

MUNICIPAL APPROACHES TO IMMOVABLE PROPERTY TAXATION IN THE CZECH REPUBLIC

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Keywords: immovable property tax, coefficients, municipality	In the Czech Republic, as in most EU countries, property tax constitutes a traditional and stable source of municipal revenue. The administration and collection of immovable property tax in the Czech Republic is the responsibility of the tax authorities, while municipalities can influence the amount of revenue generated mainly through coefficients established by generally binding decrees. The primary aim of this research is to investigate how municipalities increase immovable property tax revenues through the use of coefficients, including correction, municipal, and local coefficients. This research is based on primary data gathered in 2024 and 2025 via a questionnaire survey conducted through personal interviews, emails, and phone calls. Recent legislative changes have extended the competence of municipalities to implement local coefficients. The findings of the study show that, although most municipalities across various size categories consider these options sufficient, the complexities of the legislative framework may pose challenges to the effective application of the local coefficient. Some municipalities offer financial benefits to residents in connection with the introduction of the local coefficient, often in the form of reductions or complete waivers of abolished municipal waste fees.
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1. Introduction

Immovable property tax constitutes a traditional and stable source of municipal revenue in most EU countries. Nevertheless, the revenues generated from this tax are relatively modest. Recurrent taxes on property are subject to ongoing debate, both in theory and in practice. Some scholars argue that immovable property taxes impose an extra burden on tax systems, as their contribution to public budgets is negligible. This perspective is supported by the low efficiency associated with their collection and the issue of multiple taxation of the same asset (Bird, 2011). Moreover, immovable property taxes are unpopular with taxpayers (Hammar et al., 2008), and political parties exercise caution when considering increases in these taxes, especially due to the potential loss of voter support.

Conversely, other scholars have highlighted the benefits of immovable property taxes, particularly their role in promoting horizontal and vertical equity within the tax system and the revenue stability they provide (Birch & Sunderman, 2014; Bečica, 2014). Revenues from immovable property taxes are relatively easy to estimate and have a lower impact on economic activity and employment compared to income taxes, which directly reduce household disposable income. Higher revenues from immovable property taxes and less reliance on income taxes could stimulate economic growth (Akgun et al., 2017). Additionally, such taxes could lead to the more efficient management of property by owners (Slack, 2011). Other advantages include the immobility of real estate and the clear identification of ownership, which enable efficient administration and tax collection. While immovable property tax revenues represent a rather marginal

source of public finance in most countries, governments often consider adjustments to increase their revenue during periods of economic adversity. In this context, enhancing the tax mix and increasing immovable property tax revenues are recommended for the Czech Republic. Although tax revenues, as a share of GDP, approximate the OECD average, the Czech Republic relies more heavily on social security contributions and less on personal income taxes and immovable property taxes compared to other OECD countries (OECD, 2023).

Discussions regarding the potential for increasing immovable property tax revenues through adjusting tax coefficients at the municipal level are ongoing (Coombs et al., 2012). Brunner et al. (2015) examined the effects of ownership and tenancy on tax revenue, while Liberati and Sacchi (2013) explored the relationship between fiscal federalism and the size of local governments. A pivotal issue is property valuation for the purpose of determining the tax base. Authors such as Horne and Felsenstein (2010) and Presbitero et al. (2014) argue that property value should correspond to fair market value. The OECD (2023) emphasizes the necessity for the immovable property tax to be based on regularly updated estimates of property values.

However, setting the tax base on the basis of fair property valuation entails certain risks. Sharp increases in real estate prices, driven by inflation, falling mortgage interest rates, or a long-term shortage of residential properties, increase the tax base and may result in a higher burden on households (Fatica & Prammer, 2018). In response to these trends, governments are seeking measures to mitigate the impact of the tax on taxpayers. Residential property prices have risen steeply in the Czech Republic in recent years (doubling over the period 2018–2023), with this growth outpacing income growth. The Czech National Bank (CNB) (2022b) estimates that housing is overvalued by 40%–60%. Concurrently, the volume of mortgage loans with subprime characteristics increased significantly over this period (CNB, 2022a).

The unit-based method remains the prevailing approach for determining the tax base in the Czech Republic. If the tax base were set according to real valuations, the increase in property prices would also elevate immovable property tax revenue, but this would increase the tax burden on households. The issue of immovable property tax in the Czech Republic has also been analyzed in the context of fiscal decentralization, which was integral to the economic transformation of the 1990s (Smith et al., 2011). Immovable property taxes can serve as an effective

instrument of decentralization because they provide municipalities with the opportunity to influence their revenues and contribute to improving the quality of life at the point of tax collection (Smíková & Sedmíhradská, 2011; Haider-Markel, 2014).

Another study shows that property taxes do not merely represent a tax burden for owners. The level of property taxes can also influence property values (Oliviero and Scognamiglio, 2019). The authors examined the extent to which property values were affected in the context of the 2012 Italian tax reform. They found that a one-standard-deviation increase in property tax intensity at the municipal level led to a 2.7% decline in property values in that municipality in the year of the reform. The method and level of property taxation can also influence regional development. The findings of a study by Taranu and Verbeeck (2022) suggest that a property tax can be an effective tool for curbing uncontrolled urban sprawl, provided it is carefully designed. Different tax systems can influence construction activity in terms of location, size of housing units, and building density.

