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UNCONDITIONAL INTERGOVERNMENTAL TRANSFERS IN THE MUNICIPAL PUBLIC BUDGET: AN ANALYSIS IN THE MUNICIPALITY OF NANUQUE IN THE FIVE YEAR 2018-2022

John Gonçalves Langholz

Bachelor's degree in Law: ``Centro
Universitário de Caratinga``

Tálito Borges Silva

Bachelor's degree in Law at: ``Centro
Universitário de Caratinga``

Ludmila Lopes Lima

Master in Integrated Territory Management
at: ``Universidade Vale do Rio Doce``
(UNIVALE), professor of the Bachelor of
Laws course at: ``Centro Universitário de
Caratinga``

Carlos Augusto Lima Vaz da Silva

Master in Law and Innovation at:
Universidade Federal de Juiz de Fora (UFJF)
professor of the Bachelor of Laws course at:
``Centro Universitário de Caratinga``

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Abstract: It is indisputable that the 1988 Federal Constitution guaranteed Brazilian municipalities numerous powers with the purpose of guaranteeing them equality before other federated entities. Furthermore, while it conceived, for example, exclusive tax jurisdiction to impose certain taxes, it also attributed several responsibilities in the provision of basic services to society. In this sense, in many cases, there is a latent disparity between the municipalities' ability to generate revenue and the expenses arising from the obligations imposed. The Brazilian model of fiscal federalism favors the concentration of revenues in the Union and the states, leaving fiscal equalization in a vertical model, through intergovernmental financial transfers, to redistribute resources and mitigate disparities. Regarding the constitution of own revenue, CFRB/88, in article 156, recommends that it is the responsibility of municipalities to institute and collect some taxes. However, there is a constitutional provision in article 159, I, b, d, e and f of CRFB/88 that the Union will deliver a percentage of the net revenue from the Tax on Income and Earnings of any nature and the Tax on Industrialized Products to the Municipal Participation Fund (FPM). Therefore, as determined by art. 158, IV of CRFB/88, the states will transfer 25% of the Tax collection on Operations related to the Circulation of Goods and on Provisions of Interstate and Intermunicipal Transport and Communication Services (ICMS) to the municipalities, following the criteria of percentage apportionment of 65% in accordance with the Tax Added Value (VAF) and 35% in accordance with state law, which in Minas Gerais is Law 13.803/00, called Robin Hood Law, updated by Law 18.030/2009, Solidarity ICMS (Circulation of Goods and on Provisions of Interstate and Intermunicipal Transport and Communication Services) Law. In the present study, through bibliographical

and documentary research with descriptive purposes and quantitative analysis, the objective was to analyze the composition of the budget of the municipality of Nanuque in the period from 2018 to 2022, taking as reference the revenues from IPTU, ITBI and ISSQN and the receipt of resources resulting from unconditional intergovernmental fiscal transfers from FPM and ICMS (Circulation of Goods and on Provisions of Interstate and Intermunicipal Transport and Communication Services). The results demonstrated that despite the periodic increases in budget revenues in the period from 2018 to 2022, the collection of IPTU, ITBI and ISSQN represented only 4.93% of total revenues. Furthermore, intergovernmental transfers from the FPM and the ICMS (Circulation of Goods and on Provisions of Interstate and Intermunicipal Transport and Communication Services) share represented 36.27% of the budget. Among the critical points highlighted, there was a need to improve the collection of municipal taxes, update local tax legislation, in compliance with the Principle of Strict Tax Legality and promote remedial measures that result in better compliance with established requirements. in the Solidarity ICMS Law. As a potential point, the research highlighted the municipality's adequacy to the requirements established in Law 18,030/2009 regarding the "Sports" criterion, which in the years subsequent to 2018 resulted in the contribution of R\$ 178,937.65 reais to the public budget. It is suggested that research be carried out on the topic, due to the importance of unconditional intergovernmental fiscal transfers for the composition of the budget of the municipality of Nanuque.

Keywords: Public budget; Intergovernmental Fiscal Transfers; FPM; ICMS (Circulation of Goods and on Provisions of Interstate and Intermunicipal Transport and Communication Services).

INTRODUCTION

Under the aegis of federalism as a form of territorial organization of state power, the Constitution of the Federative Republic of Brazil of 1988 (CRFB/88) saw the coexistence of members endowed with legitimacy and autonomy, who distribute power and responsibilities in different areas, in a system that privileges ideals of unity and plurality.

However, as Domingues (2007, p. 142) adds, the Brazilian federative system is quite centralized and despite Brazil being a Federal State, there are still traces of a Unitary State, since the Union still holds greater competence in relation to states, the Federal District and municipalities, including, as a central power, directs the implementation of public policies in various social areas.

Thus, based on the premise of unity, of cooperative federalism, CRFB/88 provides for the indissolubility of the states, Federal District and municipalities, the autonomy of political-administrative organization, within the limits of the Federal Constitution, the delineation of the competencies of each federated entity as well how it exhaustively conceives the power to tax of entities by reserving their own powers, according to articles 145 et seq. of CRFB/88, in addition to the corresponding distributions of tax revenues, as observed in articles 157 et seq. of the Federal Constitution.

