INTRODUCTION

Considerable differences emerge between the EU states in terms of taxation systems. Discrepancies occur not only in different approaches to taxes (direct and indirect ones) but also (within the same tax) in different definitions of a taxation base, tax rates, etc. This is also true about taxes levied in agriculture [Parsche and Radulescu 2004]. In most of the taxation systems binding in the EU member states, agriculture-related taxes are not distinguished from the general system, although farm owners are treated differently than other taxpayers. There are two approaches to taxation of agriculture: one that treats farmers equally with other occupational groups, sometimes, but not always, providing some tax relief for agricultural incomes. The other approach treats agriculture preferentially, by implementing special taxation regulations that aim to protect and support farmers [Kulawik et al. 2013].

THE AGRICULTURE TAX SYSTEM AND THE PERSPECTIVE OF ITS CHANGES IN THE OPINION OF FARMERS IN THE WARMIŃSKO-MAZURSKIE VOIVODESHIP

Roman Kisiel, Wiesława Lizińska, Olga Senyszyn

University of Warmia and Mazury in Olsztyn

ABSTRACT

The research aim is to verify opinions among farmers in Poland about the current taxation system, and their willingness to possibly approve of reforms of taxes in agriculture. Direct research using a questionnaire was conducted in the second half of 2018 among 197 farm owners from four districts in the Warmińsko-Mazurskie Voivodeship. For about 1/3 of the farmers surveyed, introducing changes to the tax system would cause too much financial burden in relation to the level of income achieved. The farmers confirm the legitimacy of favouring agriculture in the taxation system, which they are not completely satisfied with in this form. At the same time, 55% of respondents were not ready to accept the new rules of system operation, while about 20% of respondents would be able to accept the reform. They pointed out various reform proposals, the best solution (34.52% of respondents) would be to liquidate the agricultural tax and replace it with a land tax (in the amount of 50% of the agricultural tax rate). According to 27% of respondents, the current tax system is adequate and does not require changes.

Key words: agriculture farms, taxation system in agriculture, reforms of system

JEL codes: Q14, H25
Separation from the general taxation system is a distinguishing feature of the agriculture taxation applied in Poland [Kisiel and Idzikowska 2014]. As highlighted by Gruziel [2008], the fact that taxation of farmers is excluded from the general taxation system is a sufficient proof that taxpayers are not treated equally and that principles of taxation fairness and equality are undermined. Dziemianowicz [2007] also notices that the construction of taxes should eliminate any elements which favour inefficient farming, as these should be replaced by a new construction that would boost the development of agriculture and the entire economy.

The preferential tax regulations for agriculture in Poland give rise to objections expressed by groups of taxpayers not involved in farming, who, for the sake of social justice, demand to be treated equally in terms of payable taxes [Chlebicka and Lewandowski-Lepak 2012]. Criticism pertains to the way taxes are calculated and to their incongruence with the current economic situation in Poland. The system is unsuitable for both agriculture and the whole domestic economy [Kubot and Czubak 2016]. Since the early 1990s, parallel to the ongoing transformation processes, it was suggested that agriculture be levied a general income tax so as to achieve cohesion of the whole taxation system and obtain higher fiscal efficiency and more effective attainment of non-fiscal goals from this sector [Wojtowicz 2016]. Consequently, attempts have been made to reform the taxation system in farming, particularly by introducing personal income tax. The legitimacy of such an approach is seen, for instance, in the fact that most benefits are reaped by the largest farms, where high revenues do not commensurate with a small financial burden of taxation. The current solution is also questioned because agricultural tax contributes little to municipal budgets, which secure the highest revenues from real estate property taxes [Cholewa and Nachtman 2014].

In the Polish taxation system, the most significant form of a tax levied on agriculture is agricultural tax [Forfa 2011], which is generally paid by all farmsteads, often entitled to certain tax reliefs [Pawlowska-Tyszko et al. 2015]. Agricultural tax is a tax whose collected amount mostly feeds the budgets of rural municipalities. However, the ratio of rural municipality revenues from agricultural tax to their own revenues and income from local taxes is decreasing. This trend may have been affected by the development of residential functions and services in the countryside, especially in municipalities located near larger cities [Kozera 2017]. Furthermore, as noted by Mielczarek [2017], if agricultural tax were to be replaced by personal income tax, farmers would benefit as well, provided low tax rates were applied. Meanwhile, the substitution of agricultural tax with personal income tax would be beneficial to the state and to local governments of provinces and districts, while municipalities would benefit too if the adopted tax rate exceeded 10%. In turn, a study completed by Prymon and Turowska [2017] concludes that imposing general income tax on farmsteads does not guarantee higher revenues earned by the state budget. According to these researchers, the best solution would be to apply a lump-sum tax of about 2%.

