

Belgrade Serbia

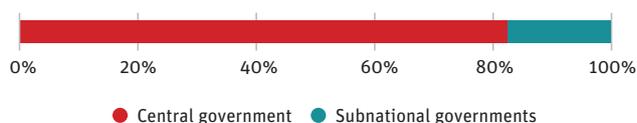
● CITY:
1.4 mil. inhabitants

● METROPOLITAN AREA
N/A

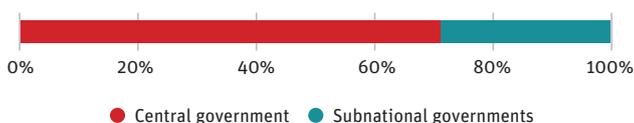
GDP: N/A

How local public finance systems work in Serbia

PUBLIC REVENUE



CAPITAL EXPENDITURE



Serbia has just **one level of subnational governments** (SNG). The country is divided into municipalities, cities, the capital of Belgrade (special status) and two autonomous provinces of Vojvodina and Kosovo-Metohija.

Considering that the majority of SNG expenditures are current expenses, there is little room for investment (13%); SNG investment accounts for 29% of the total public investment (OECD 51% and EU28 51% in 2016). Local investment has declined in recent years – from 1.5% of the GDP in 2011 to 0.9% in 2016.

According to the constitution, SNG units must be financed from direct revenue from the budget of the Republic of Serbia and in specific cases from the budget of the autonomous province of Vojvodina. SNG revenue consists of taxes (own and shared), user fees and grants from the central government.

Subnational government's revenues reach 7.5% of the GDP and 17% of total public revenue (the EU28 average is 12% of GDP and 27% of public revenue). Yet, tax revenue comprises 53% of their total revenue – this is a significant share, especially in comparison with other countries in the region (OECD 39% and EU28 37% in 2016). Transfers are the second most important source of SNGs revenue with a share of 26% (2016).

Personal income tax revenue is by far the most important source SNG tax revenue and is collected by the central government. An agreement between Serbia and the International Monetary Fund to stabilize public financing has led to changes in the law and reduced the shares allocated to local governments. **Since 2016 cities have received 77% (previously 80%), municipalities 74% (also previously 80%) and the City of Belgrade**

66% (previously 70%) from personal income tax.

Personal income tax makes up 63% of the tax revenue and 34% of the total SNG revenue. Corporate income tax accounts for 29% of the tax revenue and 15% of the total SNG revenue (2016). In 2011, the share of personal income tax transferred to municipalities was increased from 40% to 80% for all municipalities except Belgrade.

In addition to these taxes, SNGs rely on the property tax, real estate transfer tax and inheritance and gift taxes. SNGs can set property tax rates within the limits specified in the law on local self-government. **These other taxes represent 8.4% of SNG tax revenues and 4.5% of total SNG revenue (2016).** In 2018, the government amended the Law on Tax Procedures and Tax administration to enable the networking of multiple state databases and increase the efficiency of property tax collection by developing a central data information system.

Transfers from the central government include balancing subsidies to balance the differences between local governments (1.7% of the annual GDP), compensation transfers, unconditional transfers and a cohesion fund.

Municipalities receive fees for the use of town land, business licenses and fees for regional development, especially in the capital of Belgrade. Other revenues including fees represent 21% of the total revenue and 1.6% of the SNGs GDP (2016).

Source: <http://www.oecd.org/cfe/regional-policy/Observatory-on-Subnational-Government-Finance-and-Investment.htm>