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Fiscal policy and short-term rental in the function of tourism development: case of Split – Dalmatia County

Fiskalna politika i kratkoročni najam u funkciji razvoja turizma: primer Splitsko-dalmatinske županije

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Abstract

Tourism and fiscal policy are important determinants of the economy and tourism development in every country. Tourism has become not only a key source of income for many countries, but also a significant driver of economic growth, infrastructure development, and job creation. Increased activity in the tourism sector leads to higher consumption and tax revenues. Taxes are compulsory payments to the state by individuals and business entities. Therefore, local and regional taxes are the main sources of revenue. The aim of this paper is to examine the link between fiscal policy and short-term rentals in the context of tourism development, using the case of Split-Dalmatia County for the period 2016–2024. To provide empirical results, the Ordinary Least Squares (OLS) estimation method within the framework of multiple linear regression has been applied. The results show a positive relationship between tourism intensity and tax revenues in the case of Split-Dalmatia County.
Keywords**:** *tourism, fiscal policy, short-term rental, tax revenues*

Sažetak

Turizam i fiskalna politika imaju važnu ulogu u privredi i razvoju turizma svake zemlje. Turizam je postao ne samo ključni izvor prihoda za mnoge države, već i značajan pokretač privrednog rasta, razvoja infrastrukture i otvaranja novih radnih mesta. Povećana aktivnost u turističkom sektoru dovodi do veće potrošnje i rasta poreskih prihoda. Porezi predstavljaju prinudna davanja državi od strane pojedinaca i privrednih subjekata. Zbog toga lokalni i regionalni porezi čine glavni deo poreskih prihoda. Cilj rada je da se ispita veza između fiskalne politike i kratkoročnog najma u funkciji razvoja turizma, na primeru Splitsko-dalmatinske županije u periodu od 2016. do 2024. godine. Radi ostvarivanja empirijskih rezultata, primenjena je metoda običnih najmanjih kvadrata (OLS) u okviru višestruke linearne regresije. Dobijeni rezultati pokazuju da postoji pozitivna veza između turističkog intenziteta i poreskih prihoda na primeru Splitsko-dalmatinske županije.
Ključne reči: *turizam, fiskalna politika, kratkoročni najam, poreski prihodi*

1. Introduction

Tourism is one of the most strategically important sectors of the Croatian economy, exerting a substantial impact on gross domestic product (GDP), employment, and overall economic performance. According to the Tourism Satellite Account (TSA), tourism directly accounted for 12.18% of Croatia's total GDP and 11.57% of gross value added in 2022, confirming its structural significance within the national economy (Croatian Bureau of Statistics, 2025). In 2024, Croatia recorded 20.2 million tourist arrivals and nearly 94 million overnight stays, with total accommodation capacity exceeding 1.3 million beds across 448,000 rooms (Croatian Bureau of Statistics, 2025a). Private accommodation, classified as short-term rental (STR), remains the dominant form of tourist capacity in Croatia. In 2023, it accounted for 62.3% of all available beds, followed by camps (20.9%) and hotels and aparthotels (10%). Other accommodation types – such as resorts, hostels, health resorts, and uncategorised establishments – each contributed less than 2% to national capacity. This composition underscores Croatia's strong structural dependence on the private accommodation sector, which represents nearly two-thirds of total tourist capacity. The hotel segment, though smaller in volume, continues to show qualitative progress: among 730

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registered hotels, 50% were four-star and 8% five-star properties, indicating a steady upward trend in service quality compared with the previous year (Croatian National Tourist Board, 2024). To increase tourism development, the government should use revenues from local and regional taxes to enhance the tourist offerings of a specific destination (Roller & Hodzic, 2011). The main determinant is fiscal policy, which needs to be transparent and efficient

Fiscal policy significantly influences tourism by shaping government spending, taxation, and infrastructure development, all of which affect the tourism industry's growth and economic contributions. Therefore, the government should be particularly careful when implementing taxes on the tourism sector. This will impact prices, which are an important determinant in tourism development. Taxes are undoubtedly the most significant and important source of income for states worldwide, serving various purposes. The primary goal is to finance public goods, especially so-called pure public goods, which are characterised by non-competition in their use and non-excludability. Additionally, local and regional taxes have a significant impact on the development of a county, city, or municipality. Their role is to provide services and meet the needs of a tourist destination.

