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Kobialka Anna,*dr., senior lecturer The Department of Economy and Management, The Faculty of Agrobioengineering, The University of Life Sciences in Lublin, Poland)***TAXES IMPOSED ON POLISH FARMERS***Polish farmers generally do not bear much fiscal charges. They do not pay income tax from natural persons and their basic fiscal charge is rural tax and real estate tax.**Farmers supplying basic criteria can report commodities and services tax but farmers who do not supply the criterion obliging them to report VAT tax can benefit from some form of VAT tax rebate in the form of tax rebate lump sum defined as a rate from sold agricultural products.***Key words:** *real estate tax, rural tax, forest tax, value added tax**В основному, польські фермери переважно не оподатковуються податками. У Польщі селяни не платять прибуткового податку від фізичних осіб, а основне податкове навантаження становлять сільськогосподарський податок, податок від нерухомості та лісовий податок.**Фермери, які відповідають певним критеріям, можуть оподатковуватись податком на додану вартість. Фермери, які не відповідають критеріям, що зобов'язують оподатковуватись ПДВ, можуть також користуватися певною формою відшкодування ПДВ, у вигляді фіксованого повернення окресленої суми податку, як відсоток від вартості їх продажу сільськогосподарської продукції.***Ключові слова:** *податок від нерухомості, сільськогосподарський податок, лісовий податок, податок на додану вартість.**В основном, польские фермеры в большинстве не облагаются налогами. В Польше крестьяне не платят налога на прибыль от физических лиц, а основную налоговую нагрузку составляют сельскохозяйственный налог, налог с недвижимости и лесной налог.**Фермеры, которые соответствуют некоторым критериям, могут облагаться налогом на добавленную стоимость. Фермеры, не соответствующие критериям, которые обязуют облагаться НДС, могут также использовать некоторой формой возращения НДС в виде фиксированного возращения определенной суммы налога, как процент от стоимости их реализации сельскохозяйственной продукции.***Ключевые слова:** *налог с недвижимости, сельскохозяйственный налог, лесной налог, налог на добавленную стоимость.***Introduction.** Polish farmers, in general, do not have to bear a heavy tax burden. In Poland farmers do not pay personal income tax, and their basic

fiscal liabilities are the agricultural tax, property tax as well as forest tax. The only income tax is the tax on special sectors of agricultural production, paid by persons doing economic activities from such a sector.

Agricultural activity, which by definition is a kind of economic activity, is also subject to VAT, whose costs are paid by farmers when buying means of agricultural production, and which an increasing number of farmers are choosing to pay. VAT is a tax that enjoys a rising popularity with Polish farmers. The farmers who comply with particular criteria may pay value-added tax, which is profitable for them in the situation of increased investment outlays on their agricultural farms. The farmers who do not meet the criteria imposing the obligation of paying VAT may also take advantage of a kind of VAT refund in the form of lump-sum tax defined as a percentage of value of their agricultural products sales.

Property and Income Taxes. Real estate tax is levied on buildings or their parts, structures connected with conducting of activities other than the agricultural or forestry one, land not covered by agricultural or forest tax, or covered by these taxes but connected with conducting of a different activity, land under lakes, storage reservoirs or hydroelectric plants.

Within the changes introduced in 2003, there was created the register of land and buildings on the basis of which a real estate is subject to an appropriate tax. The tax basis and tax rates depend on the type of a real estate. The tax basis for real estate tax on buildings and their parts is their usable area expressed in m², for other structures it is their initial value determined on the first day of a tax year, for land it is its area in m².

Taxpayers of real estate taxes are natural and legal persons as well as units that do not have the status of a legal person, but they are owners or owner-like possessors of a real estate or perpetual usufructuaries of a real estate or its parts.

As far as real estate tax is concerned the commune (gmina) authorities have been equipped with a certain range of tax control powers within which they have the right to establish tax regulations for real estate tax, receive real estate tax revenues and administrate this tax. Such powers were especially given to commune councils and heads of communes (mayors) [1; 469-470].