From this perspective, fiscal federalism according to ENAP (2017a, p.15) can be understood as “[...] Set of constitutional, legal and administrative measures aimed at financing the various federated entities, their bodies, services and public policies aimed at to the satisfaction of public needs in their respective spheres of competence.”

Despite the evident fiscal decentralization in Brazil, the criticism lies in the concentration of tax collection by the Union, which is primarily responsible for allocating financial resources to finance public policies at the local level.

Likewise, as ENAP (2017b, p. 9) emphasizes, the Brazilian federalism model provides an imbalance between generated revenues and assigned responsibilities, especially in the case of states and municipalities. Thus, “[...] there is, on the one hand, excessive regulatory and revenue centralization, and on the other, excessive political-administrative decentralization.”

Lastly, it is important to highlight that decentralization also promoted the emergence of numerous municipal entities, many of which did not have effective tax management and were capable of raising their own resources and began to depend almost exclusively on the distribution of intergovernmental revenues.

Intergovernmental transfers correspond to the sharing of revenues between government entities. From this perspective, according to ENAP (2017b, p. 8), “[...] intergovernmental transfers serve to correct or minimize vertical (between levels of government: federal, state, district and municipal) and horizontal (between different units of the same level of government: between states or between municipalities).

Especially with regard to tax revenues, the CRFB in articles 153 and 157 to 159, regulates the distribution of collected resources and the percentage allocation of these revenues to federated entities. Furthermore, the Union also transfers resources through unconditional transfers, with the Municipal Participation Fund (FPM) having the greatest quantitative representation. Likewise, states transfer a significant portion of revenue from ICMS (Circulation of Goods and on Provisions of Interstate and Intermunicipal Transport and Communication Services) resources.

With regard to tax collection arising from the exclusive competence of municipalities, without necessarily being related to some type of specific state activity for the taxpayer (taxes and improvement contributions),

under the terms of article 156 of the Federal Constitution, its origins are the Urban Property and Territorial Tax (IPTU), the Tax on Transmission “inter vivos”, in any capacity, by onerous act, of real estate, by nature or physical accession, and of real rights over real estate, except those of guarantee, as well such as assignment of rights to its acquisition (ITBI)) and the Tax on Services of Any Nature (ISSQN). Furthermore, if the municipalities choose to sign an agreement with the Union, they will be able to monitor and collect the Rural Land Property Tax (ITR).

Especially given the relevance of unconditional fiscal transfers to Brazilian municipalities in terms of the composition of budgetary revenues, in this work, the following research problem was adopted: how is the participation of unconditional intergovernmental fiscal transfers of the FPM and ICMS (Circulation of Goods and on Provisions of Interstate and Intermunicipal Transport and Communication Services) in the budgetary composition of the municipality of Nanuque in the period from 2018 to 2022?

The general objective of the research was to analyze the composition of the budget of the municipality of Nanuque in the period from 2018 to 2022, taking as a reference the revenues from IPTU (Urban Property and Territorial Tax), ITBI and ISSQN and the receipt of resources resulting from unconditional intergovernmental fiscal transfers from the FPM and ICMS (Circulation of Goods and on Provisions of Interstate and Intermunicipal Transport and Communication Services).

To achieve the general objective of the research, the following specific objectives were defined:

1 analyze the composition of the budget of the municipality of Nanuque based on revenues from IPTU (Urban Property and Territorial Tax), ITBI and ISSQN in the period from 2018 to 2022;

2 describe the role of intergovernmental fiscal transfers from FPM and ICMS (Circulation of Goods and on Provisions of Interstate and Intermunicipal Transport and Communication Services) in the budget of the municipality of Nanuque in the period from 2018 to 2022;

3 present reflections on the critical and potential points of the composition of the budget of the municipality of Nanuque in the period from 2018 to 2022.

The present is justified by the purpose of intergovernmental transfers, that is, to complement the own collection of subnational entities with a view to promoting public policies for the social well-being of society. Furthermore, Brunozi Júnior et al. (2008, p. 98), maintains that in Minas Gerais, through ICMS (Circulation of Goods and on Provisions of Interstate and Intermunicipal Transport and Communication Services) transfers, the social and economic equalization of municipalities is sought.

THEORETICAL REFERENCE

MUNICIPAL TAX REVENUES

Based on the forecast contained in CRFB/88, it is observed that the municipalities have been delegated the responsibility to institute and collect certain taxes, including IPTU (Urban Property and Territorial Tax), ITBI, ISSQN and, upon opting and signing an agreement with the Union, they will be able to monitor and charge the ITR. Furthermore, linked to a state action to provide a public service or exercise police power, they may impose fees. Furthermore, if there is real estate appreciation resulting from public works, improvement contributions may be instituted.

From this perspective, Kohama (2008, p. 64) asserts that tax revenue is “[...] the result of the collection of taxes paid by taxpayers due to their activities, their income, their

properties and the direct and immediate benefits received from the State.”

It is important to highlight the relevance of municipal tax legislation in generating tax revenue and good local tax management, as stated by the TCU (2022, p. 26): “[...] the second step towards good tax management is to organize and update local tax legislation, with the municipality having a good tax code that is duly updated and consolidating the legislation annually.”

INTERGOVERNMENTAL FISCAL TRANSFERS

In the Brazilian fiscal federalism model, the central entity holds the largest share of tax revenue. In this sense, from a cooperative perspective and with a view to promoting fiscal equalization, transfers would serve as a budget complement for subnational entities (states and municipalities).

