Tax Autonomy of Local Government: A Comparison of Croatia and OECD Countries

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The paper measures local tax autonomy (of towns/municipalities and counties) in Croatia using the OECD methodology. The switch from the official Ministry of Finance's taxation data to the OECD definition of taxes leads to more than a doubling of local autonomous taxes. However, com-

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pared to other OECD unitary countries, Croatia still lags significantly behind the OECD average concerning local tax autonomy and also behind EU Member States that are also OECD members. Further calculations of tax autonomy using different tax autonomy measurements lead to further improvement of the Croatian position. Although Croatia's position compared to other OECD countries is still below the (unweighted) OECD average (mean), it has improved to almost the median. Indicators point to the need to further increase the taxing powers of local governments.

Keywords: Croatia, local government, local taxes, taxing powers, OECD, tax autonomy

1. Introduction[****]

In this paper, for the purpose of calculating local government tax autonomy in Croatia, the two levels of local government in Croatia (formally referred to as "local" level (towns and municipalities) and "regional" (county) level) are considered together. This is consistent with the OECD Revenue Statistics (OECD, 2022) and IMF's GFS methodology (IMF, 2014), although it differs formally from the Croatian distinction between local and regional levels. Since Croatia is not a federation, only other unitary OECD countries are used for comparison with other OECD member countries. Thus, the term "local" here is synonymous with "sub-central" or "subnational".

The share of total local revenues in total government revenues, most commonly used in fiscal analysis (especially in the context of fiscal decentralisation), is an inappropriate indicator of local government fiscal autonomy. The share of (own) tax revenues in total revenues (of local units or general government) is a better indicator, though again not a sufficient one. Indeed, it indicates their own fiscal capacity and power to finance their expenditures, but these taxes may be completely out of their control, as they may have no discretion over the rates and/or tax base (tax reliefs). Tax sharing also increases the fiscal capacity of sub-central governments, but they generally have no control over these taxes or the shares they receive.

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The real indicator of the taxing power of local (sub-central) governments is tax autonomy[1] and the development of this concept is mainly and most strongly associated with the OECD (1999, 2020, 2023). "The term 'tax autonomy' encompasses various aspects of the freedom sub-central governments have with respect to their own taxes" (Blöchliger & King, 2006, p. 9; Blöchliger, 2013, p. 16), such as setting tax rates (within various limits set by the central government) and/or tax reliefs (after consultation with the central government). "The characterisation of tax systems in terms of tax autonomy is inherently complex" (OECD, 2020, p. 5), as various institutional and administrative as well as tax characteristics need to be adequately captured in each country.

OECD (2023) has established not only the appropriate methodology, but delivers an updated annual overview of sub-central taxing powers, including tax autonomy, of its member countries, even by tax types. The aim of this paper is to apply an adequate analysis to Croatia in a qualitative as well as quantitative way. A similar analysis has been done for Croatia (for the lowest level of local taxes) by Bronić (2013), who also compared the entire Croatian with the OECD data, while Jurlina Alibegović, Hodžić and Bečić (2018), Jurlina Alibegović, Hodžić and Bečić (2018) and Jurlina Alibegović (2018) also calculated the tax autonomy index for large Croatian towns (as well as other towns and remaining local units). Further similar analyses including counties were done by Topić and Janković (2019) (only a qualitative one), Grdinić, Matić and Drezgić (2019) and Krmpotić, Iles and Bičvić (2020). All those papers highlight low tax autonomy of different levels and units of Croatian local government. The aim of this paper is not a comparison of different types local government units according to local tax autonomy, as in most previous papers, but to compare Croatia with other OECD countries. So, it applies the analysis to the entire local level in the broadest sense, i.e. both tiers of local government and presents the extended concept of tax autonomy in Croatia by including some revenues not formally, but effectively regarded as taxes, according to the OECD (2022) and ESA 2010 (European Commission, Eurostat, 2014) methodology. It also broadens tax autonomy measures applied to Croatia, compared to previous papers. Furthermore, it creates a new tax autonomy measure and applies it to Croatia and OECD countries.

[1] The review of the research on fiscal decentralisation and its effect that uses tax autonomy could be found in the OECD (2021).

The calculation includes several measures of tax autonomy to examine their impact on Croatia's relative position *vis-ã-vis* OECD countries. After calculating the categories/levels of taxing powers, autonomous taxes (local taxes where local governments have partial or complete discretion over tax rates and/or the tax base) are calculated as well as the tax autonomy index (where different autonomous local taxes are ranked by assigning them weights to be multiplied by their share in local taxes). In addition to the previous research for Croatia, a composite indicator of tax autonomy (share of autonomous local taxes in total general government taxes) is applied to Croatia to allow for comparison with OECD countries. Finally, another completely new composite indicator is developed – "the composite tax autonomy index" (local tax autonomy index divided by total general government taxes) and applied to Croatia and the OECD as well.

After the Introduction, the OECD methodology – the concept of taxing powers of local (sub-central) governments and tax autonomy is presented in Chapter 2, including additional different measures of tax autonomy, followed by its application to Croatia (Sections 3.1. and 3.2.) and different relevant Croatian (and comparative) results and discussion (Section 3.3.), with concluding remarks (Chapter 4) at the end.

2. Methodology: The Concept and Its Development Including Different Tax Autonomy Indicators

OECD concept of tax autonomy has a relatively recent history (OECD, 1999; Blöchliger & King, 2006). At the end of the 20th century, the Working Party on Tax Policy Analysis (WPTPA) and Tax Statistics of the OECD Committee on Fiscal Affairs began an effort to indicate the degree of control sub-central units have over their taxes. The traditional share of sub-central tax revenues in total tax revenues of general government was realised to be an inadequate measure for assessing the taxing powers of the sub-central level(s) of government. WPTPA established criteria to classify sub-central taxes based on the taxing power (control, autonomy) of sub-central governments (SCGs). The taxing power was classified into five groups in decreasing order of control over taxes. The first version of this classification was published in the famous edition "Taxing Powers of State and Local Government" (OECD, 1999).

These groups/categories were as follows (OECD, 1999, p. 11):

a) SCG sets tax rate and tax base
b) SCG sets tax rate only
c) SCG sets tax base only
d) tax sharing arrangements
   d.1) SCG determines revenue split
   d.2) revenue split can only be changed with consent of SCG
   d.3) revenue split fixed in legislation, may unilaterally be changed by central government
   d.4) revenue split determined by central government as part of the annual budget process
e) central government sets rate and base of SCG tax.

Taxes for the 19 OECD countries were classified and calculated by type of "tax autonomy" and tax type using a questionnaire and the share of each of the type in the relevant (state/local) sub-central revenues (OECD, 1999).

The same project was repeated in 2003 (Blöchliger & King, 2006), when a new Network on Fiscal Relations across Levels of Government was formed. The taxonomy of tax autonomy was refined and expanded in terms of tax base and rates, as well as upper-level government approval. The new categories (including their subcategories)[2] are as follows (Blöchliger & King, 2006, p. 10):

a.1) The recipient SCG sets the tax rate and any tax reliefs without needing to consult a higher level government.
a.2) The recipient SCG sets the rate and any reliefs after consulting a higher level government.
b.1) The recipient SCG sets the tax rate, and a higher level government does not set upper or lower limits on the rate chosen.
b.2) The recipient SCG sets the tax rate, and a higher level government does set upper and/or lower limits on the rate chosen.

