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A Critical Analysis of Selected Aspects of Real Estate Taxation in the Context of Recent Legislative Amendments in the Czech Republic

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tax base,
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Abstract: The real estate tax is the sole property tax in the Czech Republic and has been part of its tax system since its establishment, i.e. since January 1, 1993. The Czech Republic has long been recommended by the Organisation for Economic Co-operation and Development (OECD) to increase the collection of this tax because its yield as a share of gross domestic product (GDP) is one of the lowest among all OECD and EU countries. The lower yield is in part attributable to the manner in which the tax base is determined. The Czech Republic, with the exception of a few minor instances, continues to employ the assessment-based rather than the value-based method of determining the tax base. Furthermore, the Czech Republic is encouraged to use the correction elements at the disposal of municipalities to influence the amount of property tax. This article examines the revenue aspect of real estate tax in the Czech Republic, including the determination of the tax base and the use of correction mechanisms. In light of these considerations, it is evident that the development of the Czech real estate tax system has been influenced by a number of factors, including the introduction of one of the most significant amendments to the Real Estate Tax Act in the country's history. This amendment, known as the consolidation package, was implemented on January 1, 2024 and has had a profound impact on the current legislation.

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1. Introduction

One of the property taxes that is imposed on the basis of ownership is the real estate tax. Unlike other property taxes, the real estate tax is not dependent on the taxpayer's income.[1] This classification is in accordance with the OECD Classification of Taxes, Group 4000, Subgroup 4100.[2]

In the Czech Republic, as in other EU Member States, real estate tax represents a source of revenues for municipalities.[3] In the Czech Republic, the only tax in the tax system, from which all proceeds are allocated to the budget of the municipality, in which the immovable property is located.[4] The term "real estate tax" encompasses two distinct types of taxation: that levied on land, and that applied to buildings and units.

In the Czech legal system, the real estate tax is regulated by Act No. 338/1992 Coll. on the Real Estate Tax (hereinafter also referred to as "ZDNV"). Since 1993, the real estate tax legislation has been amended on approximately 40 occasions, particularly in response to the need to address current issues and to reflect the decision-making practice of the courts of the Czech Republic. Following the enactment of Act No. 349/2023, which amends various laws in connection with the consolidation of public budgets (hereinafter referred to as the "consolidation package"), the real estate tax has undergone one of the most significant amendments in its history, encompassing approximately 40 points of amendment.

In the case of the Czech Republic, the yield of this tax in relation to gross domestic product (GDP) is one of the lowest in international comparison, according to statistics published by the OECD and the European Commission.[5] As Radvan notes, in contrast, the Anglo-Saxon countries,

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1 Michal Radvan, *Místní daně* (Praha: Wolters Kluwer Česká republika, 2012), 146.

2 Břetislav Andrlík and Lucie Formanová, "Importance of the Recurrent Tax on Immovable Property in the Tax Systems of EU Countries," *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis* 62, no. 6 (Jan 2014): 1213–20.

3 Alena Vančurová and Hana Zídková, *Daňový systém ČR 2022* (Praha: Wolters Kluwer, 2022), 323.

4 Section 4 item 1a) Act on budgetary determination of selected taxes of the municipalities and selected state funds (Act on budgetary determination) of 9 August 2000, Journal of Laws of 2000, No. 243, as amended.

5 "Taxation trend indicators table (Table 75: Taxes on property as % of GDP – Recurrent taxes on immovable property)," European Commission, accessed May 1, 2024, https://taxation-customs.ec.europa.eu/taxation-1/economic-analysis-taxation/annual-report-taxation_en;

the USA and the United Kingdom are characterized by a considerable proportion of this tax in municipal budgets.[6] According to the OECD statistics, the real estate tax yield for 2021 in both the USA and the United Kingdom is just over 2.5% of GDP. Overall, property taxation constituted 3.1% of GDP in the USA and 3.9% of GDP in the United Kingdom in the same year.[7]

In addition to the relatively low yield of this tax in the Czech Republic, the OECD has also identified issues with the construction of the tax base and the limited use of correction elements under the Real Estate Tax Act.[8]

The objective of this article is to examine and evaluate three elements of the real estate tax in the Czech Republic: the yield of taxation, the setting of the tax base, and the use of corrective elements. These elements are analyzed with reference to their development and the current legislative framework, taking into account the changes introduced by the breakthrough consolidation package.

2. Methodology

The author employs primarily scientific methods of analysis and synthesis. The descriptive approach is used to examine the selected area, particularly in relation to tax base legislation and correction elements.

Secondary research on the topic has been conducted by the author, who has incorporated sources such as published studies, articles, monographs, databases, and online sources to obtain pertinent information for the chosen topic. With regard to this foundation of the chosen topic, it can be considered sufficient within the Czech legal framework.

The primary source of information on the budgetary significance was the data obtained from MONITOR – State Treasury, a specialized information portal of the Ministry of Finance, which allows the public free access to budget and accounting information from all levels of state and

"OECD Economic Surveys: Czech Republic 2023," OECD Publishing, accessed May 1, 2024, https://doi.org/10.1787/e392e937-en.