There are many implications suggesting that the taxation system in agriculture should be reformed. One of the reasons is the improved economic standing of Polish farms owing to the country’s access to the EU. Tax reforms could also help to unify the entire taxation system [Owsiak 2016]. To respond to this need, researchers propose many concepts and assess different ways in which the system might be reformed. An example is a project modelled on the German system, which envisages that farmers would keep account books. Following the reform, agricultural tax would be replaced by personal income tax or property tax. Income tax liabilities would be calculated in compliance with the general regulations (based on entries in revenue and expense ledgers or in account books), or a lump-sum tax on recorded income [Cholewa and Nachtman 2014]. However, as Dziemianowicz [2007] as well as Van der Veen and co-authors [2007] observe, estimating an income is still a gross problem in many EU countries. Information about standards is usually available, but it is not entirely clear.

The pace of changes in the taxation system applied to agriculture depends on the country’s agricultural policy and the policy of the EU, which strives towards harmonisation of taxation systems. There is another significant aspect to be considered, which is the willingness of farmers to accept reforms.
RESEARCH OBJECTIVES AND METHODOLOGY

The research aim was to verify opinions among farmers about the current taxation system, and their willingness to possibly approve of reforms of taxes in agriculture. Achievement of this goal relied on the authors' own investigations. A direct study using a specially designed survey questionnaire was carried out in the second half of 2018. The survey was responded to by 197 owners of farms from four districts (powiat): Braniewski, Elbląski, Olsztyński and Ostródzki, situated in the Warmińsko-Mazurskie Voivodeship. The voivodeship as well as the selected districts are distinguished by a highly important role of agriculture in their development, which was an argument supporting our choice. According to data collected by the Statistics Poland (Główny Urząd Statystyczny), the total area of the province used for farming made up 6.45% of the farmland in Poland (seventh position among all Polish voivodeships). The share of persons1 employed in the agricultural sector in the Warmińsko-Mazurskie Voivodeship equalled 11.65% of the whole working population (10.18% on average in Poland). According to the agricultural census, the four districts chosen for the study comprise 28.35% of all farms with more than 1 ha of arable land located in the province, which in turn makes up 26.44% of the total farmland in the voivodeship.

Questions contained in the survey concerned: the level of satisfaction from the way the taxation system in agriculture worked, willingness of farmers to accept reforms in this system, suggested taxation base for farms, and worries raised by the implementation of reforms in the taxation system. The analysis based on the acquired opinions of farmers was presented against the background of the farms' area, type of activity conducted and achieved revenue.

RESEARCH RESULTS

The ongoing debates regarding conditions underpinning agricultural taxation reforms and a possibility of implementing some changes reveal one important issue: the consequences of possible reforms on the revenues earned by agricultural farms. This in turn determines the outcome of all analyses of other factors affecting the economic position of farms, and consequently their capacity to bear a potentially higher tax load.

As underlined by Poczta and co-authors [2009], the number of factors that determine the revenue situation of farms, their power and direction of impact, vary depending on what type of agricultural producers a given farmer belongs to. Furthermore, there are unmeasurable or hardly quantifiable determinants of agricultural revenues. The income side of farming is undeniably affected by a farm’s productive capacity (especially defined by the size of arable land owned by a farm and technical facilities aiding a farmer’s work). In addition, it has been noticed that the said income is influenced by many of the analysed variables, but the specific set of these variables and their force of impact vary between types of farms. Generally, the lower the revenue a farm representing a given type of agriculture earns, the greater the number of statistically significant variables affect the amount of earned revenues.

In a study we conducted, the determinants of agricultural revenues included the area structure of a farm and the type of agricultural production it carried out. An analysis was also made to discover farmers' self-assessment of revenues earned by their farms (on a scale: low-income, moderate-income, and high-income farm). Among the farms submitted to the study, there were large differences in acreage (Fig. 1). According to data provided by the Agency for Restructuring and Modernisation of Agriculture (Agencja Restrukturyzacji i Modernizacji Rolnictwa), the average area of farmland per farm in Warmia and Mazury region was 23.05 ha. In each of the four districts submitted to this study, the dominant type of farms was the one with mixed production (47.62–62.07%). A relatively small number of respondents ran farms totally dedicated to animal production, while organic farms were even less popular (Fig. 2).

