

# THE LOCAL SELF-GOVERNMENT TAXATION REFORM IN FRANCE: WESTERN EUROPEAN LESSON

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## **Abstract**

Even before 1981, when the decentralization process was really launched in France, the question of local taxation was risen. Since that time, local taxes do not cease to be criticize due to their archaism, imperfect redistribution mechanism, excessive costs of tax administration, etc. Thus, the necessity of local taxation' reforming is recognized without any doubts. On the 10th of April, 2013, the law of decentralization (so-called the third act of decentralization) was presented in the State Council; the adoption of this law is "hot" topic for the moment, especially because of some expected changes concerning the local taxes.

However, such reforming of hole system has never been engaged. Several reforms of local taxation already realized ( for example, relatively recent abolishment of professional tax since 2010) demonstrate that the French government opts for a partial reforming. It means that the legislator chooses the way of keeping general framework of local taxes' system initially established. Anyway, since the provision of financial and, hence, tax autonomy of self-government in the French constitution since 2004, a total abolition of local taxes and their replacement by State subsidies and distributed parts of national taxes is not possible furthermore.

We will study the most recent changes in French system of local taxes and the future modifications within the third act of decentralization. Our purpose is double. First of all, we will try to determine if such partial approach (or reforming stage by stage) is the only possible or in order to really implement the constitutional principle of financial autonomy at the sub-national level, to modernize the local taxation, to increase a tax competitiveness of municipalities, departments and regions a full re-construction of local taxes' system is inevitable. Second aim is to provide an "updated" information about main implemented and expected changes in the local taxes' landscape in France as old Western European democracy which could serve a useful lesson for the the relatively young democracies under transition period of East and Central Europe.