

TAX AND INCOME TAX ON LAND-OWN FINANCIAL RESOURCE OF THE LOCAL BUDGETS

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Abstract:

The revenues of the local budgets have a complex structure, and within it is of particular importance the own revenues as it reflects the ability of the local public administration authorities to cover the expenditures provided in the local budget without resorting to transfers from the state budget. As a result the growth of own revenue should form the main concern of local authorities. Within this article we propose to study the place and role which it has within local budgets in Romania „Tax and income tax on land”. In the first part of the research we presented the defining characteristics and the technical elements of this mandatory fiscal, highlighting the placement and method of calculating it.

The research continues with the quantitative analysis of the budgetary indicator „Tax and income tax on land” based on the existing data in Romania's Statistical Yearbook and puts in highlight the place which these revenues within local financial resources in Romania.

Key words: local budget, taxes, land, financial resources, local revenues

JEL classification: H71, H83

1. INTRODUCTION

The support of local autonomy through economic and financial means is motivated by several arguments, one of which is considered important is that at present the local public administrations have potential that is not fully exploited, the degree of self-financing being relatively low. Thus, it is very important to build a fiscal framework that has the necessary elasticity to allow a permanent adaptation to the changes that occur in the economy and which will lead to a progressive reduction of the restrictions imposed on local authorities in matters of local finance management (Cigu, 2001, 2011).

The objectives proposed in the research are mainly two. The first objective is to study the place and role of the land taxes within the local budgets of Romania, and the second objective is to identify and propose solutions for a significant increase of the income from these taxes within the local budgets in Romania.

The paper combines the elements of fundamental research with those of applied research. Thus, in the framework of the fundamental research I analyzed the conceptual framework regarding the land taxes, as well as their settlement and payment.

In the applied research I used the method of quantitative analysis of the "Land Taxes" budget indicator, taking into account the information from the Romanian Statistical Yearbook from 2009 to 2018, with the purpose of highlighting the place and role that these taxes have in public local income within Romania, in order to be able to formulate some solutions to increase these revenues of the local budgets.

2. THE DEFINING FEATURES AND TECHNICAL ELEMENTS OF THE LAND TAXES

The land tax represents one of the oldest taxes, collected from the first forms of state organization. In the case of land tax, when determining the amount due to the state, it was started from the surface of the land, the number of working animals and the number of plows used to work the land, the size of the sand, the price of the land, etc., without taking into account the production

obtained, the income realized or production costs. A step forward in establishing the land tax was the introduction of the cadastre. This represents both the action of describing the land areas and the land assets of each locality, with the mention of the income they produce, as well as the registers in which the taxpayers and their assets appear, on the basis of which the direct taxes were established (Matei et al., 2013).

2.1. THE SUBJECTS OF TAXATION

According to the current legislation¹, any person who owns land located in Romania owes for it an annual property tax, except where the law provides otherwise.

For the lands that are public or private property of the state or of the administrative-territorial units, granted, rented, given in administration or in use, as the case may be, to any entities, other than those of public law, the local tax is established, which is due to concessionaires, tenants, holders of the right to administer or use, as the case may be, under conditions similar to the property tax. In the case of the subsequent transmission to other entities of the right of concession, lease, administration or use on the land, the tax is due to the person who has the contractual relationship with the person under public law.

Therefore, the subject of the property tax is, in principle, any natural or legal person who owns a land located in Romania and the subject of the local tax is the user of a land for the public or private lands owned by the state or the administrative-territorial units used within a concession or a lease, given in administration or in use.

In the case of the land that is jointly owned by two or more people, each owner owes property tax for the part of the land owned by him. If the individual parts of the joint owners cannot be established, each joint owner owes an equal part of the property tax for the respective land.

The Romanian Fiscal Code provides exemptions and reductions from the payment of the property tax and the local tax on land that can be grouped into two categories, namely (Șaguna and Șova):

- a) exemptions from the payment of the legal property tax/local tax on land (art. 464 para.1);
- b) exemptions and reductions from the payment of administrative property tax/local tax on land.

