cms/uploads/attachment/file/583896/son_modificacion_cca_24abr2020.pdf)

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Ley de Coordinación Fiscal [http://www.diputados.gob.mx/LeyesBiblio/pdf/31\\_300118.pdf](http://www.diputados.gob.mx/LeyesBiblio/pdf/31_300118.pdf)

National System of Fiscal Coordination: <http://snmf.gob.mx/>

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2007 Reform: [http://www.diputados.gob.mx/LeyesBiblio/ref/lcf/LCF\\_ref30\\_21dic07.pdf](http://www.diputados.gob.mx/LeyesBiblio/ref/lcf/LCF_ref30_21dic07.pdf)

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## NETHERLANDS

In the Netherlands there is no minimum rate for the sewerage charges, but they are cost-covering. The budgeted total revenue collected from this charge cannot be higher than the budgeted total costs which are related to the sewerage (maintenance) activities. When the municipality sets the rate for the sewerage charges it needs to take these total limits into account.

## NEW ZEALAND

**Local government rates** are the primary source of finance for New Zealand's local councils. These are made up of general rates, targeted rates, differential rates, and uniform annual general charges. The *general rate* is set on the basis of the relative rateable value of the property (it can be land, capital, or rental equivalent valuation) and how the property is used, in order to fund functions from the community as a whole. Both *targeted and differential rates* are used to fund functions from a specific group of rate payers – but still on the basis of property value and use. The *uniform general charge* is a fixed payment that is levied on every individual rateable unit.

**Local authority fees and charges** refer to a variety of user charges that are implemented for services provided by local councils. Examples of these are fees from building consents, toll roads, liquor licences, and charges for swimming pool use.

Although local councils have complete autonomy to set the level of both rates and fees, they are constrained by the requirement that they take on a “prudent” amount of debt. These prudent limits are not fixed, but often refer to requirements regarding a path for net debt to total revenue, net interest costs to total revenue, and net interest to annual rates income.

**Local petroleum fees** are made up of the *local authority fuel tax*. This tax is levied on petrol and diesel with the revenue raised hypothecated to funding regional transport requirements.

In the case of Auckland, from July 2018 a *regional fuel tax* was introduced. This allows the local council to levy a tax of up to 11.5c per litre (or 10c per litre excluding GST) on petrol and diesel to fund transport

projects in the region “that would otherwise be delayed or not funded”. However, the final decision to establish the tax is at the complete discretion of central government Ministers.

## NORWAY

### A. TAXES INCLUDED UNDER B2:

#### *Personal income tax*

The personal income tax has two tax bases; personal income and ordinary income. Both municipalities and counties receive a share of the ordinary income tax from taxpayers. Ordinary income includes all types of taxable income from labour, pensions,

business and capital. Certain costs and expenses, including interest paid on debt, are deductible in the computation of ordinary income.

The maximum tax rates for municipalities and counties of ordinary income are set by the parliament each year in the national budget. The municipalities and counties can choose to set their local tax rates lower than the maximum tax rate. In practice, no municipality has chosen to do so in the past few decades.

The central government also receives a share of the ordinary income tax from taxpayers.

The legislation regulating the personal income tax (tax rates, allowances) is set by the national parliament. The overall tax rate on ordinary income was 22 per cent in 2021. This rate is set independently of the maximum tax rates for municipalities and counties.

The maximum tax rates for municipalities and counties are set in order to achieve a composition of revenues where local government tax revenues (ordinary income tax, net wealth tax, natural resource tax, property tax) amounts to a concrete per cent share of total local government revenues for municipalities and counties as a whole. Since 2011 this share has been 40 per cent.

The level of so-called free revenues (tax revenues and general grants) to municipalities and counties is set each year in the national budget. It is decided upon an amount measured as the expected real growth in free revenues compared to revenues in the present year. In setting the real growth, expected changes in expenditure due to changes in the demographic structure as well as expected changes in pension costs for the local government sector are taken into consideration. In recent years, the real growth has been set to at least cover increased demographic and pension costs.

Within this framework, the maximum tax rates for ordinary income tax to municipalities and counties are set in order to achieve a composition of total revenues where tax revenues make up 40 per cent. Total revenues also comprise other revenues than free revenues (tax revenues and general grants), such as earmarked grants from the central government and revenues from user fees and charges.