The commune council is authorized to establish the rates of real estate tax, however it does not have a complete independence in that respect. The maximum limits for particular categories are determined by the law. The community council establishes the rates of real estate tax in the form of a resolution, not exceeding the maximum statutory limit, which is annually increased by the resolution of the Minister of Finance. The rates established by the community council may not be lower than 50% of the maximum limit or exceed such limit [2; 158].

The community council is authorized, however, to differentiate the tax rates depending on the objective criterion. The community council may vary the tax rates for different taxation objects depending on their location, kind of economic activity, type of buildings, their purpose, the way of land use, the buildings age and technical condition. The community council has the right to introduce tax exemptions from

real estate tax. However, such exemptions may not be granted to all taxpayers since this would breach the principle of universality of taxation and mean general abolition of tax obligation [1; 471]. Such exemptions may only cover some taxation objects, i. e. real estates whose type has been clearly defined and classified.

Agricultural tax has been in force since 1st January 1985. Since 1st January 2003, on the basis of the law on changing of the law of 10th October 2002 on agricultural tax, agricultural tax has been levied on land classified in the register of land and buildings as arable land or land planted with trees or shrubs on arable land, except for land used in conducting of economic activities other than agricultural activity. An agricultural farm is an area of land of total area exceeding 1 hectare or 1 conversion hectare which is the property or in the possession of a natural person, legal person or organizational unit, including a company having no legal personality. Agricultural tax also includes land of total area below 1 hectare, classified in the register of land and buildings as agricultural land, which before 2003 were subject to real estate tax.

The tax basis is the area of an agricultural farm expressed in conversion hectares. A conversion hectare is a conventional production unit that determines the possibilities of achieving income from an agricultural farm. This unit reflects differences in the types of arable land, their quality, economic development of agricultural areas and climatic-production conditions. At present the taxation basis for the land of agricultural farms is the number of conversion hectares determined on the basis of the area, types and classes of arable land as found in the register of land and buildings and specification of a tax area. Agricultural tax on 1 conversion hectare of such land is a pecuniary equivalence of 2,5 quintals of rye. For the remaining land the taxation basis is the number of hectares as found in the register of land and buildings. For such land the tax is calculated as the pecuniary equivalence of 5 quintals of rye. The tax value is calculated according to the average purchase price of rye from the first three calendar quarters of the year preceding the tax year.

The structure of agricultural tax contains a comprehensive system of statutory concessions and exemptions. For instance the tax exemption includes arable land located on V and VI class soils, and concessions cover mountain and submontane areas. The concessions are also available in connection with investments in construction and modernizing of livestock buildings and environmental protection structures, installation of sprinkling machines, water supply devices. The tax concessions are also available to persons doing the military service or victims of natural disasters.

The community council has the right to reduce the prices of rye purchase used as the basis of agricultural taxation in the community area. Although the reduction of taxation basis is universal in its character, the community council must not abandon collecting agricultural tax in a general, universal manner.

The solutions included in the structure of agricultural tax have a stimulating character, and are aimed at the maximum use of arable land. Since farmers, who

do not pay income tax, have to pay agricultural tax from all their land regardless of intensity of the land use or income gained from such land, they are motivated to make such a use of their agricultural land that would generate profits and enable them to pay agricultural tax [2; 520].

Since 1st January 2003 the structure of forest tax has been based on the law of 30th October 2002 on forest tax. Its structure is similar the one of agricultural tax. It is a property tax since liability for tax does not depend on earning profits from a forest, but it is connected with the very fact of possessing a forest. Bodies liable for paying a forest tax include a natural person, legal person or organizational unit which has no legal personality and which is the owner or owner-like possessor of a forest or is in possession of forests owned by the State Treasury or a commune. Forest taxation includes all forests except for the forests which are not connected with forestry economy, have been converted into holiday centres, recreational allotments, building lots and the forests which are excluded from forestry economy on the basis of separate administrative decisions. Forest tax liabilities are calculated on the basis of the forest area expressed in hectares as found in the register of land and buildings, as the pecuniary equivalence of 0,22 cubic metre of wood. The tax exemptions include forests with stand under the age of 40 years, forests which are a part of nature reserves and national parks, protective forests, forests included in the register of historic monuments.