[2] The OECD her recently (2019, 2020, 2021) been using the term "codes" for the further subdivision of categories (*a.1., a.2*, ...), whereas, e.g. the original version in which the concept was first introduced also uses the term "category" here (OECD, 1999). Blöchlinger & King (2006) use the term "subcategory", Blöchlinger and Rabesona (2009) again use "category", and Spahn (2013) again uses the term "category" or "item". We believe that the term "code" (as a symbol used to represent something) is appropriate only when explaining the assignment of these "characters" to a category, but when talking about a (sub)category as a group of similar taxes (corresponding to the taxing power/tax autonomy), it is better to use the term "category" when treating it separately, or "subcategory" when explaining its relation to the main "category".

c.1) The recipient SCG sets tax reliefs – but it sets tax allowances only.
c.2) The recipient SCG sets tax reliefs – but it sets tax credits only.
c.3) The recipient SCG sets tax reliefs – and it sets both tax allowances and tax credits.
d.1) There is a tax-sharing arrangement in which the SCGs determine the revenue split.
d.2) There is a tax-sharing arrangement in which the revenue split can be changed only with the consent of SCGs.
d.3) There is a tax-sharing arrangement in which the revenue split is determined in legislation, and where it may be changed unilaterally by a higher level government, but less frequently than once a year.
d.4) There is a tax-sharing arrangement in which the revenue split is determined annually by a higher level government.
e) Other cases in which the central government sets the rate and base of the SCG tax.
f) None of the above categories a, b, c, d or e applies.

It should be noted that category *b* is also later refined, so that there is now a new category *b.3* (OECD, 2020), and even data from 2000 onward are reordered in this way (OECD, 2023). On the other hand, category *c* is rarely used, so its subcategories are again combined. The results are shown in Table 1.

Table 1: *Current OECD typology of taxing power*

Category	Code	Description
A: Autonomy over tax rates and reliefs	a1	The recipient SCG sets the tax rate and any tax reliefs without needing to consult a higher-level government.
	a2	The recipient SCG sets the rate and any reliefs after consulting a higher-level government.
B: Autonomy over tax rates	b1	The recipient SCG sets the tax rate, and a higher-level government does not set upper or lower limits on the rate chosen.
	b2	The recipient SCG sets the tax rate, and a higher-level government does set upper and/or lower limits on the rate chosen.
	b3	The recipient SCG sets the tax rate, and a higher-level government sets limits on the annual revenue or levy increase.
C: Autonomy over tax reliefs	c1	The recipient SCG sets tax reliefs.

D: Tax sharing arrangements	d1	There is a tax-sharing arrangement in which the SCGs determine the revenue split.
	d2	There is a tax-sharing arrangement in which the revenue split can be changed only with the consent of SCGs.
	d3	There is a tax-sharing arrangement in which the revenue split is determined in legislation, and where it may be changed unilaterally by a higher level government, but less frequently than once a year.
	d4	There is a tax-sharing arrangement in which the revenue split is determined annually by a higher-level government.
E: Central government sets tax rates and reliefs	e	The recipient SCG has no control over either the tax rate or any tax reliefs.
F: None of the above	f	None of the above categories a, b, c, d or e applies

Source: Authors, based on OECD (2020).

Categories a, b, and c are considered autonomous local taxes because local governments have partial or complete discretion over tax rates and/or the tax base (they can decide, in whole or in part, how high/low the tax rates should be and/or influence the tax base by setting tax reliefs).[3] The categories could be further ranked by assigning them weights to be multiplied by their share in local taxes to obtain the tax autonomy index (Spahn, 2013; Jurlina Alibegović, Hodžić & Bečić, 2018; Jurlina Alibegović, 2018), and this paper represents an additional attempt in this direction.

The OECD periodically publishes calculations for each country as a share of the relevant taxing power category (including one or more taxes) in all

[3] Based on Blöchliger & King (2006) and Blöchliger (2013). In the presentation of the primary concept (OECD, 1999, p. 11), categories *a, b, c,* as well as *d.1* and *d.2* were indicated as those in which sub-central governments exercise full or substantial control, while in the remaining cases tax autonomy is limited or non-existent. However, case *d.1* is not present at all (with the exception of France for 2012 and 2013, with a share of only 0.1% of local tax revenues). Category *b.2* is very rare, and the consent often refers to the majority (rather than all) of SCGs. This has likely influenced the restriction of the concept of tax autonomy to categories *a, b,* and *c*. Moreover, for the purposes of our paper it should be noted that "consultation of SCG is quite frequent, but their explicit consent for adjustments is needed in some federal countries only" (Blöchliger & King, 2006, p. 16) and these are not relevant for our research. On the other hand, some recent analyses (Dougherty, Hardy & Reschovsky, 2019; OECD, 2021) reduce tax autonomy only to categories *a* and *b*, which makes little difference, since category *c* is very rare and almost redundant not only in practice but also in the literature on local public finance (e.g. Spahn, 2013) – see also 3.3.

sub-central taxes at the relevant level – local or state (if any), further broken down by type of tax (OECD, 2023). These results for unitary countries are compared with those for Croatia. The relevant data for Croatia were calculated by applying the taxing powers methodology to formal taxes in Croatia, following some previous research for Croatia (Bronić, 2013; Jurlina Alibegović, Hodžić & Bečić, 2018; Jurlina Alibegović, 2018; Topić & Janković, 2019;[4] Grdinić, Matić & Drezgić, 2019; Krmpotić, Iles & Bičvić, 2020).[5] However, these "Croatia 1" results are then extended to include all real and not only formal taxes according to the OECD definition of taxes (similar to ESA 2010 (European Commission, Eurostat 2014)), leading to the "Croatia 2" results. These results were compared with those of OECD unitary countries, including autonomous taxes and their share and the calculation of the tax autonomy index based on Jurlina Alibegović, Hodžić and Bečić (2018) and Jurlina Alibegović (2018), transforming the weights mainly taking into account the recommendations of Spahn (2013).

Another methodological improvement, in addition to the previous Croatian analyses, involves a composite autonomy indicator – share of autonomous local taxes in total (general government) taxes (Blöchliger & King, 2006) and the corresponding comparison with OECD countries. The share of autonomous local taxes is therefore not calculated in relation to total local government taxes, but in relation to total general government taxes. This implies the actual taxing power of the local units at the general government level. Combining this composite autonomy indicator with the previously calculated tax autonomy index finally results in the new composite autonomy indicator – the composite tax autonomy index, expressed as the local tax autonomy index divided by total general government taxes. This latter indicator created by the authors is therefore a combination of the tax autonomy index and the composite autonomy indicator, which is a relative or weighted composite autonomy indicator. Instead of autonomous local taxes in absolute terms, their weighted measure – the local tax autonomy index is divided by the total general government taxes. In our opinion, this indicator is even more suitable for international comparison. It was applied for the first time not only for Croatia, but also for OECD countries. Again, Croatian results are compared with those calculated for OECD countries.

[4] This research was qualitative only.

[5] Only Bronić (2013) compared aggregate Croatian data with OECD country data and Grdinić, Matić and Drezgić (2019) with some other countries' data, while other papers compared Croatian SCG data.