#### *Net wealth tax*

Municipalities receive a share of the net wealth tax from personal taxpayers. A maximum tax rate for municipalities is set by the parliament in the national budget. The maximum tax rate for municipalities has been 0,7 per cent since 1998. Municipalities can choose to set their local rates lower than the maximum rate. In practice, no municipality has chosen to do so in the past few decades. Recently, one municipality has reduce their maximum rate from 0,7 per cent to 0,2 per cent from 2021 and one municipality from 0,7 per cent to 0,5 per cent from 2023 .

The central government also receives a share of the net wealth tax (0,15 per cent in 2021).

The legislation regulating the net wealth tax (tax rates, basic allowances etc.) is set by the national parliament.

### *Property tax*

The municipalities can choose to levy a property tax on different types of immovable property, including residential property, commercial property, power plants and petroleum installations.

The Property Tax Act, adopted by the national parliament, defines the different kinds of properties that can be subject to the property tax, maximum and minimum tax rates and defines the framework for local regulations on value assessment and setting of allowances. Property tax on power plants is subject to specific rules of value assessment.

The Property Tax Act also limits annual increases in the tax rates.

As of 2021, 322 out of 4356 municipalities had introduced property tax.

## **B. TAXES INCLUDED UNDER E**

### *Natural resource tax*

Both municipalities and counties receive natural resource tax from hydro power plant enterprises. The tax is determined for each power plant on the basis of the average production of electrical power over the last 7 years.

The tax is calculated at a rate of 1,1 øre (1/100 NOK) per kWh to municipalities and 0,2 øre per kWh to counties.

## **POLAND**

Poland is a unitary state with local government (*samorząd terytorialny*) organised at three tiers: 16 voivodships, or regions (*województwo*), 314 counties (*powiat*), and 2478 municipalities (*gmina*).

Local governments can have three different revenue sources:

- own revenues,
- earmarked grants
- general subsidy.
- The own revenue are:
  - local taxes (only for municipalities),
  - shares in income taxes (PIT, CIT in different shares for municipalities, counties and regions),
  - fees and charges,
  - revenue from assets,
  - other income.

The size of the general grant transferred to each sub-national government is determined in order to perform a fiscal equalisation function among municipalities. The formula used to calculate the grant for municipalities takes into consideration the revenue-generating capacity of each local unit in the form of tax revenue per capita and, with a lower weight, population density. The grants for counties and regions also take into consideration other factors like unemployment and specific regional factors such as infrastructure.

A special education subsidy is transferred by the Ministry of Education to all entities in charge of educational tasks and represents the major financing source for primary and secondary education.

The earmarked grants finance central government functions delegated to sub-national governments.

## PORTUGAL

As stated in Article 6 of the [Constitution of the Portuguese Republic](#), Portugal is a unitary State and respects, in its organization and functioning, the insular autonomous regime and the principles of subsidiarity, the autonomy of local authorities and the democratic decentralization of public administration. Paragraph 2 of the same article also advocates that the archipelagos of the Azores and Madeira constitute autonomous regions endowed with political-administrative statutes and their own government. The Azores and Madeira autonomous regions and the local authorities (municipalities, parishes and other local entities) are classified in the Local Government subsector.

In this way, a system was instituted in Portugal which reconciles the unitary character of the State with the autonomy of the Autonomous Regions of the Azores and Madeira and an administrative decentralization, in which the Central Government should only intervene directly, when the decentralized governments do not fulfil the attributions and powers that were delegated to them.

The autonomous regions of the Azores and Madeira are territorial collective persons that have been given the power to institute their own taxes, under the terms of the law. These regions also have the ability to adapt the national tax system to the regional specificities, under the terms of the framework law of the Assembly of the Republic, however with relative autonomy, considering that the Central Government imposes its limits through the Finance Law of the Autonomous Regions ([Law No. 2/2013, of 2 September](#)).

As for local authorities, with regard to the prerogatives of creating and collecting taxes (tax autonomy), it is important to note that, depending on the type of taxes in question, the powers of the Municipalities may be more or less limited. In fact, taxes can only be legally disciplined by Parliament or by the Government, if provided with legislative authorization. Therefore, no tax autonomy is envisaged, taking into account the strict limits on the exercise of tax power imposed on local authorities.

