

EXPANDED ABSTRACT

The local taxes revenues and economic crisis

Local entities had needed to overcome economic crisis as the rest of the public and private organism. Council made expenditures that did not correspond to them as they were not belonging to them competencies. in time of big public incomes -They come mainly from the boom of the urban activity in Spain- When the crisis in the real estate sector came, revenues were reduced and a reordering of the provision of public services was made between the Autonomous Communities and the local councils through different laws to avoid duplication of the provision of public services between administrations, the structure organizational structure of local authorities were razionalizate with an unequal result.

However the evolution of budgetary figures has not be the same in all the councils. Some municipalities have suffered complicated situations, while others have not, between some factors, It is related with the local budget situation before the crisis starts - that is the bigger or lower prior sanitation of public accounts- and afterward with the management of the crisis and the size of the municipality, since the cost of providing the municipal public service is related among other factors, to the greater or lesser population of the municipality and the obligation or not to provide these services. (Suárez, 2007; Tránchez, et. al, 2011).

The size of the municipalities is an important element in the current configuration of the councils. One of the biggest problem of the local sector is the existence of a large number of small municipalities. In fact, 83,8 percent of the Spanish municipalities have less than 5.000 inhabitants and they group 12,7 percent of the population, while 10.3 percent of the inhabitants are in two municipalities larger than 1.000.000 inhabitants (Madrid and Barcelona). Altogether, 95,8 percent of the Spanish municipalities have less than 20.000 inhabitants and they group 31,9 percent of the Spanish population. Another element of interest is the prevailing heterogeneity among all (Angoitia, 2005) related to the competences attributed to them by the "Law of local regime bases", in terms of the provision of services which changes according to their size.

In order to face the local expenditure, councils need incomes, among them, the tax revenues with great importance in the municipalities, so a greater or lesser collection affects their autonomy to develop their fiscal policy. In addition, as the local authority has more own resources, it would not have to ask for debt in order to be able to implement its public expenditure. (Guillamón, Benito and

Bastida, 2011; Pedraja, 2011; Suárez y Fernández, 2012; Balaguer-Coll, Prior y Tortosa- Ausina, 2016).

Thus, in this paper, we lay out to analyze the differences between the municipalities, grouped by size, during the years following the onset of the crisis, analyzing several indicators: revenue per capita, the effectiveness of tax collection and tax effort.

It is necessary to analyze the evolution of tax revenues per inhabitant or local tax pressure defined as the relationship between taxes and the number of residents. (Zafra and López, 2006; Benito et al, 2010) This indicator has increased for all Spanish municipalities from the beginning to the end of the period 2006-2014 for all the segments of population analyzed, except for municipalities with a population between 5.000 and 20.000 inhabitants, which may be related to the evolution of local taxes. Tax on Real Estate, IBI; Tax on Vehicles of Mechanical Traction, IVTM, Tax on Economic Activities, IAE, Tax on Constructions, Installations and Works, ICIO, and Tax on Increase in the Value of Urban Land, IIVTNU.

If we consider the type of tax, we see how the municipalities over 1.000.000 inhabitants are the ones that have increased the income from the Real Estate Tax, which is the tax that brings the highest collection to the city councils.

Effectiveness of the collection management is a good indicator to know the compliance of the local budget and it has been analyzed in this paper. If we focus on taxes, IBI, IAE and IVTM are those that present a greater efficiency of the collection management, that probably will be related to the fact of being managed through registers about which the municipality has all the data of the taxpayer. After the analysis, it is evident the need to improve the efficiency of the collection management by all municipalities, since the councils have reduced this indicator from the beginning to the end of the period for all taxes, mainly in those of population between 500.000 and 1.000.000 inhabitants, it contrasts with the fact that the municipalities with the largest population have more material and human resources to carry out their tax management.

Fiscal effort has also been calculated on this paper as we are considering the definition of it as the relationship between the real collection and the potential collection and, for this, we have had to calculate the potential collection for each of the taxes, since this variable it is not available.

The obtained results show that from 2006 to 2014 the municipalities have reduced their fiscal effort in all taxes, which contrasts with the financial needs of this period. Therefore, Spanish municipalities can still increase their collection in a notable way in some taxes, such as the IBI or the IAE. In the case of the IBI, despite the increase in rates in the recent years, there is still being an important margin for the increase in collection.

By sections of population, there are important differences. Thus, municipalities with more than 100.000 inhabitants have increased their tax effort in almost all taxes, although it is necessary to consider that they are also those with the highest income. In any case, we can not find a pattern of behavior of all municipalities, because while the ones with population between 50.000 and 100.000 inhabitants have increased their tax effort in the IAE by 8,9 points from the beginning to the end of this period, the municipalities of less than 5.000 inhabitants have reduced their fiscal effort. And the same happens in other cases and taxes.

However, the fact that Spanish municipalities can increase their fiscal effort, mainly in relation to the IBI and to the rest of taxes, does not necessarily imply the need to increase their collection (Bahl, 1971, Vallés and Zárate, 2013). In addition, we must consider that some municipalities may decide to demand less taxes because they can decide the implementation of a more restrictive public expenditure policy (Cheliah et al, 1975, Vallés and Zárate, 2013).

One aspect that may have affected is the increase in the last years of the tax rate of the IBI, which affects the potential collection and the increase thereof, assuming an increase in the denominator of the defined fiscal effort, which may have been its consequences in the fiscal effort figures obtained.

The results obtained in this paper show that Spanish municipalities in order to face the economic crisis generally have chosen to increase tax resources, thus increasing their financial autonomy, mainly through the IBI, what is the main figure of local taxation, being the municipalities over 1,000,000 inhabitants which have increased tax revenues per capita to a greater extent from the beginning to the end of the period.

The problems arising from the rigidity of local taxes have undoubtedly contributed to the current situation of the Local Treasury, which should be subject to modification and meet criteria that would lead to a greater elasticity of this type of taxation, which could mean an important contribution to the achievement of greater municipal self-financing.

The limitations of this paper came from the availability of data for the calculation of fiscal effort. However, we believe it is necessary to progress in this indicator for future research.

In any case, this line of this paper may continue to be the subject of numerous studies that may deepen the relationship between tax collection and other indicators that may add new perspectives to the study of the local tax situation, with new lines of reform that may be arised in the future.