Municipalities in the Czech Republic can primarily influence immovable property tax revenues through coefficients. Legislative amendments in recent years have expanded the powers of municipalities in relation to the use of local coefficients. In previous research conducted in 2014 and 2015, we investigated municipal approaches to the use of the local coefficient in our previous research in 2014 and 2015. The extension of municipal authority has created opportunities to examine whether legislative changes are beneficial for municipalities and whether they lead to a higher use of local coefficients. The current research aims to identify and analyze municipalities' approaches to the use of coefficients (corrective, municipal, and local) as well as to investigate potential differences in approaches between small and large municipalities.

The Czech Republic is one of the few countries where the amount of immovable property tax is not directly based on the fair market value of the property but rather on a unit-based system. While this approach may be perceived as less equitable in terms of reflecting the actual economic value of the property, it brings significant advantages in terms of administrative and financial simplicity. The unit-based system minimizes the cost of tax administration and reduces the risk of disputes over property valuation, thus ensuring a higher degree of predictability and stability in the tax system. A research gap exists in analyzing the extent to which these administrative benefits could be maintained while improving tax fairness through

possible adjustments to the calculation methodology.

The remainder of the paper is structured as follows. Section 2 provides a theoretical background on immovable property taxation in the European Union and the Czech Republic. Section 3 describes the research methodology, the data collection process, and statistical methods used in the analysis. Section 4 presents the empirical results and discusses the findings in the context of municipal approaches to tax coefficients. Finally, Section 5 concludes the paper, summarizes the main findings, and outlines implications for future research.

2. Taxation of immovable property

Immovable property taxes retain considerable autonomy within the EU. The development of immovable property taxation has taken different directions, and approaches are predominantly influenced by national traditions. As noted by Janoušková and Sobotovičová (2021), there is a different approach to determining the structural elements of a tax within the EU. A common feature of

immovable property taxes is that the revenues generated are mostly allocated to municipal budgets, which fulfils the principle of benefit (Mrkývka, 2003; Keith & McCluskey, 2004). In many countries, the taxation of immovable property is low compared to labor taxation or indirect taxes. On average, immovable property taxes account for approximately 5% of total tax revenue in the EU. Recurrent taxes on immovable property are sometimes considered growth-friendly compared to other tax categories. Recurrent immovable property taxes represent a stable revenue source with very limited distortions since properties cannot be moved (European Commission, 2024). The recurrent taxes on immovable property as a percentage of total taxation ranged from 0.1% to 9%, while the highest values were, in particular, in France, Belgium and Greece. The lowest percentages can be found in Luxembourg, Austria, the Czech Republic and Estonia. Recent literature also highlights the importance of efficient tax system design for ensuring stable public revenues while minimizing distortions in economic behaviour (Aronsson & Xu, 2026).

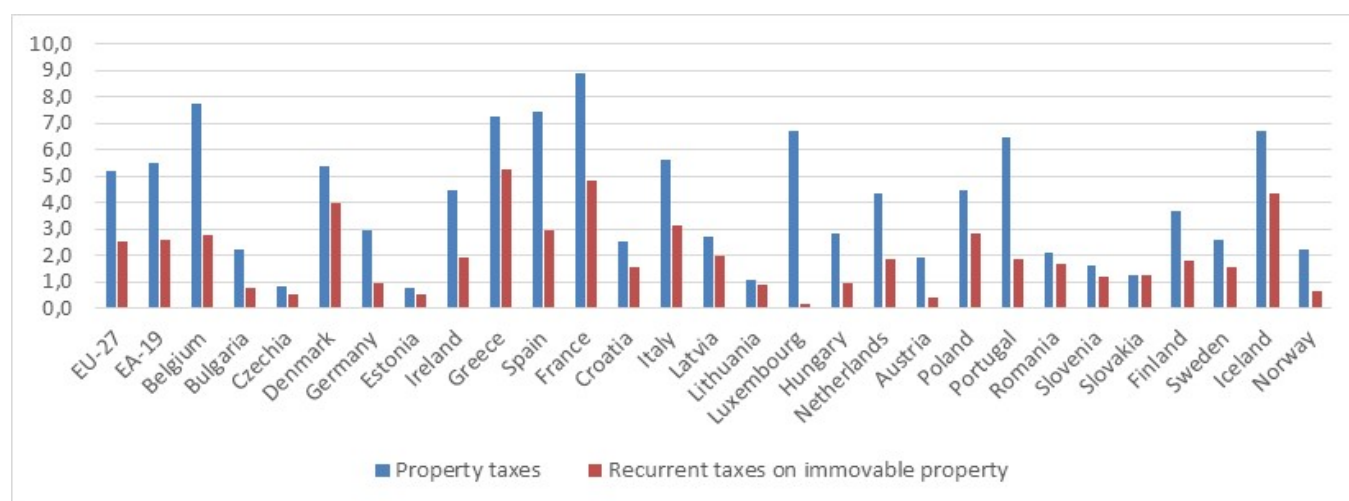


Fig. 1. Property taxes (% of total taxation, 2022). *Source:* European Commission (2024).