The taxpayers of real estate, agricultural and forest taxes receive a single payment demand specifying amounts due of particular taxes and dates of payment (in four instalments).

Income tax is levied on income earned by farmers conducting special sectors of agricultural production [5].

Special sectors of agricultural productions include cultivation in greenhouses and heated plastic film tunnels, growing of mushrooms and mycelia, 'in vitro' plant cultivation, poultry farming for meat and eggs, poultry hatcheries, fur farming and laboratory animals farming, caterpillars farming, farming of entomophageous animals or plants, sericulture, bee keeping, breeding of other animals outside the agricultural farm.

For every tax year there are approved estimated norms of income from particular special sectors on the basis of the Resolution of the Minister of Finance. Farmers who pay income tax are obliged to file an appropriate tax declaration until 30th November of the year preceding the tax year, or when they begin to conduct special sectors of agricultural production during the tax year – within 7 days after commencing such economic activity. The head of a tax office determines the amount of advance tax payments for the whole next year on the basis of estimated income reported in the tax declaration.

A farmer who, on agricultural land, conducts plant cultivation or animal farming classified as belonging to special sectors of agricultural production pays both agricultural tax – on the area of the possessed land, and also income tax – on revenues from the special sectors.

Real Estate and Agricultural Tax Policy of Lublin Province Communes. Lublin province (województwo) is a typically agricultural region and its communes are mainly rural. Out of 209 communes of the province, 16 are classified as municipalities, 21 are in an intermediate stage of development between a rural commune and a municipality, and 172 are rural communes.

The analysis of tax policy of Lublin province communes, conducted on the basis of the analysis of the real estate and agricultural tax rates introduced by the communes in 2002 and 2007, indicates an intense activity of the communes in this area.

Table 1
Reductions of maximum rates of real estate tax
in Lublin province communes in 2002

Real estate tax basis in 2002	Maximum rates*	Rates (on average) implemented by communes	3:2 (%)	Number of communes implementing reduced rates	Percentage of communes implementing reduced rates
1	2	3	4	5	6
Usable area of dwelling-houses or their parts	0,49	0,31	64,27	185,00	92,50
Usable area of dwelling-houses or their parts connected with economic activity other than the agricultural one or forestry one	16,83	12,54	74,53	187,00	93,50
Usable area of buildings or their parts occupied for the purpose of economic activity of qualified sowable material trade	7,84	6,14	74,53	155,00	77,50
Usable area of the remaining buildings or their parts	5,62	3,67	65,25	188,00	94,00
Area of land connected with economic activity other than the agricultural one or forestry one and simultaneously not connected with dwelling-houses	0,60	0,44	74,13	176,00	88,00
Area of arable land used for agricultural purposes which is not a part of agricultural farms	0,06	0,03	54,83	196,00	98,00
Area of land under lakes, area of land occupied by storage reservoirs or hydroelectric plants	3,28	2,78	84,77	127,00	63,50

Real estate tax basis in 2002	Maximum rates*	Rates (on average) implemented by communes	3:2 (%)	Number of communes implementing reduced rates	Percentage of communes implementing reduced rates
1	2	3	4	5	6
Area of the remaining land built over with dwelling-houses, recreational houses, garages	0,09	0,06	68,50	185,00	92,50

Source: The authors' research based on 200 tax resolutions on 2002 real estate tax rates of Lublin province communes published in Lublin Province Official Journal 2001 no. 97-112 and 2002 no. 1-5.

