



Original Contribution

ANALYSIS OF THE ORGANIZATIONAL CHANGES IN THE LOCAL TAXES AND FEES ADMINISTRATION

(based on the example of Novo Selo Municipality, Vidin District)

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ABSTRACT

The main requirement of European Commission concerning the forthcoming accession of Bulgaria in EU is to fulfill the economic and political conditions of the Union. One of them is the financial decentralization of the municipalities. That enforced the change in the Law for local taxes and fees in the year 2005 and it transfers the administration of the local taxes from State tax offices to the local municipal authorities from 1-st of January 2006.

The purpose of this study is to analyse the organization in administrating the local taxes and fees by the example of one of the smallest municipalities in Republic of Bulgaria – Novo selo, district Vidin.

In this article is shown the organization and methods for application of the Law for the Local Taxes and Fees (LLTF) as a process in the Novo selo municipality concerning: tax for real estate, duty on vehicles, tax on acquisition property by endowment or payment, fee “Public utilities”, using the social services – kindergarten, home patronage etc., using commercial areas from the municipality property – markets, fairs, exhibitions, etc., technical services, administrative services, tourist fees, fees for gaining quarry materials. There are also shown its principles of determination. It is made analysis of the incomes and outcomes by the definition of the taxes and fee’s cost.

These changes should be made as a “package” (combined), which will provide the reaching of a certain synchrony between them. The continue of the reforms in each and every districts in the country will allow to Bulgaria to tackle the problem with the competitive pressure and the market powers in the EU, and the date 01.01.2007 to become reality.

Key words: municipality, local taxes, local fees, organization, administrating

INTRODUCTION

Bulgaria, due to its geopolitical position in southeast Europe is a binding link between the EU and the Balkans as well as the nations in the Black sea region After the fall of the Berlin wall and the institution of democratic administration, Bulgaria established diplomatic relations with the European Union in 1989. In 1990 was signed an agreement for trade and cooperation with the EU, and another very important one in 1993 about the association of Bulgaria called the European agreement, in which was stated that the goal of Bulgaria was to become an EU member. This agreement, which creates a free trade zone between Bulgaria EU members, is already a part of the EU strategy for the

preparation of Bulgaria’s association and includes considerable financial and technical support.

The requirement of the European Commission regarding the forthcoming European integration of Bulgaria, is that the country should meet the economical and political demands of the union, one of which is financial decentralization of the municipalities . In 2005 this imposed a change in the law for the local taxes and fees that transfers the administering of the latter from the tax administration to the municipal administration from the 1st of January 2006.

The purpose of the present investigation is to analyze the organization in the administering of the local taxes and fees following the example of one of the smallest municipalities in Bulgaria, Novo selo, district of Vidin.

The object of the investigation is municipality Novo selo district of Vidin, and the established organization for administering

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of the local taxes and fees.

The methods of exploration are research of normative and sub-normative documents and acts, interviews, observation, analysis.

In connection with the changes in the law for the local taxes and fees in 2005, the municipal council of Novo selo authorized, with solution Number 5/29. 05. 2005, the mayor of the municipality to sign an agreement according to article 237, al.3 and al.4 in the Tax procedural code (TPC)¹ between the main tax director and municipality Novo selo, district of Vidin. Such has been signed on the 28th of June 2005 and has been operated since the 1st of August 2005.

According to the new changes the local taxes have to be paid in cash in the offices of the municipal administration or indirectly using a current account. The establishing, providing and drawing of the local taxes is done by the employees of the municipal administration in order of TPC¹. The employees of the municipal administration have the rights and the obligations of the tax authority, and they are chosen by order of the mayor of the municipality.

The municipality mayor exerts the authorities of a regional tax director² and the head of the link for local earnings in the corresponding municipality - territorial director of the National agency of the incomes³.

The tax valuation of property changes when the index of the market values of the real estate, determined by the National statistical institute, rises or falls by more than 20 percent with accumulation for the period from their last change. In municipality Novo selo, district of Vidin in 2006 the rise is 20 percent in the tax valuation of properties.