In the Czech Republic, property tax revenues are among the lowest in the EU (Figure 1). The Czech Republic has faced repeated criticism regarding the low share of immovable property tax within its total tax revenue (OECD, 2010, 2011, 2023). The OECD has recommended using the market value of immovable properties as the basis for tax assessments. Furthermore, the European Commission (2015) stated that immovable property tax revenues are exceedingly low and insufficiently linked to the real value of properties, prompting all recommendations to focus on increasing immovable property tax revenues (Mejstřík, 2011).

The polarity of perspectives on property taxes among EU member states creates scope for interesting comparisons and the identification of a baseline that captures the strengths of different approaches to property taxes (Leodolter et al., 2022). The value of immovable property is mostly used to determine the tax base (Blöchliger, 2015). This method of valuation more accurately reflects the economic value of properties and their fluctuations over time while promoting equal treatment of taxpayers. Tax revenues based on property value are more responsive to inflation. Capital value is used as the tax base for property taxation in 19 EU member states (Bulgaria,

Denmark, Estonia, Ireland, Greece, Spain, France, Latvia, Lithuania, Luxembourg, Hungary, the Netherlands, Austria, Portugal, Romania, Slovenia, Slovakia, Finland, and Sweden) (Kiss et al., 2024). Conversely, Belgium, Germany, and Italy rely exclusively on the annual rental value of properties as the tax base for immovable property taxation. Cyprus and Malta do not implement recurrent property taxes. However, the valuation of immovable property for these purposes may not align with economic developments over time, as observed by Bird (2011). It is important to update the tax bases for immovable property taxes periodically; however, such updates incur additional costs and are often delayed. Property valuations are inherently complex, costly, and time consuming. Thus, outdated property valuations can result in lost tax revenue, potential market distortions, and unequal treatment of taxpayers.

The use of physical indicators (i.e., land area, built-up area, and number of stories) for taxation purposes is generally not preferred and is only used in a small number of member states (notably the Czech Republic, Croatia, and Poland). The revenues derived from immovable property taxes calculated in this manner tend to be low, and unless these rates are indexed for inflation, their contribution to municipal revenues is significantly reduced. In the Czech Republic, the basic rate is set at the central level, but municipalities can increase the rate up to five times the minimum threshold using a local coefficient. Nevertheless, most municipalities tend to set the local coefficient at a low level (Radvan, 2019).

2.1. Taxation of immovable property in the Czech Republic

The immovable property tax in the Czech Republic is administered and collected by tax authorities, and the resulting revenues are allocated to the municipal budget. Tax rates are established by law and uniformly applied across all municipalities. Municipalities can influence the amount of revenue mainly through coefficients set by generally binding decrees, specifically the correction coefficient, the municipal coefficient, and the local coefficient.

The correction coefficient is determined according to the number of inhabitants in a given municipality. Municipalities could adjust this coefficient by decreasing it by one to three categories or by increasing it by one category for individual parts of the municipality. Starting in 2025, municipalities may only increase the coefficient by one category. This coefficient is applicable to taxable residential buildings and their accessories, taxable units, and building land.

The municipal coefficient could be set at a rate of 1.5. Taxable buildings used for family recreation, garages, and business purposes are subject to the municipal coefficient, the benefit of which is that it excludes residential buildings. However, since 2025, municipalities can no longer use this coefficient, though the options for introducing a local coefficient have been extended (Krajňák, 2026).

The local coefficient is the most significant in terms of affecting property tax revenue. It was introduced in 2009 to strengthen fiscal decentralization. Initially, municipalities could set the local coefficient at levels of two, three, four, or five. However, the coefficient originally applied to the entire municipality and could not be restricted to specific parts (Act No. 338/1992 Coll., 1992). Municipalities criticized the territorial limitations and the amount of the coefficients themselves, which could not be determined with decimal precision. An amendment to the Immoveable Property Tax Act in 2021 extended municipalities' authority to set the local coefficient, which allowed for a value to be set to one decimal place within the range of 1.1 to 5. This coefficient could be set for all immovable property types (except agricultural land and permanent grassland) in the territory of the municipality or a particular part of it.

Amendments to the Immoveable Property Tax Act in 2024 further expanded the permissible range for the local coefficient from 0.5 to 5.0, to no more than one decimal place. The territorial scope for determining the local coefficient was also extended to permit municipalities to set the coefficient for the entire municipality, individual cadastral areas, individual municipal districts, or individual urban districts. The local coefficient may also be set for a single group of immovable property or only for a defined immovable property. Additionally, a coefficient between 0.5 and 1.5 may be applied to selected types of land, namely agricultural land, permanent grassland, and unusable land.

The tax liability calculated for individual taxable land, buildings, and units is multiplied by the local coefficient. Municipalities may use the local coefficient for long-term tax revenue strategies and temporarily for one or more tax years when seeking one-time resources to finance investments (Janoušková & Sobotovičová, 2019). Among the available tools, the local coefficient is the most effective mechanism for municipalities to significantly increase their property tax revenues. Unlike the correction and municipal coefficients, the applicability of the local coefficient is expanding.