3. Results and Discussion

3.1. Local Tax Autonomy in Croatia Based on Official Croatian Data

Local tax autonomy in Croatia for the lowest local level (towns and municipalities) was established by Bronić (2013), including a comparison with OECD countries. A few years later, Jurlina Alibegović, Hodžić and Bečić (2018) and Jurlina Alibegović (2018) calculated the index of tax autonomy separately for large towns and other lowest level units. Krmpotić, Iles and Bičvić (2020) and Grdinić, Matić and Drezgić (2019) extended this calculation to entire Croatian counties, too, and Topić and Janković (2019) performed a similar analysis, but only in a qualitative way. However, all of these analyses and calculations were based on those taxes that are formally called "taxes" and are considered taxes under Croatian law. The analysis in this chapter follows this methodology.

Table 2 presents the tax autonomy of local units in Croatia, including counties or regional self-governments. Thus, all "local" as well as "regional" taxes are included, making up SCG (better to say local) taxes of Croatia as a unitary country. The discretion of these local units in Croatia is limited to the tax rates,[6] so Table 2 is formed in this way.

Table 2: *Tax autonomy of SCGs in Croatia, 2022*

Tax	Tax rates set by:			OECD category /code
	SCG independently	SCG, but within the (upper) limits set by central government	CG	
Town and municipal taxes				
Surtax (on personal income tax)		X		b2
Consumption tax		X		b2
Tax on holiday houses		X		b2
Public land use tax	X[1]			a1
Real estate transfer tax			X	e

[6] With the exception of minor Public land use Tax.

County (regional) taxes				
Inheritance and gifts tax			X	e
Motor vehicle tax			X	e
Boat tax			X	e
Tax on slot machine games			X	e
Shared tax (between counties and towns/municipalities)				
Personal income tax			X	e[2]

[1] SCG has autonomy over the tax base also
[2] The personal income tax is shared between municipalities, towns and counties
Source: Authors, based on OECD (2020) and the Croatian law.

Table 2 shows that the central government sets most of the local taxes. Municipalities and towns have limited autonomy with the ability to set tax rates, but within the limit(s) set by the central government, with the exception of the public land use tax, where they have full autonomy (which includes the tax base, too). Counties have no tax autonomy at all.

The personal income tax is a shared tax and belongs to category *e* according to the OECD classification of taxes (OECD, 2020), since the tax rates and the tax base are set by the central government. This tax was previously shared between the central and SCGs, but is now shared among SCGs only.

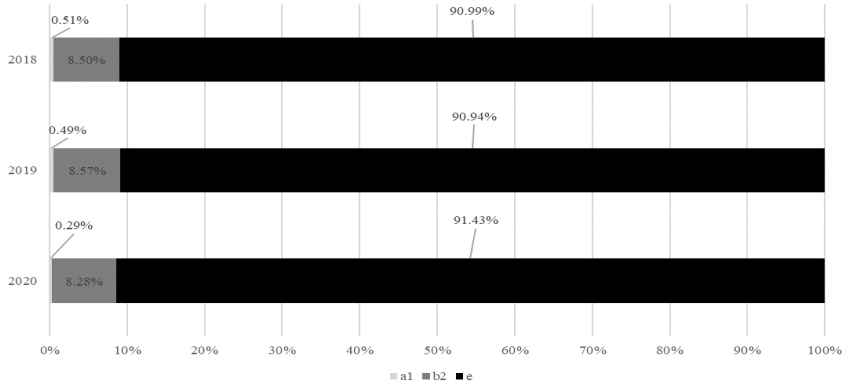
County tax revenues are also determined entirely by the central government and belong to category *e* under the OECD (2020) classification.

Autonomy in taxes at the lowest local level is mostly limited. The only tax that falls into category *a (*even *a1)* according to the OECD (2020) classification is the tax on public use of land, which is paid in the amount, manner, and under the conditions prescribed by local self-government units. Local units independently determine what constitutes public land, the tax rates, tax base, and tax exemptions. For other types of taxes, the central government has set a range/limit(s) within which local units can set the tax rate, which in turn means that local units have limited autonomy. Consumption tax (on consumption of beverages), tax on holiday houses and surtax on personal income tax fall into category *b2*, where towns and municipalities set their own tax rates, but within the limits set by the central government. The consumption tax has the upper rate limit (3%), the tax on holiday houses is paid within the range of absolute values per square metre, and the rate of surtax on personal income tax is set up to the maximum rates prescribed by the central government, which vary for municipalities and towns (and within towns based on their size). As of 2017, the real estate transfer tax

is no longer a shared tax, but a revenue of the local self-government unit (town or municipality). The tax base and the tax rate (3%) are set by the central government, therefore it belongs to category *e*.

Figure 1 shows the share(s) of autonomous local taxes[7] for 2018–2020[8] where local units have full or partial autonomy. Most of the data comes from the Ministry of Finance. Since the data on revenue from the tax on holiday houses and the tax on the use of public land are presented there together, the data for the latter tax are taken from Eurostat's National Tax Lists (NTL) for Croatia (European Commission, 2022). Data on the collected surtax on personal income tax are also presented together with the collected personal income tax. The approximate value of the surtax on personal income tax revenues is estimated according to Bronić (2013, p. 637).[9]

Figure 1: *Taxing powers and share of autonomous taxes of SCG in Croatia (official – nominal taxes), 2018–2020 (in %)*



Source: Authors, based on Ministry of Finance (2018–2020), OECD (2020) and European Commission (2022).

[7] Autonomous local taxes are those from categories *a, b,* and *c*, as explained earlier.

[8] 2020 is the last year for which data are available. It is not a "typical" year because of the COVID-19 crises, so 2019 is included as a "standard" last year. 2018 is included because of the following comparison with OECD countries, which is particularly relevant for the calculation method in 3.2. (CRO 2), but the calculation in this Section 3.1. (CRO 1) is important for the comparison with CRO 2 results.

[9] According to this research, almost half of the cities and municipalities have not introduced a surtax (similar data applies to 2021, where a review of tax administration data shows that 304 cities and municipalities introduced a surtax out of a total of 555 units). Based on the average rate of surtax in municipalities and cities of different sizes, an average surtax rate of 8% was used for the calculation.

Figure 1 shows that the share of autonomous taxes is very low (especially when compared to the data in Table 3 for OECD countries (Section 3.3)) – at barely 10%. Counties have no autonomy, while towns and municipalities have slightly more autonomy, as they can determine the level of the tax rate within the prescribed limits. The only fully autonomous tax *a1* is negligible. The decline in the share of autonomous taxes in 2020 is not the result of changes in tax laws relating to SCGs, but of the decline in tax revenues collected by SCGs due to the COVID-19 crisis (reduction of tax rates, full exemption, tax deferral or waiver), so it is expected to be recovered in the post-pandemic period.