I. TAXES

The taxes collected in the municipality are: tax on the immovable properties -1.5 of the tax valuation; tax on motor vehicles-MV, according to the brand of the vehicle - a motor vehicle, vessels (boats); road tax on cars, due

until 2004; tax for gratuitous transferring of properties and real estates (inheritances and donations).

1. Tax-immovable properties

With the new changes in LLTF from 01.01.2006 the immovable properties with a valuation up to 1400 leva are not being taxed. For municipality Novo selo the number of these properties is 1036, in this number:

Novo Selo	262
Florentin	129
Negovanovtzi	200
Iasen	215
Vinarovo	230

The agricultural lands and the forests are not taxed with exception of the built - up lands for the actually built - up area and its adjoining terrain.

Taxes obliged are the owners of tax-chargeable immovable properties. The owner of a building, built on country or municipal estate, is obliged to pay the tax for this land as well. If the right to use the estate is constituted the user has to pay the tax. When a particular right of possession is given- concession over estates-public state or public municipal property the concessionaire has to pay the tax.

When on a chargeable immovable estate the right of possession or the limited right of possession belongs to a several individuals, they owe a tax respectively on their parts. Each of the property owners accordingly of the co-owners of the limited right, can pay the tax for the whole estate, at the expense of the rest. **A tax is to be paid no matter if the immovable properties are used or not.**

At getting a new estate the tax obliged individuals have to submit a tax declaration for the newly acquired real estate within 2 months. If the estate is acquired in terms of legacy the inheritors must submit a tax declaration no later than six months after opening the will.

The employee in the municipal administration checks the handed forms. He may require additional data for the chargeable estate, to collate the data from the form with the bookkeeping registers, plans, sketches and documents based on which the estate is owned or used, and if need occurs - by measuring the estate from the technical agency.

The tax valuation of the immovable properties of the citizens is determined by an employee of the municipal administration according to standard, depending on the type of the estate, the topography, the area, the

¹ Abrogated and replaced from 01.01.2006 of procedural legal code (PLC).

² Due to reorganization of the structure of NAE in 2006 on the grounds of article 152, al.2 the authorities of the mayor as a crucial body are of a director of "Appeal and government of the performance "under the central government of the National agency of the incomes.

³ Article 4, al.5 from LLTF CN issue 117/10. 12. 1997 ch. and compl.

construction and the wearing out, which is reported to the tax obligated individuals.

The tax valuation of the immovable properties, on which is established ownership of a factory, is their fiscal cost on the balance of the owner or the tax valuation. If any accountant's data is missing the tax valuation is assessed by an employee of the municipal administration at the expense of the tax obligated individual.

In municipality Novo Selo exempted from tax are:

- the municipalities - for the public municipal properties;
- the state-except for the public state properties if the estate is granted for using to another person and the same is tax obligated;
- the libraries;
- the devotional houses of the Bulgarian orthodox church;
- the parks, the sport playgrounds, the grounds and other similar estates for social needs;
- the farm buildings of the cultivators, used for agricultural activity.

For a property that is a main dwelling, the tax is reduced with 50 per cent. for a property that is a main dwelling of a person with decreased capacity of work from 50 to 100 percent, the tax reduction is 75 per cent.

The tax on the immovable properties has to be paid in four equal installments by the time fixed: from 01.02. to 31.03., to 30.06., to 30.09. to 30.11 in the year for which it is due. The tax on the immovable estates is transferred to the budget of the municipality on the territory where the corresponding estate is located. In case of paying the whole tax due there is a 5 per cent discount⁴.

2. Tax on the motor vehicles

The owners of vehicles declare in front of the municipality their private vehicles and they fill in the form their constant address, the respective home, in a period of two months from the date of the acquisition. For the vehicles that are not registered as set in motion in the country, the period of two months starts elapsing from the date of the registration. At getting a vehicle by right of

succession, the declaration has to be submitted in 6 months term. When the owners of the vehicles do not have constant address, respectively home on the territory of the country, declarations have to be passed in front of the municipality according to the registration of the vehicle.

