PERSONAL INCOME TAXATION IN POLAND

Edyta Małecka-Ziembińska, Ph. D.
Poznan University of Economics
Department of Public Finance,
al. Niepodległości 10, 60–967 Poznań, Poland
Phone/fax: ++48 61 854 38 64
E-mail:malecka@ae.poznan.pl

The Polish taxation system has been undergoing substantial changes in recent years, aimed at creating a more transparent system and conforming to the taxation standards of market economy countries. The two most important changes were introduction of the personal income tax (PIT) in 1992 and replacement of the turnover tax with the value added tax (VAT) in 1993.

The uniform personal income tax covered all incomes generated by natural persons irrespective of where the sources of income are located. The reform provided also a more equitable distribution of the tax burden by introducing a progressive system with three nominal tax rates (in 1992–20%, 30%, 40%).

A comparative study of the effective PIT rate for pensioners and other groups of PIT payers is the main goal of this paper. The study refers to our own research on data received from The information of Polish Ministry of Finance about accounting of PIT in several subsequent years. Statistics cover a period from 1993 to 2003. However, numbers of taxpayers refer also to year 1992 when the PIT has been established and a period from 2004 to 2006.

Concluding the situation in Poland, taxpayers with the highest income make exhaustive use of tax reductions. There are occurring situations when well-off people benefit more than people with relatively minor income (e. g. pensioners). It happens even if most of deductions were aimed generally at all taxpayers. Such a situation reduces the impression of the system fairness. Because tax deductions reduce budgetary revenues, the foregone revenues have to be compensated by other taxes or / and higher rates. Therefore, the system of deductions and relief, on the one hand, supports the special gains (e. g. house building), however, on the other it generates costs. It is possible that the reduction of tax rate for the I tax bracket and removal of some tax exemptions and deductions would make the Polish personal income tax more transparent, equal and simple.

Keywords: *sources of income, pension, personal income tax, effective tax burden, progressive tax.*

Introduction

The study of tax-related issues viewed from the perspective of personal income requires a short introduction to the Polish tax law regulations.

The Polish taxation system has been undergoing substantial changes in recent years aimed at creating a more transparent system and conforming to taxation standards existing in market economy countries. The two most important changes were introduction of the personal income tax (PIT) in 1992 and replacement of the turnover tax with the value added tax (VAT) in 1993.

The uniform personal income tax covered all incomes generated by natural persons irrespective of where the sources of income are located. The reform provided also a more equitable distribution of the tax burden by introducing a progressive system with three nominal tax rates (in 1992 – 20%, 30%, 40%).

The tax subject of the Polish PIT is extensive because it embraces personal revenue and revenue from private business activities. However, there are some exceptions, and certain types of income are not subject to the personal income tax. The list of exceptions contains, among others, the following sources of revenue:

- agricultural activities, which are generally understood as production of unprocessed foodstuffs on a farm, and income from forestry. However, income from special branches of agriculture (including breeding of certain animals and mushroom cultivation) is subject to income tax;
- forestry;
- property falling under provisions on inheritance and donations;
- resulting from activities which cannot be considered a subject of a legally effective contract;
- distribution of the joint property of spouses due to the cessation or limitation of their property co-ownership;
- ship-owners falling under provisions on tonnage tax;
- payment for supporting family needs according to Article 27 of Family and Guardianship Code.

The tax base of the personal income tax is the sum total of revenues earned by a taxpayer from nine sources. Income from each source is defined as the surplus of revenues from that source over the costs involved in generating that revenue in a given tax year. If in a given tax year losses from any source of income exceed the taxpayer's income from that source, then the taxpayer has the right to deduct the loss over the next five years from income derived from the same source (but no more than 50% of the loss in one year).

The country tax law defines a complex system of rules for calculating the costs of earning. In general, these rules make costs dependent on a source of revenue. For example, a cost of earning revenue from a permanent employment contract is specified as fixed amounts in the tax act, while a cost of revenue from a commission contract is equal to 20% or 50% of the revenue. In the case of pensions, no costs can be calculated because the whole revenue coming from the pension is considered as a personal income eligible for taxation.