6 Michal Radvan, *Zdanění majetku v Evropě* (Praha: C.H. Beck, 2007), 34.

7 "Global Revenue Statistics Database", OECD, accessed May 1, 2024, https://www.oecd.org/tax/tax-policy/global-revenue-statistics-database.htm.

8 OECD, "OECD Economic Surveys: Czech Republic 2023".

local government, as well as from the state final accounts of the Czech Republic, the official websites of the European Commission and the OECD.

In order to conduct an analysis of the tax yield, it is necessary to employ basic methods of descriptive statistics, which include determining the average and median values, as well as calculating absolute growth, relative growth, the growth coefficient and the average growth coefficient.

Some Czech authors have identified an increasing confrontation between lawyers and statistics, and have highlighted the necessity for lawyers to be prepared to work with them. In some countries, legal research is conceptualized as a complex science, characterized by the use of graphs, figures and statistics, as is the case in the USA. Such research may not only entail the search for causal relationships, but may also be purely descriptive, utilizing basic descriptive statistics, graphs and correlations.[9]

In order to enhance the clarity of the presentation, tables and bar charts have been included for some of the conclusions.

3. Research and Results

3.1. The Budgetary Significance of the Real Estate Tax in the Czech Republic Between 2013 and 2023

In the Czech Republic, local governments do not collect their own taxes. The only tax for which municipalities may influence the amount of its revenues and which is destined only for their budget is the real estate tax. The following figure illustrates the Czech Republic's collection of this tax in comparison to other EU countries, according to the most recent data available for 2022.

[9] Libor Dušek and Josef Montag, "Ekonomický přístup ke zkoumání práva: přehled metodologie a nástin příležitostí pro výzkum v České republice," *Jurisprudence* 25, no. 6 (2016): 39–48; Hubert Smekal and Katarína Šipulová, "Empirický právní výzkum," *Jurisprudence* 25, no. 6 (2016): 31–8; Michal Bobek, "Výzkum v právu: reklama na Nike anebo kvantová fyzika?," *Jurisprudence* 25, no. 6 (2016): 3–10.

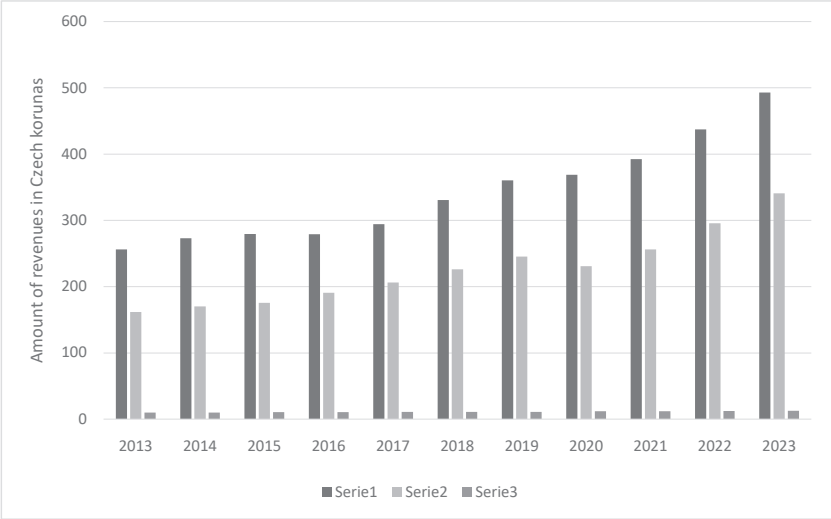

Figure 1. Taxes on immovable property as % of GDP – 2022 (own study according to source from the European Commission, DG Taxation and Customs Union).

The preceding Figure 1 shows that the Czech Republic is in the first quartile of EU countries (the threshold is 0.3) with the lowest real estate tax yield relative to GDP.[10] A comparison of the tax yield relative to GDP of the Visegrad Four countries with that of the Czech Republic indicates that all three other countries have a higher tax yield than the Czech Republic. Hungary is only slightly higher at 0.3, while Slovakia is at 0.4. Nevertheless, Poland, with its current yield of approximately 1% of GDP, is already approaching the average of both the EU and OECD Member States.

According to the Figure 1, Greece and France have the highest yields, which correspond to approximately twice the average yield of both the EU and OECD. According to the European Commission statistics, the Czech Republic's property tax yield remained at approximately 0.2% of GDP between 2013 and 2023.[11]

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10 Tereza Košťáková, *O složitém jednoduše, aneb, Nebojte se statistiky, nekouše* (Praha: Český statistický úřad, 2019), 54.

11 "Summary tables by countries. European Commission," European Commission, accessed May 1, 2024, https://taxation-customs.ec.europa.eu/taxation/economic-analysis-taxation/annual-report-taxation_en.

The following table and figure illustrate the development of real estate tax collection in the Czech Republic between 2013 and 2023.