In this way, and under the terms of article 14 of the Financial Regime of Local Authorities and Intermunicipal Entities ([Law No. 73/2013, of September 3](#)), local authorities benefit from a budget increase, resulting from the allocation of certain tax revenue, namely: the tax on real estate and the real estate transfer tax and part of the Personal Income Tax and Corporate Income Tax and of the local tax vehicles. However, it is important to point out that these taxes are managed by the Central Government Tax Authority, which proceeds with their assessment, settlement and collection.

## SLOVAK REPUBLIC

The Slovak Republic is divided into 8 regions (EU's NUTS 3 level) and cca. 2,890 municipalities. Every level has its own elected officials, distributed responsibilities. Slovak public administration is of a dual nature, with relatively separate lines of local government (local and regional) and state administration (regional general state administration). There is a clear-cut distinction at the regional and local level between the responsibilities of the local government and those of state administration.

With regards to the system of financing, local governments have original powers (system of schools, transport, etc. which is financed by own revenues) and transferred executive powers, which is financed by state transfers. The state collects personal income taxes and redistributes them to municipalities (70%) and higher governing units (VUC, 30%).

## SLOVENIA

The Constitution of the Republic of Slovenia guarantees the implementation of local self-government, which is exercised in municipalities. It is ensured that the inhabitants of the municipalities participate in the management of public affairs of a local nature, while at the same time having a certain degree of independence from the state as a local community. The essence of this independence is reflected in the organizational, functional, financial and territorial autonomy of municipalities vis-à-vis the state. The autonomy of municipalities vis-à-vis the state is governed by the Constitution and laws. Pursuant to the local government act the municipalities are responsible for carrying out tasks in almost all areas of public concern. The most important fields in the area of expenditure by municipalities are education (pre-school and primary education), housing and community amenities, communal activities, environmental protection, housing activities, planning, and transportation and communications (road activities).

Municipalities can carry out original functions and transferred functions. Local matters that the municipalities regulate independently and that only affect the inhabitants of the municipality are defined as original functions. The transferred functions are those transferred by law from the state to the municipalities. The area of municipal financing is of great importance for the existence and functioning of local self-government. Without financial autonomy or sufficient financial resources, municipalities cannot carry out their original tasks.

The original functions are financed by the local community revenues set by the financing of municipalities act (property tax in the form of the land rent for use of building grounds, inheritance and gift tax, income from public utility charges, municipal fees and fines), while state funding for the transferred functions is provided from the national budget. Municipalities get general grants from the national budget for funding the municipality's appropriate expenditure. Appropriate expenditure is the level of funding with which the municipality can ensure that its constitutional and legal functions are carried out. The National Assembly sets the level of appropriate expenditure per inhabitant when the state budget is approved for an individual budget year.

Slovenian municipalities enjoy adequate level of autonomy to independently regulate and manage local matters of importance to their communities. The Act (Local Self-Government Act, [Zakon o lokalni samoupravi](#)) regulates municipalities as basic self-government local communities. Local matters are those matters that municipalities can regulate independently and only concern the residents of the municipality. Due to local specificities, municipalities may regulate tasks defined by law differently. Most of the tasks within the jurisdiction of the municipality refer to the areas of spatial planning, construction of facilities, local public services, environmental protection, primary education, childcare and others. General jurisdiction enables the municipality to determine its jurisdiction also through its own regulations. In this case, they are carried out independently, they only apply to its residents, it does not interfere with the jurisdiction of the state or other municipalities, and it provides its own sources of funding, infrastructure, and personnel.

The state can delegate to the municipality the performance of individual tasks from the state's competence if it also provides funds for this.

The following Acts that are also important around work regulation and municipal financing:

- Financing of Municipalities Act ([Zakon o financiranju občin](#) in EN version): this Act regulates the financing of tasks falling within the competence of a municipality. The two major sources of municipalities' revenue are income tax and property tax (such as the land rent for use of building grounds). Other important sources are capital gains, income from public utility charges, municipal fees and fines. Expenditure includes expenses for the operation of municipalities, capital expenditure, subsidies, transfers to individuals (this includes partially covered expenses for pre-school programmes and subsidies for home care) and for the operation of public institutions at the local level.