In such a situation, the definition of income according to the law on income tax differs from the real private person's income and from theoretical definitions (see, for example, H. C. Simons[1], W. W. Hewett[2], R. B. Bangs[3], M. Haig[4], H. Haller[5], R. A. Musgrave and P. B. Mus-

---

[1] Simons, H. C. (1965). Personal Income Taxation. The definition of income as a problem of fiscal policy, The University of Chicago Press, Chicago-London, p. 41–58.

[2] Hewett, W. W. (1925). The Definition of Income and Its Application in Federal Taxation, Westbrook Publishing Co., Philadelphia, p. 22–23.

[3] Bangs, R. B. (1940). The Definition and Measurement of Income, The Accounting Review, Vol. 15, No. 3, p. 353–371.

[4] Haig, M. (1921). The Concept of Income – Economic and Legal Aspects, in: The Federal Income Tax, New York, p. 1–28.

[5] Haller, H. (1981). Die Steuern, ed. 3, Tübingen, p. 42.

grave[6], K. Tipke and J. Lang[7]). Moreover, the definition according to the law doesn't include all sources of revenue.

In 2008, Poland applies three tax rates: 19%, 30% and 40%. The lowest statutory rate applies to the vast majority of taxpayers. The threshold is set at PLN 44 490 (around € 13 200). Income above PLN 85 528 (around € 25 230) is charged at the highest rate of 40%. Dividends and interest payments are subject to a final withholding tax at the rate of 19%.

A standard tax credit of currently PLN 586.85 (around € 173) is granted to all taxpayers. There is a limited number of allowed deductions that may reduce the aggregate taxable income, e.g. social security contributions, donations for purposes relating to religion and public utility organisations, the costs of the Internet access in the taxpayer's premises. A tax credit for contributions to the obligatory health insurance is granted. Parents could may deduct child allowance reducing their tax since 2007.

Retirement or disablement pensions are the subject of taxation in the Polish tax law[8]. The taxation of pensions is done according to different regulations that include calculation of taxpayer's revenue earning costs and rules of calculating a year-wide tax return.

A due tax pre-payment has to be paid to the tax authority (the local tax office) by a taxpayer or by a tax remitter. Tax remitters are obligated to calculate and collect income tax through the year. Some examples tax remitters in Poland can be:

- employers – in case of income receive from employment,
  social insurance institutions (ZUS and KRUS) – in case of old-age, disability or survivor pensions or some other kinds of benefit from the social insurance,
  banks – in case of interest or other revenues earned from cash means deposited on the taxpayer's bank accounts.

Let me remark that pensioners are the only group of taxpayers in Poland that have no choice of the tax remitter. In their case, the law enforces that the PIT remitter is an institution being at the same time the payer of their pensions. The rest of taxpayers that do not belong to this group may choose the tax remitter. They can pay tax themselves or choose a tax remitter that settles their tax, for example, the current employer. The choice of tax remitter involves an unconditional delivering of a filled PIT-12 document to such tax remitter before 10th January of a year after the settled year. Pensioners have to submit a filled tax return only in a situation when they have some additional revenues from other sources than their own pension or have chosen a joint tax settlement with the spouse or plan to benefit from tax deductions.

A comparative study of the effective PIT rate for pensioners and other groups of PIT payers is the main goal of this paper. The study refers to our own research on data received from "The information of Polish Ministry of Finance" about accounting of PIT in several subsequent years. The statistics cover a period from 1993 to

---

[6] Musgrave, R. A., Musgrave, P. B. (1980). Public Finance in Theory and Practice, McGraw-Hill Book Company, New York, p. 336–347.

[7] Tipke, K., Lang, J. (1991). Steuerrecht, Köln, S. 202.

[8] Article 10 of Act of 26 July 1991 on personal income tax (consolidated text: Journal of Laws of 2000, No. 14, item 176 with subsequent amendments).

