

Urbanization and Local Taxes – the Case of the Czech Republic Focused on the Infrastructure Charge

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Abstract The urbanisation is connected with the higher costs of cities for the management, because they are responsible for local infrastructure and services. The legal regulation of local taxes and especially the infrastructure charge in the Czech Republic is not sufficient. The sources for local budgets might be found in the recurrent property tax. There are already instruments connected with the urbanisation. The location rent reflects the fact that the more inhabitants are living in the municipality, the higher are the costs for local transportation systems, education, communal services incl. the infrastructure, public security, healthcare, culture, etc. The local coefficient can be applied for all types of immovable property in the municipality's territory, except for agricultural land, and it might multiply the final immovable property tax by 2, 3, 4, or 5. With regard to the urbanisation and related infrastructure investments, it would be useful if municipalities get the right to apply the local coefficient only at specific parts of the municipality or for specific types of property. Such a recurrent property tax regulation connected with the planning contracts between municipalities and private developers might be an ideal approach in the area of local taxes, infrastructure financing, and urbanisation.

Keywords: • urbanisation • infrastructure charge • property tax • local tax • planning contracts

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1 Introduction

Urbanisation is the process through which cities grow as higher percentages of the population comes to live in the city. It has something to do with human nature: for different reasons, we tend to form groups to get advantages in our lives. Groups are creating settlements, and some of these grew into what we now call cities. The world population has been growing significantly and the economies have become more industrialized over the past few hundred years. As a result, many more people have been moving into cities. Nearly half of all people now live in urban areas. They are attracted by jobs in manufacturing and services, by increased opportunities for education and entertainment, etc. (National Geographic, 2020)

The increasing number of people living in cities – the urbanisation – is connected with the higher costs of these cities for the management. Municipalities are responsible for the local self-administration, local transportation systems, education, communal services incl. the infrastructure, public security, etc. They provide services for social living, social security, protection of the environment, healthcare, culture, etc. The local budget revenues might be transferred from the State, or the cities have their own sources; they may dispose of the municipal property to have revenues from rents and sales, they may run the business to get profits. In Continental Europe, most local budget revenues are transfers of centrally collected taxes, mainly personal income tax, corporate income tax, and value-added tax. The local taxes usually have just an additional significance.

The partial aim of this contribution is to define the local taxes in the Czech Republic, by using the analyses of existing definitions, comparative approach, and synthesis. Later, using the critical analysis methods, the role of Czech local taxes in urbanisation is described. Urbanisation is closely connected with the need for housing construction. While the construction of houses or blocks of flats is financed privately, the related infrastructure (roads, pavements, streetlights, gas and power lines, water conduit, sewerage, etc.) is very often financed from public budgets. It is evident that the infrastructure charge should (if it is collected) play a crucial role in these circumstances. That is why the Czech Republic's infrastructure charge and its regulation *de lege lata* must be critically analysed. Nowadays, however, it is collected only in several municipalities in the Czech Republic. There are no theoretical works or published practical experience explaining such approach. In my opinion, based on the lectures for the local officials, this is because of unclear and insufficient legal regulation of the infrastructure charge. I will work with this hypothesis while analyzing the structural components of the infrastructure charge. The main aim of the contribution is (synthesizing the gained knowledge) to set the ideal construction of the infrastructure charge or other possible alternatives. It should be stated that such research was never been done in the Czech Republic and there is no adequate literature background for the contribution. This fact is surprising, not only because of increasing urbanisation tendencies but especially in the era of decreasing fiscal sources caused by Covid-19 pandemics. This statement is valid for both central and local levels.

2 Literature overview

In the Czech Republic, there has never been published any scientific contribution focused on urbanisation with regard to local taxation. However, there are discussions connected with suburbanisation: people are especially moving from big cities to smaller municipalities and villages close to these cities because of a more comfortable, quieter, and healthier environment. As centrally collected shared taxes are the essential revenues of local budgets, it could mean that the suburbanisation is suitable for these smaller municipalities. However, shared taxes are distributed to the municipalities according to the permanent residence of the taxpayers. And many of these taxpayers are not officially changing their place of residence from big cities to the new places. Such behavior means for the small municipality a lack of financial sources and higher demand for local services. (Macešková & Ouředníček, 2008: 28)