* maximum rates as found on the website www.infoport.pl

Making tax resolutions for the year 2002 Lublin province communes considerably reduced maximum rates for particular categories of the tax objects. More than 90% communes reduced the tax rates. The ratio of the reduced rates to the maximum ones ranged from 64% to 75% of the maximum rates. The largest number of communes, 98% of all the communes included in the study, reduced the rates of the tax on the agricultural land which is not the part of an agricultural farm by nearly 45%. A large percentage of communes also implemented reduced rates in relation to dwelling-houses and land connected with economic activity, but the reduction level was about 25%.

Table 2
Reductions of maximum rates of real estate tax in Lublin province communes in 2007

Real estate tax basis in 2007	Maximum rates*	Rates (on average) implemented by communes	3:2 (%)	Number of communes implementing reduced rates	Percentage of communes implementing reduced rates
1	2	3	4	5	6
On land connected with economic activity, regardless of its qualification in the register of land and buildings – on 1 m ² of usable area	0,69	0,54	77,71	123	92,48

Real estate tax basis in 2007	Maximum rates*	Rates (on average) implemented by communes	3:2 (%)	Number of communes implementing reduced rates	Percentage of communes implementing reduced rates
1	2	3	4	5	6
On land under lakes, land occupied by storage reservoirs or hydroelectric plants – on 1 ha of such areas	3,65	3,25	89,04	63	47,37
On the remaining land – on 1 m ² of usable area	0,34	0,20	57,67	124	93,23
On dwelling-houses – on 1 m ² of usable area	0,57	0,39	68,01	116	87,22
On buildings connected with economic activity and dwelling-houses or their parts occupied for the purpose of economic activity – on 1 m ² of usable area	18,60	14,06	75,60	123	92,48
On buildings occupied for the purpose of economic activity of qualified sowable material trade – on 1 m ² of usable area	8,66	7,37	85,11	82	61,65
On buildings occupied for the purpose of economic activity of health services – on 1 m ² of usable area	3,75	3,55	94,61	71	53,38
On the remaining buildings – on 1 m ² of usable area	6,23	4,18	67,16	119	89,47

Source: The authors' research based on 133 tax resolutions on 2007 real estate tax rates of Lublin province communes published in Lublin Province Official Journal 2007, no1-28

* maximum rates as found on the website www.infoport.pl

Also in 2007 a substantial majority of Lublin province communes decided to reduce the rates of real estate tax. The communes were the most reluctant to reduce the tax rates on land under lakes, land occupied by storage reservoirs or hydroelectric plants – nearly a half of the communes implemented the rate reduced on average by 11%. The communes were equally unwilling to reduce the rates of taxation on buildings connected with economic activity of qualified sowable material trade as well as buildings occupied for the purpose of economic activity of providing health services. Approximately 90% of all the analyzed

communes reduced the other rates of real estate tax. The highest reductions were made in the tax rates on the remaining land – on average by over 43%, and on dwelling-houses – on average by 32%. It must be noted that almost all the communes implemented reductions, small ones however, in the tax rate on buildings connected with economic activity.

Table 3
Agricultural tax rates in Lublin province communities in 2002

Tax rates in PLN	Number of communes that implemented reduced or maximum rates	Percentage of communes that implemented reduced or maximum rates	Maximum rate in PLN	Average rate implemented by communes	Ratio of reduced rate to maximum rate in % (5:4)
1	2	3	4	5	6
Up to 10	1	0,53	37,19	8,00	21,51
10-15	1	0,53	37,19	14,60	39,26
15-20	11	5,85	37,19	18,56	49,92
20-25	45	23,94	37,19	23,40	62,92
25-30	72	38,30	37,19	28,29	76,08
30-35	51	27,13	37,19	32,65	87,80
35-37,18	5	2,66	37,19	36,06	96,95
37,19	2	1,06	37,19	37,19	100,00
Total of communes included in the study	188	100,00	37,19	27,86	74,9

Source: The authors' research based on 188 tax resolutions on 2002 agricultural tax rates of Lublin province communes published in Lublin Province Official Journal 2001 no. 97-112 and 2002 no. 1-5.