In 2009, the local coefficient was used by 389 municipalities, representing only 6.22% of the total 6,258 municipalities in the Czech Republic (Figure 2). This number decreased to 283 municipalities in 2010, mainly due to a doubling of rates for most types of land and buildings. However, the number of municipalities employing the local coefficient has gradually increased since 2012, with a notable surge from 2020 onwards related to the gradual expansion of the possibilities for municipalities to adapt the local coefficient to their specific needs. By 2024, the number of municipalities applying a local coefficient had risen to 1,148; however, some municipalities apply it only to certain types of real estate or to parts of the municipality. To ensure

consistency with previous periods, the table shows only the number of municipalities that have implemented the local coefficient over the entire territory of the municipality (972 municipalities). The growing number of municipalities applying the local coefficient may also be related to the size structure of municipalities in the Czech Republic. Larger municipalities generally possess greater administrative capacity and broader fiscal needs, which may contribute to a more active use of local tax policy instruments. Conversely, smaller municipalities often face staff and financial limitations that may reduce their ability to implement and manage more complex tax policy measures.

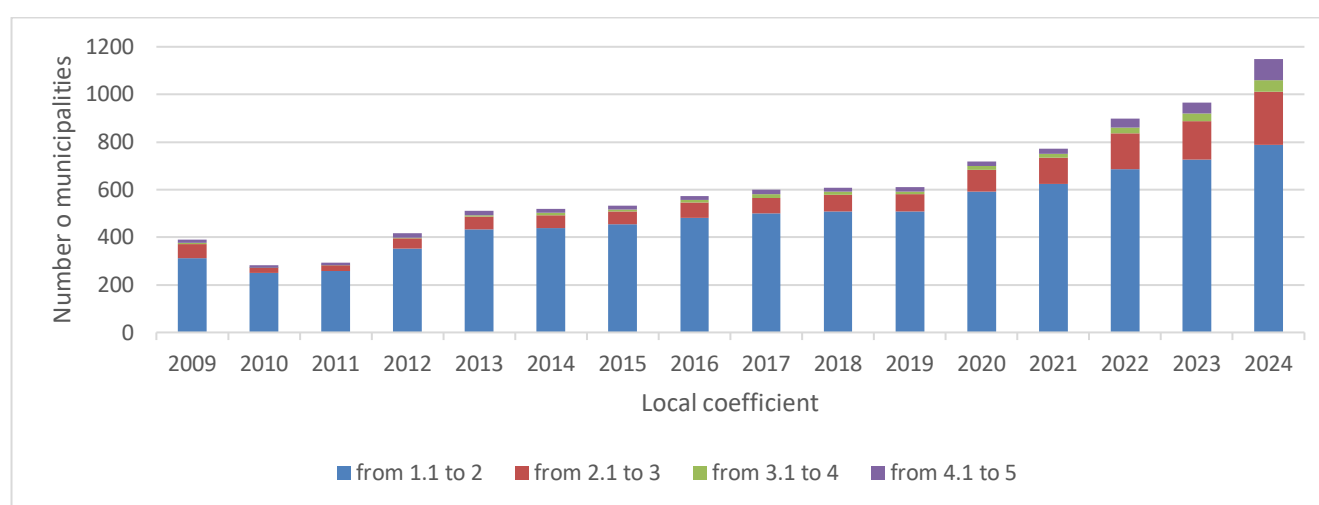


Fig. 2. Use of the local coefficient by municipalities between 2009 and 2024. *Source:* Financial Administration of the Czech Republic (FACR), 2025.

Table 1

Distribution of municipalities by population on January 1, 2023										
Total	Municipalities									
	To 199	200 to 499	500 to 999	1,000 to 1,999	2,000 to 4,999	5,000 to 9,999	10,000 to 19,999	20,000 to 49,999	50,000 to 99,999	Over 100,000
6,258	1,359	1,995	1,382	795	448	148	68	44	13	6

Source: <https://csu.gov.cz/produkt/maly-lexikon-obci-ceske-republiky-2023>.

2.2. Immovable property tax in municipal budgets

The Czech Republic is characterized by a large number of small municipalities, with a total of 4,736 municipalities with a population of less than 1,000, which constitutes 75% of the total number of municipalities (see Table 1). Conversely, only about 20% of the population lives in these small municipalities, which is a trend that can also be seen in other EU countries.

The structure of municipal financial resources is multifaceted and consists of both tax and non-tax revenues. Tax revenues are represented by shared taxes and immovable property tax. Municipalities lack the

authority to influence revenue from shared taxes, as their allocation is determined by law. Although the basic elements of the immovable property tax are set by legislation, municipalities can influence revenues through coefficients, particularly the local coefficient. In 2023, immovable property tax accounted for 3% of total municipal revenues (excluding Prague) and 4% of municipal tax revenues (Kameníčková, 2024). The setting of coefficients is an important tool, and municipalities are encouraged to use it effectively.