2003. However, the numbers of taxpayers refer also to year 1992 when the PIT has been established, and a period from 2004 to 2006.

Groups of PIT taxpayers according to tax settlement form

This section presents a study of data describing a number of PIT payers in relation to the form of a year-wide tax settlement. There are two main ways of tax settlement: by oneself or by a tax remitter (see Tables 1 and 2).

Elaborated data unveil that only in 1992 (the first year after PIT introduction to the Polish tax law) the number of taxpayers settled by tax remitters was higher than the number of taxpayers who settled themselves. The share of the first group was 54%. The situation reversed in 1993 when about 51% of taxpayers settled PIT themselves. The share of this group rose in subsequent years to 79.1% in 2005. The decreasing share of taxpayers settled by tax remitters was a result of the withdrawal of employers from tax settlements activities for their employees. Some reverse of this trend was observable in 2006 when 73.0% of taxpayers settled themselves. During the whole period, the most numerous fraction in the group of taxpayers settled by tax remitters were pensioners. Their share in this group of taxpayers rose from 52.7% in 1992 to 90.7% in 2005.

All payers of pensions in Poland are at the same time tax remitters of pensioners. A significant participation of pensioners in the group of taxpayers settled by tax remitters reflects the fact that these people live lonely or their spouse is also a pensioner. Therefore, they have no interest in a joint tax settlement with their spouse. Because the majority of them are older, they do less willingly any expenses that would be deductible from the tax. Most of tax deductions in the Polish tax law are directed toward younger population, e. g. tax deductions for the Internet. In effect, they resign from additional and unprofitable work connected with filling a tax return, and they prefer to leave tax settlement activities to pension payers. An additional motivation for leaving PIT settlement activities to payers of pensions is given by the regulations in the law. A pensioner has no obligation related to delivering the PIT-12 form to the appropriate tax remitter (his pension payer).

Effective personal income tax burden for different sources of revenue

In this section, an effective tax burden rate is understood as a relation of the tax amount after deductions to the income before deductions. The income before deductions is not yet a tax base. The taxable income is calculated after deducting the income tax deductions.

Table 3 contains the PIT rates in years 1993–2003. A difference among these rates and the effective tax burden rates reveals how much taxpayers were able to reduce the tax burden using tax deductions.

Although the tax rates in the year 2003 do not differ much from the tax rates of 1993, we can observe significant fluctuations in the tax rates over the last eleven years. The span for the highest tax rate was up to 5 percentage points and for the higher rate up to 3 percentage points. The basic rate was relatively stable and changed up

Table 1. ***Number of PIT taxpayers according to tax settlement form, 1992–2006***

Taxpayers	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
On general terms	21 543 195	22 162 430	22 154 864	22 897 589	23 454 597	23 496 771	23 858 959	23 130 337	23 377 112	23 187 527	23 204 720	23 444 836	23 801 484	23 938 623	24 063 759
Settled themselves	9 904 705	11 329 782	12 167 918	14 561 274	15 950 189	16 053 934	16 604 520	17 358 552	17 638 982	17 941 853	18 066 873	18 360 870	18 678 568	18 942 114	17 559 668
Settled by tax remitters	11 638 490	10 832 648	9 986 946	8 336 315	7 504 408	7 442 837	7 254 439	5 771 785	5 738 130	5 245 674	5 137 847	5 083 966	5 122 916	4 996 509	6 504 091
Settled by social insurance institutions	6 132 786	6 914 802	6 960 848	6 413 642	6 166 879	6 124 564	6 038 407	4 859 448	4 967 881	4 643 127	4 581 314	4 617 483	4 631 268	4 534 174	5 848 487
Settled by employers	5 505 704	3 917 846	3 026 098	1 922 673	1 337 529	1 318 273	1 216 032	912 337	770 249	602 547	556 533	466 483	491 648	462 335	655 604

Source: the information of Polish Ministry of Finance about accounting for PIT in particular years.