Outside the Czech Republic, it is possible to find interesting scientific sources dealing with urbanisation and local taxation. E.g., Andersson (2018: 111) argues that the effect of democratization on taxation depends on the distribution of tax preferences in society. These preferences are not uniform: rural farmers prefer different policies than urban workers. His results show that democracy decreases property taxes in rural countries but instead increases income taxes and decreases excise and consumption taxes in more urbanized states. Ji & Zhang (2019: 1) state that local governments in China choose land urbanisation rather than population urbanisation from the perspective of fiscal incentives. According to their research, both the local tax revenue and fiscal self-financing rate have a significantly negative effect on the gap between land urbanisation and population urbanisation. The larger the proportion of business tax, the smaller the gap, and vice versa for value-added tax. The greater the local governments' tax losses, the greater the gap. The structure of the Italian property tax and the devolution process that began in the '90s induced local municipalities to adopt less tight (accommodative) urban policies to offset budgetary needs. (Bimonte & Stabile, 2015: 100)

Concerning the definitions of a local tax, there are many approaches. Interestingly, scientific articles rarely deal with the definition of local tax. According to Kagan (2020), a local tax is an assessment by a state, district, or municipality to fund public services ranging from education to garbage collection and sewer maintenance. Local taxes come in many forms, from property taxes and payroll taxes to sales taxes and licensing fees. They can vary widely from one jurisdiction to the next. Similarly, and widely, Marková (2007: 2) recognizes local tax, if it is considered the instrument of the adaptation of the revenue base of local self-government, the objectives and priorities of local people. She defines the criteria that local taxes should have. As an essential criterion, she indicates the possessive criterion (tax revenue is the municipality's income) and the criterion of rate (the amount of tax rates is set by the municipality). The additional criteria are the criterion of revenue (the municipality administers tax; that is why we should better talk about the administration criterion) and the criterion of decision-making (the municipality defines

the tax base). Babčák (2005: 1-6) uses even five aspects crucial for the designation of local taxes: a. the municipality must be authorized to decide on the establishment or cancellation of local taxes; b. the municipality must be authorized to decide on certain structural elements of the tax (the taxpayer, subject, tax base, tax rate, the date of the tax return, payment conditions); c. the municipality must be able to significantly influence the revenue of local taxes (the power to increase or decrease basic rates, exemptions, relieves); d. the revenue must be the original income of the budget of the municipality, without any possibility to use the revenue for the needs of other budgets; e. local tax must come from local sources. Mrkývka (2003: 156) gives three possible models in constructing local taxes: a. local taxes are all taxes with the revenue to the local budgets; b. local taxes are introduced and administered by local self-government units; c. local self-government unit is required to collect all local taxes, and municipalities have the option following local conditions to adjust the taxation of corrective elements (exemptions, reductions, increasing taxes).

For most of the authors dealing with local taxation, the most typical local tax is the recurrent property tax (Franzsen & McCluskey, 2017: 3; Románová, Radvan & Schweigl, 2019) and municipal charges (fees/taxes) imposed by the municipalities (Radvan, 2016: 72-74; Románová, Radvan & Schweigl, 2019), incl. the infrastructure charge. According to Boháč (2013: 113), infrastructure charge is a typical local charge (and not a tax, because it is irregular and for consideration). Other authors are dealing with the structural components of the infrastructure charge (e.g., Jantoš, 2017; Jirásková & Šneberková, 2004: 50-55; Kadečka, 2005: 98-105; Pelc, 2013: 116-125; Radvan, 2012: 123-128).

3 Research

The research necessary to achieve the aims of the contribution and confirm or disprove the hypothesis is focused on legal issues. Three areas should be analysed: a. the definition of a local tax; b. the infrastructure charge collected by municipalities in the Czech Republic; c. other possibilities for Czech municipalities to get revenues for building and financing infrastructure.