It could be concluded that SCG units have a very limited ability to collect their own tax revenues. One of the first logical recommendations, based on the literature (e.g. Bird & Slack, 2004; Blöchliger & King (2006); Bahl & Martinez-Vasquez, 2007; Bahl & Bird, 2008; Bird, 2011; Norregaard, 2013; Jurlina Alibegović, Hodžić & Bečić, 2018; Dougherty, Harding & Reschovsky, 2019; OECD, 2021) and local government practice, is that it is necessary to increase revenues from property taxes, which dominate in most countries, since these are taxes whose base mobility is low and which are considered the most appropriate taxes for collection at the local level. This would significantly affect the tax autonomy of SCGs if they had full autonomy to decide on the tax rate and tax base. However, the above calculation, like all similar previous calculations, was performed using only official tax data for Croatia (these data will be referred to as "Croatia 1" data in the remaining part of the paper) and should be expanded according to the OECD (2020) methodology (these new data for Croatia will be referred to as "Croatia 2" data in the remaining part of the paper).

3.2. Local Tax Autonomy in Croatia Based on the OECD Definition of Taxes

The OECD classification of taxes (similar to ESA 2010 classification (European Commission, 2014)) has a broader definition of what is considered a tax (OECD, 2022). The term "taxes" is confined to "compulsory unrequited payments to the general government or to a supranational authority" (OECD, 2022) and is not limited to the revenues formally called "taxes". Thus, some user fees and charges are also included if they can be considered taxes.

One of the most important autonomous local revenues in Croatia, which is not formally called a "tax" but regarded as a user charge, is the pub-

lic utility charge (called "communal charge" in Croatia). Referring to the OECD requirements for such situations (2022), it could be noted that here the payer of the levy is not the only recipient of the benefit and that the government does not provide a specific service in return for the levy. Basically, it is a simplified area-based real estate (immovable property) recurrent tax, similar to what most other former socialist countries have. Here, towns/municipalities are free not only to set "tax rates" (amounts per m2) for different locations (and real estates),[10] but also to influence the tax base by setting some partial or full exemptions (category *a1*). It is used to finance local infrastructure. Such categorisation and characteristics are not unexpected, as "property taxes are usually assigned more discretion than other taxes, with almost all tax revenue in category *a* and *b*" (Blöchliger, 2013, p. 20).

Autonomy over tax rates, but within the limits set by the central government (category *b2*) also exists in the case of a "tourist tax" (formally called "tourist fee"). The "rate", i.e. the absolute amount of this poll tax for tourists (visitors), is set by the counties after consultations with the towns/municipalities where the lowest level tourist boards are located, which receive most of this revenue. So, one could say that the autonomy of the towns/municipalities here is limited by the upper government level, but since we are looking at the entire SCG level – that is, the entire local level according to the OECD – this entire level then has category *b2* autonomy with respect to the central government.

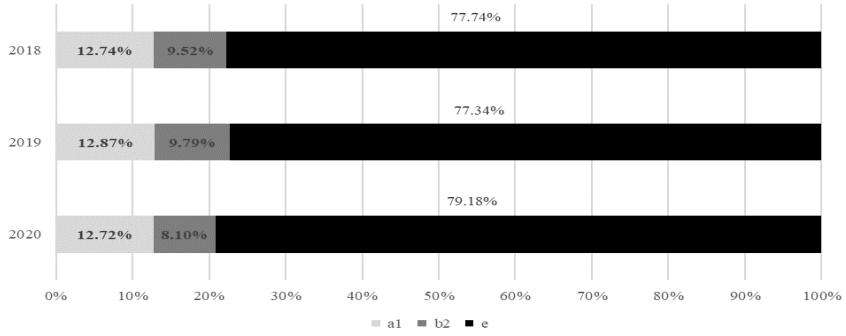
Other user charges and levies that could be considered taxes but have no real autonomy (category *e*) include contribution for forests and car registration taxes. The former is a revenue of towns and municipalities and the latter of the county road administration.

After including all these additional tax revenues (based on National Tax Lists (European Commission, 2022) and Eurostat (2023)), the new methodology leads to different results (Figure 2).

The recalculation shows a more than doubled share of autonomous taxes, especially if we take into account the relevant years before the pandemic. This is the result of the increase in the most autonomous category – *a1*, mainly due to the inclusion of the real estate tax (even if it is not formally called so). Here we can see even more clearly how COVID-19 and the resulting lockdown reduced fiscal autonomy, due to the temporary waiver of the real estate tax for business entities.

[10] There are only some limits in differences among different types of real estate.

Figure 2: *Taxing powers and share of autonomous taxes of SCG in Croatia (expanded – OECD definition of taxes), 2018–2020*



Source: Authors, based on OECD (2020), European Commission (2022) and Eurostat (2023)

3.3. Comparison of Croatia with OECD Countries

Table 3 shows the taxing power and degree of tax autonomy of local units, i.e. all SCG units for comparable (unitary) OECD member countries from the OECD database on fiscal decentralisation and tax autonomy (OECD, 2023). Table 3, based on the OECD (2020) methodology, classifies tax revenues of SCGs by the degree of control over those tax revenues. Data are presented for 2018, the latest year available in the specified database. Unweighted averages are calculated for the OECD (and South Africa for which as a relevant key partner similar data exist) and EU member countries that are also OECD member countries. Comparable data for Croatia using the OECD definition and structure of taxes are added (Croatia 2).

Table 3: *Taxing power of SCGs of OECD member countries and Croatia, 2018*

Country	As share of sub-central tax revenues (in %)											
	Discretion on rates and reliefs		Discretion on rates		Discretion on reliefs	Tax sharing arrangements				Rates and reliefs set by CG	Other	Total
	Full	Restricted	Full	Restricted[1]		Revenue split set by SCG	Revenue split set with SCG consent	Revenue split set by CG, pluri-annual	Revenue split set by CG, annual			
	a1	a2	b1	b2,3	c	d1	d2	d3	d4	e	f	
Chile	0.0	0.0	15.3	25.3	0.0	0.0	0.0	59.3	0.0	0.0	0.1	100.0
Czech Repub.	0.0	0.0	0.0	99.9	0.0	0.0	0.0	0.1	0.0	0.0	0.0	100.0
Denmark	0.0	0.0	89.0	11.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Estonia	10.9	0.0	0.0	82.0	0.0	0.0	0.0	7.1	0.0	0.0	0.0	100.0
Finland	0.0	0.0	83.6	8.1	0.0	0.0	0.0	0.0	8.3	0.0	0.0	100.0
France	42.2	0.0	5.6	3.3	0.2	0.0	2.9	0.0	13.3	21.2	11.3	100.0
Greece	0.0	0.0	0.0	93.8	0.0	0.0	0.0	0.0	0.0	6.2	0.0	100.0
Hungary	0.1	0.0	0.0	96.4	0.0	0.0	0.0	0.0	3.5	0.1	0.0	100.0
Iceland	0.0	0.0	0.0	96.9	0.0	0.0	0.0	0.0	0.0	0.0	3.1	100.0
Ireland	0.0	0.0	0.0	90.1	0.0	0.0	0.0	0.0	0.0	9.9	0.0	100.0
Israel	0.0	4.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	95.1	0.0	100.0
Italy	14.3	0.0	0.0	52.3	0.0	0.0	32.5	0.6	0.0	0.0	0.3	100.0