Table 4
Agricultural tax rates in Lublin province communities in 2007

Tax rates in PLN	Number of communes that implemented reduced or maximum rates	Percentage of communes that implemented reduced or maximum rates	Maximum rate in PLN	Average rate implemented by communes	Ratio of reduced rate to maximum rate in % (5:4)
1	2	3	4	5	6
Up to 10	0	0,00	35,52	-	-

10-16	1	0,65	35,52	15,2	42,79
16-21	5	3,25	35,52	19,04	53,60
21-26	32	20,78	35,52	24,22	68,20
26-29	55	35,71	35,52	27,49	77,39
29-34	58	37,66	35,52	30,27	85,21
34-35,51	2	1,30	35,52	34,5	97,13
35,52	1	0,65	35,52	35,52	100,00
Total of communes included in the study	154	100,00	37,19	27,65	77,83

Source: The authors' research based on 154 tax resolutions on 2007 agricultural tax rates of Lublin province communes published in Lublin Province Official Journal 2007 no. 1-28.

As for reductions in agricultural tax rates in 2002, 99% of Lublin province communes took advantage of the possibility of implementing such reductions. The highest reduction in agricultural tax rates was made by one commune that implemented the rate of 8 PLN, which meant the reduction of almost 80%. The rates reduced by more than 50% were only implemented by less than 7% of the analyzed communes. Most communes, 38% of the ones included in the study, reduced agricultural tax rate on average by 24% of the maximum rate.

In 2007, 99% of the analyzed communes also implemented reduced tax rates. Only one commune implemented a rate reduced by more than 50%. Approximately 24% communes implemented tax rates below 70% of the maximum rate. Most communes (73,37%), however, implemented average rates between 27,49 and 30,27 PLN, i. e. reduced from 15% to 24% of the maximum rate.

Reducing of tax rates by Lublin province communes implies a wide range of implementing of the tax policy. The communes also grant tax exemptions. Agricultural tax exemptions cover the land where agricultural production has been abandoned, and real estate exemptions most often include old-age or disabled pensioners and farmers. Taking into consideration that the majority of Lublin communes are of rural type it can be concluded that reductions in tax rates, especially in agricultural tax, constitute an element of the social policy rather than the fiscal one of the communes.

Value-Added Tax. Agricultural products have been subject to VAT taxation since 4th September 2000 [6]. In 2004 a new VAT law was passed and amended several times in the following years. The law determines the income limit which imposes the obligation to register as VAT taxpayer and VAT exemptions for

farmers. The farmers whose sales revenues have not exceeded the equivalent of €1200000 denominated in PLN, on the basis of Article 43 paragraph 1 point 3 of the law [7], may take advantage of the tax exemption. They may supply agricultural products from their own economic activity and render agricultural services without the obligation of registering and becoming VAT payers. Although such farmers are not VAT payers, they still receive 6% tax refund to compensate the expenditure on VAT included in the price of purchases made by them.

Agricultural products sold by the farmers who are VAT payers have been taxed with the rate of 7%, but in the transitory period from 1st May 2004 to 30th April 2008 there was implemented a preferential rate of 3%. Since 1st May 2008 there have been made changes in the classification of certain agricultural products and services to particular tax rates and there has been established another validity period of the reduced rate of 3%, which only covered some of the agricultural products, i. e. unprocessed products including cereal, potatoes, vegetables, meat, fish and eggs. 7% tax rate was imposed, however, on some agricultural services, e. g. services connected with animal farming or products and services purchased by farmers for agricultural production.

If a farmer's sales revenues exceed the amount of money defined by the law on accountancy, such a farmer is obliged to start conducting full accounting following accounting standards and register as a VAT payer. A farmer may also voluntarily resign from VAT exemption and become a VAT taxpayer after fulfilling the necessary conditions. The essence of the taxation with VAT is the taxation of added value, which is the difference between sales revenues and expenditure on the purchase of materials and services. VAT payers are legal persons, organizational units that do not have legal status and natural persons who individually conduct economic activity regardless of the purpose or result of such activity [7]. VAT is a turnover tax, whose burden is carried by the ultimate consumer. The objects of VAT taxation include supply of goods and services for consideration, import of goods, export of goods, intra-Community acquisition of goods for consideration, intra-Community supply of goods.