In 2023, the revenue generated from immovable property tax was CZK 12.45 billion, while the total revenue from shared taxes was CZK 570.65 billion. According to Kameníčková (2023), between 2013 and

2023, immovable property tax revenue increased by 26%, whereas revenue from shared taxes surged by 95%. The growth rate of immovable property tax revenue is comparatively lower than that of shared taxes; therefore, the share of immovable property tax in the total tax revenue of municipalities is decreasing (in 2013, it was 5%).

3. Material and methods

The primary aim of this research is to investigate how municipalities increase immovable property tax revenues through the use of coefficients (correction, municipal, and local). To achieve this objective, a questionnaire survey was conducted to examine the following:

- Whether municipalities consider the available options for adjusting immovable property tax to be sufficient.
- The reasons behind the introduction of a local coefficient.
- Whether an impact analysis was conducted prior to the implementation of the coefficient.
- Whether citizens receive financial benefits in connection with the tax increase.

This research utilizes primary data gathered in 2024 and 2025 through a questionnaire survey administered via personal interviews, email, and phone. The analysis also includes secondary data from the Czech Statistical Office and the Financial Administration of the Czech Republic (FACR).

Municipalities were selected using a purposive sampling approach with the aim of including municipalities of different size categories. The sample primarily consisted of municipalities located in Moravia and the Moravian-Silesian Region. Contact information was obtained from publicly available municipal websites and official municipal databases. The selection of municipalities was also partially influenced by the availability of contact information and the willingness of municipalities to participate in the survey. Although the sample does not represent all municipalities in the Czech Republic proportionally, it provides useful insight into municipal approaches to local property tax policy across different municipality size categories.

The survey included closed-ended questions focused on key areas such as municipality size, perceptions of available tools for influencing tax revenues, the use of financial benefits for citizens, and the extent of coefficient application. Open-ended questions were used to explore the rationale behind decisions to introduce or adjust coefficients. Additionally, the study includes an analysis of

developments in immovable property tax revenue in the Czech Republic using time-series indicators, such as absolute increases and growth coefficients. This analysis provides a picture of revenue evolution over time and the factors influencing it.

Given the large number of small municipalities in the Czech Republic, it was investigated whether there are differences in approaches between small and large municipalities. To determine whether significant differences exist in the methodologies employed for conducting analysis and giving financial benefit based on municipality size, the Mann–Whitney U test was used. This test was chosen because it allows for a comparison of two independent groups, even in cases where the data do not follow a normal distribution, as is the case in this context. The null hypothesis assumes that there is no significant difference between small and large municipalities in their approaches to analysis and the provision of financial benefits to citizens.

The Mann–Whitney U test was applied using SPSS software, a tool commonly used for statistical analysis. In this case, the test was conducted to examine whether the distribution of responses from small and large municipalities differed significantly with respect to the key aspects of the survey, including the adequacy of tax adjustment options, reasons for introducing local coefficients, and methods of providing financial benefits. SPSS provides an easy-to-use interface for applying non-parametric tests, such as the Mann–Whitney U test, which is ideal for comparing two independent samples that do not follow a normal distribution (Okoye & Hosseini, 2024).

$$G = \sum_{i=1}^r \sum_{j=1}^s \frac{(n_{ij} - n'_{ij})^2}{n'_{ij}} \quad (1)$$

The chi-square test fundamentally compares observed n_{ij} and expected n'_{ij} frequencies. In the case of an independence test, the null hypothesis posits that there is no relationship between the two qualitative variables. The Mann–Whitney U test is applied to evaluate the differences between two independent groups, n_1 and n_2 , when the dependent variable is ordinal or continuous but not normally distributed. The Mann–Whitney U test is widely used as a non-parametric alternative to the independent samples t-test when the assumption of normality is not met (Fay & Proschan, 2010). The null hypothesis in this test assumes that the medians of the two groups are equal.

$$U_1 = n_1 n_2 + \frac{n_1(n_1+1)}{2} - R_1 \quad (2)$$

$$U_2 = n_1 n_2 + \frac{n_2(n_2+1)}{2} - R_2 \quad (3)$$

The **following** hypotheses were formulated to test the relationships between various municipal factors and the size of the municipality. These hypotheses focus on evaluating dependencies related to authority, impact analysis implementation, and financial benefit practices across different municipality sizes.

To test the dependency between the municipality's opinion on the adequacy of its authority to set the immovable property tax coefficients and the size of the municipality, the following null hypothesis was established:

H0₁: The opinion on the municipality's competence to set immovable property tax coefficients is independent of the size of the municipality.

To determine the relationship between the implementation of the impact analysis and the size of the municipality, the following null hypothesis was established:

H0₂: The implementation of the impact analysis is independent of the size of the municipality.

To investigate the dependency between financial

benefits and the size of the municipality, the following null hypothesis was established:

H0₃: Financial benefits to citizens are independent of the size of the municipality.

The significance level for all statistical tests was set at 5%, meaning that the null hypothesis was rejected if the p -value was less than 0.05. This criterion allowed for the determination of whether there was a statistically significant difference between the responses of small and large municipalities, thus providing insights into how municipality size influences approaches to property tax adjustments and the provision of financial benefits.

4. Results and discussion

The development of immovable property tax revenues in the Czech Republic between 1993 and 2024, including absolute increases and growth coefficients, is presented in Table 2. Immovable property tax revenue exhibits a predominantly increasing trend, with the exception of the years 1997 and 2011.