The profile of agricultural production is often associated with the area structure of a farm. Mixed production is characteristic for smaller farms. Plant

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1 Working over 15 years (on average a year), according to labour force surveys – BAEL [GUS 2018].
and animal production farms are often medium-size and large farms. These farms combine plant and animal production because commodity plant production (mostly cereals) alone, except horticulture and vegetable production, cannot guarantee large profits [Kania and Kapłon 2014]. Finally, organic farms are more and more common in Poland, mainly because they are heavily subsidised by the EU. Organic farms, as demonstrated by Brodzińska [2014], are the farms that do not supply commodity goods, and subsidies from the EU allocated to farms with organic food production are their main source of revenues. The prevalent number of farms in each district was classified by their owners as generating moderate or low revenues (Fig. 3). The least numerous were high-income farms. Changes in the taxation system in agriculture might cause the most serious difficulties for owners of low-income farms because, as implicated by Pawłowska-Tyszko and Agustyńska-Grzymek [2016], the fiscal burden on economically weak farms is relatively the heaviest.

Among the principal issues raised in the subject literature, two questions concerning taxation in agriculture are emphasised. One issue is the exclusion of this tax from the general system, while the other deals with the different character of the taxation system in agriculture in Poland versus the solutions in other EU countries. Attention is also drawn to the consequences of this model for the development of agriculture, the influence on changes in the agrarian structure, particularly distracted allocation of resources. This research also deals with opinions among farmers about individual elements of the taxation system addressed to agriculture. Respondents gave the highest score (4 on a 1–5 scale) to the duration of tax periods. The following components of the tax system were evaluated
The results might have been influenced by the fact that the respondents made a general evaluation of all components of the tax system. Hence, a deeper analysis was carried out at a later stage of the study, when particular taxes, i.e. agricultural, forest and VAT, were evaluated separately. Agricultural tax was assessed by 46.70% of the respondents as being an excessive burden to small farms, which may have been caused by the dominant share of small and medium-sized farms participating in the study. However, an earlier study by Pawłow ska-Tyszko and Augustyńska-Grzymek [2016] also concluded that fiscal burden (taxes and para-taxes) was incommensurably high relative to the revenues generated by farms characterised by different economic strength (from 2% of the revenue in economically strong farms to 6–8% in economically weak ones). However, the results of the Ganc and Mądra [2011] research showed that the majority of farmers confirmed that the tax burden on agriculture is low.

In the questionnaire reported herein, about 26% of the respondents agreed that the construction and function of agricultural tax were proper. However, according to the farmers questioned, forest tax was an additional burden to agricultural activity (43% of the respondents).

The VAT construction and the principles underlying this tax were evaluated as being unclear and complicated by as many as 41% of the farmers, while 29% pointed to difficulties in settling VAT liabilities. Farmers remain apprehensive of VAT due to the commonly held belief that this is a complicated tax. As observed by Kondraszuk and Jaworski [2017], the rules guiding the VAT application are not correctly interpreted and effects of this tax are likewise wrongly understood. Having examined the situation in EU member states...
and in some other countries, Cnossen [2018] concluded that farmers are often exempted from VAT on administrative or political grounds. However, this means that farmers are unable to discount the VAT paid on their inputs into agriculture.

Despite many opinions in favour of the inclusion of farmers into the general tax system, there are many groups of researchers clarifying why this occupational group should be treated differently. The overriding arguments are: changeability of farm revenues, dependent on the economic situation in and outside one’s country as well as the weather conditions, a low rate of return from agriculture, and in some countries an aspiration to ensure food self-sufficiency [Pawłowska-Tyszko et al. 2012].

The farmers were also asked whether they thought it was justified to give certain privileges to agriculture. Approximately 10% did not see any reason why agriculture should be included in the general taxation system. A distinct majority (about 75%) decided that farming should have some preferences, but fewer farmers stated they were absolutely clear about it (25.4%), which may create a chance that farmers will approve of tax reforms in the future. About 15% of the respondents had no opinion on this matter.

The agriculture taxation system will need to be reformed in the future, mostly in order to harmonise taxes in all EU states, hence the surveyed farmers were asked whether they were willing to accept a change. About 55% were not ready to adopt new rules of the taxation system. Approximately 20% of the respondents would be ready to accept a change, while about 25% were not certain. In conclusion, farmers do not feel fully prepared to accept reforms in the tax system, but the number of those who strongly oppose to any change is distinctly the smallest. The farmers evaluated several tax reform concepts (Fig. 5). In their opinion, the best solution (34.52% indications) would consist of the abolishment of agricultural tax and its replacement with a land tax (in an amount corresponding to 50% of the agricultural tax rate). However, this solution is not adequate to the changing conditions of agricultural activity, because the importance of land as a factor of production is diminishing due to, among other things, technological progress. The land owned is not always used for agricultural production.

This solution would not be excessively complicated and would benefit farms with various area structure. About 24% of the farmers chose the requirement of keeping a ledger of incomes and costs, which would also be a simple solution, simultaneously providing basic information about a farm. Nearly 14% claimed that farms should be levied a PIT according to the same rules as any other business.

