

The Quality of Real Property Taxation Regulation in the Slovak Republic – the Fairness of the Current System

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This article provides for the analysis of the real property taxation legal regulation from the viewpoint of the quality assessment with special attention paid to the tax fairness principle. The authors concluded that: A) the current system is quite simple and favourable for the municipalities, but they also found the problem with: B) non-considering the real value of the taxed properties and applicability of only a limited number of corrective factors to adjust the area-based tax system (while, actually, the ability to apply at least these factors is a positive feature of the Slovak real property tax system); C) disparities in the tax burden division and errors in the practical application of competences (in some cases even bordering on abusive practices) accruing from the competence of municipalities to adjust the statutory regulation by their by-laws (which itself is a positive feature of the system as it allows them to adjust the regulation according to their needs); and D) the low affinity to reform or improve the negatives of the current regulation. The research question whether the current regulation of the real property taxation is qualitatively adequate in terms of tax fairness herein examined was answered negatively with respect to the above mentioned negatives.

Keywords: local tax, real property tax, municipality, local self-government, Slovak Republic, tax fairness

JEL Classification: K34

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Introduction

Real property taxation in its current form has been applied in Slovakia since 1 January 2005 based on the Local Taxes Act¹ which was a part of the fiscal decentralisation legislation. The

¹ Act No. 582/2004 Coll. on Local Taxes and Local Charges for Municipal and Minor Construction Waste.

real property tax (RPT) became the local tax imposed (and also administered) directly by municipalities through their by laws (generally binding regulations) – on the basis of the Local Taxes Act. The system of taxation has been subject to discussions on eventual major reform based on the fact, that the tax in its current form produces only a small revenue (0,4 per cent of the coun-

try's GDP) and, since it is predominantly (calibrated) area-based, does not meet the tax fairness (equity) criteria. Despite these negatives, the municipalities have quite large competences in imposition and administration of the tax, however, the other side of the coin may be the practical performance of these competences following the current regulation. The aim of the article is therefore to evaluate the quality of the current RPT regulation in terms of the fairness of the regulation and the legal practice and search for the answer to the question on the actual need of the reform of the current system, in particular to answer the research question whether the current regulation of the RPT is qualitatively adequate in terms of tax fairness.

The authors could start their research with the analysis of the scientific literature dealing with the matter, as the working papers (Brzeski, Románová, Franzsen, 2019), journal articles (Trellová, 2018, Janko, 2018), papers published in conference and non-conference proceedings (e. g. Kubincová, 2018, Liptáková, 2018, Cakoci, Červená, 2018, Vavrová, 2017, Románová, Červená, 2017, Románová, Forraiová, 2017, Románová, Červená, 2016, Štrkolec, Sábo, 2016, Gyuri, Jesenko, 2016, Bujňáková, Románová, 2014, Červená, 2013, Vernarský, 2007), books and chapters (Bujňáková, 2015, Ptašnik, 2011, Epstein, 2010), and databases (Iptipedia, 2019 and Ministry of Finance of Slovak Republic and OECD statistical information), etc.

To achieve the aim of the paper and to answer the research question, the authors used standard scientific methods applied in the social sciences. Primarily, *de lege lata* regulation is described and critically analysed. The historical method is used to depict the development trends in the examined field. Authors used also the comparative analysis to demark the internal discrepancies between the tax burden laid upon particular types of property. The synthesis of the partial conclusions such achieved enables the authors to make the relevant evaluation of the mater and to achieve the aim of the article and answer the research question.

The article starts with the fundamentals of the regulation of taxes derived from the constitution and theoretical views on tax fairness. The authors then continue with the *de lege lata* description of the RPT regulation itself to be able to perform the qualitative analysis of the researched mater and its evaluation and respond the research question.

Fundamentals of tax legislation and the theoretical background

Tax fairness is one of the key marks of a good tax system and one of the determinants of the quality of legal regulation and, eventually more important, its public acceptance.

In Slovakia, the fundamentals of legal regulation are set in the **Constitution of the Slovak Republic**² where, beside the other essential elements of the state functioning, the taxation issues are not omitted. The Constitution in its Art. 59 anchors the division of taxes into state and local³, establishes the principle of legality⁴, legal certainty and foreseeability of law (the Art. 1 para. 1), the principle of equal treatment of the parties (Art. 47 paras. 3 and 2), and other provisions that affect taxation and its quality (e.g. the legislative powers). The laws are the second most relevant source of tax law, since every tax in Slovakia must be imposed and regulated by a law (or on the basis of law in case of local taxes).