Table 2. ***Structure of PIT taxpayers according to tax settlement form, 1992–2006 (%)***

Taxpayers	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
On general terms = 100															
Settled themselves	45.98	51.12	54.92	63.59	68.00	68.32	69.59	75.05	75.45	77.38	77.86	78.32	78.48	79.13	72.97
Settled by tax remitters	54.02	48.88	45.08	36.41	32.00	31.68	30.41	24.95	24.55	22.62	22.14	21.68	21.52	20.87	27.03
Settled by tax remitters = 100															
Settled by social insurance institutions	52.69	63.83	69.70	76.94	82.18	82.29	83.24	84.19	86.58	88.51	89.17	90.82	90.40	90.75	89.92
Settled by employers	47.31	36.17	30.30	23.06	17.82	17.71	16.76	15.81	13.42	11.49	10.83	9.18	9.60	9.25	10.08

Source: the information of Polish Ministry of Finance about accounting for PIT in particular years.

Table 3. ***Personal income tax rates, 1993–2003***

Tax bracket	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
I	20	21	21	21	20	19	19	19	19	19	19
II	30	33	33	33	32	30	30	30	30	30	30
III	40	45	45	45	44	40	40	40	40	40	40

Source: Article 27 of Act of 26 July 1991 on personal income tax.

and down only by two percentage points (see Table 3).

The Polish personal income tax has been subject to many amendments, e. g. a change of tax rates, broadening the tax scope, and abolition of a number of deductions and reliefs. The most important changes were introduced in 1997 and in 1999. In 1997, the change was connected with the construction of deductions. Till 1996, most allowances were connected to deductions from the tax base, and since 1997 most allowances were deducted from the tax amount. This change was unfavorable to taxpayers situated in the second and the third brackets. Deductions from the tax base allowed reducing the tax rates.

In 1999, the change was related to the reforms of the system of social security and health insurance. Since 1st January 1999, two major reforms within the social security field came into force in Poland:

the health care system reform – replacing the public health care system with the health insurance system based on a separate contribution;

the social insurance system reform, its first stage being a fundamental reform of the pension system, consisting in the introduction of two compulsory pillars of which the first one is pay-as-you-go financed, and the second one is composed of funded pension schemes.

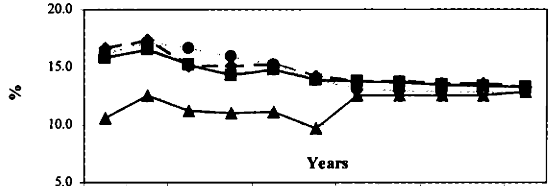
The basic source of the health care financing is an income from health insurance contributions. This contribution is deductible from the PIT amount of a contributing taxpayer. Under the revised Health Insurance Act, the health insurance contribution in 2003 rose to 8% (from 7.75%)[9]. As the amendment was not accompanied by a corresponding amendment to the Personal Income Tax Act, the increase will not be deductible for personal income tax purposes. Under the social insurance system reform, both an employer and an employee pay compulsory social security contributions. Employees pay 18.71% of the gross wage as social security contributions which can be deducted from income before taxing[10]. Before 1999, an employer was obligated to settle on its own his part of the contribution for employees and the employees' contribution (deducted from employees' wages). As a consequence, the contributions of the employee and the employer were not included in the employee wage. The situation changed in 1999, when the employees' gross wages were increased by the amount of compulsory social security contributions in the part which employees had to pay themselves.

The effective PIT rate depends not only on the set tax brackets, but also on the scope of taxpayers' participation in tax deductions. Therefore, in the study period,

[9] Since 2007, health insurance contribution has amounted to 9%.

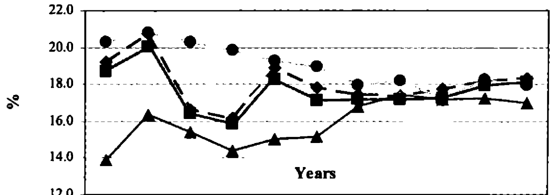
[10] Since 2008, employees have paid 13.71 of a gross wage as social security contributions.