Gomes (2007, p. 30) conceptualizes Intergovernmental transfers as:

Intergovernmental transfers constitute transfers of financial resources between decentralized entities of a state, or between them and the central power, based on constitutional, legal determinations, or even on discretionary decisions of the granting body or entity, with a view to meeting a certain generic objective (such as maintaining a balance between charges and income or interregional balance) or specific objective (such as making a certain investment or maintaining minimum quality standards in a certain public service provided).

Baião, Cunha e Souza (2017, p. 589) assert that two aspects must be considered in fiscal equalization, namely fiscal need and fiscal capacity:

Fiscal capacity expresses how much the subnational government can raise for a given level of fiscal effort, reflecting the tax base of its location and the income of its population. It is expected, for example, that

municipalities with a higher gross domestic product (GDP) and per capita income will be able to raise greater volumes of resources compared to less economically dynamic municipalities.

Fiscal need incorporates the differences between the level of public services required for each location, due to the characteristics of the population or region. An example is municipalities that, due to a larger portion of their population being of school age, need to invest more in the education sector.

Fiscal equalization systems must be able to isolate, among the factors that lead to a smaller tax base or a high funding need, those that are under the control of the local government and those that are external to it. If the municipality’s fiscal situation is the result of factors controllable by the government, such as poor management of resources, for example, compensation carried out through transfers would imply the creation of incentives that are harmful to the performance of local governments (Cyrenne; Pandey, 2015; Dafflon, 2007).

In addition, Mendes, Miranda and Cosio (2008, p.10) point out that:

Equalizing transfers, in turn, can promote the reduction of regional disparities, which many consider an objective to be pursued by a country’s federative structure. However, if such transfers are not properly designed, they could create harmful incentives for the exercise of fiscal responsibility by subnational governments.

It can be seen that the Federal Constitution recommends a system of intergovernmental fiscal transfers with a vertical flow, from the central entity to the others and from the states to the local entities. From this perspective, municipalities participate in the proceeds from the distribution of various taxes, mainly the taxes referred to in articles 153, §4º, III, 157 to 159 of the CRFB/88, which according to Miranda and Cosio (2008, p. 26) promotes a widespread dependence on transfer income.

Likewise, Jesus and Júnior (2020, p.15) emphasize that “[...]small municipalities have a significant degree of dependence on transfers from other spheres of government, to cover their administrative expenses.”, which undoubtedly indicates that such municipalities have significantly low tax revenue.

UNCONDITIONAL INTERGOVERNMENTAL FISCAL TRANSFERS

According to the definition in the mainstream literature, unconditional intergovernmental fiscal transfers are those that do not impose a specific destination on the receiving entity.

According to Mendes, Miranda and Cosio (2008, p. 17), transfers resulting from the FPM, for example, are of the redistributive type, because in these “[...] the criteria for distributing resources between the beneficiary subnational governments are defined by formulas, redistributing resources in relation to the location (state or municipality) of origin of the collection.”

Mendes, Miranda and Cosio (2008, p. 17) reiterate that in the case of transfers resulting from the collection of ICMS and IPVA, the transfers are returnable, “[...] because their distribution criteria determine that the resources are delivered to the subnational government where the collection occurred, rather than being distributed by a formula that takes into account other demographic or socioeconomic factors.”

In any case, there is strong criticism regarding the lack of accountability resulting from unconditional tax transfers, as argued by Mendes, Miranda and Cosio (2008, p. 19), especially because this type of tax revenue is not perceptible to the receiving society as coming from the community local.

FEDERAL TAXES

Unconditional fiscal transfers resulting from transfers from the Municipal Participation Fund (FPM) constitute a significant portion of the budget revenues of several Brazilian municipalities. The FPM was established through Constitutional Amendment nº 18/65 and currently has a constitutional provision in article 159, I, b, d, e and f of CRFB/88.

The composition of the fund has resources coming from the Union’s collection of Income Tax and Industrialized Products and provides for ten-yearly transfers in the amount of 22.5% of net income from IR and IPI to municipalities. Furthermore, in the first ten years of the months of July, September and December, there is still an additional transfer of 1% of the net tax revenue in question.

Regarding the distribution of transfers, there is generally a triple segmentation, in which 10% of the amount collected is allocated to the capital municipalities of the states, based on population coefficients and per capita income; to municipalities in the interior, 86.4%, distributed according to the population factor and 3.6% constitute a reserve for municipalities with a large population (municipalities that are not state capitals but have 142,633 inhabitants or more).

It appears that despite no longer being the only apportionment criterion, the population factor still has an interrelationship with the transfers. The percentage of participation is calculated annually by the TCU, based on data provided by IBGE, on the per capita income of each state and the population of each municipality. Therefore, changes in these factors can promote budget imbalance in the receiving entity and undoubtedly impose a reduction in budget revenues, even compromising the funding of public policies and essential services.

According to Pacheco (2019, p. 11), the

FPM generates a negative impact on the tax revenue of municipalities. In this sense, it can be inferred that this statement is based on the criteria used to distribute FPM resources to municipalities, which do not require counterparts from municipalities, since the population factor is a primary milestone. On the contrary, conditional transfers such as from the Unified Health System (SUS), the Fund for Maintenance and Development of Basic Education and Valorization of Education Professionals (Fundeb) and transfers resulting from ICMS, in Minas Gerais, give rise to fundraising efforts local and implementation of public policies in diverse areas such as sport, culture, education, environment, tourism, health per capita, among others.