Table 1. Development of real estate tax collection in the Czech Republic from 2013 to 2023, expressed in billions of Czech korunas (CZK)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
9,736	9,925	10,423	10,574	10,713	10,761	10,849	11,654	11,847	12,262	12,467

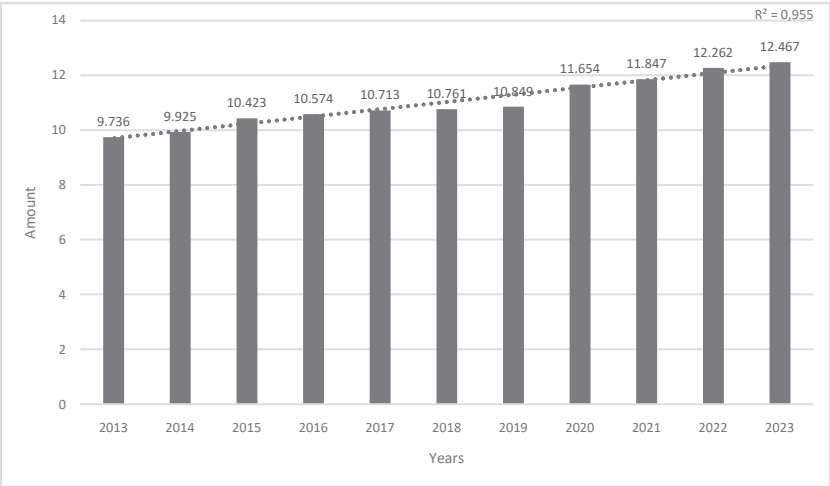

Figure 2. Development of real estate tax collection in the Czech Republic from 2013 to 2023, expressed in billions of Czech korunas (CZK) (own study according to source from MONITOR – State Treasury).

Figure 2 illustrates a consistent and sustained increase in real estate tax collection over the specified period. Figure 2 also shows the trend line, which is linear in the case of the development of the collection of this tax. It can be observed that the value of R^2, which represents the reliability of the trend, is 0.9559, which is already very close to 1. The trend

line is more reliable the closer its value is to 1.[12] A linear trend line typically indicates a consistent and progressive growth trajectory. This is also evident in the case of the development of real estate tax collections in the Czech Republic.

Two measures of the mean were derived from Table 1 and Figure 2. The author selected the arithmetic mean, supplemented with the standard deviation and the median, as measures of the mean. The measures of the mean indicate the location of the distribution of variables, expressing the approximate value of the mean. The standard deviation is then a measure of statistical variability, often used in statistics, where it is the quadratic mean of the deviations of the trait values from their arithmetic mean. The median then divides the sample into two equal halves, with 50% of the values being less than the median, and 50% of the values being greater than the median.[13]

The application of these measures of mean values indicates that the average size of the real estate tax collection over the past decade in the Czech Republic was CZK 11,019 billion. It is inadvisable to rely on an indication of the mean in isolation, without also considering the variability of trait values.[14] The standard deviation, CZK 0,912 billion, provides insight into the degree of concentration (or dispersion) of individual values around the mean value.[15] The median is equivalent to tax revenues of $10,761 billion in 2018, as observed in our sample.

The author then proceeded to investigate the growth dynamics of real estate tax collection. The dynamics of time series can be characterized through a number of measures, which in turn allows for the formulation of criteria for modelling based on the basic tendencies observed in the data set.

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12 Jana Hančlová and Lubor Tvrdý, *Úvod do analýzy časových řad* (Ostrava: Ekonomická fakulta, VŠB – TU Ostrava, 2003), 13, accessed May 1, 2024, https://www.fd.cvut.cz/department/k611/PEDAGOG/VSM/7_AnalyzaCasRad.pdf.

13 Jiří Neubauer, Marek Sedlačík, and Oldřich Kříž, *Základy statistiky: aplikace v technických a ekonomických oborech* (Praha: Grada Publishing, 2021), 53.

14 Ladislav Rabušic, Petr Soukup, and Petr Mareš, *Statistická analýza sociálněvědních dat* (Brno: Masarykova univerzita, 2019), 114.

15 Vlastimil Chytrý, Petr Trahorsch, and Alena Nováková, *Vybrané kapitoly ze statistické analýzy empirických dat* (Ústí nad Labem: PF UJE, 2019), 23–4.

The absolute growth rate (Δy_t) represents the simplest measure of dynamics. This metric quantifies the extent to which the time series has evolved relative to the preceding observation. The calculation method is as follows.

$$\Delta y_t = y_t - y_{t-1},\ t = 2, 3..., n$$

where y_t – the value of the real estate tax revenues (tax imposed) in the year t, y_{t-1} – the value of the real estate tax revenues (tax imposed) in the year *t-1*.[16]

The relative increment (δ_t) is then calculated, which, when multiplied by 100 (δ_t %), defines the extent to which the value of the time series *t* has changed in comparison to time *t–1*. This provides insight into the growth rate.[17]

$$\delta_t = \frac{\Delta y_t}{y_{t-1}} = \frac{y_t - y_{t-1}}{y_{t-1}} = \frac{y_t}{y_{t-1}} - 1$$

The third measure of dynamics is the growth coefficient (k_t), which indicates the extent to which the time series has changed relative to the previous observation. If this coefficient is multiplied by one hundred, it indicates the percentage increase in the value at time *t* in comparison to the value at time *t–1*. The growth rate is sometimes used as a label for this coefficient.[18]

$$k_t = \frac{y_t}{y_{t-1}} \qquad t = 2, \ldots, T.$$

Finally, the average growth coefficient will be calculated, from which the average growth rate of real estate tax collection in the Czech Republic for the analyzed period will be derived. The average growth coefficient is calculated as the geometric mean of the individual coefficients.[19]

The following table presents the findings of the analysis of the growth dynamics of real estate tax collection.

