

## Description of the Cyprus legal context regarding the local fiscal policies and the Renewable Energy Sources

### 0 Introduction

There are two different types of local authorities in Cyprus: communities, mainly in rural and touristic areas and municipalities in urban and touristic areas. Such local authorities manage taxes and fees, some of them are charged on sectors (such as building sector, waste management and other business, etc.) where it is possible to promote the renewable energy sources. Even if the national law establishes limits (for example, the maximum rate of the taxes), the local authorities can autonomously define some reductions or increases of the taxes and fees, according to the current national legislation. Such a context ensures enough room for local authorities to promote the renewable energy sources throughout their fiscal policies.

### 1 What **taxes** do the local authorities usually manage? Can they be used by the local authorities to promote the Renewable Energy Sources?

The local authorities (Municipalities and Communities) in Cyprus are responsible to manage, according to the Municipalities\* and Communities\* Law, different kinds of taxes/fees. The Minister for the Ministry of Interior, has the power to revise and modify the mentioned Laws.

The four major taxes for the local authorities are:

- **Property tax:** The Municipal/Community council has the right to impose property tax on each property located in the administrative boundaries of the local authority
- **Professional tax:** The Municipal/Community Council has the right to impose annual taxes on legal persons engaged in any business, industry, crafts, work, commerce, trade or profession activities, within the administrative limits of the Municipality/Community
- **Hotel accommodation tax:** The Municipal/Community Council collects fees from hotels and tourist accommodations, for all the persons above the age of ten and for each night (accommodation) they are staying in the hotel
- **Entertainment tax:** Payable by cinemas and other artistic performances taking place within municipality boundaries

The Laws define the maximum amount of each tax that the Municipalities / Communities can collect. However, the Municipal/Community council defines the level (rate) of the amount collected in each tax and they have the right to impose lower taxes than the maximum amount foreseen in the respective Law or to increase the taxes below the maximum amount. Since the local authorities levy taxes on the building sector, tourism and

businesses of other sectors, reductions or increases of such taxes might be used to promote the renewable energy sources.

2 What **tariffs/fees** do the local authorities usually manage? Can they be used by the local authorities to promote the Renewable Energy Sources?

The tariffs/fees usually managed by the local authorities in Cyprus are:

- **Waste management fees:** The Municipal/Community council is the main responsible for the collection, disposal and treatment of the municipal waste. The council defines the waste management fees.
- **Building Permit fees:** The Municipal/Community council collects the fees for the building permit of each building or place located in their administrative boundaries, according to the Law. This apply when the local authority is the Building Control Authority.
- **Business premise license fees:** The Municipal/Community Council has the right to impose fees to any person who maintains or uses any building or premises or any other business premises in order to exercise any industrial business, trade, profession activities.
- **Public space utilization license fee:** The Municipal/Community has the authority to grant license to any third-party for the utilization of municipal/community public sidewalks or part of a sidewalk that lies within the local authority boundaries and is owned by the local authority. The Municipal/Community Council has the right to impose fees for providing the public space utilization license.
- **Water Supply fee:** Some local authorities in Cyprus have the management of the water supply in their administrative boundaries. The respective fee is collected for the whole management of the water network and supply.

As for the fees, the Laws define the maximum amount of each fee collected by the Municipalities / Communities. However, the Municipal/Community council defines the level (rate) of the amount collected in each fee and they have the right to impose lower fees than the maximum amount foreseen in the respective Law or to increase the fees below the maximum amount. Some fees could be reduced or increased to stimulate the renewable energy sources (among others the building permit fees, the public space utilization license fee).

3 What **other fiscal revenues** (see definition in the glossary) do the local authorities usually manage? Can they be used by the local authorities to promote the Renewable Energy Sources?

The local authorities can produce revenues from:

- Parking places
- Parking cards
- Parking meters

- Revenues from swimming pools.

The communities and municipalities have room to autonomously manage the other fiscal revenues but such revenues are not directly related to sectors where the promotion of the renewable energy sources is relevant.