The local councils may decide to grant the exemption or reduction of the taxes due for certain categories of land provided by art. 464 paragraph 2 of the Fiscal Code. In this situation, the exemption or reduction from the payment of the land taxes applies from January 1st of the year following the one in which the entitled person submits the supporting documents.

The law stipulates that „the tax on lands owned by natural and legal persons that are used for the provision of seasonal tourist services, for a maximum of 6 months during a calendar year, is reduced by 50%”. The reduction is applied in the fiscal year following the one in which this condition is fulfilled (Fiscal Code, art. 464 para. 4).

2.2. ESTABLISHING AND COLLECTING LAND TAXES

The calculation of the land tax/tax is provided for by the tax code in art. 465. Thus, the land tax „is established by taking into account the number of square meters of land, the rank of the locality in which the land is located, the area and the category of land use, according to the classification made by the Local Council”.

In the case of land subject to concession, lease, administration or use contracts which refer to periods of more than one month, the land tax is established in proportion to the number of months for which the right of concession, lease, administration or use is constituted. For fractions less than one month, the fee is calculated in proportion to the number of days in that month. In the case of land subject to concession, rental, administration or utilization contracts that refer to periods

of less than one month, the land tax is due in proportion to the number of days or hours stipulated in the contract. When a local tax is paid for a land, the property tax is not due.

If for a land that is public or private property of the state or of the administrative-territorial unit is due property tax, and during a year situations arise that determine the local tax due on the land, the difference of property tax for the period that is due the local tax is compensated or refunded to the taxpayer in the following fiscal year.

In the case of land located in the urban area, registered in the Agricultural Register in the category of utilities land with constructions, the property/local tax on the land is established by multiplying the area of the land, expressed in hectares, with the amount per hectare corresponding to the area, and this result is multiplied by a correction coefficient provided by law, this way:

Table no. 1. Levels of the tax/tax on land with constructions, on ranks of localities

Area within the village	Levels of the tax/tax on land, on ranks of localities-lei/ha					
	0	I	II	III	IV	V
A	8.282- 20.706	6.878- 17.194	6.042- 15.106	5.236- 13.090	711- 1.788	569- 1.422
B	6.878- 17.194	5.199- 12.998	4.215- 10.538	3.558- 8.894	569- 1.422	427-1.068
C	5.199- 12.998	3.558- 8.894	2.668- 6.670	1.690- 4.226	427- 1.068	284- 710
D	3.558- 8.894	1.690- 4.226	1.410- 3.526	984- 2.439	278- 696	142-356

Source: Law no.227/2015 on the fiscal code with subsequent amendments and completions, art. 465, alin. 2

Between January 1, 2016 - December 31, 2017, according to the legal provisions² entered into force by the new Tax Code, for the land located in the city, registered at the agricultural register for a different use category than that of land with constructions, with an area of up to 400 square meters inclusively, the property / local tax on land was established by multiplying the area of the land, expressed in hectares, with the amounts provided by the Tax Code, and approved by local council decision, for the land located in the city, having the category of use "land with constructions". This legal provision was repealed because it was found incorrect to tax the first 400 square meters of land located in the city and, in fact, being in the category of agricultural land which resulted in the payment of unjustifiably large property / local taxes on that land.

In the case of land located in the urban area, registered in the agricultural register for a different use category than that of land with constructions, the property / local tax on the land is established by multiplying the area of the land, expressed in hectares, with the corresponding amount in the table below and this result is multiplied by the corresponding correction coefficient provided by the Fiscal Code.