**Fig. 5.** Suggested reforms of the taxation system in agriculture, evaluated by the respondents

Source: Own research and elaboration.
activity, while 10.15% would accept PIT on condition that social and health contributions were decreased. Around 27% were in favour of the opinion that the current taxation system in agriculture is appropriate and does not require any change. The farmers were asked to indicate the most beneficial tax rate base, which in their opinion should be implemented in the system (Fig. 6). The largest group (41.12%) pointed to the number of standardised hectares a farm possesses, which is the current tax base. In sum, about 60% of the respondents pointed to a tax base different from the one used until now.

The simulation of fiscal consequences of implementing various ways of levying taxes on agricultural activity, carried out by Wójtowicz [2016], demonstrated that each new solution would create a greater tax burden for farmers than imposed by today’s system. Also, a burden on farms with a lump sum from those obtained revenues would be bad for farms. In this form of taxation, it is not possible to deduct operating costs, which are high in the case of agricultural activity [Wasilewski et al. 2016].

A chance that the taxation system in Poland might be reformed evokes many worries among farmers (Fig. 7). The worries are associated with bureaucracy and, worse, the material situation of farms. Similar fears raised by potential reforms to the taxation system were identified in a survey conducted by Kubot and Czubak [2016], where farmers highlighted that they would need to maintain account ledgers and worried they would have to bear an additional tax burden. Should any reforms be planned, farmers would expect solutions to support the adjustment process. For farmers, it would be crucial to have a transition period, introduce simplified form of recording cash flows, and to have user-friendly tax forms.

Fig. 6. Suggested tax base for farms evaluated by the respondents
Source: Own research and elaboration.

Fig. 7. Worries raised by reforms in the taxation system
Source: Own research and elaboration.
Recapitulating, if new regulations are to come to life, the legislator should strive towards creating a system based on simple and clear regulations, essential for its efficient functioning. An important element of a future system would be to shape it in favour of regulations which would not raise doubts regarding their interpretability when a farm is subjected to tax inspection. The system should also support farmers and farms, and contain mechanisms to prevent a sudden decrease in a farmer’s income.

SUMMARY

Considering the size structure of farms, types of farming and levels of earned revenues, it is possible to conclude that if the current taxation system were to be reformed, about 1/3 of the farmers covered by our research who evaluated their farms as low-income would have to bear a greater fiscal burden, which is already relatively higher than the fiscal burden imposed on farms that enjoy a more favourable income situation. It also needs to be highlighted that the vast majority of farmers are in favour of the preferential treatment of agriculture in terms of taxes, although they are not completely satisfied with the current form of the Polish taxation system. Meanwhile, 55% of the respondents were not ready to accept new regulations, while around 20% might accept reforms. In general, most of the farmers questioned chose different concepts of taxation system reforms, but the most preferred option (34.52%) was to abolish agricultural tax and replace it with a land tax. However, 27% supported the opinion that the current taxation system was proper and did not need any change. Obviously, this may be underpinned by worries, which are an invariable component of change. Our respondents attributed their fears to the following risks: increased bureaucracy, higher taxes, lower incomes. Many (42.64%) are also afraid of a greater number of tax inspections or difficulties calculating correct amounts of due taxes.

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SYSTEM PODATKOWY W ROLNICTWIE I PERSPEKTYWA JEGO ZMIAN W OPINIACH ROJNIKÓW Z WOJEWÓDZTWA WARMIŃSKO-MAZURSKIEGO

STRESZCZENIE

Celem pracy jest zweryfikowanie opinii rolników na temat funkcjonującego systemu podatkowego w rolnictwie oraz stopnia ich gotowości na ewentualne wprowadzenie reform w tym systemie. Badania bezpośrednio z wykorzystaniem kwestionariusza ankiety przeprowadzono w drugiej połowie 2018 roku wśród 197 właścicieli gospodarstw rolnych z czterech powiatów w województwie warmińsko-mazurskim. Dla około 1/3 badanych rolników wprowadzenie zmian w systemie podatkowym spowodowało zbyt duże obciążenie finansowe w relacji do poziomu osiąganych dochodów. Rolnicy potwierdzają zasadność uprzywilejowania rolnictwa w systemie opodatkowania, z którego w tej postaci nie są w pełni zadowoleni. Jednocześnie 55% badanych nie było gotowych na przyjęcie nowych zasad funkcjonowania systemu, a reformę byłoby w stanie zaaceptować około 20% badanych. Wskazywali oni różne propozycje reform: najlepszym rozwiązaniem (34,52% badanych) byłaby likwidacja podatku rolnego i zastąpienie go podatkiem od ziemi (w wysokości 50% stawki podatku rolnego). Według 27% badanych system opodatkowania występujący obecnie jest odpowiedni i nie wymaga zmian.

Słowa kluczowe: gospodarstwa rolné, system podatkowy w rolnictwie, reforma systemu