The municipal administration official can require documents verifying facts and circumstances which are important for the tax assessment. When stopped or set in motion, in case of larceny or destruction of the vehicle the taxpayer must produce an official document verifying the corresponding circumstances.

For cars the tax is assessed according to the power of the engine multiplied by a coefficient depending on the production date⁵ as follows:

- Below 37-kilowatt. At 0.34 levs per 1 kilowatt;
- Over 37 kilowatt 55-kilowatt At 0.40 levs per 1 kilowatt;
- Over 55 kilowatt 74-kilowatt At 0.54 levs per 1 kilowatt;
- Over 74 kilowatt 110-kilowatt. At 1.10 levs per 1 kilowatt;
- Over 110-kilowatt - 1.23 levs per 1 kilowatt.

On trailers in cars the undermentioned tax is being paid:

- A cargo tractor trailer 5 levs;
- Camping-a tractor trailer 10 levs;
- For scooters a tax is being paid 10 levs;
- The tax on motorcycles depends on the volume of the engine and varies from 12 to 100 levs.
- For buses tax is assessed according to the number of passenger seats – with less than 21 – 50 levs; with more than 21 passenger seats the tax is 100 levs.
- For cargo vehicles with maximum technically permissible laden mass of 12 tons tax of 10 levs per each ton of loading capacity is paid.
- The tax for boats is 1 lev per year.

Free of tax are the vehicles of:

- State and municipal authorities and organizations supported financially by the national budget and in a special mode of motion as well as ambulance cars, fire engines, etc.

⁴ 20 Al.1 and Al.2 in wall of LLTF couple. Sconces.100/2005 For 2006 first installment is being brought in time limit from 1 march to 30 april on article.28, al.1 and article.60, al.1. . On the paid - up for an entire year of the term in Al of.1 discount of 5 in hundred was made.

⁵ In dependence from the year of production the tax is being multiplied with the following coefficients: over 14 year. 1; From a 5-up to 14 year. 1, 5; Up to 5 year. 2,8.

- Disabled more than 50 per cent people owning a vehicle with engine capacity no more than 1800 ccm and maximum net power of 75 kW.
- When a vehicle is transferred the new owner doesn't pay the tax fee if the previous owner has done it for the current year.
- For vehicles with maximum net power of 74 kW, equipped with devices purifying exhaust emissions, the tax is reduced with 50 per cent.
- For vehicles acquired or set in motion during the current year the tax is paid in two months' term and the sum owed equals the number of remaining months in the current year multiplied by one twelfth of the whole year tax.
- For stolen or destroyed vehicles the tax is refunded in proportion to the remaining months of the current year after producing an official document verifying the facts.

If the tax is paid in one installment no later than the 30th of April there is a 5 per cent discount. Generally, the taxpayers can pay in two equal installments – the first one no later than 31st of March and the second – 30th of September.⁶

3. Legacy-tax and tax for donated and gratuitously acquired property

Tax assessable are properties acquired by donation as well as real estate, the limited rights of possession on them, the vehicles acquired gratuitously and all other gratuitously acquired properties as well as cleared off loans by means of cancelling. Tax free are properties donated in direct line of descent or in a marital couple.

The tax is paid by the beneficiary and in case of exchange – the person acquiring the more valuable property pays the tax. If there is an agreement of solidarity the tax is paid equally by the sides.

In case of property donation the tax is calculated according to its tax valuation in the following ratio:

- 0.7 per cent when done by siblings or their children
- 5 per cent when done by other persons
- When acquired gratuitously the tax equals 2 per cent of the property value and when exchanged – 2 per cent of the more

valuable property.

Free of tax are:

- Properties acquired by:
 - State and municipality;
 - Bulgarian health, educational, cultural and scientific organizations supported financially by the national budget as well as asylums for orphans and needy people;
 - Foundations for supporting victims of natural disasters and for restoring historical and cultural monuments;
- National organizations of the disabled:
 - Donations for health services of Bulgarian citizens and technical aid for the disabled;
 - Donations with humanitarian aim for people with reduced labor capacity of 50 per cent and people in the lowest income bracket;
 - The non profit juridical persons registered in the Central Register of non profit juridical persons, for performing socially beneficial activity and for the received and contributed donations;
 - Donations in favor of the community centers.