Table no. 2. Levels of the tax/tax on land situated in intravilan

Crt. No.	The Zone Category of usage	A	B	C	D
1	Arable land	28	21	19	15
2	Grassland	21	19	15	13
3	Meadow	21	19	15	13
4	Grapevine	46	35	28	19
5	Orchard	53	46	35	28
6	Forest or other land with forest vegetation	28	21	19	15
7	Land with waters	15	13	8	0
8	Roads and railways	0	0	0	0
9	Non-Productive Land	0	0	0	0

Source: Law no.227/2015 on the fiscal code with subsequent amendments and completions, art. 465, alin. 4

For a land situated in the outskirts the tax/tax on land shall be calculated by multiplying the area of the land declared in hectares by the value corresponding to each category of land in the table below, which shall be multiplied by the appropriate correction coefficient:

Table no. 3. Levels of the tax/tax on land situated in extravilan

Crt. No.	Category of usage	Tax (lei)
1	Land with constructions	22-31
2	Arable land	42-50
3	Grassland	20-28
4	Meadow	20-28
5	Grapevine at fruit age, other than the one stipulated at crt no 5.1	48-55
5.1	Grapevine until fruit age	0
6	Orchard at fruit age, other than the one stipulated at crt no 6.1	48-56
6.1	Orchard until fruit age	0
7	Forest or other land with forest vegetation, with the exception of the one stipulated at crt no 7.1	8-16
7.1	Forest up to 20 years old and forest with role in protection	0
8	Land with water, other than fish stocks	1-6
8.1	Land with fish stocks	26-34
9	Roads and railways	0
10	Non-Productive Land	0

Source: Law no.227/2015 on the fiscal code with subsequent amendments and completions, art. 465, alin. 7

In the case of the lands belonging to the religious cults officially recognized in Romania and to the religious associations, as well as their local components, with the exception of the surfaces that are used for economic activities, the taxable value is established by assimilation with the non-productive lands.

The registration in the agricultural register of data on buildings and lands, of the holder of the right of ownership over them, as well as the change of the category of use can be done only on the basis of documents, annexed to the declaration made under the signature of the head of household or, in his absence, of a senior member of the household. The level of the property / local tax on the land for which the law provides a minimum and maximum level is established by a decision of the local council. At the level of the municipality of Bucharest, this attribution falls to the General Council of the Municipality of Bucharest.

2.3. PAYMENT OF PROPERTY/LOCAL TAX ON LAND

The property tax, as well as the local tax on land is due to the local budget of the commune, city or municipality where the land is located. In the case of Bucharest, the property tax and local tax on land are due to the local budget of the sector in which the land is located.

The property tax on land is paid annually, in two equal installments, until March 31 and September 30 inclusively. For the advance payment of the property tax on the land, owed for the whole year to taxpayers, a discount of up to 10% is applied, established by the decision of the local council. At the level of the municipality of Bucharest, this attribution falls to the General Council of the Municipality of Bucharest.

The property tax on the land, due to the same local budget by taxpayers, natural and legal persons, up to 50 lei inclusive, is paid in full until the first payment term.

In the case of concession, rental, administration or utility contracts, which refer to periods of more than one month, the local tax on land is paid monthly, up to the 25th of the month following each month of the contract's validity period, by concessionaire, lessee, holder of the right of administration or use.

In the case of contracts that refer to periods of less than one month, the legal person of public law transmitting the right to concession, lease, administration or use collects the local tax on the land from the concessionaires, tenants, the owners of the administration right or utility and deposits it monthly, until the 25th of the month following each month of the contract validity period.

According to the legal provisions³ „for the agricultural land uncultivated for 2 consecutive years, the local council can increase the local tax on land by up to 500%, starting with the third year, under the conditions established by the decision of the local council”. The same increase can be applied for the untidy land, located within the town.

3. ANALYSIS OF THE DYNAMICS OF PROPERTY AND LOCAL TAX ON LAND WITHIN THE LOCAL BUDGETS OF ROMANIA

In order to highlight the place and the role of the property tax and the local tax on the land within the revenues of the local budgets of Romania, we will carry out a study of the dynamics of the receipts but also of the weights that these local financial resources hold within the centralized budget of the territorial administrative units in Romania. For this purpose we will use the data presented in the Romanian Statistical Yearbook, which are centralized in the following table.