Japan	0.0	0.2	55.2	26.6	0.0	0.0	0.0	0.0	0.0	18.0	0.0	100.0
Korea	0.0	0.0	0.0	85.2	0.0	0.0	0.0	0.0	0.0	14.2	0.6	100.0
Latvia	0.0	0.0	0.0	13.6	0.0	0.0	0.0	1.3	85.1	0.0	0.0	100.0
Lithuania	10.6	0.0	0.0	84.0	1.1	0.0	0.0	0.0	0.0	4.3	0.0	100.0
Luxembourg	0.0	0.0	7.0	92.7	0.0	0.0	0.0	0.4	0.0	0.0	0.0	100.0
Netherlands	0.0	0.0	68.0	31.2	0.0	0.0	0.0	0.0	0.0	0.0	0.7	100.0
New Zealand	97.1	0.0	0.0	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Norway	0.0	0.0	0.0	99.2	0.0	0.0	0.0	0.0	0.0	0.8	0.0	100.0
Poland	0.0	0.0	0.0	25.6	0.0	0.0	0.0	65.1	0.0	3.7	5.5	100.0
Portugal	0.0	0.0	0.0	68.6	0.0	0.0	0.0	11.7	0.0	19.0	0.7	100.0
Slovak Repub.	8.9	0.0	0.0	90.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	100.0
Slovenia	15.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	75.9	8.2	0.1	100.0
South Africa[2]	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Sweden	0.0	0.0	97.6	0.0	0.0	0.0	0.0	0.0	0.0	2.4	0.0	100.0
Turkey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	83.2	0.0	16.8	0.0	100.0
UK	0.0	0.0	95.8	0.8	0.0	0.0	0.0	0.0	2.6	0.0	0.8	100.0
Unweighted average OECD[2]	7.1	0.2	18.5	49.2	0.0	0.0	1.3[3]	8.2	6.7	7.9	0.9	100.0
Unweighted average EU OECD	5.4	0.0	23.5	49.7	0.1	0.0	1.9[3]	4.5	9.9	3.9	1.1	100.0
Croatia (2) (2018)	12.8	0.0	0.0	9.5	0.0	0.0	0.0	0.0	0.0	77.7	0.0	100.0

Notes:

1. "Restricted" for all countries (except South Africa) refers to the *b2* situation (the SCG sets the tax rate and the central government sets upper and/or lower limits on the rate). In the case of South Africa, "restricted" refers to the *b3* situation (the SCG sets the tax rate and the central government sets revenue limits (limits on the annual revenue or levy increase).
2. South Africa is not an OECD member country, but is included in this base as one of the five key partners of the OECD (adopted in 2007) along with Brazil (which we excluded because it is not a unitary country).
3. Data not relevant (only two countries in this category, one of which has an extremely high share).

Source: Authors, based on OECD (2023), and authors' calculations; European Commission (2022) (for Croatia 2).

Table 3 shows that taxing powers vary widely across OECD member countries, taking into account the discretion in setting tax rates and tax bases (tax reliefs). The share of tax revenues where local governments have full autonomy over tax rates and reliefs (category *a*) is only 7% (5% for EU OECD) and plays a minor role in the observed countries (with New Zealand and France as important exceptions). However, most countries have given SCGs large influence in setting tax rates. Category *b* (control over tax rates) reaches an average value of about 70% (which is even slightly higher in EU OECD). Israel, Slovenia and Turkey are the only countries not represented in this category. On average, the largest share of tax revenues is accounted for by category *b2*, where local units have limited autonomy over tax rates – almost 50% on average. Not surprisingly, category *b* is the most represented and category *c* is negligible. "There seems to be agreement that rate setting is sufficient for fiscal autonomy and that meddling around with tax reliefs at sub-central levels is likely to entail distortions and inequities through unfair horizontal tax competition…. tax competition should be transparent and fair, which is best achieved through the setting of rates alone" (Spahn, 2013, p. 91). This is also confirmed in the European Charter of Local Self-Government, which, although it does not go into detail when stating taxing powers of local units, nevertheless emphasises the category *b* – "Part at least of the financial resources of local authorities shall derive from local taxes and charges of which, within limits of statue, they have the power to determine the rate" (European Council, 1985, Art. 9/3).

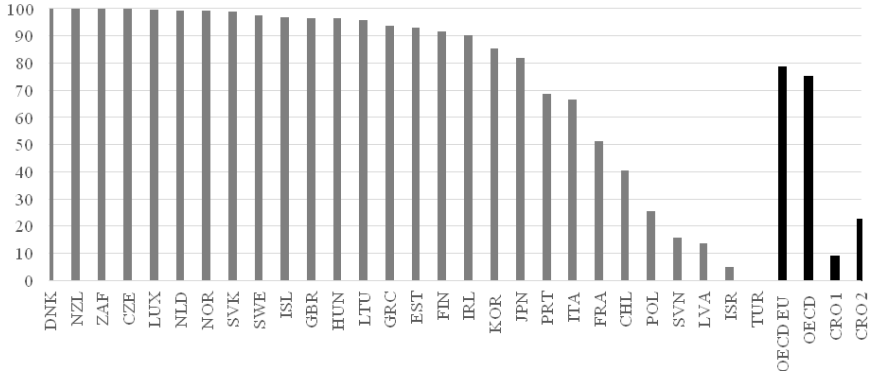
Local governments in some CEE countries (Slovenia, Poland, Latvia) rely considerably on shared revenues under control of split by the central government, although this is not substantial at the OECD level. Fortunately, the share of local taxes fully under central government control is only 8% in the OECD and has even halved in EU OECD.

In the highest autonomy category (*a1*), Croatia (Croatia 2) ranks very favourably, with twice the OECD average and more than twice the EU OECD average (in contrast to Section 3.1. where only formal taxes (those

taxes named "taxes" in the Croatian tax law) where encompassed by the analysis (Croatia 1)). It is most similar to the neighbouring countries Slovenia and Italy. Unfortunately, the most common situation – that of limited autonomy over tax rates (category *b2*) – is relatively poorly captured in Croatia (about one fifth of the average). The share of tax revenues where the central government has full control is well above average, so it could be concluded that local units should be given more control (in particular by being able to set tax rates at the local level).

Figure 3 shows a comparison of tax autonomy (categories *a, b,* and *c*) of OECD countries and Croatia 2 (Croatian data comparable to OECD data – using OECD definition and classification of taxes), including Croatia 1 (data for Croatia from Section 3.1.), to illustrate the changes compared to Croatia 2 (due to the application of the expanded definition of taxes, similar to other OECD member countries).

Figure 3: *Autonomous local taxes as % of total local taxes: OECD and Croatia, 2018*



Source: Authors, based on Ministry of Finance (2018–2022), OECD (2020), OECD (2023), European Commission (2022).

In more than half of OECD countries, more than 90% of local taxes have some degree of tax autonomy in general. Only six countries have tax autonomy below 50% (where it is almost negligible for Israel and not existing at all for Turkey), which "pushes" the average (mean) down to "only" 70%. Thus, the application of an appropriate methodology for Croatia and the resulting significant increase in tax autonomy (more than 100%) has not significantly changed Croatia's position (from better than the last two OECD countries to better than the last four OECD countries (similar to Poland)). Therefore, Croatia still lags very far behind the median position and is still very far from the average percentage (mean) for EU countries that are also OECD members and the entire OECD.