When designing and applying legal norms, modern law theory should inevitably accept and take into account the relationship between law and economics. The relationship between economics and law may be compared to the content and form categories. Economics and law should interact and cooperate, which should be in a state of symbiosis leading to a long-term and sustainable

² Constitutional Act of the Slovak National Council No. 460/1992 Coll., the Constitution of the Slovak Republic, as amended.

³ Article 59 para. 1: "the taxes and fees may be state and local".

⁴ Article 59 para. 2: "taxes may only be levied by a law or on the basis of a law".

economic growth. In the State with the so-called mixed economy, the rule of law is often implemented only unilaterally or its function in relation to the formation of the economic order is limited [Červená, 2013]. Law can, through direct regulation or a requirement (in the sense of legislation) contribute in only a very limited scope (little) to creating an environment that allows individuals to prosper [Epstein, 2010, p. 200]. In general, the law should ensure a minimum level of organized behaviour (the law formulates mutual obligations, it delimits and secures) among people with the aim of maintaining social peace. For this reason, we do emphasize the economic principles governing taxation, here in particular the tax fairness.

Economists stress the general principles of taxation (the imposition of low tax on large groups of individuals so it cannot be easily avoided), transparency (clear and easy to enforce), and **fairness** (equal tax treatment of all the taxpayers). Morse and Williams [2004, pp. 5–10] recognize two basic attributes of a good tax system – efficiency and profitability versus fairness [for more: Kicová, 2010, p. 175 et seq.]. According to the so-called Ramsey tax rule, the State, if it wants to achieve the highest efficiency possible, should tax what is the least elastic on both supply and demand sides (such as land) [Samuelson, Nordhaus, 2000, p. 311]. The problem, however, is whether such an approach is also fair. The subjective feeling of fairness is a powerful motivation factor for the voter base of politicians who decide on the introduction of taxes.⁵ Tax fairness is a fundamental, though not decisive, criterion of the tax system [Musgrave, Musgrave, 1958, p. 202]; whilst it may be understood from different perspectives. We could understand that each individual entity has the same tax liability, and that the tax does not favour or disadvantage anyone. However, if we realize that there are entities living in the society at the subsistence level, along with those who earn enormously high incomes, then fairness of the tax under the same tax lia-

⁵ The case was known of so-called poll tax, which caused the fall of the government of M. Thatcher [Samuelson, Nordhaus, 2000, p. 311].

bility for both categories is clearly not achieved. In this respect, fairness would be in favour of proportionality, that is, a higher-income entity should be subject to a higher tax liability than a lower-income entity [Kicová, 2010, p. 175 et seq.]. Adam Smith [1958, p. 310], who, as the first of the four guiding principles to characterize taxation, understood tax fairness in the sense that: *in each State, persons should contribute to the cost of administering the State so as to best fit their possibilities, i.e. proportionately to their pension which they enjoy under the protection of the State*. Two approaches to tax fairness have been interconnected in this principle of his over the course of history. The first one was a direction based on the principle of benefit, in which such a tax system is fair in which each taxpayer contributes according to the benefits he/she enjoys from public goods [Musgrave, Musgrave, 1994, p. 203]. The second direction was based on the principle of the ability to pay tax, according to which the total required income is given, and each taxpayer is required to pay according to his/her ability to pay tax [Musgrave, Musgrave, 1994, p. 203].

Also the legal academicians identify the tax fairness as the principle governing tax law beside other important principles affecting also the fairness (from the complex point of view) like the *nullum tributum sine lege* or elimination of double taxation [Babčák, 2012, p. 50]. The theory of tax law recognizes two ways in which tax justice is assessed. Horizontal fairness expresses the need for the same taxation objects to be taxed in the same way and at the same rate, and vertical justice, in turn, that a taxpayer with higher income having more assets and consuming more taxable items would be paying a higher tax while applying the same tax rate [Babčák, 2012, p. 38].

Current system of Slovak RPT and reform efforts

Pursuant to the Local Taxes Act, the RPT consists of a land tax, a building tax and a tax on apartments and non-residential premises in a dwell-

ing house. For each of these three, the Local Taxes Act defines its decisive elements.