- Local Election Act ([Zakon o lokalnih volitvah](#) – EN): this Act regulates elections to municipal councils and mayoral elections and elections to councils of local, village and district communities.

## SOUTH AFRICA

Municipalities in South Africa levy property rates as their primary source of local government tax revenue. The powers of municipalities to regulate this tax are regulated in the Municipal Property Rates Act (2004, amended 2009 and 2014). This Act empowers municipal councils to set property rates and annual increases within their area of jurisdiction. However, part 3 of the Act prescribes limits on the rates municipalities can levy. These limitations include specified types of properties that may not have rates levied on them and provides the power for national government to gazette guidelines and limits on annual increases.

South African municipalities can apply for other taxation powers in terms of the Municipal Fiscal Powers and Functions Act (2007). Such taxes can be approved by the Minister of Finance, after considering prescribed criteria. To date, no additional municipal taxes have been approved.

## SPAIN

For tax purposes, Spain is organised into three levels of administration:

- State (central government)
- Autonomous Communities (regional governments)
- Local Corporations (local governments)

It is impossible to show in this explanatory annex all the complexity of the regional and local governments taxing powers. Following are some clarifications on this issue, focusing on true taxes<sup>27</sup>:

### **A. Fiscal asymmetric autonomy: “common regime” Autonomous Communities and Autonomous Communities of “foral regime”**

The regional fiscal decentralisation system established by the Spanish Constitution is a model of asymmetric autonomy, in which Autonomous Communities can be classified for tax purposes in two groups: “common regime” Autonomous Communities and Autonomous Communities of “chartered regime” or “foral regime”.

- “Common regime” Autonomous Communities: Extremadura, Andalusia, Galicia, Aragon, Balearic Islands, Canary Islands, La Rioja, Cantabria, Community of Madrid, Castile and Leon, Principality of Asturias, Castile-La Mancha, Region of Murcia, Catalonia and Valencian Community.

The main source of tax revenues for these “common regime” Autonomous Communities are central taxes totally or partially transferred to them, called “ceded taxes”:

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<sup>27</sup> The Spanish tax system comprises three kinds of taxes: “impuestos” (true taxes), “tasas” (dues, fees or charges) and “contribuciones especiales” (special levies).

The “tasas” and “contribuciones especiales” are quantitatively much lower than the true taxes and are collected in return for a public service provided by the authorities as well as for the utilisation of public goods (“tasas”) or for any type of private benefit deriving from public works or services (“contribuciones especiales”). This last one is only used at the local level.

- Inheritance and Gift Taxes, Wealth Tax, Tax on property transactions, Taxes on betting and gambling.

In relation to these taxes, known as “traditional ceded taxes”, the Autonomous Communities obtain all the revenue accrued from the taxes and have wide regulatory powers to set the tax rate and tax reliefs.

- Personal Income Tax

Autonomous Communities have a participation percentage of 50% in the Personal Income Tax of taxpayers living in their territories. In this share, regional governments may set their own table of rates, which must follow a progressive structure and is limited to general income, excluding investment income in movable assets or capital gains, which are taxed using a national set of rates. Autonomous Communities may also establish minimum exempt thresholds and create tax credits limited to certain family and personal circumstances and non-business investments.

- Special Tax on Certain Means of Transport

Autonomous Communities receive the total revenue accrued from this excise duty on vehicles, and they are able to increase the rate a maximum of 15% over the Central Government tax rate.

- - Value Added Tax and Excises

Autonomous Communities obtain a percentage on the revenue, but have no regulatory powers.

- Autonomous Communities of “chartered regime” or “foral regime”: Navarre and Basque Country.

The Basque Country and Navarre were granted an exception in the fiscal system through the first additional provision of the Spanish Constitution that recognizes their historical “charters” hence they are known as Autonomous Communities of “chartered regime” or “foral regime”.

Actually, the taxation powers fall on the “Foral” Councils, which are local governments of provincial scope, and in the case of Navarre, which is an Autonomous Community having only one province, this local government overlaps with the regional Government. For this reason, the tax revenues of these foral territories are included in the questionnaire as “state” in the case of Navarra and as “local” in the case of the Basque Country.