Table no. 4. Evolution of the revenues and the weight of the property / local tax on land in the local budgets of Romania between 2008-2017

	millions lei									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total revenues	43629,1	43526,1	43922,2	44803,9	45419,3	48092,6	53666,2	61462,9	59518,1	62782,1
Property/Local taxes on land	743,2	736,2	889,6	917,7	946,7	1093,7	1139,6	1158,4	1408,5	1501,9
Weight of property/local taxes on land in the total revenues of local budgets (%)	1,70	1,69	2,02	2,04	2,08	2,27	2,12	1,88	2,36	2,39

Source: Own processing after Romanian Statistical Yearbook 2009-2018

From the above table it is shown that in the period 2008-2017 the incomes collected by the local public authorities in Romania with the title of property tax and local tax on land increased from 743,2 million lei in 2008 to 1501.9 million lei in 2017. It is noted that the income from the property tax / local tax on land collected at the local budgets during this period doubled in nominal expression. Regarding the property tax and the local tax on the urban land, Law 227/2015 on the Fiscal Code brought important changes, which caused a significant increase of the income from these taxes and taxes, in 2016 compared to 2015 (increase of about 22%). It seems that the changes regarding the property tax / local tax on the urban land, although they had a positive impact on the incomes of the local budgets, were difficult to bear by the taxpayers, because the legislator removed some of them in 2017, and renounced to the calculation of property tax and local tax on urban land, with an area of up to 400 m² registered in the agricultural register for a different category of use than that of land with constructions, by assimilating the respective category of use with that of land with constructions. However, it remained in force the legislative change in 2015 regarding the taxation of land covered by constructions, which resulted in an increase of the income from the property tax and the local tax on land.

It is also necessary to observe that the incomes mobilized to the local budgets from the property tax/local tax on land occupy a very small share in the total revenues of the local budgets in Romania, as illustrated in the graph below.