The example below presents a model of calculating of specific VAT categories by subsequent taxpayers. Such categories include added value, input and output VAT as well as the connection of the payable tax amount with added value.

In the example the following simplifications were assumed: taxpayers (subsequent contractors) make purchases and sales of products taxed with 3% rate, the amounts that each taxpayer received from sales are higher than the amounts each of them paid for purchases.

The amount of the tax due to the tax office is established on the basis of the difference between the output and input VAT. The output tax is calculated by multiplying net income from sales of goods and services (i. e. turnover) by the appropriate tax rate. The input tax is the tax specified in the purchase invoice and paid by the taxpayer when making purchases or imports. When output VAT is higher than input VAT, the difference in these amounts is payable to the tax

office as a tax liability. In the case when the amount of the input tax exceeds the one of the output tax, the difference in the amounts is refunded to the taxpayer. VAT payers are obliged to file appropriate VAT statements and pay the amounts due until 25th day of the month succeeding the month (calendar quarter), in which such tax-paying liabilities occurred.

Table 5
Principle of VAT calculation-example

Purchases net amount	Purchases gross amount (incl VAT)	VAT rate purchase/sale	Net sales	Gross sales (incl VAT)	AV (added value)	Output VAT (sale)	Input VAT (purchase)	VAT due
100	103	3%	150	154,5	50	4,5	3	1,5
150	154,5	3%	220	226,6	70	6,6	4,5	2,1
220	226,6	3%	300	309	80	9	6,6	2,4
300	309	3%	360	370,8	60	10,8	9	1,8
360	370,8	3%	450	463,5	90	13,5	10,8	2,7
450	463,5	3%	520	535,6	70	15,6	13,5	2,1

Source: The authors' research

Summary. Basic taxes levied on Polish farmers are property taxes including the agricultural, real estate and forest taxes. The real estate tax is imposed on the basis of the law on local taxes and fees, the agricultural and forest taxes, however, are regulated by separate laws. All these taxes are referred to as self-government taxes, which constitute revenues of communes, the territorial self-government units. For several years there has been conducted work on combining all these taxes into one tax on real estate and establishing a different taxation basis for such real estates. In each of the taxes, in the present form, the taxation basis is the area of a particular real estate, regardless of the fact whether such a real estate is land, a building, agricultural land or a forest. It would be much easier to achieve fiscal goals required by the State if the tax assessment were conducted on the basis of a real estate value. The introduction of the cadastral tax on all kinds of real estates, however, encounters strong social opposition and serious problems with establishing of the taxation basis. After taking certain actions aimed at reforming of the real estate taxation system at the beginning of the present century, further work on the reform has been abandoned. Such situation is undoubtedly the result of the lack of conception of how to determine the present values of real estates and high costs that would be incurred by the appraisal of all real estates in Poland.

Imposing of value-added tax on agricultural products, and especially on products used in agricultural activity is not profitable for the farmers who are not

VAT payers. The tax amount included in the price of purchases made by a farmer is a cost-increasing element and considerably raises production costs. It must be noted that farmers' highest expenses on agricultural activity connected with purchasing of tools, agricultural machines and spare parts, fuel, construction materials, are additionally increased by the highest VAT rate of 22%, which such products are subject to. This causes a considerable increase in the costs of production and agricultural activity which have to be paid by farmers. At this point a farmer is the ultimate consumer of products and is burdened with the tax, which results from the structure of indirect tax. For this reason the Polish legislation uses an interesting structure of value-added tax exemptions for farmers. So-called lump-sum farmers, who are not VAT payers, may take advantage of the tax refund in the form of lump-sum percentage calculated on the amount of sales made by such farmers.

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