

Determinanten van belastingtarieven in Vlaamse gemeenten

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ABSTRACT

The literature shows that fiscal policy decisions are constrained by political forces. Most of the time, these forces are studied individually. Still fiscal policy decisions are subject to these forces simultaneously. In this paper, we set up a model that tests these forces jointly on the Flemish local income tax rate and the local property tax rate. The results of the joint analysis differ from those of the individual tests, providing evidence that studying the tax rate determinants individually may lead to premature conclusions. Especially neglecting fiscal interaction and fiscal illusion variables may lead to opposing conclusions. The joint analysis provides evidence of partisan politics, fragmentation effects, electoral budget cycles, fiscal interaction and fiscal illusion.

Keywords: local income tax rates, local property tax rates, ideology, fragmentation, yardstick competition, fiscal illusion, electoral cycle

JEL Classification Code: H20, H24, H71

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