## 4 Glossary

### **Municipalities or local authorities**

The methodology has been designed for local authorities, considered as Local Administrative Units (LAUs) under the EUROSTAT classification in its correspondence table (EUROSTAT, 2016), which was created to facilitate the comparison of administrative structures in each member country. The methodology has particularly been designed for local administrative units classified as LAU1, whose administrative boundaries correspond to a single Local Administrative Unit. Furthermore, the methodology covers Local Administrative Units classified as LAU2, whose administrative boundaries include various compulsory local administrative units. Therefore, voluntary associations are not included in this category. In the case of Greece and Portugal, for example, this clarification is important as their administrative systems provide for local authorities classified as LAU1 and LAU2 by EUROSTAT. We will use local authorities, public bodies and municipalities interchangeably in this guidebook to refer to all local authorities/bodies classified as LAU1 and LAU2 by EUROSTAT.

### **Fees, taxes, tariffs and charges**

One of the challenges in promoting renewable energy through fiscal policies at local level is the differences that exist among local legal systems, as well as the differences between concepts and terms relating to local fiscal systems. In this regard, the guidebook takes into account that local fiscal policies include different concepts, such as taxes, fees, charges and tariffs. All these concepts share the common characteristic of being revenue that municipalities receive by virtue of being public powers. Even though these types of tax-related revenue may have different names in each country and may include different aspects, even if they do share the same name, the essential features that we refer to in this guidebook are set out below.

The sole aim of this conceptualisation, beyond the legal-administrative, is that the different types of tax-related revenues in each country may relate to one concept or another.

#### ***Taxes and fees***

Both concepts are forms of revenue deriving from State taxation power. Both are revenues that a taxable entity has to pay when a situation arises for which there is an obligation to pay, taking coercive measures in the event of non-payment. In general, the ability of taxpayers to pay is taken into consideration when establishing and managing both cases. They are both at the top in terms of strictness regarding their imposition formalities and management requirements.

**Taxes:** have to be paid on receiving an income, being the owner of property and undertaking a particular activity. For example: income tax, immovable property tax and VAT. In general, the wealth that one declares is taxed.

**Fees:** have to be paid for using a public service or for occupying public-owned property. For example: fees for occupying a stall in a municipal market, entering a municipal swimming pool, studying a training course taught by the municipality, receiving a healthcare service provided by the municipality, receiving a waste collection service and a water supply service, etc. In some cases, the obligation to pay for waste collection and water supply services, for example, arises from the mere fact of being the owner or tenant of a property who could potentially, although in actual fact may not, use the service.

### ***Tariffs***

The difference between tariffs and fees is not very clear. For the purpose of this guidebook, a tariff is the amount to pay for using a property or facility, or for the provision of a public service when it is managed through a public-owned company or when it is paid to a concessionaire of a public service.

### ***Charges***

Charges are both the amount a public authority pays a concessionaire to provide a service and the amount paid by a concessionaire to the public authority in order to provide such service.

It must be borne in mind that in some cases the public authority pays the provider for the service and in others it charges the provider of the service.

The difference emerges when the municipality pays, then later charges the users of the service, and when it charges the concessionaire, which then charges the users of such service.

### ***What is a concessionaire?***

For the purpose of this guidebook, a concession is a right granted by a public authority or public company to another actor, usually private, to operate public property or services for a fixed period of time.

The management and, occasionally, the tariff collection is transferred to the concessionaire through what is known as a Public–Private Partnership (PPP). The public authority holds the ownership and policing power of the service, while the concessionaire physically provides it, receiving a payment called a tariff.

The concessionaire is, therefore, the title holder of the concession.

### ***Non-ETS sectors***

The methodology centres on municipal fiscal policies that affect the so-called non-ETS sectors. Said sectors undertake activities that are not subject to the Emissions Trading System (ETS). They represent, therefore, the sectors that use energy less intensively. The following sectors are included in this category:

- ✓ Residential, commercial and institutional

- ✓ Transport
- ✓ Agriculture and farming
- ✓ Waste management
- ✓ Fluorinated gases
- ✓ Industrial not subject to trade emissions.

(Filippi, F., García Maties, R., 2017, 13-15).

## 5 Bibliography

Municipalities' Law (L.111/85)

Communities' Law (L.86(I)/99)

Filippi, F., García Maties, R., (2017). *Participatory method-based preparation of local fiscal policies to promote renewable energy sources at a municipal level*. València: Fundación MUSOL.