

Local government finance

Current definitions

Accruals

The revenue that the institution is entitled to collect and the expenditures that has undertaken during the fiscal year, regardless of whether they are actually collected or paid.

Assessment

The accounting-legal operation by which local authorities ascertain the claim to the credit, the debtor and the related amount to be attributed to the fiscal year. This is the first phase of the procedure of revenue acquisition.

Balance items

The widest aggregation of revenue or expenditure entries.

Revenue is recorded under six items:

- tributary revenue;
- revenue from contributions and transfers;
- extra-tributary revenue;
- asset transfers and credit collections;
- opening of lines of credit;
- clearing entries.

Expenditures are recorded under four items:

- current expenditures (for functioning or maintenance);
- capital account expenditures (or investments);
- loan repayment;

Bracket

The aggregation of several balance entries with similar subject. For revenue, the brackets are groups of entries that refer to assets of a similar nature. These form a legal-financial type of classification.

For expenditures, the brackets are groups of entries covering charges with identical economic contents. These form an economic classification which aims to include public balances in the National Accounts. The accounting regime established by Presidential Decree no. 194 dated 31st January 1996 implements the economic classification of current and capital account expenditures through a number of actions.

Capital account expenditures

They include all expenditures that have a direct or indirect impact on the capital formation of public institutions.

Capital account revenues

Revenues clashing directly or indirectly on capital formation

Clearing entries

Revenue received on behalf of third parties, which is subsequently paid out on collection by the entitled party.

Commitment

The first phase of the procedure of executing expenditures, corresponding to the amount due by the

institution following legally confirmed pecuniary obligations. This is drawn from the amount assigned for each expenditure item, with the exclusion of “Special funds and reserves”.

Current expenditures

They represent the expenditures destined for the production and functioning of the various services provided by the institution, in addition to the redistribution of income for non-productive purposes.

Current expenditure incidence on total expenditures

The share of the general expenditure used to finance the institution's current management.

Current revenue

Revenues intended to finance production and to redistribute income for non-directly related production purposes.

Final accounts

The financial report on the results of the accounting period, covering revenue (ascertained and collected) and revenue arrears, expenditures (planned and paid) and expenditure arrears.

Financial autonomy

Measures the institution's grade of autonomy and corresponds to the ratio between the institution own revenue (tributary or extra-tributary revenue) and current revenue.

Fiscal year

The range of budget transactions or the execution of forecast revenue and expenditures during the course of the accounting period.

Function

The aggregation of current and capital account expenditures associated with the duties performed by the institution in each institutional sector.

Imu (Municipal Property Tax)

Local council property tax.

Irap (Regional tax on productive activities)

Local tax applying to productive activities in each region.

Irpef (Personal income tax)

Direct, personal and progressive tax divided into brackets (the tax burden increases proportional to income), applying to overall net income, formed of all income sources by taxable persons. For Irpef purposes, the following are considered taxable persons:

- residents in Italy (for all assets owned and revenue produced in Italy or abroad);
- non-residents in Italy (only for revenue produced on the Italian territory);
- impersonal tax subjects, i.e. partnerships and, recently introduced, joint-stock companies whose shareholders, where they meet the requirements, have adopted the so-called “transparency taxation regime” equivalent to that for partnerships. In this case, companies are required to submit a tax declaration but the shareholders themselves are responsible for tax paying, depending on their share in the company's profits.

Own revenue

The sum of tributary and extra-tributary revenue.

Revenue from capital accounts

Revenue originating from the sale of assets or transfers to the capital accounts.

Revenues from contributions and transfers

Revenues from any public or private body for institutional purposes.

Tax imposition autonomy

The institution's capacity to impose taxation, calculated as the ratio between own revenue (tributary and extra-tributary revenue) and current revenue.

Transfers

Financial transfers from one institution to another or to an economic subject for institutional purposes.

Tributary revenues

Revenues from any individual or business under direct or indirect taxation power.