The objective of this paper is to examine the relationship between fiscal policy and short-term rentals in the context of tourism development, using the case of Split-Dalmatia County. To provide empirical results, the Ordinary Least Squares (OLS) estimation method within the framework of multiple linear regression has been applied. The contribution of the paper is twofold. First, it presents empirical results on the relationship between fiscal policy and short-term rentals in relation to tourism development in Split-Dalmatia County. Second, it offers a detailed overview of the most significant literature on the topic of fiscal policy and short-term rentals. Based on this, the main research question is:

- What is the relationship between fiscal policy and short-term rentals, and what is their impact on tourism development?

The remainder of the paper is as follows. After a brief introduction, section 2 reviews the most significant literature on fiscal policy and tourism. Section 3 presents the methodology and data, while section 4 discusses the empirical results. The final section concludes with the main findings and recommendations for further research.

2. Literature review

Numerous studies have confirmed the significant impact of tourism on the public finances of local governments. For instance, a higher reliance of a local economy on tourism has been shown to result in a statistically significant increase in public expenditures, particularly in capital investments, transportation, police and fire protection, parks and recreation, and financial and general administration (Wong, 1996). While tourism contributes to local economic development, it simultaneously generates substantial fiscal costs for local government units.

Research on municipalities in Connecticut, United States, revealed that tourism development increases total municipal budget revenues, yet it also leads to a proportional rise in public expenditures. The benefits, however, are not evenly distributed; more urbanized municipalities benefit more, whereas smaller towns bear disproportionate infrastructure and service burdens (Tyrrell & Johnston, 2009). Similar findings were reported in a study of over 3,200 Spanish municipalities, where high tourism intensity improved the financial autonomy of local governments and raised per capita revenues, but also resulted in significantly higher expenditures, especially in the smallest and largest municipalities (Voltes-Dorta et al., 2014). In Austria, municipalities in the Tyrol region with higher numbers of tourist overnight stays recorded increased tax revenues and budget surpluses, although tourism did not contribute to reduced municipal debt or improved self-financing capacities (Bernhart et al., 2015). These findings suggest that increased tourism revenue often comes hand-in-hand with increased public spending.

To address such imbalances, the literature advocates for the implementation of targeted tourism-related fiscal instruments—such as tourist taxes—to ensure earmarked revenues for funding local services in tourism-intensive areas (Voltes-Dorta et al., 2014). Nevertheless, many fiscal frameworks fail to meet the growing financial demands of tourism. In Catalonia, municipalities facing heavy tourist inflows experienced rising demands for local services and infrastructure, without proportional increases in tax revenues (Guía Julve & Ruiz Garcia, 2004). Similar problems are noted in seasonal destinations with large numbers of secondary residents. McKenzie et al. (2008) demonstrate that increasing population mobility and the expansion of multiple residences lead to fiscal inequities in place-based service funding, as traditional systems based on permanent residency fail to account for seasonal and temporary populations that heavily utilize local infrastructure and services. The long-term effects of this misalignment are evident in the Costa Blanca region of Spain, where residential tourism initially boosted revenues through one-off development fees, but later imposed high seasonal maintenance costs, pushing local budgets toward unsustainability (Mazón, 2006).

Within Croatia, a key issue lies in the limited fiscal autonomy of cities and municipalities. Most of their income stems from shared national taxes—primarily the personal income tax—while their own tax instruments (such as the consumption tax or second home tax) are underutilized (Jurlina Alibegović, 2018). This leaves local governments with minimal capacity to respond proactively to tourism-induced fiscal pressures through tailored policies.

In recent years, particular attention has turned to the effects of short-term tourist rentals on local economies and communities. An analysis of 556 Croatian cities and municipalities confirmed that an increased share of private

accommodations within the total housing stock significantly elevates real estate prices. This effect is not confined to primary tourist centres but extends to surrounding areas through spatial spill overs (Vizek et al., 2023). Moreover, the higher profitability of short-term letting encourages investment in new residential capacity. The expansion of the short-term rental market, when paired with intensified public investment in housing, has been found to correlate with rising demand for construction land (Barbić, 2024). If not regulated, such trends may lead to excessive construction and spatial pressures, prompting calls to integrate tourism policy with spatial planning and fiscal instruments in order to safeguard housing accessibility and community well-being (Barbić, 2024; Vizek et al., 2023).