Through their “foral regime”, these communities can levy and collect the so-called “contracted taxes” with regulatory powers that vary according to cases:

- - Personal Income Tax, Corporate Tax, Inheritance and Gift Taxes, Wealth Tax, Tax on property transactions and Taxes on betting and gambling.

The regional government set the tax rate and any tax reliefs.

- Special Tax on Certain Means of Transport

The Foral Autonomous Communities have the same regulatory powers as those of the common regime.

- Value Added Tax, Excises, Tax on insurance premiums, Income tax of non-residents and Tax on deposits of credit institutions

Foral Autonomous Communities have no regulatory power on these taxes.

## 2. **Autonomous Communities own taxes**

Autonomous Communities can levy their own taxes with some limits:

- Territorial principle: Autonomous Communities may not adopt tax measures over assets located outside their territory.
- Neutrality principle: Autonomous Communities cannot take tax measures leading to obstacles for the free movement of goods or services.
- Forbidding of double taxation: Autonomous Communities cannot establish taxes that fall on those taxable events already taxed by the Central Government

Within the framework of these limiting principles, Autonomous Communities are largely free to shape the elements of their own taxes.

Most Autonomous Communities have established taxes linked to environmental policies, mainly taxes on supply or treatment and purification of water, taxes on facilities or activities with effects on the environment, polluting emission taxes and taxes on waste management and treatment. The revenue of these taxes is included in rows <ESP, 5213, L6> - *Taxes on environment and pollution*, and <ESP, 5213, L7> - *Tax on effluent, use of hydrocarbon and mines*.

The rest of categories are not of general application, and they exist in certain Autonomous Communities or in some cases, only in one:

- Taxes on large Commercial Establishments
- Game profit tax
- Tax on stays in tourist establishments
- Tax on insufficient use of certain rural land
- Tax on hunting exploitation
- Plastic bags tax
- Empty homes tax
- Tax on bottled sugary drinks
- Tax on non-productive assets.
- Petrol derived fuels tax (Canary Islands)
- Tobacco tax (Canary Islands)

### A. **Canary Islands Tax Regime**

According to their historic tax peculiarities, their status of accession to European Union and their nature of outermost region, there are differences between the tax regime of Canary Islands and that of the others Autonomous Communities:

- - Canary Islands General Indirect Tax

Canary Islands are outside the VAT area; instead, there is a specific tax, Canary Islands General Indirect Tax, levied only in this territory. The regional government have autonomy to set tax rates and tax reliefs.

The collection of this tax is shared between the Autonomous Community (42%) and the local governments (58%)

- - Tax on National Products and Imports of Goods in the Canary Islands



Tax on National Products and Imports of Goods in the Canary Islands is a central tax levied on production and import of goods in the Canary Islands.

The regional government has the regulatory power to define the products whose delivery or import is taxed, the tax rates and the tax benefits in internal deliveries.

The collection of this tax is shared between the Autonomous Community (42%) and the local governments (58%).

- - Own taxes: Tax on Petrol Derived Fuels and Tax on Tobacco

In the Canary Islands, some excises on oil and tobacco are not levied, but there are specific taxes on Petrol Products and tobacco.

#### ***D. Tax powers of Local Corporations***

In Spain, the term “local authorities” includes not only the councils of municipalities but also the provincial councils. In Autonomous Communities having only one province, the regional government are in place from the provincial government.

The main source of Local Corporations tax revenue is due to five taxes set by the central government:

- - Three municipal compulsory taxes: Real Estate Tax, Economic Activity Tax and Car Registration Tax
- - Two optional taxes that are discretionary for municipalities: Tax on building permits and Tax on the increase in value of urban land.

For these five taxes, municipalities have power to set rates in a range, and to set some tax credits (in Autonomous Communities with “foral” regimes, the Basque Country and Navarre, provincial councils have these tax powers instead of their municipalities).

The collection of these taxes is under the municipalities’ jurisdiction, but municipalities can delegate the collection to the provinces.

Provincial councils -the regional governments, in the case of uni-provincial Autonomous Communities- have the power to set surcharge on Economic Activity Tax.