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16 Josef Arlt, Markéta Arltová, and Eva Rublíková, *Analýza ekonomických časových řad s příklady* (Praha: Vysoká škola ekonomická, 2002), 14.

17 Jan Hendl, *Základy matematiky, logiky a statistiky pro sociologii a ostatní společenské vědy v příkladech* (Praha: Karolinum, 2021), 304–21.

18 Arlt, Arltová, and Rublíková, *Analýza ekonomických časových řad s příklady*, 15.

19 Hančlová and Tvrdý, *Úvod do analýzy časových řad*, 13.

Table 2. Analysis of the dynamics of real estate tax collection in the Czech Republic from 2013 to 2023

Year	Yield	Δy_t	k_t	δ_t	δ_t (%)
2013	9,736	–	–	–	–
2014	9,925	0,189	1,019	0,019	1,941
2015	10,423	0,498	1,050	0,0502	5,018
2016	10,574	0,151	1,014	0,0145	1,449
2017	10,713	0,139	1,013	0,0131	1,315
2018	10,761	0,048	1,004	0,0045	0,448
2019	10,849	0,088	1,008	0,0082	0,818
2020	11,654	0,805	1,074	0,0742	7,420
2021	11,847	0,193	1,017	0,0166	1,656
2022	12,262	0,415	1,035	0,0350	3,503
2023	12,467	0,205	1,017	0,0167	1,672

Source: own study according to source from MONITOR – State Treasury

The average growth rate of real estate tax collection over the analyzed period is calculated as

$$\frac{\sqrt[10]{12,467}}{9,736},$$

which is 1.02503. This indicates that real estate tax collection grew by an average of 2.5% per year in the period between 2013 and 2023.

The preceding table demonstrates that the time series underwent the most significant change in absolute growth between 2019 and 2020, with an increase of CZK 0,805 billion. The growth rate derived from the growth rate coefficient for the aforementioned period is 7.4%. It can be concluded that the greatest increase in real estate tax collection occurred between 2019 and 2020. The subsequent period demonstrating a more pronounced increase in real estate tax was 2015, during which the collection grew by 5% compared to 2014.

Taxation represents a significant source of revenues for local governments, particularly municipalities. However, tax autonomy is constrained in the Czech Republic due to the fact that tax revenues are predominantly shared. The collection of real estate taxes represents a relatively minor

source of municipal revenues, ranking among the lowest in terms of overall municipal tax revenues. The following figure illustrates the ratio of real estate tax revenues to other types of tax revenues, based on data from 2023.

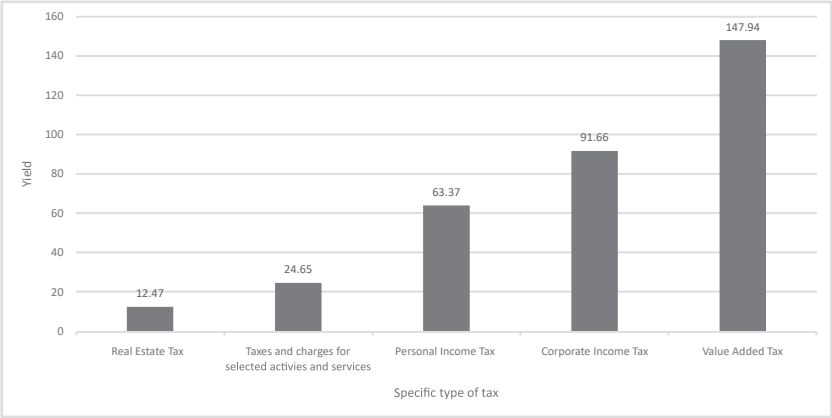

Figure 3. The municipal tax revenues for the year 2023, expressed in billions of Czech korunas (CZK) (own study according to source from MONITOR – State Treasury).

As illustrated in Figure 3, the municipalities' share of value added tax represents the dominant component of tax revenues.

The author notes that value added tax was the dominant tax throughout the analyzed period. The trends of corporate income tax and personal income tax were relatively balanced until 2017, with the latter being marginally lower than the former for several years afterwards. Nevertheless, as of 2021, the proportion of corporate income tax allocated to muni-Scipalities has already exceeded that of personal income tax. Throughout the period under analysis, taxes and fees on selected activities and services were collected at a higher rate than the real estate tax. It can be concluded that the real estate tax was the lowest tax revenues for municipalities in the long term.