The taxpayer is, primarily, the owner of the property, alternatively the tenant and other persons defined by the Act, and, finally, if a taxpayer cannot be determined according to the other statutory criteria, it is the person who actually uses the property. In each of the three components of the property tax, the **object of taxation** is defined in detail, both positively and negatively. Basically, all the properties are taxed unless they are subject to tax exemption or tax reduction. Their division into statutory anticipated classification categories is essential in terms of particular tax rates set by the municipalities for those categories (see later).

The **tax base** and its definition is an element that has been the subject of a recent heated debate. In the case of land tax, the law distinguishes between: 1. arable land, hop gardens, vineyards, orchards, permanent grassland (where the tax base is determined as value of the plot – determined as the area times the value per square meter referred to in Annex 1 of the Act)⁶; 2. gardens, built-up areas and courtyards, other areas and construction plots (where the tax base is expressed by the value of the plot – the area times the value per square meter specified in Annex 2 to the Act)⁷; 3. forest plots on which there are farming forests, fish ponds and other economically exploited water areas (the tax base is expressed as the value of the plot without growths – the area times the value of the plot per square meter under the regulations on determining the general asset value). The tax base for buildings is expressed as the built-up area in square meters (which is the ground plan of the building at the level of the most extensive above-ground part of the building; the overlapping part of the roof structure shall not be included). The tax base of the apartments tax (including non-residential premises) shall be its floor area.

⁶ In cases where this Annex determines a zero value for individual plots of land in a particular cadastral area.

⁷ If the tax administrator does not provide by a generally binding regulation own value.

The tax rate is the strongest policy tool for the municipalities [Románová, Červená, 2016; Cakoci, Červená, 2018]. The reason is that the Local Taxes Act only sets the basic rates for the particular categories of the properties (for the land tax 0.25 per cent, the buildings tax 0.033 EUR and the apartment tax 0.033 EUR), and municipalities may, considering the local conditions, reduce or increase local rates and set different rates for different zones of the municipality as well as for different types of property (as categorized by the Local Taxes Act). Only certain limitations apply here and these will be discussed later. In a multi-storey building, the tax administrator may determine a floor surcharge of up to EUR 0.33 for each floor other than the first aboveground floor. It follows from the above said that current property taxation is largely based on the size of the particular property. The tax base on buildings and apartments tax is based solely on the size of these properties. In the case of land tax, the tax base also takes into account the value of the property in addition to its size, but this value is not a market value – only the value fixed by the Local Taxes Act for the relevant cadastral territory, with the exception of construction plots where the value of the land may be determined by the municipality itself and forest land, fish ponds and other economically exploited water areas, where the value of such plots shall be determined according to the rules for determining the general value of assets or by a generally binding municipal regulation. The actual amount of taxation shall therefore be regulated in a particular case through the municipality's competence to adjust the rates of the taxes for particular properties [Bujňáková, 2015, p. 121 et seq.].

Naturally, the RPT shall serve as the revenue source, thus, the ability to influence the actual tax and especially the tax revenue is appreciated and regularly applied by the municipalities, which, as will be analysed below, has already become the stumbling block on several occasions. Despite this, the tax with 0.409 per cent of GDP [Eurostat, 2017] did not become the most impor-

tant municipal budgetary revenue⁸. That was the first reason why Slovakia has for quite a time dealt with the idea of a more fundamental reform of its legislation, specifically a **change in the determination of the tax base from the calibrated area-based principle to the market value principle**. The other reason for these reform ideas was also the breach of tax fairness principle due to failure to take into account the real market value of individual properties in their taxation whereby situations have been occurring when the owners of buildings similar in size and location would be paying the same tax despite the significant properties' prices/values differences. The Government began to (publicly) deal with this reform idea in around the year 2013, when it presented this in the National Reform Programme of the Slovak Republic 2013. The Government later updated the former brave plans into only „analysing possible alternatives” and “creating technical prerequisites” [Government of the Slovak Republic, 2016]. Predominantly a mass public fear of price rises, as well as objective facts such as the insufficient databases, cost-benefit ratio of the new system, valuation accuracy, and the process of valuing immovable property and keeping the database of market values of the immovable properties up-to-date altogether might have been the reasons why the reform has probably been spoken about for a certain time [see: Bujňáková, 2015, p. 275 et seq.].