Tax bracket I



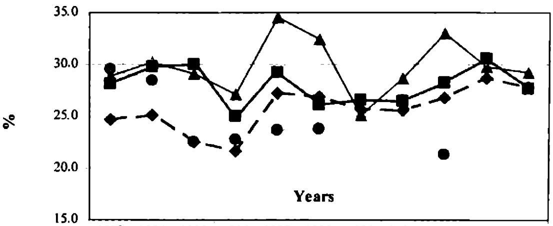
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Permanent employment	16.67	17.32	15.12	15.14	15.16	14.15	13.78	13.79	13.56	13.53	13.30
Pensions	16.17	17.11	16.63	15.95	15.16	14.00	13.08	12.97	12.83	12.83	12.78
Private businesses and freelance profession	10.65	12.54	11.18	11.04	11.15	9.74	12.59	12.56	12.56	12.51	12.83
More than one source	15.84	16.54	15.15	14.29	14.79	13.89	13.74	13.71	13.51	13.40	13.32

Tax bracket II



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Permanent employment	19.21	20.74	16.65	16.15	18.88	17.85	17.44	17.37	17.79	18.21	18.30
Pensions	20.31	20.80	20.27	19.85	19.25	18.96	17.96	18.23	17.17	18.26	17.97
Private businesses and freelance profession	13.91	16.34	15.42	14.38	15.01	15.16	16.84	17.46	17.21	17.28	17.00
More than one source	18.70	20.02	16.46	15.86	18.25	17.15	17.20	17.20	17.27	17.97	18.16

Tax bracket III



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Permanent employment	24.67	25.12	22.61	21.69	27.17	26.92	25.63	25.61	26.77	28.72	27.76
Pensions	29.56	28.48	22.54	22.81	23.65	23.80		26.60	21.28		
Private businesses and freelance profession	28.94	30.24	29.10	27.16	34.55	32.44	25.15	28.64	33.01	29.80	29.17
More than one source	28.13	29.75	30.05	24.97	29.25	26.14	26.60	26.42	28.19	30.50	27.70

Figure 1. **The effective PIT rate according to sources of revenue and tax brackets in 1993–2003**

Source: the information of Polish Ministry of Finance about accounting for PIT in particular years.

this rate has fluctuated very significantly. The change of the effective tax burden rate is illustrated in Figure 1. The figure shows the effective tax rate in the study period with a differentiation on particular tax brackets and sources of revenue.

The most significant differences among effective tax rates for particular tax brackets were observable in the taxpayers' group whose revenues came exclusively from running their own businesses or work in a freelance profession. In the study period, the average effective tax burden rates in subsequent tax brackets were appropriately 11.8%, 16.0% and 29.8% for these taxpayers. The greatest difference occurred in 1997 and 1998 when in tax bracket I the burden was appropriately 11.1% and 9.7% and in tax bracket III it was 34.5% and 32.4%. The difference between effective tax rates and regulated tax rates was smallest in the group of pensioners having their revenues exclusively from their pensions. This group of taxpayers paid a relatively high tax in tax brackets I and II, and it was paradoxically very low in bracket III (the highest). A lot of similarities can be observed in the group of taxpayers whose revenues came exclusively from permanent employment contracts where costs deductible from revenue in PIT settlement are fixed by regulations. The situation was different in the group of taxpayers having revenue from many different sources where the effective tax burden in tax brackets I and II was low and in tax bracket III was high. The flexible costs deduction from the revenue caused a situation when taxpayers running their own business had a notably smaller tax burden in tax brackets I and II. The explanation lies in the fact that they can pay taxes according to the lower tax rates than would be expected from revenue if they can prove appropriately high costs. Taxpayers from this group left in the tax bracket III are those who could not prove sufficient costs which would shift them to a lower tax bracket.