Although local tax autonomy appears quite low compared to the other countries, the high share of the highest autonomy category (*a1*) should be highlighted. A methodology that complements the OECD methodology by adding certain weights to each category with respect to the different degrees of autonomy, i.e. the decreasing autonomy degree, can provide a more accurate picture of overall tax autonomy. The result is presented by synthetic indices using the following formula for the tax autonomy index:

$$\text{Tax autonomy index} = \sum_{i=1}^{n} \text{weight}_i * \text{share}_i$$

where "I" denotes the tax category (*a1, a2, b1* ...) in each country, the shares of which are already calculated (Table 3), and the weights[11] are set to reflect the degree of autonomy[12] based, besides OECD (2020), mainly on the general recommendations by Spahn (2013) and the practical application for Croatia by Jurlina Alibegović, Hodžić and Bečić (2018) and Jurlina Alibegović (2018) (a1=1; a2=0.6; b1=0.9; b2= 0.5; c=0.5; d1 (not existing); d2=0.5; others=0).[13] Although we are aware of the arbitrary

[11] Since the OECD (2023) gives the proportions to only one decimal place, we decided to apply this to the weights as well.

[12] Another way to assess the index of fiscal (tax) autonomy, also based in part on the OECD classification, is the global local autonomy index developed by Ladner and his collaborators (e.g. Ladner, Keuffer & Baldersheim, 2015; Ladner & Keuffer, 2021), which assigns scores from 0 to 4 according to the following criteria (Ladner, Keuffer & Baldersheim, 2015, p. 21):

0: local authorities do not set the base and rate of any tax

1: local authorities set the base or rate of minor taxes

2: local authorities set the rate of one major tax (personal income, corporate, value added, property or sales tax) under restrictions stipulated by higher levels of government

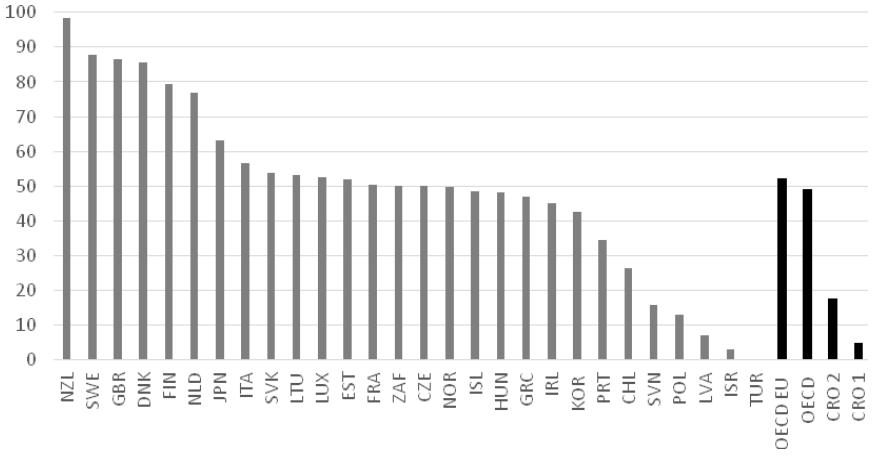
3: local authorities set the rate of one major tax (personal income, corporate, value added, property or sales tax) with few or no restrictions

4: local authorities set the base and rate of more than one major tax (personal income, corporate, value added, property or sales tax).

[13] Spahn's idea is that not only *a.1* but also *b.1* could represent full tax autonomy (weight 1). It is based on his (and more generally) aforementioned belief that "rate setting is sufficient for fiscal autonomy and that meddling around with tax reliefs at sub-central levels is likely to entail distortions and inequities through unfair horizontal tax competition" (2013, p.91). However, Jurlina Alibegović gives *b.1* a weighting of 0.75, which is justified because autonomy over tax rates and tax base (reliefs) is higher than autonomy over reliefs only. However, the autonomy over reliefs, when the tax rate is already set, allows for a tax reduction (decrease) and not a tax increase. This makes autonomy over rates more important, so we decided not to position ourselves in the middle, but to apply a weighting of 0.9

nature of such a procedure and the inaccuracy of the resulting comparison (especially at the international level, where institutional settings vary within each category and a single weight cannot capture them all),[14] it nevertheless gives a rough picture of countries' tax autonomy, which ranges from 100 (full tax autonomy) to zero (no tax autonomy at all). Therefore, the presented ranking and relative positions of countries in Figure 4 should be taken with caution.

Figure 4: *Local tax autonomy index: OECD and Croatia, 2018*



Source: Authors' calculation, based on OECD (2023) and European Commission (2022).

for *b.1*. The *a.2* is not present in Jurlina Alibegović's calculations, the mentioned restrictions could be various, but it is clear that the weight should be higher than in the situation where only the tax rate is restricted (0.5 in Jurlina Alibegović's case), since reliefs are less important here, as mentioned before. On the other hand, it should definitely be lower than the weight of 0.9 for *b1*. So, we set the weight of 0.6 for *a.2*. For *b.2* we followed Jurlina Alibegović, so the weight is 0.5. Category *c* is a special problem. Spahn is very critical of granting autonomy to local units in the form of tax reliefs denoting this category as "redundant" (2013, p. 91). It has already been mentioned that autonomy here is more limited and in principle "downward looking". It is not surprising that this category is almost negligible in the OECD. Despite Spahn's disapproval, there is autonomy here, so we followed Jurlina Alibegović's approach but reduced the weight to 0.5. Category *d.1* is not present and category *d.2* is almost absent in the unitary countries (see footnote 4). However, two countries in our table have category *d.2*, so we apply Jurlina Alibegović's weight of 0.5. For the remaining categories, we follow Spahn, who categorically states that "items *d.3* and *d.4* (as well as *e*) denote full dependence of sub-central budgets from centralised flows, so the coefficient would be zero".

[14] Jurlina Alibegović, Hodžić and Bečić (2018) and Jurlina Alibegović (2018) have done their analyses for only one country (Croatia), so the institutional setting of the categories was the same and that made the comparison more reliable.

Although most OECD countries are around the middle position, a great dispersion is present – from almost 100 to 0.[15] However, it is evident that Croatia's position has again improved greatly when comparing CRO 1 and CRO 2, but very little in the ranking. Compared to Croatia 1, the ranking of two countries below Croatia improves to five. This means that the position has improved by only one country compared to the ranking in Figure 3 (tax autonomy by simple addition of autonomous taxes).

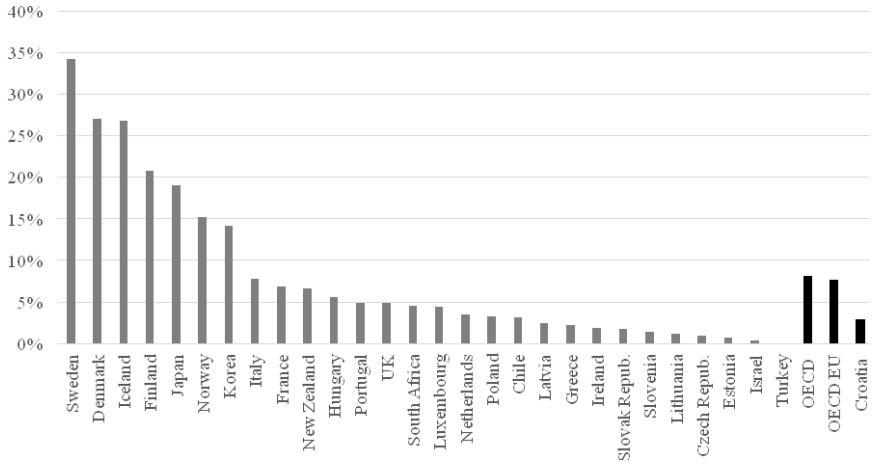
Thus, until now, regardless of the methodology applied, local tax autonomy in Croatia has been well below the OECD and EU OECD averages and in the upper level of the 20% of countries with the lowest tax autonomy. Similar results are obtained by Ladner, Keuffer and Baldersheim, (2015, p.37), where Croatian position is the lowest among countries with "medium" fiscal (tax) autonomy, as well as by Jurlina Alibegović, Hodžić and Bečić (2018), who highlight the limited autonomy of Croatian large towns in realising public revenues, and Jurlina Alibegović (2018), who points out the relatively low level of tax autonomy of Croatian towns in general, which is in turn again reiterated by Jurlina Alibegović (2021).[16] Moreover, the latter two papers even highlight the decline of autonomy from 2013, which is contrary to the OECD trend in this area, especially for unitary countries (e.g. OECD, 2021).