Following the above said, we will now focus on particular “fairness issues” that we identified in our current RPT regulation.

The fairness in the RPT regulation

Scope of the properties subject to taxation

The first aspect of the regulation that can be mentioned as the problematic one is the **scope**

⁸ Which was blamed on Slovakia by both the OECD and the EU [OECD, 2019, p. 28; Council of the EU, 2014; OECD, 2009, p. 96].

of the properties subject to taxation, in particular the scope of properties excluded from the taxation and those exempted from taxation. The Act **excludes from taxation**: (a) lands or parts thereof that are built-up by the buildings being subject to the tax on buildings or the tax on apartments; (b) lands or parts thereof on which roads are built except for public utility roads and national railways and regional railways; and (c) lands or parts thereof built-up by buildings that are excluded from the object of the tax on buildings. In the first case, the reason is the elimination of double taxation. The problem, however, is in the fact that a built-up land and a building/construction are two different things – properties that may have even two (or several) separate owners and thus, it is questionable to what extent such an exclusion is actually justified. We have a bigger dilemma with the third case, according to which even lands built-up by buildings not being subject to tax on buildings are not taxed. Such buildings include (a) buildings with apartments or non-residential premises which are subject to apartment tax, here again probably due to double taxation, and (b) constructions of dams, water mains, sewerage systems, flood protection facilities and heat distribution systems. In the latter case (construction of dams, etc.), only one common denominator may be found, which is a public benefit purpose. A similar case may be found in non-taxation of lands and parts thereof on which roads are built (with the exception of public utility roads) and national and regional railways. Such a limitation of the scope of immovable properties subject to taxation is all the more interesting or even quite illogical, since these are mostly the immovable properties owned either by the State or administered by the State-owned enterprises (e.g. the Railways of the Slovak Republic) or private entities – typically joint-stock companies, which were created by the transformation of the former State-owned enterprises. Given that the RPT is a local tax and is the income of a municipal (not of the State) budget, it is not justified to exclude from taxation large-scale complexes of (State-owned and all the more also privately-

owned) properties, even though these serve the public-benefit purposes.

Another restriction is the specific definition of a taxable building. Only those buildings are subject tax on buildings which have one deck or several above-ground decks or underground decks and are connected to the ground by a solid foundation or anchored by piles. The deck of the building is a part of the interior of the building defined by the floor and the ceiling (alternatively the roof) structures. This definition may be subject to criticism, since, in principle, it only covers standard buildings and excludes from taxation large complexes of industrial or other constructions that do not fall under the above criteria which escape the taxation without a proper justification.

The relatively wide range of **exemptions** is the second aspect why some groups of owners do not fall within the taxing criteria. Altogether, there are 8 types of properties exempted from the taxation by virtue of law, and moreover, the Act provides for the possibility of exemption/tax reduction for 13 types (instances) of lands and 7 types of buildings or apartments which are purely in the competence of the particular municipality. Although they mostly pursue a public benefit or a social-welfare objective (museums, galleries, libraries, theatres, houses owned by citizens in material need or those severely disabled, etc.) or an objective of alleviating the effects of the law in cases where it is not really possible to properly attain the economic use of the immovable property (such as marshes, windbreaks, etc.), yet their scope is relatively wide. A rough estimate of impacts of these exemptions was presented by the Financial Policy Institute in the year 2018, which estimated the gap in the RPT as a result of tax reduction to be close to 10 per cent and almost 4 per cent as a result of exemptions. In more specific figures of the year 2017, the total amount of the tax reduced by the municipalities (without the statutory exemptions) was the total of EUR 5,830,756.19, corresponding to 1.68 per cent of the total annual RPT revenue.⁹

⁹ Own calculation, Data source: Ministry of Finance of the Slovak Republic.