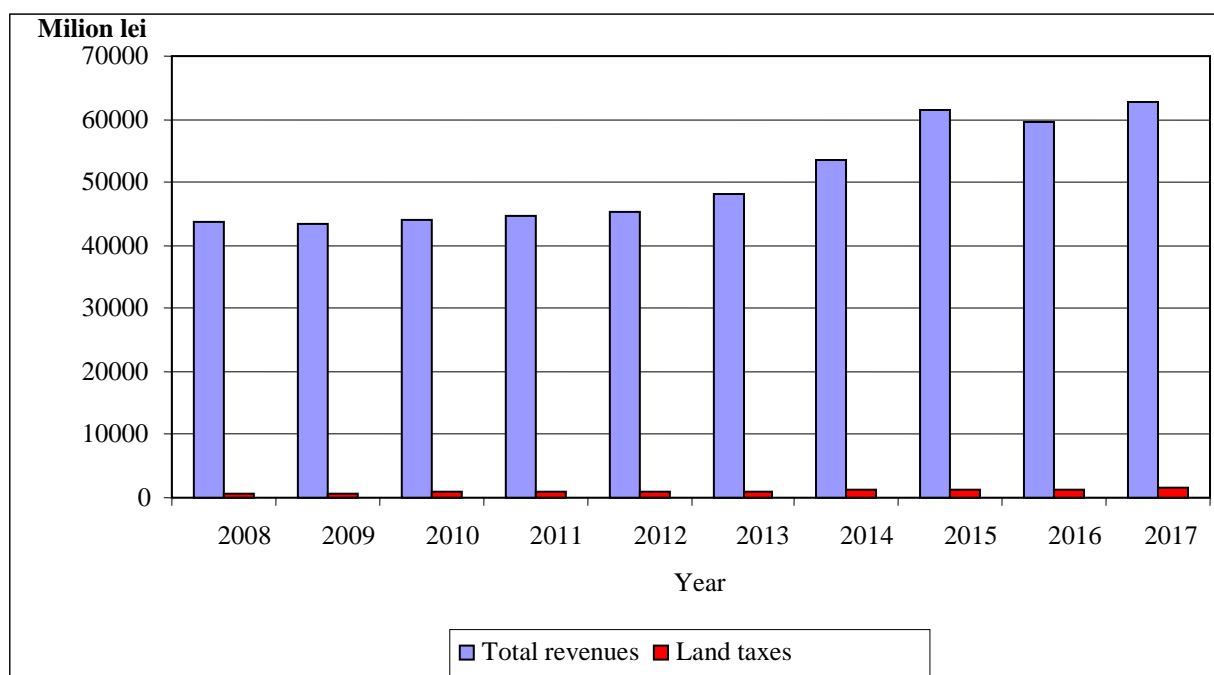


Figure no. 1. Evolution of total revenues and land taxes collected at the local budgets in Romania between 2008 - 2017

Table no. 4 and Figure no. 1 shows that the highest share of the land taxes in the total revenues of local budgets in Romania was registered in 2017 (2.39%) and the lowest in 2009 (1.69%). We note that the application of the new Fiscal Code on January 1, 2016 caused this weight to increase to 2.36% compared to the previous year (2015) when it was recorded a weight of 1.88%.

In my opinion (Ichim, 2018), by maintaining a low level of tax base, the state offers social protection to all the owners without regard to the income and the social category of which it is part. It is possible that in the same locality, the owner of an expensive land will pay a lower tax than the owner of a cheap land. On the other hand, if the tax on the land were to increase, it would create the premises for the reduction of taxes that directly affect the income of individuals. It occurs a situation in which a person with a higher salary but without property contributes to the general consolidated budget with a very large amount compared to a person with a low income but who owns a very expensive property.

In the case of land taxes, it would be necessary to enlarge the tax base to be established according to the destination / use but also according to the market value of the land. In order to increase incomes from land taxes to the local budgets, we must consider expanding the land registration in the cadastral registers but also granting a reduced number of punctual tax exemptions.

4. CONCLUSIONS

The property tax on land represents one of the oldest taxes, collected from the first forms of state organization and is due to any person who owns land located in Romania. In the case of state owned land or local communities owned, leased or under the administration or use, as the case may be, of any entities other than those governed by public law, the charge shall be levied on land payable by the concessionaires, tenants, holders of the right to administer or use under the same conditions as the land tax. The tax and the land tax shall be calculated on the basis of the land area, the rank of the locality in which the land is situated, the area and the land use category, after the assignment by the local deliberative authorities.

The sums collected from the local budgets that come from the land taxes are part of the own income category of the local budgets together with the building taxes, both depending on the degree of development of the territorial administrative units and the level of the income of the inhabitants.

The analysis of the "Land taxes" budget indicator based on the data existing in the Romanian Statistical Yearbook shows that these own incomes that are mobilized to the local budgets occupy a very small share in the total revenues of the local budgets that gravitate around 2%, which suggests that it is necessary to rethink the current system of land taxation that applies in our country. We find that the use of its own resources from taxation, especially those from property taxation, is not fully exploited.

To increase the amounts collected from the land taxes on local budgets we propose the following solutions: widening the tax base to be established according to the destination / use but also according to the market value of the land, extending the land registration in the cadastral registers but also the granting of a small number of punctual tax exemptions.

ENDNOTES

¹ Law no.227/2015 on the fiscal code with subsequent amendments and completions, art. 463;

² Law no.227/2015 on the fiscal code with subsequent amendments and completions, art. 465 para. 2 and 2¹;

³ Law no. 227/2015 on the fiscal code with subsequent amendments and completions, art. 489 para. 4-8

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