

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

0 Introduction

In Slovenia, the local authorities manage revenues from taxes, tariffs and fees as well as other revenues. However, the local authorities are not entitled to modify all of them. The local authorities can determine extra charges, reductions or exemptions of the fees/tariffs autonomously. Otherwise, most of the taxes and other revenues are regulated by the State, limiting or excluding the possibility of reductions or other modifications.

Such context narrows the scope for local fiscal measures to promote renewable energy sources but does not preclude entirely the possibility of shaping the municipal tariffs/fees and some local taxes (such as the real estate tax) in order to promote the renewable energy sources.

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

In accordance with the law (*Act on Financing of Municipalities (2017); in Slovenian: Zakon o financiranju občin, spremembe in dopolnitve ZFO-1*), local authorities are entitled to revenues from the following **taxes**:

- Real estate tax (until being put into practice, its function currently performs the “Compensation tax on building land use”); note: On average it represents more than a 1/4 and up to 1/3 of local government’s own revenues
- Taxes on inheritance and gifts
- Tax on gambling
- Tax on real estate sales
- Some other minor taxes related to the location (=within the municipality) of the item in question or related to the permanent residence of the tax payer

The real estate tax is levied on the building sector and the industry and the local authorities can modify such tax under certain conditions. Even if with restrictions, the local authorities could include some measure to promote the renewable energy sources in the real estate tax. The other taxes can’t be modified by the local authorities since they are regulated by the State.

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

Source of financing of local authorities through **tariffs/fees** are:

- Municipal tariffs
- Contributions
- Self-imposed contributions
- Environmental fees
- Fines

Among others, local authorities may prescribe municipal tariffs on advertising, organization of exhibitions and events, parking and carrying out other activities that are different from the established land use:

- Public land owned by the municipality, such as public roads, streets, squares, markets, playgrounds, parks, cemeteries, parks, green spaces, recreational areas, etc.,
- Stationary and mobile infrastructure, municipal utilities,
- Buildings owned by the municipality.

All such tariffs/fees can be modified by the local authorities autonomously to introduce extra charges, reductions or exemptions to promote the renewable energy sources.

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?

Local authorities can manage **other fiscal revenues** such as:

- Payments for services of local public service companies
- A 54% share of the income tax collected 2 years before, or a share according to the formula of a total, so-called an appropriate municipal expenditure (for carrying out constitutional and legal functions of municipalities)
- Concession fees (incl. PPP)
- Donations
- Transfer of income (e.g. from other public financial institutions or from the state budget (EU sources))

Local authorities are provided with revenues from the State:

- For the performance of urgent municipal duties and functions
- For financing the performance of duties and functions vested in the municipality by the State;
- For co-financing local matters of public interest when of special interest for its development;
- For adjustment with investment input, in accordance with the programme in municipalities with the lowest standard of municipal services.

Revenues from the assets of a local authority shall primarily be:

- Revenues from leases and rent for land and buildings owned by the municipality;
- Income from capital (e.g. sell of capital, assets or land);
- Revenue from securities and other rights purchased by the municipality;
- Income from investments in intangible property or securities, and from the profit of public enterprises and concessions.

The local authorities are entitled to introduce extra charges, reductions or exemptions of some of such other revenues, namely in the payments for services of local public service companies or in the concession fees. Such fiscal revenues affects sectors where it is feasible to promote the renewable energy sources.

The other revenues mentioned can't be modified by the local authorities since they are regulated by the State.

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 revenues 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 revenue 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

Brezovnik, Oplotnik; *Fiscal decentralization in Slovenia*, Maribor, 2003

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.