#### ***E. Ceuta and Melilla Tax Regime***

The autonomous cities Ceuta and Melilla have their own Statute of Autonomy, deriving from their historical and geographical particularities.

VAT is not applied in Ceuta and Melilla and is replaced by a specific central tax on national and imported products applied only in these cities.

The cities of Ceuta and Melilla have limited power to set rates in the range of between 0,5% and 10%.

## **SWEDEN**

The most important source of income for sub-central governments in Sweden is income tax. Sub-central governments have a high degree of autonomy in Sweden and each municipality and region is free to set their income tax rate. The tax rate for each year is decided by the elected council in the end of the previous year. The delimitation of the tax base and reliefs cannot be decided by sub-central government but is decided by central government.

Swedish municipalities also receive income from property tax since 2008. Most of it is tax on real estate paid by natural persons while a smaller part is paid by legal persons.

## SWITZERLAND

The Swiss cantons have a high degree of autonomy regarding their tax policy. Therefore, the code a1 has been set for all tax categories. Furthermore, there are tax-sharing arrangements for some federal taxes (e.g. cantons receive 21.2% of the federal income tax).

On the local level, the degree of tax autonomy is lower than at the cantonal level. It depends on cantonal regulations and arrangements and may vary from canton to canton. Therefore, it is not always clear-cut how to assess the tax autonomy on the local level. We mainly set the code b2. However, there is no general information on the permitted range for tax rates. Some cantons define such a range for local government, others do not. In particular cases such as the property gains tax two codes (b2 and d3) would be relevant due to the fact that there is no clear tendency. Since only one code could be filled in, the code reflecting the arrangement most applied was chosen.

## TURKEY

There is an application in the form of giving shares to the provincial special administrations and municipalities over the sum of the general budget tax revenues and under the Law No. 5779 on Providing Shares of General Budget Tax Revenues to Special Provincial Administrations and Municipalities. This application corresponds to the definition (d3) under the heading “D: Tax sharing arrangements”. For the real estate and tax revenues of local administrations, the definition (e) under the heading “E: Central government sets tax rates and reliefs” is deemed to be appropriate.

## UNITED KINGDOM

There are two rates levied on properties in Northern Ireland: one is set by local government authorities (“Councils”) and the other is set by the higher government authority (“Northern Ireland Executive”). In both cases the level of reliefs is set by the Northern Ireland Executive. The rates are collected as one rate by Central Government, and the relevant portion is paid to each local government authority.

The Community Infrastructure Levy (CIL) is a fixed, flat-rate, non-negotiable tariff, that is levied on the area (floorspace) of buildings contained within new development. 158 (51%) of local planning authorities currently charge CIL. CIL charges are calculated at the point planning permission is granted with payment becoming due once development commences. Local authorities must spend the levy on infrastructure needed to support the development of their area, and they will decide what infrastructure is needed.

The application of CIL may vary by local authority area and by development site. Tariff rates are developed by the relevant authority, based on assessment of infrastructure funding need and viability (but not any fiscal restraints imposed by central government) and then subject to consultation and independent examination, as required by central government (Planning Act 2008, Part 11, S.211). It is not mandatory for a local authority to adopt CIL, but where a Local Authority does adopt it, it is a compulsory, non-negotiable charge that is hypothecated to infrastructure development. CIL payments can, by agreement between parties, be paid ‘in kind’ via direct provision of infrastructure and/or land for infrastructure. As such the Local Authority has considerable discretion over the tax base, with the rate limited by what the revenue can be spent on.

## UNITED STATES

In general, U.S. states have wide discretion over their choice of taxes, the tax bases, and the tax rates. However, states are subject to a constitutional prohibition against levying taxes on interstate commerce and on exports. States, as opposed to the federal government, are generally responsible for establishment and regulation of local governments. As a result, the structure and financing of local governments differs across the 50 states. For more details on local government financing, see Andrew Reschovsky, "The Tax Autonomy of Local Governments in the United States," Lincoln Institute of Land Policy, Working Paper WP19AR1, January 2019. <https://www.lincolnst.edu/publications/working-papers/tax-autonomy-local-governments-united-states>.