3.1 Local Tax

Concerning the local tax, Kagan's definition (2020) is extensive. However, a local tax might be assessed not only at the local level but on the central level, too, if the revenue goes to the local budget to finance local needs. Taking all criteria as defined by Marková (2007: 2), there is no local tax levied in the European Union. Therefore, the question is how many criteria must be met to consider a levy as a local tax. If we opted only for the first criterion (tax revenue is the municipality's income), all shared taxes would be local taxes. While the second criterion (the municipality sets tax rates) would be consulted, local taxes are, e.g., all vested taxes, with some, though limited fiscal powers (e.g., local taxes, and partly property tax). Using the third criterion (the municipality administers

tax), local taxes in the Czech Republic are all local charges, but not the property tax. This conclusion also applies to the fourth criterion (the municipality defines the tax base). Local taxes, as defined by Babčák (2005: 1-6), seem not to exist. E.g., the Slovak local fee on municipal waste, known as the local tax, is obligatory by law. Mrkývka's (2003: 156) first model (local taxes are all taxes with the revenue to the local budgets) is referred to at least rigid, respectively freest. According to that, as the local tax, we could consider the Czech property tax. The second model of local taxes (local taxes are introduced and administered by local self-government units) defines the Czech local charges. The third characteristic (local self-government unit is required to collect all local taxes, municipalities have the option following local conditions to adjust the taxation of corrective elements) describes municipal taxes proposed in the Czech Republic in 2000.

Unfortunately, the regulation *de lege lata* in the Czech Republic misses the definition of the local tax. The question of defining local taxes is the issue purely theoretical and not much practical. There is no doubt that the municipality must be able to assess some local taxes; however, their right will be limited by law with regard to Art. 11(5) of The Charter of Fundamental Rights and Freedoms. In this case, it is more a political question as to whether and in what form and to what extent the municipalities will receive options to assess and/or collect local taxes. From the definitions mentioned above and on their basis, I created and previously published my own definition, that the local tax would be a financial levy, determined to a municipal budget that can be influenced (by specifications of the tax base, the tax rates or the correction elements) by the municipality. Local taxes include both the tax in the strict sense and the fees (charges), i.e., it is not crucial whether the taxpayer obtains any consideration from the municipality or whether it is a regular or a single levy. (Radvan, 2016: 72-74)

Local taxes are *conditio sine qua non* for the economic autonomy of local self-government, and there is no doubt that the municipality must be able to introduce some local taxes. Even though the Czech Republic, when notifying the European Charter of Local Self-Government, stated it does not consider itself bound by provisions of the Art. 9(3) guaranteeing the Czech municipalities the right to impose local taxes and charges. Still, there are several local taxes in the Czech Republic. The most important one is the recurrent property tax. Even this tax is not administered by the municipality itself, it has several possibilities to influence the revenue: there are three possibilities of exemptions (exemption of property attached by extraordinary (natural) disaster, exemption of agricultural lands, and exemption of property as an investment incentive), and three possibilities to apply or change coefficients that can influence the tax rate (location rent and municipal coefficient) or the tax itself (local coefficient). (Románová, Radvan & Schweigl, 2019: 605)

3.2 Local Taxes in the Czech Republic

3.2.1 Property Tax

The recurrent property tax collected in the Czech Republic is the tax on immovable property. The taxpayers are generally the property owners; the objects of taxation are land, buildings, flats, and non-residential premises; the tax bases are generally influenced by the area. There are the basic correction components and the basic tax rates, and the rights of municipalities to set additional tax exemptions and specify the tax rates. The tax is administered by the state tax offices, and all of the revenue is accruing to the municipal budget, depending on where the property is located. Generally, municipalities only have the right to exempt immovable property affected by extraordinary, mainly natural disasters, certain agricultural land (arable land, hop-fields, vineyards, orchards, and permanent grass pastures), and immovable property in special industrial zones. Municipalities are allowed to adjust those coefficients that influence the tax rate (the location rent, the municipal coefficient) or the tax itself (the local coefficient). In such cases, municipalities have to adopt a generally binding ordinance (local bylaw) following the competence given by the Act on Immovable Property Tax (Radvan, 2009: 178-193; Románová, Radvan & Schweigl, 2019: 606-607).

With regard to the urbanisation – the increasing number of people living in cities connected with the higher demands of citizens for public services provided by municipalities and higher costs of these cities for the management, the most essential tools in the property tax regulation are the location rent and the local coefficient. The more inhabitants live in the municipality, the higher are the costs for local transportation systems, education, communal services incl. the infrastructure, public security, healthcare, culture, etc. This fact is reflected in the construction of the coefficient called location rent, graphically described in Table 1.