Jesus and Júnior (2020, p. 7) state that a study by Massardi and Abrantes (2016) on the level of dependence of municipalities in Minas Gerais in relation to the FPM, indicated that:

[...] There is a great dependence of municipalities on the FPM, especially small municipalities. From the analyzes carried out, it was found that municipalities with up to 20,000 inhabitants have the highest levels of dependence on the FPM, with a percentage above 50% of the total resources received

Finally, Reis et al (2014) apud Pacheco (2019, p. 31), emphasize that the collection of municipal taxes (IPTU, ISSQN, ITBI and ITR) correspond to approximately 5% of the total budget revenue of Brazilian municipalities and transfers from the FPM, on average, 38% of the budget, which indicates dependence on intergovernmental transfers, especially FPM and part of the ICMS.

STATE TAXES

Regarding transfers from the state source, CRFB/88 recommends in article 158, IV that 25% of the proceeds from ICMS collection belong to the municipalities. Likewise, with regard to the distribution of these transfers, there is a constitutional provision (art. 158, sole paragraph, I and II of the CRFB /88)¹, that at least 65% will be credited according to the value added in operations and up to 35% according to state law, with a reserve of 10 (ten) percentage points based on indicators of improved learning results and increased equity.

Without the new percentage forecast for transfers, the Constitution of the State of Minas Gerais, in article 150, §1º, items I and II, determines that, at least, 75% of the collection will be in proportion to the VAF (Fiscal Added Value

) e ¼ in accordance with the provisions of law. Thus, today, in the state of Minas Gerais, Law Number 18,030, of January 12, 2009, Solidarity ICMS Law, provides for the distribution of the portion of the revenue from the ICMS collection product belonging to the municipalities.

Through Law, Number 13,803/00 and Number 18,030/09, ICMS Solidarity Law, we saw the adoption of some criteria that promote public policies of a socioeconomic nature, whose measurement via indicators tends to favor greater participation of the municipality in the share of ICMS and consequently greater municipal governance.

In this sense, according to Brunozi Júnior et al (2008, p. 83), such norms, in addition to the distributive character of the ICMS, aimed to “[...] reduce economic and social differences between municipalities, with the application of municipal resources in areas of

1. Constitutional Amendment Number 108/2020 changed the minimum percentages for distributing the ICMS share to municipalities, from 75% to 65%, in accordance with the VAF and from 25% to 35% in accordance with state law. However, Law Number 14,113/2020 determines that at least 10% of the percentage defined by state law must include indicators related to improving learning results and increasing equity in the municipality's network, based on the socioeconomic level of students.

social priority [...]”. From now on, regarding the Robin Hood Law, Paiva et al (2014, p. 38) asserts that:

Thus, the objective of the aforementioned law, in addition to the efficient use of own revenues and decentralization of ICMS distribution, was to reduce economic and social differences between municipalities, with the application of municipal resources in areas of social priority, with guidance for education, food production, cultural heritage, environment, health, geographic area, population, population of the 50 most populous, tourism, sport, “solidarity” ICMS, minimum per capita and own revenue.

According to Souza (2007), observing the distribution criteria for the various variables contained in the Law, it was found that the municipalities that will receive more resources will be those that increase the number of schools, those that have a larger planted area, those that have greater capacity collection of tax on urban property and territorial property - IPTU, Service Tax - ISS and other municipal taxes and those who invest in historical heritage.

As provided for in Law Number 18,030/09, the share of municipalities’ participation in the ICMS collection product, in the manner established in CRFB/88, results from the following criteria and percentages: VAF (75%), geographic area (1%), population (2.70%), population of the 50 most populous municipalities (2%), education (2%), food production (1%), cultural heritage (1%), environment (1.10%), health (2%), own revenue (1.90%), minimum quota (5.50%), mining municipalities (0.01%), water resources (0.25%), municipalities that host penitentiary establishments (0. 10%), sports (0.10%), tourism (0.10%), ICMS Solidário (4.14%) and minimum per capita (0.10%).

According to data from the Minas Gerais State Finance Department, ICMS represents more than 85% of state tax revenue, followed by IPVA with 8.8% of tax revenue.

In this sense, as highlighted by Rodrigues (2017, p. 45) based on data from the National Treasury Secretariat (2015), transfers resulting from ICMS correspond to the largest portion of unconditional transfers received by municipalities.

METHODOLOGICAL PROCEDURES

SEARCH RANKING

The research is classified as descriptive, bibliographic and documentary. In this sense, regarding the objectives, it is descriptive research using quantitative variables, since according to Gil (2010, p. 35) this type of study aims to “[...] describe the characteristics of certain populations or phenomenon or, alternatively, the establishment of relationships between variables.”

In relation to the means, the research is characterized as bibliographic, as it gathers information existing in state legislation, such as laws, decrees and ordinances. It is structured based on articles, books and academic productions. In this sense, for Marconi and Lakatos (2010, p. 166), bibliographic research “[...] covers all bibliography already made public in relation to the topic of study, from separate publications, bulletins, newspapers, magazines, research books, monographs, theses, cartographic material, etc., [...]”.