Table 2

Development of immovable property tax revenue (1993–2024)							
Year	Tax revenue	Growth coefficient	Absolute increase	Year	Tax revenue	Growth coefficient	Absolute increase
1993	3,434			2009	6,361	1.22	1,165
1994	3,658	1.07	224	2010	8,747	1.38	2,387
1995	3,778	1.03	120	2011	8,568	0.98	–180
1996	3,991	1.06	213	2012	9,541	1.11	973
1997	3,938	0.99	–53	2013	9,847	1.03	307
1998	4,138	1.05	200	2014	9,910	1.01	62
1999	4,271	1.03	133	2015	10,313	1.04	404
2000	4,469	1.05	198	2016	10,582	1.03	268
2001	4,535	1.01	66	2017	10,758	1.02	177
2002	4,576	1.01	41	2018	10,829	1.01	71
2003	4,840	1.06	264	2019	10,935	1.01	106
2004	4,948	1.02	108	2020	11,580	1.06	645
2005	4,987	1.01	40	2021	11,836	1.02	256
2006	5,017	1.01	30	2022	12,419	1.05	583
2007	5,123	1.02	106	2023	12,452	1.00	33
2008	5,195	1.01	72	2024	23,115	1.86	10,663

Source: Own processing based on FACR data (2025).

The evolution of property tax revenues is primarily influenced by legislative changes. In 2009, key changes included the introduction of the local coefficient, the abolition of tax exemptions for newly built residential buildings and insulated buildings, and the adoption of the local coefficient by some municipalities. In 2010, revenues were affected by the doubling of the basic tax rates applicable to all land, buildings, and units (excluding agricultural land and buildings used for other business activities). The observed trend of modest growth is also influenced by the improvement in the state of registration in the land registry, as well as the control and search activities carried out by

territorial tax authorities. Increases in tax rates and changes in the application of the local coefficient are identified as the primary factors contributing to the significant increase in revenues in 2024 (FACR, 2025).

Furthermore, the influence of the local coefficient on immovable property tax revenues can also be expected. The impact of the number of municipalities with a local coefficient (Figure 2) on immovable property tax revenues (Table 2) was verified by means of correlation. A Pearson correlation coefficient of 0.876 indicates a very strong correlation at the 0.01 level of significance. However, this relationship should be interpreted with caution, as immovable property tax

revenues were simultaneously influenced by several additional factors, particularly legislative changes, increases in tax rates, adjustments to tax exemptions, and improvements in tax administration and property registration. Therefore, the observed correlation does not in itself imply a causal relationship between the use of the local coefficient and the growth of tax revenues.

4.1. Results of empirical research

The research analyzed the use of immovable property

tax coefficients by individual municipalities based on survey data. A total of 362 municipalities were contacted, resulting in the inclusion of 251 completed questionnaires in the analysis (questionnaire response rate 69,3%). For comparison, municipalities were divided into two categories: small (up to 1,000 inhabitants) and large (over 1,000 inhabitants), comprising 150 small municipalities and 101 large municipalities.

Table 3

The introduction of coefficients by size of municipalities								
Municipal coefficient		Correction coefficient land		Correction coefficient buildings		Local coefficient		
Small	Large	Small	Large	Small	Large	Small	Large	
Yes	21	35	6	22	6	23	21	34
No	129	66	144	79	144	78	129	67
Total	150	101	150	101	150	101	150	101

Source: Data from questionnaires, own study.

The data presented in Table 3 indicate that large municipalities are more likely to implement the municipal coefficient, with over half of them adopting this measure. In both categories, the adjustment of correction coefficients is less common. The introduction of the local coefficient is almost identical in percentage terms to the municipal coefficient. However, it is important to note that the last time municipalities could use the municipal coefficient was in 2024. Starting in 2025, the application of the local coefficient shifted, permitting municipalities to impose the tax burden on non-residents through this mechanism.

In light of the legislative changes in 2021 and 2024, we examined whether municipalities perceive the available tools for influencing property tax revenues as sufficient. As shown in Table 4, the majority of municipalities view their competencies as adequate. This finding implies that previous municipal feedback was incorporated into the legislation, especially concerning the local coefficient.

Table 4

The competence of municipalities to influence immovable property tax revenue			
Competence sufficiency	Small	Large	Total
Yes	135	87	222
No	15	14	29
Total	150	101	251

Source: Data from questionnaires, own study.

The analysis regarding the impact of coefficient changes on revenue increases within municipal budgets before the introduction or modification of these coefficients is conducted by only about 20% of municipalities, with a slightly higher representation

among larger municipalities. When compared with previous research (Janoušková & Sobotovičová, 2016), the situation remains consistent. In both cases, the analysis was more often carried out by larger municipalities (Table 5). The relatively low proportion of municipalities conducting ex-ante analyses before introducing or modifying coefficients suggests that property tax policy is often implemented on the basis of practical experience or immediate fiscal needs rather than formal analytical procedures. This may be particularly problematic in the context of recent legislative changes that provide municipalities with greater flexibility in setting local coefficients. Without prior assessment of expected fiscal impacts, municipalities may underestimate the effects on taxpayers or fail to fully exploit the revenue potential of the tax. The findings also indicate that analytical capacity remains limited, especially among smaller municipalities, which often face staffing and financial constraints.