The unchecked expansion of private tourist accommodations can also trigger negative demographic and social effects. Municipalities with a sharp increase in tourist apartments often experience depopulation of permanent residents, as locals relocate to less tourist-saturated areas (Stojčić et al., 2024). Rising housing prices and overtourism contribute to emigration, especially among educated young people, threatening long-term human capital retention in coastal areas (Mikulić et al., 2024). Even inland urban centers are affected; in Zagreb, the conversion of apartments into short-term rentals has led to central district depopulation, growth of the informal rental economy, and erosion of urban authenticity (Kesar et al., 2015). These findings are directly relevant to the research questions of this paper. They point to a complex relationship between fiscal policy and the growth of short-term rental markets, and underscore how the scale and form of short-term rental supply can significantly affect both the fiscal sustainability and social fabric of tourism-dependent communities.

Overall, the literature suggests that while tourism and short-term rental growth offer clear economic opportunities, they also impose significant fiscal and social challenges that require thoughtful, locally adapted public policy responses.

3. Methodology and data

To achieve the objectives of this research, secondary data sources were used for the period 2016–2024. The analysis focuses on fiscal and tourism indicators related to short-term rental accommodation in Split-Dalmatia County, representing the status of the Register as at 31 December of each respective year. The dependent variable (Y) represents annual flat-rate income tax and income tax surtax from renting apartments, rooms, beds and camps to travellers and tourists. This variable reflects realised fiscal revenues from flat-rate taxation of private accommodation activities and was obtained from the Ministry of Finance – Tax Administration, Central Office; Financial Agency (FINA), P-21 RH database.

The first independent variable (X_1) is defined as the number of flat-rate taxpayers from renting to tourists (by place of residence), which captures the total number of individuals subject to flat-rate taxation on income derived from property rental to tourists. The data were sourced from the Tax Administration Information System – Register of Taxpayers (RPO). The second independent variable (X_2) refers to the number of overnight stays in short-term rental accommodation, serving as an indicator of tourism demand in the private accommodation sector. The data were obtained from the e-Visitor system – Croatian National Tourist Board (CNTB) and the Ministry of Tourism and Sport of the Republic of Croatia. Within e-Visitor, the positions "Objects on family farms (OPG)" and "Objects in households" were used to represent the scope of short-term rental accommodation (STR).

All variables were harmonized at the county level and expressed on an annual basis to ensure comparability across the observed period. For the purpose of regression modelling, all variables were transformed into natural logarithms (ln) to allow interpretation of estimated coefficients as elasticities and to reduce potential heteroskedasticity. The following table provides an overview of the fiscal and tourism indicators described above, presenting annual values of all variables used in the analysis for Split-Dalmatia County during the 2016–2024 period

Table 1. Overview of fiscal and tourism indicators related to short-term rental accommodation in Split-Dalmatia County, by year

Year	Annual flat-rate income tax and income tax surtax from renting apartments, rooms, beds and camps to travellers and tourists (1)	Number of flat-rate taxpayers from renting to tourists (by place of residence) (2)	Number of overnight stays in short-term rental accommodation (3)
2016	4.670.297.50	19.153	8.499.814
2017	4.974.808.69	21.832	9.705.110
2018	5.591.701.42	24.059	10.279.403
2019	6.208.750.02	24.850	10.653.633
2020	4.167.245.34	23.453	5.712.754
2021	6.610.113.43	23.377	8.631.382
2022	7.048.844.79	24.396	10.338.874
2023	7.927.820.22	26.322	10.440.011
2024	8.620.843.18	26.931	10.645.962

Sources: Author's compilation

(1) Financial Agency (FINA), P-21 RH database

(2) Ministry of Finance, Tax Administration Information System – Register of Taxpayers (RPO)

(3) Croatian National Tourist Board (CNTB), Ministry of Tourism and Sport – e-Visitor system

Table 1 presents the annual values of fiscal and tourism indicators related to short-term rental accommodation in Split-Dalmatia County for the period 2016–2024. The data show a clear upward trend in both fiscal revenues and the number of registered taxpayers, accompanied by a strong recovery of tourist overnight stays following the pandemic-related decline in 2020. The annual flat-rate income tax and income tax surtax (Y) increased steadily from EUR 4.67 million in 2016 to EUR 8.62 million in 2024, representing an overall rise of nearly 85% over the observed period. This growth reflects the expanding fiscal importance of the short-term rental sector within the county's local government revenues.