The documentary nature of the work is due to consultations with official documents such as the Federal Constitution, infra-constitutional laws that provide for federalism, intergovernmental transfers, documents linked to statistical sources from entities such as IBGE and municipal legislation linked to the tax area.

Documentary research, according to Gil (2010, p. 38), is used in almost all social sciences and presents several points of similarity with bibliographical research, as both use existing data.

	ICMS	IPVA	ITCMD	Taxes	Tax revenue
2018	R\$ 48.276.813.208,31	R\$ 5.069.552.022,54	R\$ 835.571.954,51	R\$ 2.222.705.119,52	R\$ 56.404.642.304,88
2019	R\$ 51.028.731.036,47	R\$ 5.548.729.177,10	R\$ 921.287.380,72	R\$ 2.549.637.951,86	R\$ 60.048.385.546,15
2020	R\$ 51.803.419.996,71	R\$ 5.760.202.524,54	R\$ 969.086.887,34	R\$ 2.383.227.797,93	R\$ 60.915.937.206,52
2021	R\$ 66.635.427.907,47	R\$ 6.126.203.772,44	R\$ 1.529.583.066,82	R\$ 2.873.813.623,83	R\$ 77.165.028.370,56
2022	R\$ 69.604.813.768,99	R\$ 7.147.640.443,84	R\$ 1.438.303.628,19	R\$ 3.547.383.672,56	R\$ 81.738.141.513,58
Accumulated	R\$ 287.349.205.917,95	R\$ 29.652.327.940,46	R\$ 5.693.832.917,58	R\$ 13.576.768.165,70	R\$ 336.272.134.941,69

Table 1 – Tax collection in Minas Gerais in the period 2018-2022

Source: prepared by the authors with data from the Fundação João Pinheiro website/Directorate of Statistics and Information

Tax revenue arising from IPTU, ITBI and ISSQN in Nanuque-MG in the period 2018-2022						
	2018	2019	2020	2021	2022	Accumulated
Accomplished budget revenue	R\$ 81.898.227,88	R\$ 86.271.877,13	R\$ 95.595.606,00	R\$ 117.096.210,71	R\$ 141.806.074,49	R\$ 522.667.996,21
IPTU income	R\$ 723.169,48	R\$ 692.398,38	R\$ 599.803,48	R\$ 649.498,26	R\$ 904.126,21	R\$ 3.568.995,81
ITBI Revenue	R\$ 738.386,40	R\$ 835.897,52	R\$ 1.299.852,46	R\$ 1.713.942,85	R\$ 1.444.120,90	R\$ 6.032.200,13
ISSQN Revenue	R\$ 3.011.440,52	R\$ 3.261.869,39	R\$ 3.345.147,09	R\$ 3.088.443,74	R\$ 3.450.098,95	R\$ 16.156.999,69
Taxes	R\$ 616.248,30	R\$ 536.193,48	R\$ 475.888,92	R\$ 612.639,58	R\$ 613.946,77	R\$ 2.854.917,05
Public Lighting Contribution	R\$ 2.575.592,53	R\$ 2.893.996,17	R\$ 2.876.929,75	R\$ 3.311.065,91	R\$ 3.585.241,64	R\$ 15.242.826,00

Table 2 – Tax revenue arising from IPTU, ITBI and ISSQN in Nanuque-MG in the period 2018-2022

Source: prepared by the authors with data from the Brazilian Public Sector Accounting and Tax Information System (Siconfi).

DATA COLLECTION AND PROCESSING METHODS

The execution of the research according to Marconi and Lakatos (2010) covers the collection, elaboration, analysis, interpretation, representation of data and conclusions. Thus, data collection was carried out using the document analysis method. Data on intergovernmental transfers were captured on the portal: ``Tesouro Transparente`` (TT), the ``Fundação João Pinheiro`` (FJP) and the Brazilian Public Sector Accounting and

Tax Information System (Siconfi) websites. To this end, considering the research period, municipal tax revenues resulting from IPTU (Urban Property and Territorial Tax), ITBI and ISSQN and fiscal transfers resulting from FPM and ICMS transfers were compared in the context of the budget of the municipality of Nanuque-MG.

RESULTS AND DISCUSSIONS

THE COMPOSITION OF THE BUDGET OF THE MUNICIPALITY OF NANUQUE BASED ON REVENUES FROM IPTU, ITBI AND ISSQN IN THE PERIOD FROM 2018 TO 2022

Depending on the data extracted from Siconfi, current revenues derived from the collection of IPTU, ITBI and ISSQN in Nanuque, in the period from 2018 to 2022, had the following representation:

It can be seen from Table 2 that budget revenues had periodic annual increases, with a percentage variation of 73% from the first year to the last. However, when analyzing the share of tax revenues arising from the collection of IPTU, ITBI and ISSQN in the overall amount of budget revenues in the municipality of Nanuque, the same behavior is not observed.

Revenues derived from IPTU collection make up just 0.68% of total budget revenue in the period and there is, a priori, no evident perception of effectiveness in tax collection, given that there are large fluctuations in the annual amount, especially in the year 2020, with a reduction in revenue. In general terms, greatly influenced by the positive result in 2022, the sample variation coefficient was 16% in the period.