Table 1: Location Rent

| Number of inhabitants / Municipality | Coefficient | | | | |
|--|-------------|---------|-----|-----|-----------|
| | Basic | Reduced | | | Increased |
| ≤ 1,000 | 1.0 | – | – | – | 1.4 |
| > 1,000 ≤ 6,000 | 1.4 | – | – | 1.0 | 1.6 |
| > 6,000 ≤ 10,000 | 1.6 | – | 1.0 | 1.4 | 2.0 |
| > 10,000 ≤ 25,000 | 2.0 | 1.0 | 1.4 | 1.6 | 2.5 |
| > 25,000 ≤ 50,000 | 2.5 | 1.4 | 1.6 | 2.0 | 3.5 |
| > 50,000 + Františkovy Lázně, Luhačovice, Mariánské Lázně, Poděbrady | 3.5 | 1.6 | 2.0 | 2.5 | 4.5 |
| Prague | 4.5 | 2.0 | 2.5 | 3.5 | 5.0 |

The basic value of the coefficient is laid down in the Act on Immovable Property Tax respecting the number of inhabitants with a permanent residence in the municipality. It multiplies the standard tax rate for the specified immovable property (development land, residential buildings, and other structures providing facilities for residential buildings, flats, and non-residential premises not used for running businesses and garages). The basic value of the coefficient provides seven levels of value within the range of 1.0 and 4.5, and municipalities have the right to increase (up by one level) or reduce (down by three levels) it. The location rent has a long tradition, and many Czech municipalities use it to increase the revenue. (Radvan, 2020a: 54; Románová, Radvan & Schweigl, 2019: 607)

From the fiscal point of view, the most crucial tool to increase the immovable property tax and the revenues is the local coefficient. It can be applied for all types of immovable property, except for agricultural land. It multiplies the final immovable property tax by 2, 3, 4, or 5. However, and to a certain level surprisingly, the local coefficient is used in only 7 percent of municipalities in the Czech Republic, primarily because of its political nature. (Románová, Radvan & Schweigl, 2019: 607)

3.2.2 Local Charges

Every municipality in the Czech Republic can levy local charges (local fees, local taxes). Nevertheless, not every single municipality levies every local charge; the town council has an opportunity to decide whether the municipality will levy the local charge and it can define the amount of this charge. Local charges also have, except the fiscal function, regulative and protective function. Local Charges Act contains authorization for municipalities to assess local charges by the ordinance. In this ordinance, conditions for levying, charge rate, charge maturity, and eventual immunity must be given. The ordinance may not exceed the conditions defined by the Local Charges Act (e.g., the absolute charge rate or varieties of charges). Czech municipalities have an opportunity to levy the following local charges:

1. Dog charge;
2. Charge for stay;
3. Charge for using public places;
4. Charge on entrance;
5. Charge on communal waste;
6. Charge for permission to enter selected places by motor vehicle;
7. Charge on evaluation of building land - the infrastructure charge.

This list is complete and the municipality cannot levy any other charge. (Radvan, 2020a: 79-80)

Almost every local charge has a particular connection to urbanisation. E.g., the dog charge paid by the holder of the dog has a maximum rate of 1,500 CZK for a dog per year (200

CZK for retired people). However, small villages apply minimal rates or do not collect this charge at all. At the same time, big cities usually use the highest possible rates, because they have to clean pavements and build paddocks for dogs. Very often, there are different rates for dogs bred in family houses and (higher rates) for dogs from flats.

The charge for stay is a kind of a tourist tax. It is usually collected in larger urbanized municipalities. The charge fully covers all types of accommodation for tourists (and congress participants), all possible kinds of contracts, and especially Airbnb types of accommodation. The taxpayer is generally the guest – a person with permanent residency in any other municipality – staying for a limited period no longer than 60 days. The charge is collected by the quartermaster, who, as a payor (paying agent), sends it to the municipal office. The only problematic issue might be the maximal rate: 21 CZK per night in 2020 or 50 CZK from January 1, 2021, is not adequate compared to other cities in the world. (Radvan, 2020b; 1103-1104) For the tourist tax, it is irrelevant whether there is a special “tourism fund” in the municipal budget, i.e., whether the tourist tax revenues are spent on tourist purposes only or generally on all people in the municipality's territory. The task of the municipalities is to ensure good services for both tourists (maps, orientation signs, etc.) and locals (not to be disturbed too much by tourists) at the same time while most of the services are provided for everybody (cleanliness of public areas, security, etc.).