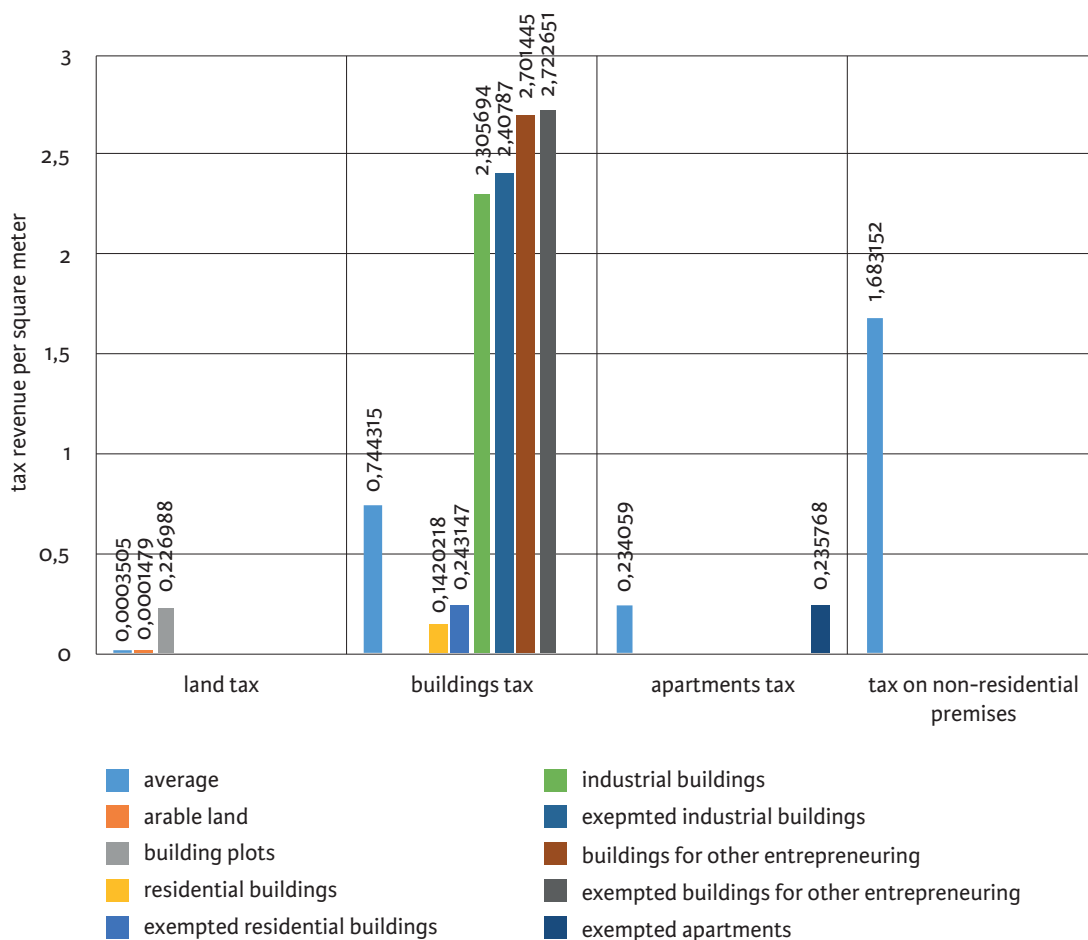
Disparity in tax burden

Another reason for the criticism [Bujňáková, Románová, 2014] of the current system can be **the way in which the tax burden is imposed on various types of immovable properties**. First and foremost, there exist minimal differences in the taxation of the value-differentiated immovable properties, in consequence of which it may even objectively seem unfair that, for example, the owner of an old and less valuable house pays the same amount of tax as the owner of a new, but equally large house just because of the same location and size of the property. Furthermore, there exist significant disproportions in the taxation among various types of lands and buildings according to their purpose. For a more detailed illustration, we have outlined the most significant differences in Chart No. 1.

Looking at the 2017 results, the situation is as follows: The average tax revenue on lands is EUR 0.0003505 per square meter. Individual types of lands are, however, unevenly burdened. Whilst 1 square meter of arable land is on average burdened by EUR 0.0001479, municipalities burden the construction lands by up to EUR 0.226988 per square meter. Such a difference does not only have a fiscal purpose, as the municipalities may in fact also pursue their interest in developing their territories by motivating the taxpayers to a more rapid completion of buildings under construction through a higher tax burden.

