

A government “arnona” (municipal property tax) fund will reduce gaps

December 22, 2015

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Nine months after the election campaign that gave Moshe Kahlon (Kulanu) the finance portfolio that he wanted, there are initial signs that he is likely to keep his election promise to establish a government arnona fund, which will concentrate all the government municipal tax payments throughout the country and distribute them differentially among the local authorities in Israel.



Jisr A-Zarqa in central Israel

According to TheMarker, Kahlon has reached an agreement with Defense Minister Moshe Ya'alon (Likud) to the effect that all the arnona paid by the Defense Ministry will be transferred to a government fund to be established in the near future. Because the Defense Ministry pays the highest arnona in the country - about half a billion shekels annually - if the agreement is

implemented that would be a significant step on the way to establishing the fund.

But the statement of intentions is insufficient. The rationale behind the establishment of the fund is that the most important source of income for local councils is not the residential arnona but rather the property tax from employment and industrial areas and from government institutions. Those were also the findings of a joint research study by Sikkuy-The Association for the Advancement of Civic Equality in Israel, and Injaz- Center for Professional Arab Local Governance, which indicated that the reason for the profound economic crisis in many Arab local councils is not the failure of the residents to pay their arnona, but rather the tremendous gap between them and most of the Jewish local councils in income from commercial arnona, including government installations and various national infrastructure facilities.

The study unequivocally proved the inaccuracy of the claim that the financial difficulties of the Arab local councils are due to their failure to collect arnona from residents, which unfairly blames the victim. According to the study, differences in the collection of residential arnona account for only about 10 percent of the disparity between the budgets of the Arab and Jewish local councils in the same socio-economic cluster.

On the other hand, the large gap in potential income from property tax (mainly from commercial, employment and industrial areas, government offices and infrastructure facilities) accounts for about 65 percent of the gap between Jewish and Arab local authorities. If the government wants to close the growing gap between the strong and weaker local councils (of which the vast majority are Arab), the establishment of a government fund to redistribute the government's huge property tax payments in a just and equal manner is without doubt a step in the right direction.

Throughout the years Israeli governments have invested massively in Jewish communities and at the same time ignored and discriminated against the Arab local councils. In addition, the investment in Jewish local councils and their development often involved the expropriation of land and resources from the Arab councils and an investment of billions of shekels in the Jewish communities that were built on that same land.

Moreover, even the little that could be done, such as fair distribution of the arnona paid by government offices and institutions located in various parts of the country, and mainly in the big cities - was not done. Traditionally, state facilities, particularly various security installations that paid high property taxes, were located in large and economically strong cities. This led to a continual increase in the economic gaps between them and the poorer Arab communities.

Until recently the Arab local councils receives less than 1 percent of the government arnona, and even the little they received was partially taken from them by arbitrary decisions – for example, transferring the arnona that the Nazareth Magistrate's Court used to pay to the Nazareth municipality to neighboring Upper Nazareth, although the court is located on Nazareth's land.

In that context, the understandings between the Finance Ministry and the Defense Ministry are good news and constitute a first step forward. But much additional activity is required before the weaker local councils in the country, which are mainly Arab, make the transition from backwardness and soliciting donations to economic strength and stability. In the medium and long term this situation will be beneficial both to the state and to the Arab citizens living in these local councils.

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