In almost the whole period (with an exception of year 2003), taxpayers falling to tax bracket I and getting revenues exclusively from running their own private businesses or working in a freelance profession paid the lowest PIT. An average effective tax rate for this group was only 11.8%, while the rate regulated in the law for bracket I was 19–20%. Particularly, in 1995 and 1998 this burden was notably reduced due to a massive participation in tax deductions, and additionally in 1998 with the reduction of rate for the bracket I tax from 20% to 19%. In the last five years of the study period, for this group of taxpayers the effective tax rate significantly rose and was approaching the effective tax rate of other groups of taxpayers.

The other taxpayer groups, such as people on permanent contracts, pensioners or having revenues from many sources, had a similar tax burden in the study period. The effective rate was appropriately 14.7%, 14.5% and 14.4% for the mentioned groups in tax bracket I. Effective tax rates for these groups decreased in 1999 when they approached the effective tax rates of taxpayers receiving revenues only from their own private businesses.

Almost all conclusions from the analysis of taxpayers falling in tax bracket I are applicable to taxpayers falling in tax bracket II. Taxpayers of tax bracket II, who paid the lowest taxes, were those running their own private businesses or working in a freelance profession. The effective tax rate in their case was on average 16% (while the regulated rate was 30% for this bracket). The highest effective tax rates had taxpayers receiving revenues exclusively from their pensions. The effective tax rates for taxpayers employed on permanent contracts were similar to those of pensioners and higher than for the first two groups mentioned above. However, for the same reason as in the case of taxpayers falling in tax bracket I, all groups of taxpayers falling in tax bracket II had a notably lower effective tax rate in 1995 and 1996. Since 1998, differences in the effective tax rates among all the mentioned groups have been gradually decreasing.

The situation is different in the case of taxpayers falling in tax bracket III. The statistics show that the group of taxpayers who had the highest effective tax rates in the study period received revenues from running their own private businesses. The effective rate in this case was 29.8%, while the rate regulated in the law for this tax bracket was 40%. These rates were particularly high in 1997, 1998 and 2001 when they were respectively 34.5%, 32.4% and 33%. It was connected to changes in regulations related to tax deductions. Some possibilities of tax deductions were removed from the tax law in these years (e. g. elimination of investment deductions since 2001). In tax bracket III, the effective rate was lowest for taxpayers receiving revenues exclusively from their pensions.

Many changes in the effective tax rates for all groups and for all tax brackets have their roots in changes of the personal income tax law. Before 1996, there existed many tax deductions regulated by the law. These deductions did not depend on the kind of the revenue source, therefore they had a remarkable impact on the effective tax rates lowering them. Since 1999, differences between taxpayer groups in tax brackets I and II have become unnoticeable, and their values have dropped below a 1% point.

Taxpayers, income and tax partition

The evaluation of PIT impact on the process of wealth redistribution in Poland requires research on the structure of taxpayers, income and tax in relation to the sources of revenue. Such research gives knowledge about the differentiation of the income and the tax burden in the country. Some parts of research results are presented in Table 4 as the average values for the period 1993–2003.

In the group of taxpayers receiving revenues exclusively from a single source, the majority are pensioners or taxpayers receiving revenues from permanent contracts. However, it should be stressed that these groups of taxpayers have costs calculated on the basis of regulations in the law. Such costs are usually fixed, and they are a symbolic amount or even they are completely not considered in income calculation (like for pensions).

In 1993–2003, taxpayers receiving revenues exclusively from permanent contracts had a comparable participation in the total number of taxpayers (25.9%), total revenue (26%) and the total collected tax amount (24.9%). However, some differences appear in a section along the tax brackets. These taxpayers show the highest participation in tax bracket II where their share in the total number of taxpayers was 27%,

Table 4. ***Structure of taxpayers, income and tax according to the tax brackets and sources of revenue, in 1993–2003 (%)***