The number of flat-rate taxpayers (X_1) also grew continuously, from 19,153 individuals in 2016 to 26,931 in 2024 – an increase of approximately 41%. The sharpest annual growth occurred between 2016 and 2018, coinciding with the peak expansion of private accommodation supply.

The number of overnight stays (X_2) followed a similar upward trajectory, rising from 8.50 million in 2016 to 10.65 million in 2024. A notable decline was recorded in 2020 (-46% compared to 2019) due to the COVID-19 pandemic, followed by a gradual recovery reaching pre-pandemic levels by 2022.

Overall, the descriptive statistics indicate a strong long-term positive relationship between tourism activity and fiscal revenues from flat-rate taxation of short-term rentals. The parallel movement of all three variables supports the assumption that the intensity of tourist demand and the number of active taxpayers significantly influence the level of local fiscal income generated from this form of accommodation.

To complement the annual overview, Table 2 summarises the main descriptive statistics for the analysed variables over the 2016–2024 period. All values were expressed on an annual basis for Split-Dalmatia County. The results confirm substantial variability across years, reflecting fluctuations in tourism demand and fiscal performance, especially during the pandemic period (2020–2021).

Table 2. Descriptive statistics for fiscal and tourism indicators, 2016–2024 (Split-Dalmatia County)

Variable	Mean	Minimum	Maximum	Standard deviation
Annual flat-rate income tax and income tax surtax (EUR)	6.646.936	4.167.245	8.620.843	1.510.829
Number of flat-rate taxpayers	23.816	19.153	26.931	2.584
Number of overnight stays in short-term rental accommodation	9.767.660	5.712.754	10.645.962	1.696.394

Source: Author's own elaboration based on official data (FINA P-21 RH; RPO; e-Visitor)

The descriptive results indicate a consistent and positive relationship between fiscal and tourism indicators of short-term rental accommodation activity in Split-Dalmatia County. The mean annual revenue from flat-rate taxation amounted to approximately EUR 6.65 million, with a standard deviation of EUR 1.51 million, suggesting moderate variability largely driven by the extraordinary decline in 2020 and subsequent post-pandemic recovery.
The number of flat-rate taxpayers averaged 23,816 during the observed period, exhibiting a relatively stable trend with a standard deviation of 2,584, which reflects a gradual but steady expansion of registered hosts rather than abrupt year-to-year fluctuations.

The number of overnight stays, with an annual mean of 9.77 million and a standard deviation of 1.70 million, showed the highest sensitivity to external shocks, confirming tourism demand as the most volatile determinant within the dataset.

Overall, the descriptive statistics reveal proportional growth among all three indicators. The relatively close co-movement between the number of overnight stays and flat-rate fiscal revenues suggests a strong functional link between tourism intensity and local fiscal outcomes from short-term rental taxation. These patterns justify the application of econometric modelling in the subsequent section to assess the magnitude and direction of the relationship between tourism activity and fiscal revenues under the flat-rate taxation regime.

To further assess the strength of linear relationships between the analysed variables, a correlation analysis was performed.

Table 3. Correlation matrix of variables (Split-Dalmatia County, 2016–2024)

Variables	ln(Y) – Fiscal revenues	ln(X_1) – Number of flat-rate taxpayers	ln(X_2) – Number of overnight stays
ln(Y) – Fiscal revenues	1.000	0.858	0.739
ln(X_1) – Number of flat-rate taxpayers	0.858	1.000	0.671
ln(X_2) – Number of overnight stays	0.739	0.671	1.000

Source: Author's own calculation based on official data (FINA P-21 RH; RPO; e-Visitor)

The correlation matrix in Table 3 indicates strong and positive relationships among all variables included in the model. Fiscal revenues from flat-rate taxation (lnY) exhibit high correlations with both the number of flat-rate taxpayers ($\ln X_1 = 0.86$) and the number of overnight stays ($\ln X_2 = 0.74$). The correlation between the two independent variables ($\ln X_1$ and $\ln X_2$) is moderate ($r = 0.67$), suggesting a complementary relationship between the supply and demand sides of short-term rental activity. Since none of the correlations exceed the critical threshold of 0.80, the results confirm the absence of multicollinearity, consistent with the VIF test outcomes (VIF ≈ 1.17 for both predictors).

In line with the research objectives and hypotheses, this study aims to identify and quantify the relationship between two independent variables and one dependent variable, that is, to determine the extent to which changes in the explanatory variables affect the fiscal outcome variable. Accordingly, a multiple linear regression model was selected as the appropriate analytical technique, as it enables the prediction of the dependent variable based on the values of two or more independent variables.