The acquired properties due to the law of privatization and postprivatization control.

The tax is paid in the municipality where the real estate is, and in the rest of the cases where the seat of the taxpayer is. Those who do not have permanent address pay the tax according to their current address.

When acquired gratuitously, property must be declared for tax imposition in two months term.

II. LOCAL FEES

With regard to the levy of local fees in the municipality of Novo selo, with resolution No2/24.03.2005 of its council, regulation No6 was issued for determining and administering the local fees and prices for service or advertisement.

The goal of the regulation is offering accessible and quality service to the municipality citizens by means of:

- ensuring self-float of municipality services and rights given to certain recipients
- stimulation –efficient distribution of municipal resources by fixing fees and service prices
- encouraging the private business sector to

⁶ para. 20, al.1 and 2 of LLTF GP issue 100/2005. For 2006 the first installment should be paid from 1st March till 30th April

provide the regulated services without the municipality gaining monopoly over them.

On the territory of municipality of Novo Selo the following local fees are collected:

- for public utilities (gathering domestic waste);
- for using markets, fairs, sidewalks, squares and streets;
- for using nurseries, kindergartens, asylums, children's camps, hostels and other social municipal services;
- for extraction of quarry materials;
- for technical services;
- for administrative services;
- tourist fee;
- other local fees fixed by law.

The size of the local fees and service prices is fixed in Bulgarian levs. Local fees are ordinary and proportional and are paid indirect, in cash or in municipal fee stamps.

The following principles are observed when fixing the fees:

- refundment of all expenditures of the municipality when providing the service;
- creating opportunities for expanding the offered services and enhancing their quality;
- Attaining greater justice in fixing and paying local fees;
- For a service that comprises more than one activity, each one of the latter is charged separately.

The full amount of expenditures of the municipality when providing a service include:

- direct and indirect labor expenditures (salary, extra payments, health and social security installments)
- material, overhead and other indirect expenditures (supply of materials and services, insurance, business trip and rent expenditures)
- expenditures for management and control
- investment expenditures

The total cost of the expenditures is fixed meeting the requirements of the law of accountancy and other subregulations.

The persons not using the services during the current year or a certain period of time pay only for the used period.

The city council determines the persons not using the service for a certain period which are exempted from paying after depositing an application until the 30th of November the previous year.

The city council can exempt from paying certain citizens wholly or partially, annually when passing the municipal budget. However, this could not happen at the expense of revenue from fees and services, after applying in front of the municipality until the 30th of November or at least 15 days before using the service.

The collecting of the local fees is done by and at the expense of the municipality. The revenues are transferred into the municipal budget. The mayor offers to the city council at least once a year or when changed the prices of the services and fees.⁷

Fee Domestic wastes

This fee is paid for the service of gathering and conservation of domestic waste as well as for keeping public establishments tidy.

The boundaries of the districts and the type of service in the corresponding district are fixed by the mayor.

The fee is paid by the owner of the property; when limited rights of possession are issued – by the user; when given to concession – by the concessionaire. For municipal and state property, used or rented by other persons, the fee is paid by the municipality/state at the expense of the user.

The fee is fixed in an annual size for every built-up area by the city council, based on an approved financial plan, including the needed expenditures for research, planning, building, maintenance, operation, conservation and monitoring of the dung-hills or other installations or equipment for conserving waste; cleaning streets, squares, alleys, parks and other public establishments; the fuel, electricity and water cost.

During 2006 the fee “domestic waste” was fixed as 2 per mill of the tax valuation of the properties. Because of the large number of properties valued below 1400 levs they are not exempted from paying the fee.

Since the 1st of August 2005 the fee has been collected by the municipal administration. The fee is paid in 4 equal installments till – 30th of March / 30th of June / 30th of September / 30th of November.

Those who pay the whole fee in advance enjoy a discount of 5 per cent⁸.