The charge for using public places can be levied by the municipality only if a. positioning of temporary constructions for building or advertisement, selling goods or services; b. positioning of amusement parks, circuses; c. creating and running dumps; d. reservation of parking place; e. using the public place for culture and sport or for shooting movies; f. pursuing site excavation. The charge for using public places is obviously levied mostly in urbanized cities. The charge rate is 10 CZK for a square meter per day; in some cases, it can be even 100 CZK for a square meter per day (sales, advertisement, amusement parks, etc.).

The charge on entrance is obliged to be paid by every person who organizes cultural, sport, sale or advertisement action and collects an entrance. The charge rate is 20 % from the entrance. It is possible to state that the charge is collected mostly in large urbanized municipalities. The same applies to the charge for permission to enter selected places by motor vehicle paid by everybody who has permission for access by a motor vehicle to chosen places and parts of towns (and nobody else cannot get there because of a road sign). Only big cities need to regulate the number of cars in city centers. The charge rate is 200 CZK for one day at maximum.

It is possible to conclude that the collection of almost all local charges is a sign of urbanisation. There are two practical reasons. Firstly, small rural municipalities do not need to levy local charges to regulate or stimulate the behavior of taxpayers while the fiscal effect of the charges is limited. Secondly, the administrative costs would be much higher than the revenues because of maximal rates set in the Local Charges Act. The only

exception is the local charge on communal waste or other possibilities according to the Waste Act: the charge on communal waste according to the Waste Act or contracts with persons producing communal waste. Because the costs connected with communal waste disposal are high, almost every municipality in the Czech Republic uses any of the three aforementioned possibilities.

3.3 Infrastructure Charge

Urbanisation is closely connected with the need for housing construction. While the construction of houses or blocks of flats is financed privately, the related infrastructure (roads, pavements, streetlights, gas and power lines, water conduit, sewerage, etc.) is very often financed from public budgets. It is evident that the local charge on evaluation of building land – the infrastructure charge should play a crucial role in these circumstances.

The charge on evaluation of building land is paid by the lot's owner if he has a possibility to connect it to municipal water conduit or sewerage. The initial condition is that the water conduit and the sewerage are built (i.e., financed) by the municipality. It is not decisive whether there is a building on the land, who is the owner of the building on the land (as the principle *superficies solo cedit* was not respected by the communist regime in the 20th century), or if the owner wants to connect his land to the water conduit or sewerage. The crucial moment to set the charge duty is the moment when the land's owner can connect the land to the municipal water conduit or sewerage. It must be a new water conduit or sewerage, not a reconstruction of the existing one. The generally binding ordinance must be adopted till the end of the year in which the municipal water conduit or sewerage was approved. This rule causes problems in practice, especially if the water conduit or the sewerage is approved at the end of the calendar year. It would be more convenient to set a one-year limit after the approval of the structure.

The charge rate can be the difference between the prices before and after the possibility to connect the lot to water conduit or sewerage at maximum. The charge rate must be published in the generally binding ordinance. The price of land varies for different types of development, i.e., it depends on the purpose of construction built on the land (e.g., family houses, apartment buildings, buildings with social care services, hotels and restaurants, buildings for services and trade, buildings for industry and storage, sports buildings or agricultural buildings). Therefore, the charge rate can be set differently according to the individual categories of building land. However, within one category (of the same type of development), it must be set in the same way. While maintaining the principles of equality, the charge rate may be set a. differentially – separately for each plot of land, provided that such a rate determination would be evidenced by the exclusivity of the valuation of the plot in comparison with the valuation of the other plots; b. with different rates for sets of plots of land having the same or similar qualitative character; c. with one rate for all land affected by the construction of a water conduit or sewerage. However, for land valued in the same way, a charge rate must be always

uniform. If the municipality decides to set the charge at one rate for all land affected by the construction of water conduit or sewerage, it must set the charge rate according to the valuation of the land with the lowest price with respect to the purpose of development. (Jantoš, 2017)

According to ASPI (2020), the infrastructure charge is collected in 45 Czech municipalities. (There are almost 6,300 municipalities in the Czech Republic.) In 18 municipalities, the infrastructure charge was collected in history and later cancelled. The only larger city (district city) where this charge is being collected is Žďár nad Sázavou, with 20.700 inhabitants.