Finally, another measure could be applied – the share of autonomous local taxes in total tax revenues (of general government), rather than local tax revenues. This measure is the product of the share of local tax revenues (in total taxes) and autonomy over those taxes, so "this product comes closest to what one could call a composite indicator of revenue autonomy" (Blöchlinger & King, 2006, p. 27). In a similar manner to Blöchlinger and King (2006), Dougherty, Harding and Reschovsky (2019), and OECD (2021), we calculated the share of autonomous local taxes in total tax revenues of OECD unitary countries, including the unweighted average, and Croatia (using the relevant – expanded – definition of taxes). Since the share of local taxes in Croatia is relatively favourable (higher) compared to the EU countries (Eurostat, 2022) when adopting the new/extended OECD tax definition, we expect Croatia to achieve a better position in Figure 5.

[15] This is also confirmed by the aforementioned more comprehensive study by Ladner, Keuffer and Baldersheim (2015, p.37), which includes as many as 11 elements, but confirms that fiscal (tax) autonomy is the element of local autonomy that varies the most across countries (with the highest standard deviation (Ladner, Keuffer & Baldersheim, 2015, p. 48)). This methodology is described in more detail in footnote 13.

[16] The low level of fiscal/tax autonomy is also underlined by Grdinić, Matić and Drezgić (2019); Škarica (2020); Krmpotić, Iles and Bičvić (2020); Topić and Janković (2019).

Figure 5: *Autonomous local taxes as a share of general government total taxes: OECD and Croatia, 2018*



Source: Authors' calculation based on OECD 2023 (for OECD) and European Commission (2022) (for Croatia).

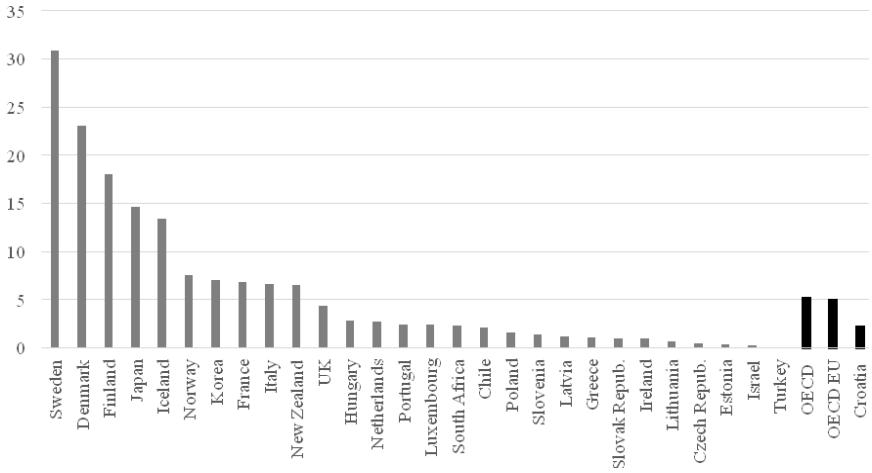
At first glance, Croatia's position is still unfavourable, as it scores almost one-third of the OECD average for unitary countries. However, a shift in the ranking to the left can be seen. There are now as many as 10 countries with lower tax autonomy than Croatia. Croatia has moved closer to the median but is still slightly below it, as well as below the unweighted OECD average. These results are now even closer to those of Ladner, Keuffer and Baldersheim (2015, p. 37).

The newly adjusted tax autonomy index could be put in relation to the total tax revenues of general government. Thus a new composite autonomy indicator is created – the composite tax autonomy index (Figure 6).

The previous results for the local tax autonomy index (Figure 4) imply almost no relative change (the previous improvement concerned only one position), while the latter results related to total general government taxes (Figure 5) imply the possibility of a more significant improvement. As expected, the final result is somewhere in between. Croatia has moved left again – closer to the median (between Luxembourg and South Africa) and even left 13 countries behind. Although Croatia's results are barely half the average of EU OECD countries and even worse compared to the OECD average, this puts the country close to the median.

This implies not so much the need to increase local taxes, but still primarily to increase their autonomy. Increasing local tax autonomy should be

Figure 6: *Local tax autonomy index in relation to general government total taxes: OECD and Croatia, 2018 (in %)*



Source: Authors' calculation based on Figure 4 and OECD (2023) (for OECD) and Figure 4 and European Commission (2022) (for Croatia).

done primarily at the lowest level of local government, as it is closest to residents (as well as important non-residents – tourists) and can reflect their needs and preferences. This would improve their fiscal position in line with the "current comparative (European) trends suggesting an increase in the basic municipal level and a decrease in the importance of the middle territorial levels" (Škarica, 2020, p. 207). Before we start with some recommendations to increase tax autonomy, it must be acknowledged that some units of this lowest level (which already have some tax autonomy) do not sufficiently use the existing tax autonomy. This primarily refers to potential revenues from surtax on personal income tax, tax on holiday houses and real estate tax (public utility charge) (Bronić, 2013; Jurlina Alibegović, Hodžić & Bečić, 2018). These reasons require further analysis, which is beyond the scope of this paper. Increasing tax autonomy in line with common practice (Spahn, 2013; European Council, 1985) should be done, in particular, by increasing category *b* by raising/lifting the upper rate limits for the local taxes or by converting some category *e* taxes to *b2*. Some of the first candidates could be the taxes mainly related to the spill-over effect, i.e. taxes on non-residents such as consumption tax (Krmpotić, Iles & Bičvić, 2020; Blažić, 2023), tax on holiday houses[17]

[17] Although the planned introduction of the "real" (value-based) real estate tax implies the abolition of the tax on holiday houses, both Croatian tax experts and citizens be-

and tourist tax, followed by real estate transfer tax,[18] especially for units with the above average development (Krmpotić, Iles & Bičvić, 2020).[19]

4. Conclusion

This paper shows how different methodologies of measuring local tax autonomy (all based on the OECD's methodology for taxing power of SCGs) can influence the tax autonomy results of Croatia in its international comparison.