For newly-acquired properties the tax is

⁷ para.19 LLTF GP issue 100/2005. The council fixes a fee no later than the 31st Jan. – if not the old one is operative

⁸ article 69, al 2 of LLTF /operated from the 1st Jan 2004/ the fee is paid as fixed by the municipality, which informs the payers for their obligations.

collected from the beginning of the following month. If a building is used before its full completion the fee should be paid starting from the month following the first month of use. If a building is to be destroyed the fee is paid until it is not used any more.

For 2005 the collectibles ratio of tax and fee was 70 per cent. The municipal administration uses various methods for the increasing of the percentage – like sending written invitations for voluntary paying and by refusing administrative services to irregular payers.

2. Fee for using marketplaces, fairs, sidewalks, squares and streets

The tax is paid for using sidewalks, squares, streets, places where are ste outdoor and indoor markets, fairs as well as terrains with other function owned by the municipality.

In the municipality of Novo selo are fixed the following fees:

- for using sidewalks, squares, streets, etc(including setting tables, chairs, shopwindows,kiosks) 0.50 levs per sq.m a day
- for using places where fairs, meetings and festivals are organized for merchandising – 1 lev per sq.m. a day
- for using places as shooting ranges, boats and water scooters, etc – 0.50 levs per sq.m. a day
- for using sidewalks, squares, streets and other municipal terrains for depositing building materials, agricultural equipment, wood – 0.50 levs per sq.m. a month.

The are paid when issuing the permit for the period mentioned in it . if used more than a month the fee is paid monthly, but not later than 6 days before the beginning of the period.

3. Fee for nurseries, kindergartens, asylums for the needy, children's camps and other municipal services

The fees for nurseries and kindergartens are fixed according to the parents' income as following:

Full fee which equals 20 per cent of the minimal monthly wage or the proportional ratio for each day of presence.

According to the family's income per month the fee is fixed as followed

- for members of families without income – monthly fee of 5 levs

- for members of families with income up to 200 levs – 11.5 per cent of the minimal monthly wage
- for members of families with income over 200 levs – 20 per cent of the minimal monthly wage.

The persons using the services in the system of social patronage pay monthly fee of 60 per cent of the assembly pension for earnings up to 90 levs, and the rest of the users pay the real cost. The persons using partial service pay overhead fee of the real expenditure.

The real cost per person includes the monthly expenditures for food, protective labour clothing, sanitary materials, as well as the mass expenditures for electricity, water, thermal energy, excluding the donations, charity, Bulgarian and foreign outreach organizations, donation and wills of local and foreign persons and juridical bodies.

The fees are calculated and collected by the officers in the corresponding units and are transferred to the municipal budget until the 10th each month for kindergartens and the 25th on the following month for the social patronage.

4. Tourist fee – for registration and classification of hotels, bars, restaurants, etc.

The fee is paid for using means of shelter and place for accommodation as pointed in the law of tourism. It is also paid for registration and verification of the presence of legally required options in the corresponding place. Fee is paid also when filing documents for classification of bars, restaurants, hotels, etc.:

Places of entertainment with seating capacity:

- less than 21 – 9 levs
- from 21 up to 50 – 20 levs
- over 50 – 40 levs
- For issuing classificational symbols to places of entertainment
- Less than 20 seats – 81 levs
- From 21 to 50 seats – 180
- Over 50 – 360 levs

The fees are when applying for classification and when prolonging its term:

- for 1 year – 30 per cent of the fee for classification;
- for two years – 60 per cent.

For issuing a replica of the certificate of classification the fee is 50 levs. When registering a commercial establishment – a single payment of 40 levs. The fee is paid by

physical and juridical bodies, who offer sleeping accommodation, shelter and seats in restaurants and places of entertainment, and the sum must be paid no later than the 15th of the last certified month.

5. Fees for extracting quarry materials

The fees are paid for extracting quarry materials, including the extraction from water basins. They are paid by physical and juridical bodies extracting quarry materials. The persons who are granted a concession subsuming mining from the site do not owe any fees. The fees are fixed separately for every type of quarry material on gross yield in tons:

- according to each quarry's production register
- according to the quantities mentioned in

the single or temporary permissions for extraction.