The current tax legislation indicates that municipalities are entitled to a 24.92% share of value added tax (VAT), personal income tax and corporate income tax. During the analyzed period, there were several significant

changes in the budget allocation of taxes, which had a direct impact on the increase in tax revenue collection for municipalities.

In order to gain a comprehensive understanding of the data, it is necessary to consider the proportion of real estate tax in relation to total municipal revenues and tax revenues in the period under analysis. This is illustrated in Figure 4.

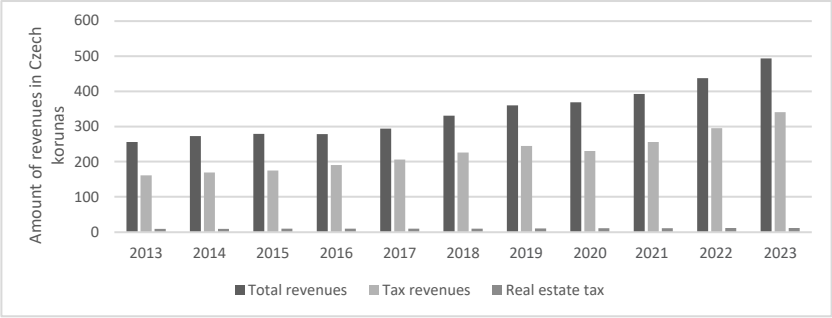

Figure 4. Ratio of total municipal revenues and tax revenues to real estate tax revenues in 2013–2023 in billions CZK (own study according to source from MONITOR – State Treasury).

Table 3. Ratio of total municipal revenues and tax revenues to real estate tax revenues in 2013–2023 in billions CZK.

Years \ Income	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total revenues	256,18	272,91	279,45	278,95	294,24	330,86	360,46	368,98	392,4	437,48	493,06
Tax reveues	161,73	170,09	175,39	190,75	206,32	226,22	245,2	230,85	256,01	295,64	340,69
Real estate tax	9,736	9,925	10,423	10,574	10,713	10,761	10,849	11,654	11,847	12,262	12,467

Source: own study according to source from MONITOR - State Treasury.

Figure 4 and Table 3 demonstrate that total revenues and tax revenues grew at a faster rate than real estate tax collections during the analyzed period. In 2020, tax revenues declined by 5.8%. This decline was primarily attributed to an 18.1% reduction in corporate income tax and

a 5.7% decrease in personal income tax. However, this decline was offset by a one-off contribution of CZK 1,250 per capita provided by municipalities to mitigate the impact of the payment of a compensation bonus to entrepreneurs. Consequently, the overall impact of the "corona crisis" on municipalities in terms of tax revenues was minimal.[20]

Figure 4 and Table 3 indicate that tax revenues constituted, on average, 66.17% of total municipal revenues over the period under consideration. The majority of this amount was derived from the share of the shared taxes.

3.2. The Tax Base for Real Estate Tax

The tax base in Czech legislation is determined separately for land and in a different way for buildings.[21]

The tax base for agricultural land is the price of the land, which is calculated by multiplying the actual area of the land in square meters by the average price of land per square meter, as determined by a decree issued by the Ministry on the basis of statutory authorization. The tax base for forest land is the price of the land determined in accordance with the price regulations in force as at 1 January of the tax period, or alternatively, the product of the actual area of the land in square meters, and the amount of CZK 3.80. Finally, the tax base for other land, built-up areas and courtyards, building land and paved areas of land is the actual area of the land in square meters determined as at 1 January of the tax period.[22]

The above data makes it clear that for land, the price is only taken into account in the case of agricultural land. In this case, it is based on the creditworthiness of the land. Alternatively, it may also be based on law for economic forest land. In this case, the amount is fixed. In the case of agricultural land, the Annex to the Decree of the Ministry of Agriculture contains a list of cadastral territories with the assigned average basic prices of agricultural land registered in the Land Register in the land type of arable land, hop-growing areas, vineyards, gardens, orchards and permanent grassland. These prices are derived from the bonitated soil-ecological units

[20] "Hospodaření územních rozpočtů v roce 2020," Deník veřejné správy, accessed May 1, 2024, https://www.dvs.cz/clanek.asp?id=6815788.

[21] Petra Jánošíková and Petr Mrkývka, *Finanční a daňové právo* (Plzeň: Vydavatelství a nakladatelství Aleš Čeněk, 2016), 338.

[22] Michal Krajňák, *Daň z nemovitých věcí v České republice* (Brno: CERM, 2024), 27–9.

of agricultural land. The average land price is determined individually for each cadastral area.[23]

The tax base for taxable buildings and units is defined as the area of the built-up area in square meters as at 1 January of the tax period. In the context of real estate tax, the built-up area is understood to be the built-up area of the building in accordance with the provisions set forth in the Building Act, which encompasses the above-ground portion of the taxable building. The basis for the tax on buildings and units is the adjusted floor area, which is the floor area of the taxable unit in square meters multiplied by a coefficient of 1.2 or 1.22, depending on the ownership of the land belonging to the unit. It is therefore evident that the tax base for buildings and units in the Czech Republic is not linked to the value of the immovable property.[24]

The consolidation package did not affect the way in which the tax base is determined in the Czech Republic. The author additionally notes that in previous years, legislative proposals have been put forth suggesting that the property tax be based on its value, for example in 2001, 2003, and 2012; however, these proposals were not adopted.