4 Discussion

In spite of the fact that the infrastructure charge was intended to help municipalities building new infrastructure in their territories, the charge is not very popular, because it is used only by 45 Czech municipalities. There are several reasons for that fact. The main one is that it does not cover all types of infrastructure, but only water conduit or sewerage. It does not cover the reconstruction of existing water conduit or sewerage, not the wastewater treatment plants necessary for all cities. Many of them had to increase the capacity of the wastewater treatment plants; however, the infrastructure charge is not applicable to this situation. The charge cannot be used as a financial source when building any other infrastructure, such as roads, pavements, street lights, gas and power lines, etc. The crucial moment to set the charge duty is the moment when the land's owner can connect the land to the municipal water conduit or sewerage. However, municipalities need money to cover the construction cost before the project begins. The generally binding ordinance must be adopted till the end of the year in which the municipal water conduit or sewerage was approved. However, if the water conduit or the sewerage is approved at the end of the calendar year, there is a lack of time to adopt the local bylaw. The legal rules to set the charge rate are too complicated and many municipalities resign from the intent to adopt the local ordinance as they do not want to break the law.

Some of these problematic issues could have been resolved in 1999 if the Parliament adopted a new Municipal Taxes Act (Chamber of Deputies, 1999). One of the presumed local taxes was an obligatory infrastructure tax. The object of taxation was the infrastructure built at the expense of the municipality. For the purposes of this Act, the public infrastructure was defined widely. It covered the construction of local roads, construction of water mains and waterworks, including water treatment plants, construction of sewers and sewerage facilities, including wastewater treatment plants, public lighting, and other structures that provide this area in terms of fire safety and other types of security. The taxpayer was the owner of the land. The task of the municipality was to post the information on the issuance of the approval decision and the amount of the actual costs of the built infrastructure on the official notice board of the municipal office for a period of fifteen days and further communicate it in the usual

manner on the spot. The last day of this period was the day of delivery. Within fifteen days from the delivery date, the taxpayer was obliged to file a tax return. The tax administrator had to assess and prescribe the tax by payment order or a collective prescriptive list. The range of the tax rate was between 10 and 20 % of the actual costs per m² incurred by the municipality on the built infrastructure, multiplied by the area of land owned by the taxpayer (i.e., the infrastructure tax was planned as an obligatory tax collected in every Czech municipality). The tax was payable within fifteen days from the date of delivery of the payment order or collective prescriptive list if it does not exceed 10,000 CZK. For an amount exceeding 10,000 CZK, the tax was payable in two equal instalments (the first instalment within fifteen days from the date of delivery of the payment order or collective prescriptive list, the second instalment after six months from the date of the obligation to pay the first instalment). However, the Municipal Taxes Act, including the infrastructure tax, was not adopted by the Parliament. In the following 20 years, there was no other initiative in the Czech Parliament concerning local charges or taxes on infrastructure.

That is why, nowadays, the more favourable way to get adequate infrastructure at the municipality is the private law contract with a private investor. In these circumstances, the term public infrastructure is more comprehensive than discussed until now in this contribution. It copies Art. 2(1/m) of the Building Act and covers a. transport infrastructure (roads, railways, waterways, airports and related facilities); b. technical infrastructure (lines, constructions, and operationally related technical equipment: water conduits, reservoirs, sewerage, wastewater treatment plants, constructions to reduce the risk of natural or other disasters, constructions and facilities for waste management, transformer stations, energy lines, communication lines, product pipelines, and gas storages); c. civic amenities for education, social services and family care, health services, culture, public administration, protection of the population; d. public places established or used in the public interest. Very often, when the municipality is issuing permission for a private investor to build new houses or flats, there is a private law contract between the municipality and the investor. The investor is bound to build adequate infrastructure for future inhabitants, typically technical infrastructure, roads and pavements, streetlights, kindergarten and school, public parks, playgrounds, trees, etc.

However, there are no legal rules for this in Czech law. Some municipalities (e.g., Jihlava, Říčany u Prahy, Mnichovo Hradiště, Hrušovany u Brna, etc.) are trying to be as transparent as possible. They have prepared publicly available principles (rules) for private investors' financial compensations (e.g., Prague 22, 2020a). The contract is then based on these principles (Prague 22, 2020b). Recently, the principles have been adopted by the capital of Prague (Kryžová, 2020). Still, this practice is only voluntary and there are no specific rules, not even for the legal form (act, local bylaw) of the principles. It is interesting to see that not only municipalities but even the developers are unhappy with current situation. According to the research done by CEEC Research, more than one half

of them prefers to define the financial cost for infrastructure in the Act or local bylaw. They are ready to finance one-third of the infrastructure costs, especially parking lots and parks. On the other hand, the municipality and the State should be responsible mainly for schools, kindergartens, roads, and public transportation. (ČTK, 2020)