Revenues arising from ITBI collection represent approximately 1.15% of budget revenue for the period. In this case, as the ITBI arises from a tax transaction involving the transfer of real estate between parties to a legal transaction, it is much more linked to the activities giving rise to the tax-generating event than to the collection capacity of the municipal tax authorities.

Especially regarding the revenues arising from the ISSQN collection, it is noted that it is the municipal tax with the highest collection in the period analyzed, making up 3.09% of the amount of budget revenues. However,

there is no significant change that indicates an increase in the municipality's collection capacity.

Regarding the legislation guiding the charging of the ISSQN, based on article 146, III, of the CRFB, Complementary Law number 116/2003 is the basis for the issuance of a municipal law that establishes the ISSQN in Brazilian municipalities.

In Nanuque, Municipal Law Number 2,398/2017 is the most recent rule found on the municipality's website. However, it is important to highlight that the list of service provision items with taxable event in question is not updated, as the federal Complementary Law was updated through Complementary Laws Number 175/2020 and Number 183/2021.

It is noted, in the period analyzed, that the Contribution for the Cost of the Public Lighting Service (CIP or COSIP) has a higher collection than IPTU and ITBI in the municipality of Nanuque. COSIP is regulated by Municipal Law Number 2,426/2018 and in accordance with the provisions contained in the sole paragraph of article 149-A of the CRFB, the collection of the contribution on the electricity bill proves to be an effective collection mechanism.

It is generally concluded that tax collection in Nanuque from the perspective of IPTU, ITBI and ISSQN in the period from 2018 to 2022, appears to be quite incipient in comparison to the budget revenue achieved, making up only 4.93% of the total. In this context, the municipality's high fiscal dependence on revenues derived from transfers from other federated entities is inferred.

THE ROLE OF UNCONDITIONAL INTERGOVERNMENTAL FISCAL TRANSFERS FROM FPM AND ICMS IN THE BUDGET OF THE MUNICIPALITY OF NANUQUE IN THE PERIOD FROM 2018 TO 2022

Regarding fiscal transfers arising from the Municipal Participation Fund (FPM), according to data extracted from the National Treasury website, the following transfers were made to the municipality of Nanuque:

FPM transfers to the municipality of Nanuque-MG in the period 2018-2022			
	Accomplished budget revenue	FPM transfers	Δ%
2018	R\$ 81.898.227,88	R\$ 21.594.370,24	26,37%
2019	R\$ 86.271.877,13	R\$ 23.480.378,34	27,22%
2020	R\$ 95.595.606,00	R\$ 22.484.136,37	23,52%
2021	R\$ 117.096.210,71	R\$ 30.011.920,36	25,63%
2022	R\$ 141.806.074,49	R\$ 37.816.456,28	26,67%
Accumulated	R\$ 522.667.996,21	R\$ 135.387.261,59	25,90%

Table 3 – FPM transfers to the municipality of Nanuque-MG in the period 2018-2022

Source: prepared by the authors with data from the website www.tesoutransparente.gov.br

It can be noted, in general terms, that the transfers from the FPM represented an average of 25.90% of the budget revenues of the municipality of Nanuque during the study period. In this regard, it is observed that in Nanuque's budget, FPM transfers did not have continuous growth, the opposite of the budget revenue accomplished.

In this sense, it is inferred that the population criterion and the non-creation of new municipalities in Brazil induce probable stability in the amount of resources transferred to municipalities. In this regard, in the case of the municipality of Nanuque,

during the period under analysis, there was no significant change in the population, which tends to contribute to the maintenance of participation percentages. On the other hand, it is worth highlighting that the FPM is based on apportionment of net income from IR and IPI, of which 22.5% is allocated to the Fund. From this perspective, it is logical to conceive that if there is greater federal tax collection of these taxes, it is expected, as a consequence, more revenue for municipalities.

Regarding transfers of the ICMS share to the municipality of Nanuque, in the period analyzed, there were the following financial movements:

Transfers of part of the ICMS quota to the municipality of Nanuque-MG in the period 2018-2022			
	Accomplished budget revenue	Transfers of the ICMS quota	Δ%
2018	R\$ 81.898.227,88	R\$ 9.260.914,46	11,31%
2019	R\$ 86.271.877,13	R\$ 9.369.293,89	10,86%
2020	R\$ 95.595.606,00	R\$ 8.222.200,10	8,60%
2021	R\$ 117.096.210,71	R\$ 12.429.454,63	10,61%
2022	R\$ 141.806.074,49	R\$ 14.899.677,92	10,51%
Accumulated	R\$ 522.667.996,21	R\$ 54.181.541,00	10,37%

Table 4: Transfers of part of the ICMS quota to the municipality of Nanuque-MG in the period 2018-2022

Source: prepared by the authors with data from the Fundação João Pinheiro website/ Directorate of Statistics and Information

It is noted that of the revenue from ICMS collection, the share owed to the municipality of Nanuque in the period corresponds on average to 10.37% of the budget revenue accomplished.

It is noteworthy that ICMS is the highest state tax collected and the share owed to the municipality of Nanuque is quite low, amounting on average, in the period analyzed,

to 0.08% of the total amount distributed (R\$ 70.584.565.461,56)².