Sources of income	Taxpayers				Income				Tax			
	Tax bracket											
	I	II	III	total	I	II	III	total	I	II	III	total
(%)												
Total	93.91	4.88	1.20	**100.00**	74.46	13.57	11.97	**100.00**	65.03	14.51	20.46	**100.00**
Revenues from permanent employment	24.43	1.31	0.19	**25.93**	21.13	3.36	1.54	**26.04**	18.76	3.67	2.47	**24.90**
Pensions	32.50	0.21	0.00	**32.71**	21.12	0.32	0.01	**21.45**	18.39	0.38	0.01	**18.78**
Revenues from running private businesses and freelance profession	0.99	0.25	0.22	**1.45**	0.88	0.79	2.86	**4.52**	0.66	0.78	5.22	**6.66**
Revenues from more than one source	33.51	3.10	0.79	**37.40**	30.54	9.04	7.56	**47.14**	26.57	9.62	12.75	**48.94**
Other sources	2.48	0.02	0.00	**2.51**	0.79	0.05	0.01	**0.85**	0.65	0.06	0.01	**0.72**
(%)												
Total	100.00	100.00	100.00	–	100.00	100.00	100.00	–	100.00	100.00	100.00	–
Revenues from permanent employment	26.02	26.85	15.62	–	28.38	24.80	12.85	–	28.85	25.27	12.07	–
Pensions	34.61	4.22	0.19	–	28.36	2.38	0.08	–	28.27	2.62	0.07	–
Revenues from running private businesses and freelance profession	1.05	5.04	18.50	–	1.18	5.80	23.91	–	1.01	5.40	25.50	–
Revenues from more than one source	35.68	63.41	65.70	–	41.02	66.65	63.12	–	40.86	66.28	62.32	–
Other sources	2.64	0.48	0.00	–	1.06	0.38	0.05	–	1.00	0.43	0.04	–

Source: the information of Polish Ministry of Finance about accounting for PIT in particular years.

whereas in tax bracket I their share was 26%. Only in tax bracket I their average income was higher than the average for the bracket, but in both tax brackets I and II their tax burden was higher than the average. In tax bracket III, their income was lower than the average, and the tax burden was also lower than the average.

Taxpayers receiving revenue from pensions were the second most numerous group (32.7% of the total number of taxpayers), but their income was only 21.4% of the total income, and their participation in the total tax amount was on average only 18.8%. These numbers imply that this group has a lower income and simultaneously pays a higher personal income tax in comparison to other groups of taxpayers. At the same time, this group of taxpayers had the most numerous representation in tax bracket I. During the period 1993–2003, their participation in the total number of taxpayers from tax bracket I was on average 34.6%. Pensioners were the group of taxpayers whose tax burden of income was the greatest in tax bracket II.

Taxpayers receiving revenues exclusively from running their own private business or working in a freelance profession had the smallest share in the total number of PIT payers, but their income was more than 4.5% of the total income and their paid taxes were 6.7% of the total collected PIT. These taxpayers were partitioned among the tax brackets into unequal groups. They were most numerous in tax bracket I, but their input to the collected tax was the highest in tax bracket III. In bracket III, they made only 0.22% of the total number of taxpayers, but their income was 2.9% of the total income in this bracket, and the paid tax was 5.22% of the total PIT collected in this bracket. So, this very small group of taxpayers had the highest income and paid the highest PIT. In tax brackets I and II, this group of taxpayers was small. However, their income was also higher than the average. Because of the flexible costs calculation in tax returns, their tax burden was lower than the average in tax brackets I and the II.

In the study period, taxpayers receiving revenues from more than one source showed the largest participation in the total number of taxpayers (37.4%), the total income (47.1%) and the total PIT collected amount (48.9%). This principle was retained in a section done through tax brackets. The statistics presented here and prepared for this research prove that their income was higher than the average in tax brackets I and II. However, their PIT paid in these brackets was lower than the average.

The research on taxpayers, income and collected PIT presented in this paper reveals a sharp progression of PIT. It is especially visible for a small group of taxpayers from tax bracket III and receiving revenues from running their own private business or working in a freelance profession. Paradoxically, pensioners, whose income is the smallest among all groups in Poland, paid a higher PIT relative to their revenue and above the average. This numerous group of taxpayers participated in almost 20% of the total collected PIT.