The consolidation package introduced a single amendment in relation to ponds used for intensive and industrial fish farming. These were excluded from taxation as a consequence of the consolidation package, and therefore are no longer included in the provisions governing the tax base. Consequently, with effect as of 2024, all water areas in the Czech Republic are no longer subject to taxation.

With regard to the determination of the tax base, the OECD recommends to the Czech Republic that the tax base should take into account the real and updated value of the immovable property, rather than the assessment of the immovable property, as is the case in Denmark, Estonia, Spain or the United Kingdom.[25]

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23 Monika Novotná and Petr Koubovský, *Zákon o dani z nemovitých věcí: komentář* (Praha: Wolters Kluwer, 2015), 28–9.

24 Jana Procházková, Věra Engelmanová, and Martin Mikuš, *Komentář k majetkovým daním a dani silniční s příklady: daň z nemovitých věcí, daň z nabytí nemovitých věcí, daň silniční* (Bohuňovice: Účetní-portál, 2019), 105–12.

25 OECD Publishing, "OECD Economic Surveys: Czech Republic 2023".

According to Radvan, the *ad valorem* tax base is a more widespread and also more modern method of taxation worldwide and, according to his research, most EU countries use this system. A significant number of authors have focused their attention on the comparison of the value and assessment base, presenting a detailed analysis of the advantages and disadvantages of both systems. Additionally, they have conducted a thorough examination of the situation in their respective countries, placing them in a broader international context.[26]

The author posts that the Czech Republic should consider implementing a change in the determination of the tax base as part of a broader legislative reform. However, the practical challenges associated with this transition, including the potential for increased administrative and financial complexity, must be carefully considered.

3.3. The Modification of the Corrective Elements through which Municipalities May Exert Influence over the Level of Taxation on Immovable Property

One of the most significant changes resulting from the consolidation package has been in the adjustment elements that municipalities may use to influence the property tax. As some municipalities are actively using these corrective elements, they will be required to revise their existing general binding ordinances in light of the legislative amendments and adopt new general binding ordinances corresponding to the text of the law for the tax period of the following year.

In the Czech Republic, municipalities have the option of implementing various correction mechanisms within the real estate tax system to adjust the final amount of the tax.

3.3.1. Coefficient by Population

This coefficient is referred to as the location rent and reflects the number of inhabitants in the municipality. It is employed solely in relation to certain

[26] See also: Marcin Burzec, "Koncepcje opodatkowania nieruchomości rolnych w wybranych krajach europejskich – wnioski dla Polski, Village and Agriculture (Wieś i Rolnictwo)," *Polish Academy of Sciences (IRWiR PAN), Institute of Rural and Agricultural Development* 169, no. 4 (2015): 77–89; Michal Głuszak, "On the Equity of the Area-Based Property Tax System in Poland," *World of Real Estate Journal (Swiat Nieruchomosci), Fundacja Uniwersytetu Ekonomicznego Krakow* 94, no. 4 (2015): 37–44; Anna Vartašová and Karolína Červená, *Views on Quality of Tax Regulation in the Slovak Republic* (Praha: Leges, 2019).

immovable properties. In accordance with the prevailing legislation, the municipality may, by means of a general binding decree, increase the coefficient by one category or decrease it by up to three categories. Given the limited applicability of this coefficient, the impact of adjustments to this coefficient on total tax revenues is relatively insignificant.[27]

On January 1, 2025, the consolidation package will fundamentally change this coefficient. This change will make it no longer possible to reduce it by one to three categories. However, it remains possible for municipalities to increase this coefficient.

3.3.2. Coefficient 1.5

In accordance with the prevailing legislation pertaining to buildings and units used for business purposes, those intended for family recreation, and garages, the municipality may also determine the coefficient 1.5. One disadvantage of this coefficient is that municipalities lack the ability to influence its size.[28]

Nevertheless, the abolition of this coefficient is scheduled for January 1, 2025, as a consequence of the consolidation package. Consequently, the general binding ordinances of the municipalities setting it will be applied for the final time in the 2024 tax year.

3.3.3. Local Coefficient

With effect as of January 1, 2025, there is a comprehensive legislative change to the regulation of the local coefficient, which is used to multiply the taxpayer's total tax liability.

In accordance with Section 12(1) of the ZDNV, a municipality may set the local coefficient of 0.5 to 5.0, to no more than one decimal place, by means of a generally binding decree for a municipality, individual cadastral area, urban district or individual urban district or individual group of immovable property. A further possibility is the introduction of a new form of general nature measure, issued by the municipal council, in the case of a local coefficient for specific immovable property.[29]

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27 Jana Janoušková and Šárka Sobotovičová, "Approaches to Real Estate Taxation in the Czech Republic and the EU Countries," *International Advances in Economic Resea*rch 27, no. 1 (2021): 61–73.