In this case, the analysis applies the Ordinary Least Squares (OLS) estimation method within the framework of multiple linear regression. The OLS method, attributed to the German mathematician Carl Friedrich Gauss, is used to determine the line of best fit for a given set of data points. Conceptually, OLS is a linear regression technique that estimates unknown parameters in a model by minimizing the sum of squared residuals between the observed and predicted values (Von Eye & Schuster, 1998).

Although OLS is considered relatively simple to implement, its validity depends on whether the data satisfy several key assumptions: linearity, independence of observations (absence of autocorrelation), normality of residuals, homoscedasticity (constant variance), and absence of multicollinearity (Burton, 2021). When these assumptions are violated, the estimated regression coefficients become biased and unreliable (Currit, 2002). According to Gujarati (2022), when these conditions are met, the OLS method possesses highly desirable statistical properties, such as unbiasedness, efficiency, and consistency, which have made it one of the most powerful and widely applied techniques in regression analysis.

Based on the research framework, the following empirical model is proposed:

$$lnY_t = \beta_0 + \beta_1 \ln(x_1) + \beta_2 \ln(x_2) + \varepsilon_t \quad (1)$$

where:
- Y_t = annual flat-rate income tax and income tax surtax from renting apartments, rooms, beds and camps to travellers and tourists, i.e., tax revenues
- X_1 = number of flat-rate taxpayers from renting to tourists (by place of residence)
- X_2 = number of overnight stays in short-term rental accommodation
- ε_t = error term

The model was estimated using the OLS method to assess the relationship between tourism intensity and tax revenues from short-term rental accommodation in Split-Dalmatia County (2016–2024). Statistical analyses, including model estimation and diagnostic testing (VIF, Breusch–Pagan, Durbin–Watson), were carried out using Stata 17 SE.

Following the conceptual framework and empirical model, the research hypotheses were formulated to test the assumed relationships between tourism intensity and tax revenues generated from short-term rental accommodation. Based on theoretical expectations and prior empirical findings, it is assumed that both the number of taxpayers engaged in tourist rentals and the number of realised overnight stays have a positive impact on the level of tax revenues obtained from flat-rate taxation.

Accordingly, the following hypotheses are proposed:
- H_1: There is a statistically significant and positive relationship between the number of flat-rate taxpayers from renting to tourists and the annual tax revenues.
- H_2: There is a statistically significant and positive relationship between the number of overnight stays in short-term rental accommodation and the annual tax revenues.

These hypotheses will be empirically tested using the OLS regression model described above, in order to determine the strength and direction of the relationship between tourism intensity and tax revenues within the observed period (2016–2024) based on a case of Split-Dalmatia County.

4. Empirical results

The empirical analysis was conducted using OLS estimation on a log–log model, allowing the coefficients to be interpreted as elasticities. The results, summarised in Table 4, can be expressed by the following estimated regression equation:

$$lnY_t = -7.9319 + 1.3790 \ln(x_1) + 0.6017 \ln(x_2) + \varepsilon_t \quad (2)$$

The diagnostic tests indicate no multicollinearity issues, as the Variance Inflation Factor (VIF) is approximately 1.17 for both independent variables. The Breusch–Pagan test results ($p = 0.77$) suggest the absence of heteroskedasticity, while the residuals are approximately normally distributed. The Durbin–Watson statistic of 1.04 indicates mild positive autocorrelation, which can be considered acceptable given the small sample size.

Regression results indicate strong explanatory power, with an R^2 value of 0.788, suggesting that approximately 78.8% of the variation in the dependent variable is explained by the included independent variables. An

adjusted R^2 of 0.717 remains relatively high, confirming that the model retains good explanatory capacity even after accounting for the number of predictors and the small sample size. The F-statistic of 11.12 is statistically significant ($p = 0.0096$), which implies that the model is significant as a whole and that the independent variables jointly exert a meaningful effect on the dependent variable. The analysis relies on a limited number of observations ($n = 9$), a factor that should be taken into account when interpreting the findings. A Durbin–Watson statistic of 1.04 points to mild positive autocorrelation in the residuals, but this does not substantially undermine the overall validity of the model.