These requests are at least partially reflected in the draft of the new Building Act (Chamber of Deputies, 2020). The bill includes the public infrastructure definition without significant amendments compared to the valid and effective Building Tax. However, it brings a new institute of the planning contract. A planning contract is a public contract concluded between a builder and a municipality or region or the owner of public infrastructure. Its content is the mutual obligation of the parties to provide co-operation in the implementation of the stated intention in the contract and to proceed in its implementation in the agreed manner. The planning contract may also contain an adjustment of the rights and obligations of persons in the field of private law. In the planning contract, the municipality, region, or owner of the public infrastructure may undertake that it will participate in the preparation, construction, or financing of public infrastructure or public benefit constructions or other measures necessary for the implementation of the project, and it will take over the construction completed by the builder. The builder may undertake to participate and assume the costs in the construction of public infrastructure or other structures or measures caused by the project, participate in the remediation of the territory affected by the project, and provide financial or material performance for the appreciation of the land by issuing spatial planning documentation.

5 Conclusions

Planning contract included in the draft of the new Building Act is definitely a good step and it seems to be an excellent instrument for municipalities. However, if the Czech Parliament adopts the bill, it will be in force since January 1, 2023. For the next two years, the municipalities should prepare the principles for private investors' financial compensations and draft contracts to offer the same conditions for all possible investors and to fulfil the principles of equality and predictability.

Concerning the taxes or charges on infrastructure, the legal bases in the Local Charges Act are not adequately precise for municipalities to create a generally binding ordinance of good quality. Municipalities do not have the experience nor the knowledge to create the bylaw and to administer the infrastructure charge. That is why only 45 Czech municipalities out of almost 6,300 municipalities in the Czech Republic collect the infrastructure charge. The other reason is that the charge covers only new water conduit or sewerage and not the other types of infrastructure or the reconstruction and the increase of the capacity of existing ones. The charge cannot be used as a financial source when building roads, pavements, street lights, gas and power lines, playgrounds, kindergartens, etc. The generally binding ordinance must be adopted till the end of the year in which the municipal water conduit or sewerage was approved. However, if the

water conduit or the sewerage is approved at the end of the calendar year, there is a lack of time to adopt the local bylaw. The legal rules to set the charge rate are too complicated. All these negatives, unclearness, and insufficiencies lead to the conclusion that many municipalities resign from the intent to adopt the local ordinance as they do not want to break the law. The hypothesis of the contribution was confirmed.

I do not believe that any other legal regulation of the infrastructure tax or infrastructure charge might help. It is complicated to decide whether the land is affected by the new or more modern infrastructure, respectively how much it is affected and how it influences the land price.

If we accept that there is no infrastructure charge/tax, the solution might be found in the recurrent property tax – the tax on immovable property. I believe that this tax revenue should be used on behalf of the owners of land, houses, flats, structures. All types of infrastructure and related services (transport infrastructure, technical infrastructure, education, social and health services, culture, protection of the population, public places, etc.) and its maintenance must be financed from the property tax revenues.

Although the Czech property tax legal regulation is not ideal, there are already instruments connected with the urbanisation – with the increasing number of people living in cities connected with the higher demands of citizens for public services provided by municipalities and higher costs of these cities for the management. The location rent reflects the fact that the more inhabitants are living in the municipality, the higher are the costs for local transportation systems, education, communal services incl. the infrastructure, public security, healthcare, culture, etc. The most crucial instrument for increasing the immovable property tax and the revenues is the local coefficient. It can be applied for all types of immovable property in the municipality's territory, except for agricultural land, and it might multiply the final immovable property tax by 2, 3, 4, or 5. With regard to the urbanisation and related infrastructure investments, it would be useful if municipalities get the right to apply the local coefficient only at specific parts of the municipality (with new, better, modernized infrastructure) or for specific types of property (depending on how the infrastructure influences the quality of the usage). The other benefit of property tax is the fact that it is administered by the state tax offices.

Such a recurrent property tax regulation connected with the planning contracts between municipalities and private investors (developers) might be an ideal approach in the area of local taxes, infrastructure financing, and urbanisation. It might be helpful for municipalities to decide if they prefer new inhabitants, new suburbs with modern infrastructure, where these suburbs may be situated, and under what conditions.

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