In the case of the ICMS share in Minas Gerais, Law nº 18.030/09 lists several criteria, which not all municipalities in Minas Gerais are subject to compliance with, for example, the population criteria of the 50 most populous municipalities (2%), water resources (0.25%), minimum per capita (0.10%) and mining municipalities (0.01%). Furthermore, most of the criteria can be met by municipalities.

In general, intergovernmental transfers relating to FPM and ICMS transfers had the following participation in the budget of the municipality of Nanuque:

FPM transfers and ICMS share to the municipality of Nanuque-MG in the period 2018-2022			
	Accomplished budget revenue	FPM and ICMS transfers	Δ%
2018	R\$ 81.898.227,88	R\$ 30.855.284,70	37,68%
2019	R\$ 86.271.877,13	R\$ 32.849.672,23	38,08%
2020	R\$ 95.595.606,00	R\$ 30.706.336,47	32,12%
2021	R\$ 117.096.210,71	R\$ 42.441.374,99	36,24%
2022	R\$ 141.806.074,49	R\$ 52.716.134,20	37,17%
Accumulated	R\$ 522.667.996,21	R\$ 189.568.802,59	36,27%

Table 5 – FPM transfers and ICMS share to the municipality of Nanuque-MG in the period 2018-2022

Source: prepared by the authors with data from the website www.tesoutransparente.gov.br and the ``Fundação João Pinheiro`` website/ Directorate of Statistics and Information

Therefore, it is observed that the budget of the municipality of Nanuque is highly dependent on revenues from the FPM and the ICMS share, which, together, represented on average 36.27% of the municipality's budget revenue.

REFLECTIONS ON THE CRITICAL AND POTENTIAL POINTS OF THE BUDGET COMPOSITION OF THE MUNICIPALITY OF NANUQUE IN THE PERIOD FROM 2018 TO 2022

It is clear that Brazilian fiscal federalism predisposes the need for fiscal equalization, based on which the Union and the states carry out financial transfers to municipalities, as they have less fiscal capacity. There is undeniably a paradigm that favors the imbalance between revenue generation and the decentralization of administrative responsibilities to municipalities. In this sense, as a rule, municipalities tend not to have sufficient revenues of their own and depend mostly on external resources, including to cover current expenses.

In this context, the research showed that the municipality of Nanuque has a low capacity to generate its own, unrelated revenue, resulting from the collection of IPTU, ITBI and ISSQN, which made up only 4.93% of the budget revenue generated.

It is essential to update the generic property value plan in Nanuque, through ordinary municipal law, in compliance with the Principle of Strict Tax Legality, as it would allow updating the IPTU calculation basis, the market value of properties, in accordance with the terms of article 33 of the CTN. Furthermore, in accordance with Municipal Law Number 2,363/2017, annually, the municipal Executive Branch carries out, by decree, the monetary update of the values related to the IPTU calculation base.

Therefore, in addition to the need to update the generic property plan of the municipality of Nanuque, it is worth highlighting that the municipality must strive to update the real estate registry, apply progressive IPTU and differentiated rates depending on the location

2. Data extracted from the Minas Gerais Transparency Portal. Available in: <https://www.transparencia.mg.gov.br/transferencia-de-impostos-a-municipios>

and use of properties and, above all, have a administrative structure with sufficient human and logistical resources for inspection, with a view to the effectiveness of tax management.

Regarding the ISSQN, it is noted that the municipal legislation that regulates the collection of the tax was instituted through Law Number 1,593/03, revoked by Law Number 2,398/2017. However, Complementary Law Number 116/2003, in 2020 and 2021, had changes to the list of items subject to collection, with the municipal standard not being updated.

Consequently, in accordance with the teachings of SABBAG (2018, p. 1194), it is inferred that the ISSQN, despite being a municipal tax, is limited by federal regulations, especially by Complementary Law Number 116/2003. That said, in obedience to the Principle of strict tax legality, the municipality must update the list of items in its ordinary legislation to require the payment of tax on all items, since the federal reference standard was updated based on the Complementary Laws. n° 175/2020 and n° 183/2021.

In relation to ITBI, the revenue collected by the municipality of Nanuque exceeds that of IPTU and represents 1.15% of the budget revenue generated during the study period. Regarding the specificity of the tax, it is important to highlight that the triggering event of the tax operation concerns the transfer of real estate, which in turn, gives rise to acts of notary office. From this perspective, under penalty of joint liability of notaries, according to art.134, VI of the CTN, property registration establishments tend to require proof of tax compliance, which consequently favors collection.

Finally, it should be noted that the ITBI calculation basis is the market value of the property and not the value defined by the parties. According to SABBAG (2018, p.1249), based on article 108 of the Civil Code

and understanding of the Superior Court of Justice, the municipality may carry out an assessment of the property for the purpose of defining the ITBI calculation basis, as long as due process is respected. Cool.

Especially regarding FPM transfers to the municipality of Nanuque, it is noted that the transfers correspond to more than 25% of the budget revenue made in the period and are directly associated with factors external to the municipality, as they are based on the amount of federal income tax collection. and IPI in line with the local population factor.

In relation to transfers referring to the ICMS share, it is clear that the average participation of the municipality of Nanuque in the amount of state ICMS transfers, during the research period, was only 0.08%. In this sense, to increase its share, it is essential that the municipality better meets the apportionment criteria established in Law Number 18,030/09.