The prices are fixed – for river or quarry sand, gravel and rubble – 0.4 levs per cubic meter. The fees are transferred into the municipal budget according to the extraction site until the 15th of the following the extraction month.

6. Fees for technical services.

The fees are paid for technical services, which are performed by the municipal officers and concern the infrastructure of the town and the neighboring areas, at the moment of applying for the service by physical or juridical bodies.

The state and municipal authorities are exempted from fee as well as organizations supported by the national budget and Bulgarian Red Cross.

The price of the fees is fixed as follows:

No	Type of service	Fee cost in BGN
1.	Issuing a real estate plan/sketch	5.00
2.	Issuing a plan with instructions for building	10.00
3.	Checking a plan issued more than six months ago from the present moment	2.00
4.	Fixing a building line and level	0.10 per metre
5.	Issuing a certificate for facts and circumstances dealing with the local infrastructure	2.00
6.	Apostilling copies of plans and documents	3.00
7.	Giving permission for repairs and reconstruction of existing buildings or their premises	10.00
8.	Approving projects	0.2 per cent of the project's cost
9.	Issuing permission for building	20.00
10.	Issuing of certificate for using a building for: - living - commercial activity	30.00 50.00
11.	Issuing permission for mounting temporary fittings used for commercial activity /kiosks, tables, etc./	10.00
12.	Enforcing and executing article 34	20.00
13.	Issuing a certificate for tolerance §16	10.00
14.	Issuing permission for mounting temporary fittings	10.00

The term for performing the technical services is 30 days if not fixed by other regulations. If not observed the fee is reduced with one per cent per day starting from the day of delay, but not more than 30 per cent from its total cost. For quick service – 3 days the fee is

doubled, and for express service /24 hours/ - it is tripled.

7. Fees for administrative service

For the performed services dealing with citizen status the following fees are paid:

№	Type of service	Cost in BGN
1.	Issuing a certificate for heirs	1.50
2.	Issuing certificate for identity of a name	2.00
3.	Issuing a certificate that neither birth, nor death certificate was ever issued	1.50
4.	Issuing a copy of birth, marriage or death certificate	2.00
5.	Issuing a certificate for marital status	1.50
6.	Issuing a certificate for kinship ties	2.00
7.	For address registration and certificate for permanent or current address	1.50
8.	Apostil of invitation-declaration for a visit from a foreign citizen in Bulgaria	8.10
9.	Apostil of invitation-declaration for a visit from a foreign citizen whose parents /one or both/ are Bulgarian subjects	3.00
10.	Legalization of documents for foreign citizen state	5.00
11.	Issuing a power of attorney: - for first signature - for every following signature	4.00 1.00
12.	Apostilling "Identical with the original"	2.00
13.	For all other certificates demanded by citizens	2.00
14.	Transcribing of documents, per page	1.00
15.	Contracting a marriage	50.00
16.	Issuing documents by means of transcript with another town /in 30 days' term/	5.00
17.	Issuing a certificate by inquiry to the National population data-base	2.00
18.	Income certificate	2.00
19.	Issuing a certificate for ownership when trading cattle: - calf, cow, bull - horse, donkey, mule	5.00 3.00

The terms for performing the services are:

- ordinary – within ten workdays;
- quick – within three workdays;
- express – within one workday.

The terms start running on the day the application is submitted and the fee is paid. The quick service costs double and the express one – triple.

CONCLUSION

For improving the organization of the local taxes and fees administering and mostly the ratio of collectibility in the municipality of Novo selo the following measures must be taken into consideration:

Improving of the organization by using information system for sending invitations for voluntary paying and rejecting applications filed by irregular payers.

Improving of the administering quality

and initiating of the "one-counter" service at the municipality.

At the end of each year the government should change the tax laws so that they will become operative from the beginning of the following calendar year. This should be done in synergy to assure synchrony between the institutions. With the reforms going on in all areas of the country Bulgaria will be able to defeat the competitive duress and the market forces in the EU, so that the date the 1st of January 2007 will become a reality.

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