If an expanded (OECD) definition of taxes is used instead of the official tax data from the Ministry of Finance, the share of autonomous taxes in local government taxes more than doubles – from about 10% to over 20%. However, this hardly improves Croatia's position compared to OECD countries, where more than half of the countries' local autonomous taxes reach a share of over 90% in total local taxes. On the other hand, the share of autonomous local taxes is below 30% in only five OECD countries, which is comparable to the Croatian situation. Croatia still lags behind the OECD average and the average of EU member countries that are also OECD members, which are between 70 and 80%.

Since autonomous taxes differ significantly in their taxing power (autonomy level), the different autonomy categories have been weighted differently to obtain a more comparable measure – the tax autonomy index. Croatia's results when applying the tax autonomy index using the OECD definition of taxes has significantly improved (quadrupled) compared to when using the data from the Ministry of Finance. However, Croatia's position compared to other OECD countries improved very slightly (not only in terms of average, but also in terms of ranking).

The application of another indicator – the composite indicator of tax autonomy (autonomous local taxes as a percentage of general government total taxes) – improves the relative position of Croatia, especially when

lieve that this tax should or will be retained as a local tax (Blažić, Šimović & Štambuk, 2016). On the other hand, its capacity is not fully used in Croatia (Bronić, 2013).

[18] Although believed to be negatively perceived by citizens, real estate transfer tax seems to be marked by their neutrality towards its application (Baljak et al., 2018).

[19] Surtax on personal income tax is already pretty extensively used and some cities/municipalities are reluctant to exploit its full capacity due to the negative substitution effects of the tax burden of labour.

we combine it with the tax autonomy index to create a new composite tax autonomy index. Croatia is now approaching the median position among OECD member countries, although it is still below average (mean).

Thus, it is evident that different indicators of tax autonomy lead to different results, with the "refined" indicators being the better ones for the Croatian position. The results imply the need to increase the autonomy of local taxes, especially at the lowest level of local government (towns and municipalities).

The change in tax laws in 2024[20] will not in fact lead to any significant changes in real tax autonomy. The abolition of the surtax on personal income tax and the possibility for municipalities and towns to compensate for the revenue from the abolition of the surtax by an increased personal income tax rate within the limits set by law will not lead to a real increase in the tax autonomy of municipalities and towns. Tax autonomy is still limited according to the OECD autonomy categories, because municipalities and towns can only set the tax rate within the limits set by the central government law, the upper limit is generally the same as the previous income tax rate increased by the surtax with its upper limit(s). However, there is a lower limit which is not only intended to safeguard the previous personal income tax revenue but is even lower to enable the municipalities some degree of easing the tax burden. However, these changes will have an impact on Croatia's statistical situation based on the OECD taxing power methodology, as the total personal income tax will now be reclassified (from *e* to *b2*), so the share of autonomous taxes will increase. A similar conclusion about maintaining the limitation (upper limits) refers to the rates/amounts of taxes on the rental of apartments and flats and taxes on holiday houses. Nevertheless, these limits are raised, which could also lead to higher revenues and a better statistical situation in OECD taxing powers – a higher share of autonomous taxes.

A further increase in autonomy could be suggested by raising or even abolishing upper rate limits for the other local taxes with limited autonomy (consumption tax and tourist tax) or even by introducing limited autonomy for non-autonomous taxes (e.g. real estate transfer tax).

It can be expected that the future increase in the taxing powers of local units, especially at the lowest level, will improve Croatia's position in comparison with other OECD member countries. Moreover, the expected admission of Croatia to the OECD would ease future comparisons, but

[20] The paper was written and submitted for publication before those changes.

also lead to better results (through the expected further alignment with OECD autonomy practices and trends).

Further research for Croatia should address the reasons why some towns and municipalities do not sufficiently use the existing opportunities provided by the legal framework to increase their revenues. This raises the question of a deeper understanding of the concept of tax autonomy and its appropriate measurement – perhaps not in terms of the amount of various revenues raised, but in terms of their potentials (including ways to reduce the tax burden). Further research on this topic could even refer to the OECD methodology for defining tax autonomy and classifying local taxes into relevant categories (and subcategories). In this way the "potential" tax autonomy or the "tax autonomy capacity" could be assessed and compared with the actual one, resulting in the relevant shares.

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TAX AUTONOMY OF LOCAL GOVERNMENT: A COMPARISON OF CROATIA AND OECD COUNTRIES

Summary

The paper measures the total (two-tier) local tax autonomy (cities/municipalities and counties combined) in Croatia applying the OECD methodology in terms of the definition and scope of taxes and their classification according to taxing power and autonomy. First, it follows the methodology of previous studies for Croatia, which considered only nominal taxes. This results in a relatively small share of autonomous taxes in local tax revenues. The change from a formal recording of taxes to an effective one based on the OECD definition of taxes leads to more than a doubling of local autonomous taxes. However, compared to other OECD unitary countries (countries with only the local level), Croatia still lags significantly behind the OECD average and also behind the average of EU member countries that are also OECD member countries. The weighting of different categories, despite the risk of arbitrariness, and the resulting tax autonomy index show an additional improvement of the Croatian situation. Further calculation of the tax autonomy index and, in particular, the composite indicator of tax autonomy (share of autonomous local taxes in total general government taxes), as well as the composite tax autonomy index (local tax autonomy index divided by total general government taxes), lead to a further improvement of the Croatian position. Although the country is still below the OECD average, it has improved to an almost median position. The indicators suggest that the taxing powers of local governments need to be further strengthened.-

Keywords: Croatia, local government, local taxes, taxing powers, tax autonomy, OECD

POREZNA AUTONOMIJA LOKALNE SAMOUPRAVE: USPOREDBA HRVATSKE I ZEMALJA OECD-A

Sažetak

U radu se mjeri ukupna (dvostupanjska) lokalna porezna autonomija (gradovi/općine i županije zajedno) u Hrvatskoj primjenom metodologije OECD-a u pogledu definicije i opsega poreza te njihove klasifikacije prema poreznoj snazi i autonomiji. Prvo se slijedi metodologiju prethodnih istraživanja za Hrvatsku koja je razmatrala samo nominalne poreze. To rezultira relativno malim udjelom autonomnih poreza u lokalnim poreznim prihodima. Promjena s formalnog bilježenja poreza na efektivno evidentiranje poreza na temelju OECD-ove definicije poreza dovodi do više nego udvostručenja lokalnih autonomnih poreza. Međutim, u usporedbi s drugim unitarnim zemljama OECD-a (zemlje koje imaju samo lokalnu razinu), Hrvatska još uvijek značajno zaostaje za prosjekom OECD-a, a također i za državama članicama EU-a koje su i članice OECD-a. Ponderiranje različitih kategorija, unatoč riziku proizvoljnosti, i dobiveni indeks pokazuju dodatno poboljšanje hrvatske situacije. Daljnjim izračunom indeksa porezne autonomije i posebice kompozitnog pokazatelja porezne autonomije kao i kompozitnog indeksa porezne autonomije dolazi se do daljnjeg poboljšanja hrvatske situacije. Iako je Hrvatska još uvijek ispod neponderiranog prosjeka OECD-a, njezin se položaj u odnosu na druge zemlje poboljšao tako da je gotovo dostigla medijan. Pokazatelji sugeriraju da je potrebno dodatno ojačati poreznu snagu lokalnih vlasti.

Ključne riječi: *Hrvatska, lokalna samouprava, lokalni porezi, porezna snaga, porezna autonomija, OECD*