Table 5

Analysis of the effect of coefficient changes			
Analysis	Small	Large	Total
Yes	21	30	51
No	129	71	200
Total	150	101	251

Source: Data from questionnaires, own study.

Regarding the financial benefits extended to citizens, these are provided even less frequently than analyses (Table 6). Only 10% of small municipalities and 15.8% of large municipalities reported implementing any such measures. An interesting finding is that the proportion of municipalities providing financial benefits remains relatively low despite concerns that higher property taxation may be unpopular among

residents. This may indicate that municipalities do not perceive a substantial political risk associated with coefficient increases or that taxpayers are willing to accept higher tax burdens when revenues are visibly linked to local development projects and improvements in municipal infrastructure.

Table 6

Financial benefits of property tax increase to citizens			
Financial benefit	Small	Large	Total
Yes	15	16	31
No	135	85	220
Total	150	101	251

Source: Data from questionnaires, own study.

4.2. Answers to open-ended questions

The individual views of the respondents regarding the aforementioned issues were examined through open-ended questions. Although the majority of municipalities rated their scope of competence as sufficient, there were also suggestions for changes to the legislation. The most frequently mentioned suggestion included the possible introduction of local coefficients applicable only to selected property types and tax breaks for certain groups of taxpayers. Some municipalities reported a lack of sufficient staff capacity to conduct a more detailed analysis of immovable property tax revenues and to adjust tax coefficients effectively.

In terms of the reasons that motivate municipalities to change or introduce coefficients, increasing municipal revenues emerged as the most frequently mentioned factor, as cited by 63 respondents. Differences in infrastructure between different parts of the municipality were noted by three respondents, while six respondents reported the presence of a large number of recreational or business facilities. Three municipalities referenced the motivation to increase the population as a rationale for the reduction of the correction coefficient. Furthermore, four municipalities expressed a goal to use local coefficients to incentivize companies to make better use of properties in the municipality in order to provide new jobs, especially for local residents.

In terms of infrastructure, respondents specifically mentioned the construction of new sidewalks, the installation of modern lighting, the development of sewage systems, and the improvement of public spaces. When considering an increase in tax burdens, the respondents noted that the composition of the population must be taken into account. In particular, the tax burden cannot be increased in municipalities with a large number of senior citizens. There is a

prevailing concern among municipalities that raising taxes may lead to a decline in population. Conversely, the availability of more building land and the construction of new housing and recreational facilities are anticipated to bring about growth in the agglomeration and thus an increase in the population. This growth necessitates financial investment to expand the capacity of kindergartens and primary schools. In connection with the industrial enterprises in the municipality, there is an increase in truck traffic in industrial zones and subsequent road damage; however, this simultaneously creates new jobs for local residents.

The most common financial benefit provided to residents was the cancelation of waste collection fees, as reported by 17 respondents. Other cited benefits included community development initiatives, such as environmental or infrastructure improvements, mentioned by 10 respondents, and the introduction of "fee-free" municipalities, noted by three respondents. Another interesting option for financial benefit is the simultaneous reduction of correction coefficients according to the number of inhabitants in the municipality. This innovative approach has the potential to mitigate or eliminate the impact of introducing a local coefficient for owners of building plots, residential buildings, and units, although it may be used particularly by large municipalities. However, under the new legislation, municipalities can no longer use this approach, as the option to reduce the correction coefficient was eliminated in 2025.

4.3. The impact of municipal size on the phenomena examined

In this section, we address the main research question and test the formulated hypotheses using the Mann–Whitney U test. This non-parametric statistical method is suitable for assessing whether there are significant differences between groups based on municipality size. The hypotheses formulated in Section 3 were tested using the Mann–Whitney U test.

To evaluate the formulated hypotheses, we first conducted a mean rank analysis to assess whether notable differences exist between small and large municipalities across the observed variables. The Mann–Whitney U test was subsequently applied to determine whether these differences were statistically significant. The statistical probability (Asymp. Sig. 2-tailed) was used to assess whether the null hypothesis could be rejected. As shown in Table 8, the only hypothesis rejected at the 0.05 significance level was

H_{02} ($p = 0.002$), indicating that the implementation of impact analysis varies significantly by municipality size. According to both the quantitative results and supporting qualitative responses, small municipalities are less likely to conduct such analyses due to financial constraints. Some of the respondents' answers also indicated that small municipalities do not have enough staff to analyze the implementation of the coefficients and their impact on property tax revenue. This finding is consistent with the broader literature on local public administration, which suggests that smaller municipalities often operate with limited administrative capacity and a lower degree of specialization among municipal staff. Consequently, although municipalities formally possess similar competencies in the field of immovable property taxation, their ability to utilize these competencies effectively may differ substantially. The results therefore indicate that differences between municipalities are not primarily legislative but rather organizational and administrative in nature.