Table 4. OLS regression results (log–log model), Split-Dalmatia County, 2016–2024

Variable	Coefficient	Std. Error	t	p-value	95% Confidence Interval	Interpretation
Constant	−7.9319	5.023	−1.579	0.165	[−20.223; 4.359]	Not statistically significant
ln(X_1) – Number of flat-rate taxpayers	1.3790	0.489	2.819	0.030	[0.182; 2.576]	A 1% increase in the number of taxpayers → +1.38% in fiscal revenues
ln(X_2) – Number of overnight stays	0.6017	0.248	2.430	0.051	[−0.004; 1.208]	A 1% increase in overnight stays → +0.60% in fiscal revenues

Source: Author's own elaboration based on official data (FINA P-21 RH; RPO; e-Visitor)

Interpreted in elasticities, the model explains about 79% ($R^2 = 0.788$) of the variation in fiscal revenues from flat-rate taxation of short-term rental accommodation, indicating a strong explanatory power. Both independent variables exhibit positive and economically meaningful effects, consistent with the hypothesised relationships.

The number of flat-rate taxpayers (X_1) has a statistically significant impact at the 5% level ($p = 0.030$). The estimated elasticity ($\beta_1 = 1.379$) implies that a 1% increase in the number of registered taxpayers leads to a 1.38% increase in fiscal revenues. This result suggests that formalisation and growth of the registered short-term rental base contribute substantially to the fiscal capacity of local governments. The number of overnight stays (X_2) is marginally significant ($p = 0.051$), with an elasticity of 0.60. This means that a 1% increase in tourist overnight stays is associated with a 0.60% rise in flat-rate tax revenues. Although slightly below the conventional 5% significance threshold, the coefficient is positive and economically meaningful, confirming that tourism demand remains an important determinant of local fiscal outcomes. The overall F-test ($F = 11.12$, $p = 0.0096$) confirms that the model is statistically significant, indicating that the included independent variables jointly explain a substantial portion of the variation in fiscal revenues from short-term rental taxation. Among the explanatory variables, X_1 (number of taxpayers) exerts a stronger influence on fiscal revenues than X_2 (number of overnight stays), indicating that revenue growth is driven more by the expansion of the taxable base (supply side) than by variations in tourist demand (demand side). No issues of multicollinearity or heteroskedasticity were detected, and the Durbin–Watson statistic (1.04) indicates only mild serial correlation, acceptable given the limited sample size ($n = 9$). The comparison between actual and fitted values (not shown) confirms a close alignment, indicating that the model successfully captures the observed trend in fiscal revenues from short-term rental accommodation.

Overall, the model provides empirical evidence of a robust and positive association between fiscal policy, short-term rental activity, and tourism development in Split-Dalmatia County. The findings suggest that an increase in the number of registered hosts yields a more pronounced fiscal effect than a comparable rise in tourist overnight stays, highlighting the importance of formal registration, taxation compliance, and effective monitoring within the short-term rental sector. Given the small sample ($n = 9$) and mild positive autocorrelation (Durbin–Watson= 1.04), results should be interpreted with caution; future work could apply Newey–West standard errors and expand the time span to enhance robustness.

5. Conclusion

Tourism is one of the key sectors in the Republic of Croatia, whose importance is increasingly recognised both domestically and internationally. As a Mediterranean country with a rich cultural heritage, beautiful coastline, and diverse natural beauty, Croatia attracts a large number of visitors each year. This is also true for Split-Dalmatia County, where tourism activity is primarily based on short-term rentals. Two-thirds of tourism activity is concentrated in the Split and Makarska Rivieras, which are mainly oriented towards the traditional source markets of Central and Western Europe. To continue this tourism development, it is important to involve both private and public sector activities in implementing projects that enable intensive tourism growth in a responsible manner. Furthermore, it is necessary to respect limitations and ensure that tourism remains 'local', meaning original and authentic, which is one of the main values for today's market in visited destinations. To achieve the desired fiscal sustainability, the tax burden should not be too high, but it must secure an appropriate level of tax revenues. Based on empirical findings from this analysis, there is a positive relationship between tourism intensity and tax revenues. In line with our main research question, we also observe a positive relationship between the short-term rental sector and tax revenues in relation to tourism

development in Split-Dalmatia County. The findings further suggest that an increased number of registered hosts yields higher tax revenues, contributing to efficient fiscal sustainability. Based on these results, it is recommended that further research extends the model with additional variables and includes other counties in Croatia. Understanding the role of tourism in economic and social development is essential for further progress.

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