We found even more significant differences in the case of buildings. The average burden per area unit for buildings is EUR 0.744315 per square meter. For the sake of comparison, it is only EUR 0.234059 per square meter for apartments and as much as EUR 1.683152 per square meter for non-residential premises. The burden of residential buildings is considerably lower – only EUR 0.1420218 per square meter, but the commercial sector bears much higher taxes. For industrial buildings, those intended for the energy systems, civil construction, buildings used for the storage of own production, including the buildings for own administration, the average

Chart 1: Own processing, data source: Ministry of Finance of the Slovak Republic



burden is EUR 2.305694 per square meter, and with other entrepreneuring and earning activity, storage, and administration, it is as much as EUR 2,701445 per square meter. Thus, the taxation of industrial buildings is, on average, taxed 16.24 times more per unit of the built-up area and the taxation of buildings other entrepreneuring 19.02 times more than the taxation of residential property. Of the total earning from tax on buildings of EUR 239.676 million, only EUR 21.358 million is represented by the tax on buildings for housing and up to EUR 155.165 million accounted for industrial and other entrepreneurial buildings. Industrial and entrepreneurial buildings with a 2.5 times lower area (volume) generate 7.26 times higher income for municipalities.

It is not in our interest to debunk the need for a social aspect, especially in the context of the current social situation, where a high num-

ber of large or expensive immovable properties has long been owned by older citizens or by less wealthy citizens, whether due to inheritance or restitution, and so on. However, the negative effect of under-taxation of residential properties is also reflected in another phenomenon of the present time: a high number of immovable properties intended for residential purposes is being purchased by various entities involved in real property business or natural persons to profit from their sale and not to be used for a long time for their primary purpose – for housing. It is precisely for this aspect that undervaluation of taxation of residential properties is a source of significant inequality and contributes to the violation of the principle of tax fairness.

Another problem concerning the agricultural land is the discrepancies between official land prices (i.e. value set by the Local Taxes Act) and

their realistic market value since the Act does not take into account important elements of the market price, such as supply and demand, quality, access, and shape of the lands, or the terms of the lease contract with the current user.

As mentioned above, generally, the value of lands may be adjusted by the municipality in two cases – (a) where the value of lands is set to zero in the Annex to the Local Taxes Act and (b) the value of the building land – instead of the statutory value. It is in relation to the building plots that the municipalities make excessive use of this competence and often increase the statutory values in multiples. By way of example, the Local Taxes Act stipulates for the capital city of Bratislava the value of building plots at EUR 59.74 per square meter, but by issuing a generally binding regulation, the Municipality of Bratislava set the value at EUR 179.22 per square meter,¹⁰ while the Municipality of Košice kept the value at the statutory rate – EUR 53.11 per square meter.¹¹

Competences to set the tax rates

Normative competences of municipalities are manifested through their authority to issue the above-mentioned generally binding regulations. The Local Taxes Act stipulates that the RPT may only be imposed by a generally binding regulation of the municipality, with the municipality being authorized by the Act to regulate certain tax elements through such a generally binding regulation (tax rates, value of lands instead of a zero value and the value of building plots, floor surcharge, reduction of or exemption from the tax, establishing an individual part of the municipality where different tax rates apply, and the determination of the payment of tax in instalments), giving it the possibility to adjust the tax on real property legislation to local needs [Románová, 2011; Liptáková, 2018, etc.]. It may

¹⁰ Generally binding regulation of the Capital of the Slovak Republic Bratislava No. 10/2007 of 13 December 2007 on the immovable property tax.

¹¹ Generally Binding Regulation of the Municipality of Košice No. 132 on Local Taxes.

set different rates for various types of immovable properties (e.g. for buildings used for housing, business, agriculture, industry, etc. or as for lands – arable land, built-up areas, gardens, building plots, etc.), and, at the same time, these different rates may moreover be set differently within a single municipality – i.e. for individual cadastral areas or zones, which the municipalities set by a generally binding regulation as the so-called „**specific parts of the municipality**”. In such a way, together with the other mentioned elements, the municipalities are applying the corrective factors that eliminate the negatives of the area based system and make it rather a calibrated area based system, even though, more corrective factors reflecting the real value of the property (market value) would be welcome. Initially, at its adoption, the Act did not limit the municipalities in terms of the amount of rates or „zoning” of the municipality area. This only began to be happening gradually based on the occurred cases of budgetary driven abusive practices creating inadequate differences in the tax burden of different taxpayers, but still *lege artis*. Thus the Act laid down that a specific part of a municipality may only be a territorially unitary part of the municipality with at least 5 per cent of taxpayers of the RPT of the municipality concerned and which is provided for in a generally binding regulation. A street, adjacent streets or adjacent plots of lands may be considered a specific part of the municipality. The reason for the limitation were the cases when the higher or the highest tax rates were in fact indirectly targeted at selected taxpayers by defining the zone in such a way that in fact only one taxpayer owned the immovable properties therein located [see the decision of the Supreme Court of the Slovak Republic, file No. 8Sžf/22/2010]. Similarly, the Act gradually set the **limitations in the differences** between the statutory rate and the municipality-set rate and/or between the lowest rate and the highest rate set by the municipality concerned based on numerous cases of disparities. Pretty frequently, there have been cases of year-on-year increases in the rates fivefold, tenfold, or twentyfold.