As Henriques Filho (2021, p.30) emphasizes, it is important for municipalities to boost the economic base of their locations, in order to increase participation in Fiscal Added Value (VAF), a parameter that corresponds to 75% of the participation quota of municipalities in the proceeds from ICMS collection.

In relation to the other criteria, the revenue originating from municipal tax collection constitutes one of the criteria for measuring the percentage participation of municipalities in the ICMS share in Minas Gerais. This way, the increase in tax collection under its jurisdiction, in addition to enabling the application of resources at the local level, also favors greater participation by the municipality in the criteria defined by Law Number 18,030/09 and undoubtedly tends to lead to more financial transfers.

In light of the Environment criterion, there were no transfers of the ICMS quota to the municipality of Nanuque in the period

analyzed. This situation denotes inertia in meeting the requirements set out in state legislation, including having a treatment system or final disposal of waste or sanitary sewage for a certain percentage of the population.

As for the Sports criterion, according to data from the FJP, which in 2018 was transferred to the municipality of Nanuque, only R\$ 620.62 reais and in subsequent years, this amount totaled R\$ 178,937.65 reais, resulting from the municipality's adaptation to the requirements recommended by Law number 18.030/09.

FINAL CONSIDERATIONS

The scope of this work was to analyze the composition of the budget of the municipality of Nanuque in the period from 2018 to 2022, taking as a reference its own tax revenue and the receipt of resources resulting from unconditional intergovernmental fiscal transfers from the FPM and ICMS.

It was evidenced that in the composition of the municipal budget, budget revenues had periodic annual increases, with a percentage variation of 73% from 2018 to 2022. However, current revenues arising from own collection, especially from the collection of IPTU, ITBI and ISSQN represented only 4.93% of total revenue accomplished. It is noteworthy in this sense that revenue from IPTU collection represented only 0.68% of the total budget. In relation to ITBI and ISSQN, this representation is 1.15% and 3.09%, respectively. Notably, in this scenario, there is a great fiscal dependence of the municipality on revenues from external transfers, whether or not linked to a specific state activity or public policy.

It is concluded that the budget of the municipality of Nanuque presented a similar panorama revealed in work developed by Reis et al (2014) apud Pacheco (2019, p. 31), which emphasize that the collection of taxes under municipal jurisdiction (IPTU, ISSQN,

ITBI and ITR) correspond to approximately 5% of the total budget revenue of Brazilian municipalities.

Regarding unconditional intergovernmental fiscal transfers arising from the FPM and the ICMS share, the research revealed that FPM transfers represented 25.90% of budget revenues made in the period 2018-2022. Regarding revenue from ICMS transfers, it was observed that the amount of the share corresponded to 10.37% of the municipality's budget revenue. In general terms, these two intergovernmental transfers represented 36.27% of the budget revenue made, something almost eight times greater than the revenue from the collection of IPTU, ITBI and ISSQN.

In relation to the critical and potential points of the budget composition, from the research, it is noted the need to improve the tax collection capacity within the jurisdiction of the municipal entity. There is incipient tax collection in relation to fiscal transfers from the FPM and the ICMS share, plus outdated tax legislation, which certainly has a negative impact on the amount of revenue collected by the municipal tax authorities.

Specifically, in relation to the resources transferred by the state of Minas Gerais relating to the ICMS share, the research revealed that of the amount distributed by the subnational entity, only 0.08% was owed to the municipality of Nanuque. In this regard, in light of the legislation pertinent to the topic, mainly Law Number 18,030/09, it can be deduced that the municipality's participation is much more associated with the collection of the state's general ICMS than with the ability to fully meet the criteria established by the Law ICMS Solidário.

That said, it is essential that local tax management closely adheres to the legal requirements established in the state standard that regulates transfers and thus implements measures to remedy any irregularities or

absence of specific public policies, given the high amount of resources that this intergovernmental transfer allocates to Minas Gerais municipalities.

Therefore, it is necessary to highlight that intergovernmental fiscal transfers, as a rule, do not have the capacity to replace the tax collection of the subnational or local entity. On the contrary, fiscal responsibility and the effectiveness of public policies, as observed in article 11 of the Fiscal Responsibility Law, presuppose that federated entities must institute, predict and effectively collect all taxes within their competence. Thus, intergovernmental transfers would be used to cover any difference between what was collected by the entity and the amount necessary to implement public social welfare policies.

In this sense, as Pacheco (2019, p. 19) highlights, it is inferred that intergovernmental transfers can have a negative effect on municipal tax collection, since the municipal tax base is limited and local government efforts to

change this model may be incipient. This premise was proven in the present research, since in the five-year period of the research, there was no paradigm shift in the composition of budgetary revenues in the municipality of Nanuque, marked by significant dependence on unconditional intergovernmental transfers and the immutability of the tax collection standard under jurisdiction. local.

As a limitation to the research, the research data was not obtained from a single source, and may present distortions and subsequent updates. However, such distortions do not compromise the research results, given the official nature of the data sources.

Finally, it is considered fundamental to maintain effective fiscal management, which involves the consolidation of local tax legislation and control and, fundamentally, the professionalization of public management, with a view to maximizing public policies that lead to social gains and improved quality of life of citizens.

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