

THE ROLE OF PERSONAL INCOME TAX IN MUNICIPAL BUDGET MEDIUM TERM PLAN DEVELOPMENT

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Main source of revenue for municipalities is revenue of personal income tax. In years 2001 – 2011 it specific weight was in average 46.62% of all municipal revenue. Revenue of personal income tax is affected of many factors. For forecasting personal income tax revenue in municipal budget, analysis of correlation must be made, to make regression model. Main factor in this model is gross domestic product. But this factor does not make changes of revenue of personal income tax clear completely. Other factors, affecting revenue of personal income tax, can be grouped – factors with positive influence, e. g. average wage, and with negative influence, e.g. shady economy. It is very important to municipalities to set targets and accordingly to them make a medium term budget planning. While making operation planning and scenarios of future, state institutions must provide municipalities by all needed information. Each municipality is required to evaluate impact of factors to its own revenue of personal income tax. Moreover, there can be added some specific factors or information, which is actual for this municipality. Forecasting of personal income tax not only provide implement of medium term planning principles in municipal operations. That can also improve possession of information of municipalities and apply to them greater responsibility for achieved results.

Key words: municipality, medium term budget plan, personal income tax, Latvia.