tyfold higher, as well as cases where the difference between the statutory tax rate and the tax rate set by the municipality amounted to even its fiftyfold. Nevertheless, not even such disproportions have been defined by courts as unlawful departure of municipalities from their competences given by the Local Taxes Act, as the above Act left the municipalities without any restrictions in their competences at that time.

Conclusions

The real property tax is imposed on the basis of a statute adopted by the Parliament – the Local Taxes Act, and it is actually imposed by an act of a particular municipality which has the competence to decide whether it will levy the tax or not. Municipalities are also responsible for the administration of the tax and are the beneficiaries thereof. The Act itself determines only the basic components of the tax and delegates the power to determine other elements to municipalities and thus emphasises the independence of the municipalities as the self-governing units which are allowed to adjust the tax according to local needs through determination of various tax rates for various types/uses of properties. The regulation, however, is not flawless. We tried to assess it from the viewpoint of the tax fairness principle as one of the discussed reason for a major reform of the current system. Based on the above said, the conclusion we arrived at regarding the research question stated shall be as follows: **Is the current regulation qualitatively adequate in terms of tax fairness? Negative.** The legislation itself is quite simple and very “municipal friendly” since it allows them to apply quite a decisive competence in terms of actual imposition of taxes and setting the elements of the tax. This covers also the ability to set different tax rates for various types of properties and thus raise different revenue from particular properties. This positive effect, however, can be also the reason for disproportions in the tax burden laid upon different types of properties and their owners/tax-

payers in favour of residential premises that are generally undertaxed as opposed to the commercial premises. The positive is the existence of factors (tax rates differentiation, floor surcharge, etc.) used as the corrective elements to eliminate the negative feature of the area based system of taxation making it the calibrated area based system, however, the negative is that the municipalities are limited in the number of such factors that might better individualise particular property (e.g. the age, the more precise location, equipment and improvements, etc.) and thus help differentiate between “similar” properties of different market value. The negative is that a large number of various immovable structures (properties) skips the taxation due to the current definition of the object of taxation. The regulation is not totally wrong, it contains some elements that are of a positive nature and some of a negative nature. The aspect of the fairness is not truly incorporated, though.

The mentioned negatives, or at least some of them, should be eliminated by a reform of the RPT and the Government’s view is to change the current calibrated area-based system base to an *ad valorem* system. Such a reform, however, has not been introduced yet, perhaps also based on the general unacceptance of the wide public but also acknowledging the unpreparedness of the country for such a complex reform. We are of the opinion that, under the current circumstances, the introduction of the *ad valorem* system is not the best solution to the problem. It seems that also the Government acknowledges the nonexistence of the preconditions for the mentioned reform, as is seen from its more recent announcement (the government in cooperation with Slovak Towns and Municipalities Association is working on the creation of the necessary preconditions for such a reform). The authors acknowledge the benefits of the intended reform, nevertheless, also emphasise the need to take into account the “problems” connected to *ad valorem* system introduction and maintenance (up-to-date database, high costs of data acquiring and updating, high rate of appeals) and

the necessity to solve other problems of the municipalities associated with their role and tasks as tax administrators (high number of small municipalities, technical and personnel equipment, improving tax enforcement & collection of the tax). Until the country prepares the necessary preconditions for a broader reform, the improvement of current regulation in terms of increase the tax fairness may, at least to a certain extent, be achieved by the update of the scope of subject of the tax, further calibration with more correc-

tive elements and closing the scissors for the differences in the tax rates applied by the municipalities – where we are fully aware that the most of the responsibility lies with the municipalities and their sensitive application of the law.

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Acknowledgement

This article is a partial output from the implementation of the project APVV 16-0160.

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DOMINIK J. GAJEWSKI (General Editor) · GRZEGORZ GOŁĘBIEWSKI · TOMASZ GRZYBOWSKI (Managing Editor)

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