28 Jana Janoušková and Šárka Sobotovičová, "Immovable Property Tax in The Czech Republic. As an Instrument of Fiscal Decentralization," *Technological And Economic Development of Economy* 22, no. 6 (2016): 767–82.

29 Ibid.

The preceding analysis leads to the conclusion that the new option to set the local coefficient at 0.5 effectively represents a reduction in the tax burden for real estate taxpayers by half.

A novel feature is the capacity for municipalities to determine the local coefficient ranging from 0.5 to 1.5 for selected agricultural land, permanent grassland, or other unusable areas. The concept of immovable property is no longer defined by reference to a map. In the event that immovable property is not duly marked in accordance with the relevant statutory provisions, it shall be deemed to be as if no local coefficient had been established for it.[30]

It is evident that the local coefficient under the revised legislation, as a consequence of the consolidation package, permits municipalities a greater degree of flexibility in its imposition. Previously exempt from its application, agricultural land is now subject to the local coefficient. Furthermore, the local coefficient can be imposed on a single immovable property, rather than in the form of a generally binding decree. Instead, it can be imposed by a measure of a general nature.

The author further notes that if the municipality decides to introduce the local coefficient in this manner, it will be necessary to exercise particular caution to ensure that the municipality's action can withstand scrutiny with regard to fairness and non-discrimination. Nevertheless, it is anticipated that some tax subjects will use all available defenses in the event of an increase in taxation on individual municipal properties, coupled with the development of case law that clarifies the limits of this new regulation. Furthermore, the municipality must consider the increased administrative complexity of the entire process, which was repeatedly highlighted by the Association of Local Authorities of the Czech Republic during the legislative process.[31]

In addition to the aforementioned coefficients, an inflation coefficient has been incorporated into the real estate tax legislation with effect as of the 2024 tax year onwards, based on the consolidation package. This

30 "Změny v koeficientech u daně z nemovitých věcí na zdaňovací období roku 2025," Finanční správa ČR, accessed May 1, 2024, https://www.financnisprava.cz/cs/dane/dane/dan-z-nemovitych-veci/informace-stanoviska-a-sdeleni/2024/zmeny-v-koeficientech-u-dnv-2025.

31 "Místní koeficient pro jednotlivé nemovitosti působí potíže. Jak na opatření obecné povahy?," Deník veřejné správy, accessed May 1, 2024, https://www.dvs.cz/clanek.asp?id=6962985.

coefficient is used to multiply the resulting tax on land and the resulting tax on buildings and units. Nevertheless, the municipality is unable to influence the amount or determination of the inflation coefficient. For agricultural land, the inflation coefficient is always 1.0, as inflation is already taken into account when determining the tax base for such land. The change in the inflation coefficient will be announced by the Ministry of Finance in the form of a notice published in the Collection of Laws and International Treaties by 30 June of the calendar year immediately preceding the tax year.

4. Discussion

The yield of real estate tax is contingent upon a multitude of variables, including the regulatory and investigative activities of the tax administration authorities. These authorities use the special system to identify undeclared or incorrectly declared land, taxable buildings, or units. Furthermore, tax collection is increasing as a consequence of the expansion in construction activity, the rising number of taxable buildings, taxable units and taxpayers.[32]

In addition to the aforementioned factors, the configuration of the individual components of the tax-law relationship, which include the tax subjects, the tax object (subject), the tax base and the tax rate, is of significant consequence for the tax yield. Some authors, such as Vančurová, include tax exemptions, deductions from the tax base or tax rebates among the fundamental elements of the taxes.[33]

The consolidation package has had a significant impact on property tax yields, in many ways. One of the most significant alterations was an 80% increase in the majority of rates. Another significant alteration is the modification of the coefficients that determine the final real estate tax amount. As a consequence of the consolidation package, one of the traditional coefficients, 1.5, has been abolished. In contrast, there has been considerable refinement and expansion of the options in relation to the local coefficient. The tax changes have resulted in the local coefficient becoming a fundamental correction mechanism that municipalities can use not only to increase, but even to decrease the resulting real estate tax,

[32] Jana Procházková, *Komentář k dani z nemovitých věcí s příklady 2021* (Bohuňovice: Účetní Portál a.s., 2021), 12.

[33] Vančurová and Zídková, *Daňový systém ČR 2022*, 5.

including agricultural land. The local coefficient was first introduced into Czech legislation in 2009, and for the first time in 2010, only 389 municipalities decided to apply it. This year, 838 municipalities used the local coefficient, representing approximately 13.4% of all municipalities in the Czech Republic.[34]

The fundamental rationale for introducing this coefficient is fiscal. Furthermore, research indicates that municipalities frequently emulate one another and implement the coefficient in accordance with neighboring municipalities.[35]