Table 7

Hypothesis verification				
Ranks				
		N	Mean rank	Sum of ranks
Competence	Small	150	124.05	18607.50
	Large	101	128.90	13018.50
	Total	251		
Analysis	Small	150	133.93	20089.50
	Large	101	114.22	11536.50
	Total	251		
Financial benefit	Small	150	128.95	19342.50
	Large	101	121.62	12283.50
	Total	251		

Source: Data from questionnaires, own study.

Table 8

Hypothesis verification			
Test statistics			
	Competence	Analysis	Financial benefit
Mann–Whitney U	7282.500	6385.500	7132.500
Wilcoxon W	18607.500	11536.500	12283.500
Z	–0.937	–3.026	–1.377
Asymp. Sig. (2-tailed)	0.349	0.002	0.169

Source: Data from questionnaires, own study.

Conversely, hypotheses H_{01} and H_{03} are maintained ($p = 0.349$ and $p = 0.169$, respectively), suggesting that neither the perception of sufficient tax-setting competence nor the decision to provide financial benefits to citizens is significantly influenced by municipality size. This finding is interesting given that Table 3 shows that large municipalities make greater use of the introduction and adjustment of coefficients.

The fact that small municipalities use the coefficients to a smaller extent may, just like the conduct of the analysis, be influenced by the small number of staff at the municipal office. The provision of financial benefits is often linked to the introduction of a local coefficient. Given that 50% of large municipalities had introduced a local coefficient, compared to only 14% of small municipalities, one would expect larger municipalities to make more frequent use of financial benefits. However, this has not been statistically confirmed. One explanation could be that small municipalities perceive a stronger connection between immovable property tax and, for example, improvements to the municipality's infrastructure.

5. Conclusions

Immovable property tax revenues in the Czech Republic are primarily shaped by year-to-year legislative changes. However, the analysis reveals that higher revenues tend to be associated with a greater number of municipalities exercising the option to implement a local coefficient. Nevertheless, revenues generated from this tax remain relatively low compared to other tax categories in the Czech Republic, which is primarily due to the structure of the tax base. Criticism focuses on the fact that the tax base does not accurately reflect the real market value of immovable property or account for the effects of inflation. In response to this shortcoming, an inflation coefficient was introduced in 2024, but has not yet been applied and remains at 1 for 2025.

The immovable property tax is one of the instruments of municipal fiscal autonomy and can be an important source of revenue for local governments. The revenue derived from this tax is classified as direct income for municipalities, which have the authority to influence its magnitude through the application of coefficients, particularly the local coefficient. Setting these coefficients is a strategic decision that should be supported by comprehensive analysis. High coefficients can stimulate or hinder the decision of citizens and entrepreneurs to build new properties, thus affecting the overall development of the municipality. Conversely, a passive approach by municipalities in setting coefficients can lead to a lack of funding for necessary investments.

This research shows that municipalities often do not conduct detailed analyses prior to introducing coefficients, particularly among small municipalities where cost is a limiting factor. Another reason may be the relatively low contribution of property taxes to total municipal revenues, which can diminish the incentive to

engage actively with tax tools. Some municipalities offer financial benefits to residents in connection with the introduction of the local coefficient, most often in the form of reduced or completely abolished municipal waste fees. The complete abolition of this charge provides municipalities with the additional benefit of saving on the administrative costs associated with its collection.

The size of a municipality does not affect its attitude toward the competence to set taxes or its willingness to provide financial benefits to its residents. Interestingly, while larger municipalities apply tax coefficients more frequently, the correlation with the provision of financial benefits is not statistically significant. This suggests that although small municipalities face the administrative burden associated with analysis, this does not necessarily mean they have less motivation to provide tax benefits to their residents, indicating that limited capacity is the main obstacle to policy implementation.

Legislative changes in recent years have extended the competence of municipalities to introduce local coefficients. Although most municipalities across size categories consider these possibilities to be sufficient, the complexity of the legislative framework may represent an obstacle to the effective application of the local coefficient. In this context, it should be mentioned that the introduction of coefficients may be subject to litigation. If municipalities fail to set coefficients in accordance with legal stipulations, they may face annulment of generally binding ordinances by the courts. This development may have serious financial implications for municipalities. They would not only forfeit expected tax revenues but would also have to bear the costs of legal procedures and advocacy, which may further weaken their motivation to implement the local coefficient.

These findings suggest that the Czech model of immovable property taxation based on the unit system may represent an administratively and financially efficient solution. Although the empirical part of this study does not directly evaluate administrative costs or compare alternative taxation models, the unit-based system appears to provide advantages in terms of simplicity, predictability, and lower administrative demands. This system is characterized by its straightforward calculation and low tax administration costs, as it does not require regular property valuations or complex revisions of tax bases. Its transparency and predictability make it easier for municipalities to plan their budgets and minimize the risk of disputes over

property values. While this approach has some limitations in terms of tax equity, as it does not consider fair market prices, it offers a stable and administratively simple fiscal policy tool. Future research should focus on a detailed analysis of how to maintain the effective administration of the immovable property tax while strengthening its ability to reflect the real value of immovable property and the economic circumstances of individual municipalities. Moreover, subsequent studies could be directed toward optimizing the current system, including a more detailed assessment of the impact of legislative changes and the streamlining of decision-making processes at the local government level.

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