Redistribution of taxes and equalisation mechanisms among Flemish municipalities

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Programme

- Current municipal income
- Main municipal taxes
- Flemish Municipal Fund
Current municipal income

Current income Flemish municipalities (2014)

<table>
<thead>
<tr>
<th>Income Type</th>
<th>Amount (mln EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>682.8</td>
</tr>
<tr>
<td>Tax income</td>
<td>4.814.8</td>
</tr>
<tr>
<td>General grants</td>
<td>2.347.0</td>
</tr>
<tr>
<td>Earmarked grants</td>
<td>1.368.3</td>
</tr>
<tr>
<td>Other income</td>
<td>185.2</td>
</tr>
<tr>
<td>Financial income</td>
<td>444.9</td>
</tr>
<tr>
<td><strong>Total (mln EUR)</strong></td>
<td><strong>9.843.0</strong></td>
</tr>
</tbody>
</table>
Main municipal taxes

Main municipal taxes in Flanders (2014)

- Additional tax on income tax: 1.747,9 mln EUR
- Additional tax on real estate tax: 2.294,7 mln EUR
- Other local taxes: 772,2 mln EUR
- Total (mln EUR): 4.814,8

Addit. tax on income tax 1.747,9
Addit. tax on real estate tax 2.294,7
Other local taxes 772,2
Total (mln EUR) 4.814,8
Main municipal taxes

- Additional tax on income tax:

  - Income earned by municipal inhabitants
    - Federal income tax
    - Regional income tax
    - Total income tax
      - Municipal rate (today from 0 to 9%)
        - Municipal additional income tax
          - Joint collection by federal government

<table>
<thead>
<tr>
<th>Income Earned by Municipal Inhabitants</th>
<th>Federal Income Tax</th>
<th>Regional Income Tax</th>
<th>Total Income Tax</th>
<th>Municipal Rate (today from 0 to 9%)</th>
<th>Municipal Additional Income Tax</th>
<th>Joint Collection by Federal Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR 30,000</td>
<td>EUR 7,500</td>
<td>EUR 2,500</td>
<td>EUR 10,000</td>
<td>7.5%</td>
<td>EUR 750</td>
<td></td>
</tr>
</tbody>
</table>

Joint collection by federal government
Main municipal taxes

- Additional tax on real estate tax:

  Real estate in the municipality
  
  Federal valuation – ‘cadastral income’
  
  Regional real estate tax (2.5%)
  
  Provincial rate
  (today: regional rate x3 to x4)
  
  Provincial additional real estate tax
  
  Municipal rate
  (today: regional rate x7.5 to x22.5)
  
  Municipal additional real estate tax
  
  Joint collection by regional government

  EUR 1.000
  
  EUR 25
  
  EUR 75
  
  EUR 350
Main municipal taxes

• Municipal income from additional taxes based on:
  • Income earned by inhabitants **living** in the municipality, regardless of the **place where the income is earned**
  • Cadastral income of real estate in the municipality

• Big differences between ‘tax capacity’ of Flemish municipalities:
  • Total income tax per inhabitant:
    • Lowest: EUR 1.733
    • Highest: EUR 7.132
  • Total ‘cadastral income’ per inhabitant:
    • Lowest: EUR 413
    • Highest: EUR 2.720
Flemish Municipal fund

- General grant payed by the Flemish government (seperate Funds in other Belgian regions)
- 2016: EUR 2.406 mln
- Annual growth: 3,5%
- Goals:
  - General municipal funding
  - Financing special municipal functions (e.g. centre functions, tourist functions)
  - Compensation for social problems
  - Compensation for tax poverty
Flemish Municipal fund

- 40.8% of the fund goes only to bigger cities with a centre function and to coastal municipalities
- 59.2% goes to all Flemish municipalities:
  - 4% in accordance with the number of jobs
  - 4% in accordance with the number of pupils and students
  - 30.8% in accordance with the ‘tax poverty’:
    - 19% based on income tax
    - 11.8% based on real estate tax
  - 6% in accordance with the open space area
  - 15% in accordance with social criteria

The poorer, the more money
Questions?

Thank you for your attention.

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