

# **Fiscal efficiency and stability of own revenues in urban local self-governments' budgets before, during and after crisis – example from Lower Silesian voivodeship**

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The main objective is presentation and analysis of own revenues system in 32 urban local self-governments (LSG) from Lower Silesian voivodeship in changing economics conditions during 2006-2014 years period.

LSG budgets need relatively stable revenues to sustain their responsibilities. Their revenues should be also rather resistant from crisis and not to overreact to economic fluctuations

The Constitution of the Republic of Poland [3, Art.167] specifies three types of revenues of local self-governments‘:

- own revenues,
- general subsidies (grants)
- specific grants from the State.

The independence of the local self-government operations and its development depends on its financial situation which is closely connected with their access to efficient income sources – especially own revenues.

Own revenues can be divided to:

- local taxes,
- charges,
- shares in central government taxes ( PIT – about 39% of tax collected on local self-government's territory and CIT – about 7%),
- revenues from municipal property,
- other revenues.

**Taxes consist of two sub-groups.**

**In case of such taxes like LSG has taxing powers:**

- real estate tax,
- agriculture tax,
- forest tax,
- means of transportation (vehicle) tax,

**Second sub-group of taxes excludes taxing powers of LSG**

- flat rate income tax,
- inheritance and donation tax,
- tax on civil law entities councils

Charges -charge rates are usually set by local self-government councils but for e.g. stamp duties are the same in all local self-governments

- stamp duty,
- market (sell) charge,
- local charge,
- administrative charge,
- dog charge,
- charge from permits for selling alcoholic beverages.

Shares in central government taxes - PIT and CIT (revenue-split fixed in legislation PIT – about 39% of tax collected on local self-government's territory and CIT – about 7%). LSG don't have taxing power in case of PIT and CIT.

Revenues from property come from local self-government property sale, fees or payments for perpetual usufruct, fees or payments for permanent management of properties, rental, easement and usufruct fees.

Table 1 Relation between growth of own revenues and growth of total revenues of local self-government entities bodies in 2007-2014 – Lower Silesia urban municipalities

Item	2007	2008	2009	2010	2011	2012	2013	2014
Average	1,080	0,994	0,952	0,929	1,021	1,038	1,016	1,019
Minimum	0,992	0,828	0,790	0,596	0,799	0,809	0,848	0,901
Maximum	1,251	1,326	1,104	1,159	1,282	1,486	1,148	1,258
<u>Growth of own revenues</u> <u>slower</u> than growth of total revenues (number of units)	2/32	12/32	28/32	26/32	10/32	8/32	11/32	10/32

Source: Own work based on the results of the study and RCA data



Table 2 Changes in level of own revenues of local self-government entities bodies in 2007-2014 (in %, previous year = 100) – Lower Silesia urban municipalities

Item	2007	2008	2009	2010	2011	2012	2013	2014
Average	127,60	102,86	96,60	108,48	105,69	106,88	106,72	107,67
Minimum	77,59	40,13	70,57	78,93	65,79	70,82	88,51	81,84
Maximum	309,00	171,40	118,82	182,00	159,16	137,90	132,04	134,96
Decline (no. of units)	4/32	10/32	21/32	8/32	10/32	8/32	7/32	6/32

Source: Own work based on the results of the study and RCA data

Table 3 Share in central government taxes PIT and CIT as a part of total revenues of local self-government entities bodies in 2006-2014 (in %) – Lower Silesia urban municipalities

Item	2006	2007	2008	2009	2010	2011	2012	2013	2014
Average	18,72	20,23	22,17	20,45	17,68	19,19	20,08	19,89	20,04
Minimum	6,25	7,72	10,18	9,36	7,01	6,75	7,80	7,79	7,35
Maximum	33,77	45,49	43,51	38,41	37,70	36,52	40,53	36,57	33,66

Source: Own work based on the results of the study and RCA data

Table 4 Changes in level of share in central government taxes PIT and CIT of local self-government entities bodies in 2007-2014 (in %, previous year = 100) – Lower Silesia urban municipalities

Item	2007	2008	2009	2010	2011	2012	2013	2014
Average	123,59	112,44	93,03	98,55	112,79	107,25	104,43	107,51
Minimum	109,79	104,34	82,78	76,30	100,57	98,16	86,49	94,97
Maximum	153,66	123,12	118,60	107,98	121,56	128,65	118,94	133,29
Decline (no.of units)	0/32	0/32	29/32	16/32	0/32	2/32	3/32	4/32

Table 5 Local taxes and charges as a part of total revenues of local self-government entities bodies in 2006-2014 (in %) – Lower Silesia urban municipalities

Item	2006	2007	2008	2009	2010	2011	2012	2013	2014
Average	22,15	21,35	22,60	23,12	21,48	21,95	23,03	25,64	27,05
Minimum	10,76	9,26	10,86	9,86	9,62	9,84	9,40	12,47	14,26
Maximum	34,26	38,68	42,16	38,29	32,80	38,06	42,93	41,25	50,26

Table 6 Changes in level of local taxes and charges of local self-government entities bodies in 2007-2014 (in %, previous year = 100)  
– Lower Silesia urban municipalities

Item	2007	2008	2009	2010	2011	2012	2013	2014
Average	108,64	108,05	103,43	108,64	104,39	107,81	118,75	111,52
Minimum	83,41	85,92	92,40	93,05	90,76	87,89	98,91	77,05
Maximum	127,10	129,88	128,24	132,63	121,70	150,58	175,37	123,59
Decline (no. of units)	2/32	2/32	12/32	6/32	11/32	6/32	1/32	2/32

Table 6 Share of real estate tax in total revenues of local self-government entities bodies in 2006-2014 (in %) – Lower Silesia urban municipalities

Item	2006	2007	2008	2009	2010	2011	2012	2013	2014
Average	15,79	15,13	15,74	16,48	15,09	15,91	17,25	17,62	16,83
Minimum	8,36	5,72	6,76	6,52	6,38	6,68	6,59	7,89	7,28
Maximum	25,65	31,53	30,73	31,53	28,53	29,18	34,38	33,84	33,86

Table 8 Changes in level of own revenues from real estate tax of local self-government entities bodies in 2007-2014 (in %, previous year = 100%) – Lower Silesia urban municipalities

Item	2007	2008	2009	2010	2011	2012	2013	2014
Average	107,30	106,93	105,76	107,50	107,64	110,81	108,83	100,15
Minimum	86,42	78,96	93,49	88,42	93,54	91,34	89,90	60,71
Maximum	130,87	138,21	131,16	151,30	125,39	168,78	181,03	116,02
Decline (no. of units)	7/32	5/32	11/32	6/32	5/32	3/32	8/32	12/32

The analysis of scale and role of own revenues of urban local self-governments of Lower Silesian voivodeship proves that there are three main types of revenues – share in PIT and CIT, real estate tax and revenues from property. Only one of them – real estate tax can be pointed as stable and effective source of revenues.

We can observe that during crisis almost in all local self-governments growth of own revenues was slower than growth of total revenues. It was caused because drop of shares in PIT and CIT and decrease of different „small“ revenues.

Summarizing - although it is claimed that the structure of local self-governments' own revenues in Poland is adapted to cities where taxes and local fees can play a key role, those urban units have also problems with revenues stability in time of crisis



Thank You for attention.

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