One of the more contentious aspects of the consolidation package is the potential for linking the local coefficient to an individual immovable property by a general measure. This is a point that has already been highlighted in the aforementioned text. It is worth noting that the application of the local coefficient to an individual immovable property was considered by the Constitutional Court in 2023 under the legislation prior to the adoption of the consolidation package. In the case in question, the Ministry of the Interior invoked the repeal of the provisions of the general binding decree of the municipality, which imposed a local coefficient of 5 for parts of the municipality within the scope of the parcel numbers of the land according to the decree. In its decision, the Constitutional Court rejected the Ministry of the Interior's claim, holding that the municipality had issued the ordinance within the limits of its autonomous competence and had not abused its competence. The Court found that the municipality had pursued a legitimate aim and had used appropriate means to achieve it. The Constitutional Court held that the ability of municipalities to impose higher taxation on specific real estate met the constitutional principle of local government and the subsidiarity of political power.[36]

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34 "Změny v koeficientech u daně z nemovitých věcí na zdaňovací období roku 2025," Finanční správa, accessed May 1, 2024, https://www.financnisprava.cz/cs/dane/dane/dan-z-nemovitych-veci/informace-stanoviska-a-sdeleni/2024/zmeny-v-koeficientech-u-dnv-2025.

35 Jana Janoušková and Šárka Sobotovičová, "Property Tax in the Regions of the Czech Republic," *E+M Ekonomie a management* 20, no. 4 (2017): 120–34; Lucie Formanová, Martina Halamová, and Břetislav Andrlík, "Utilization of a Local Coefficient for Immovable Property Tax in the Czech Republic," *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis* 68, no. 6 (2020): 973–86.

36 Constitutional Court of the Czech Republic, Judgment of 18 July 2023, Ref. No. 24/23.

The article has demonstrated that the majority of revenues for the Czech municipalities are derived from taxes. The shared taxes represent the most significant source of revenues, with the real estate tax representing a relatively minor contributor. For further research in this respect, the topic of tax revenue distribution is currently under discussion in the Czech Republic. From the author's perspective, the issue with the Czech legislation is that the Czech municipalities receive a significantly lower amount of revenues from taxes and levies on manufacturing plants on their territory than municipalities in other countries. Local municipalities have the option of imposing a tax on manufacturing plants through the aforementioned local coefficient, which serves as an instrument of property tax. However, even when utilized to its fullest extent of five, this incentive is not particularly motivating for municipalities to support these plants within their territory. In this regard, a distinctive study was conducted in the Czech Republic, which compared the structure of taxation of manufacturing plants in the Czech Republic, Germany and Austria as well as the calculations of the tax benefits of plants to the public budgets of these countries. The analysis indicates that the Czech municipalities perceive the location of factories in their cadaster to be more advantageous than previously, yet the system of tax budgeting in other countries provides municipal budgets with significantly greater revenues.

According to the author, if there is no change in this respect, municipalities will continue to refuse rather than welcome business investments on their territory, because the current system provides them with a certainty of their revenue, which, moreover, grows every year, regardless of the activity of the municipalities themselves.

5. Conclusion

The majority of inhabitants invest a portion of their income into assets. Consequently, the majority of countries impose some form of property tax. Such taxes may be imposed on either a portion of the wealth (stock variable) or on the net value of the wealth or the addition to the wealth (flow variable).[37] In the Czech Republic, the sole property tax is the real estate tax.

[37] Jan Široký and Michal Krajňák, *Základy daňové teorie: cvičebnice* (Praha: Wolters Kluwer, 2015), 73.

With regard to the examined tax yield, the author found that over the last ten years, the real estate tax collection has increased by an average of 2.5% per year. The greatest increase in tax revenues occurred between 2019 and 2020, specifically a 7.42% increase in tax collections. Furthermore, Figure 4 demonstrates that total revenues and tax revenues grew at a faster rate than real estate tax collections during the analyzed period. Furthermore, the growth in total municipal revenues between 2013 and 2023 was quantified, with an increase of 92.47% observed in 2023 compared to 2013. With regard to tax revenues, it was found that municipal tax revenues increased by 110.65% in 2023 in comparison to 2013. Finally, the real estate tax revenues were determined, which increased by 28.05% in 2023 compared to 2013.

It has been demonstrated that real estate tax does not constitute a significant proportion of the revenues of municipal budgets. Nevertheless, the consolidation package and the changes it has brought to this tax should result in an improvement in this situation and a greater approximation to the average yield of this tax as quantified by the OECD or the EU. The author considers the absence of corrective elements in relation to vulnerable households, for example in the form of exemptions based on wealth, to be a negative aspect of the current legislation. The author believes that this correction should be implemented in conjunction with the tax increase, which was significantly influenced by the amendments to the legislation introduced by the consolidation package.

It is important to note that property tax is a typical local tax in many countries and is a crucial source of revenues for municipalities in the preparation of their municipal budgets. The author, in line with Boháč, considers the budgetary determination of the tax to be one of the fundamental structural elements of the tax.[38] In this regard, the original proposal of the aforementioned consolidation package, which proposed that a portion of the proceeds of this tax be redirected from municipalities to the state budget, was an unwarranted intrusion. Nevertheless, this particular proposal was ultimately abandoned, with the full amount of the tax remaining with the municipalities.

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[38] Radim Boháč, *Daňové příjmy veřejných rozpočtů v České republice* (Praha: Wolter Kluwer ČR, 2013), 77.

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