Conclusions

Results of this research prove a strong dependence of tax burden on the source of revenue regardless of the revenue amount. This dependence has roots in the method of costs inclusion in personal income calculation. Some sources of revenue are privileged with a very flexible system of costs deduction from the revenue when the income is calculated. Therefore, in these cases, even if the revenue is high, the calculated income, which is a base for PIT, may be significantly lower. In such a system, some sources of revenue were privileged, whereas the others were discriminated. This undermines the general character of PIT.

In the study period, groups of taxpayers from tax brackets I and II and running their own private businesses or working in a freelance profession or having revenues from many sources paid the lowest taxes. These groups could use the flexible system of costs inclusion in their income and tax calculation. It significantly reduced their tax burden, while pensioners and employees working on permanent contracts could not profit fully from this cost inclusion system in calculating their income. Therefore, these groups in tax brackets I and II paid effectively the highest PIT of all. This principle reverses in tax bracket III, because taxpayers running their own private businesses or having revenues from many sources just could not escape to a lower tax bracket because they could not prove sufficient costs. As a consequence, their income was fully exposed to the highest tax rate in this bracket. Recent years have intensified this trend for the last of the mentioned groups because the removal of a number of tax deductions (like investment deductions) made their effective tax burden higher.

Summarizing the situation in Poland, taxpayers with the highest income make an exhaustive use of tax reductions. There are situations when well-off people benefit more than people with a relatively minor income. It happens even if most of deductions have been aimed generally at all taxpayers. Such a situation reduces the impression of the system fairness. Because tax deductions reduce budgetary revenues, the foregone revenues have to be compensated for by other taxes or / and higher rates. Therefore, the system of deductions and relief, on the one hand, supports the special gains (e. g. house building), however, on the other, it generates costs. It is possible that the reduction of tax rate for tax bracket I and the removal of some tax exemptions and deductions would make the Polish personal income tax more transparent, equal and simple.

REFERENCES

1. Act of 26 July 1991 on personal income tax (consolidated text: *Journal of Laws*, 2000, No. 14, item 176 with subsequent amendments).

2. Bangs, R. B. (1940). The definition and measurement of Income. *The Accounting Review*, Vol. 15, No. 3.

3. Haig, M. (1921). The concept of Income – economic and legal aspects. *The Federal Income Tax*. New York.

4. Haller, H. (1981). Die Steuern. Ed. 3, Tübingen.

5. Hewett, W. W. (1925). *The definition of income and its application in federal taxation*. – Westbrook Publishing Co., Philadelphia.

6. Musgrave, R. A., Musgrave, P. B. (1980). *Public finance in theory and practice*. – McGraw-Hill Book Company, New York.

7. Simons, H. C. (1965). *Personal Income Taxation. The definition of income as a problem of fiscal policy*. – The University of Chicago Press, Chicago–London.

8. Tipke, K., Lang, J. (1991). *Steuerrecht*. Köln.

GYVENTOJŲ PAJAMŲ APMOKESTINIMAS LENKIJOJE

Malecka-Zembinska

S a n t r a u k a

Gyventojų pajamų apmokestinimas Lenkijoje pastaraisiais dešimtmečiais patyrė esminių permainų. Viena iš jų yra 1992 metais įvestas progresinis gyventojų pajamų mokestis (GPM) su trimis – 20 proc., 30 proc. ir 40 proc. mokesčių „laipteliais". Dabar šie mokesčių tarifai yra šiek tiek pakitę, nes pirmasis laiptelis yra „nuleistas" iki 19 procentų.

Analizė rodo, kad nevienodos gyventojų grupės turi skirtingas galimybes išnaudoti įvairias išimtis. Tie asmenys, kurie moka pagal pirmąjį ir antrąjį tarifą, tačiau turi savo verslą, yra laisvų (angl. *freelance*) profesijų atstovai arba turi keletą pajamų šaltinių faktiškai moka mažesnius mokesčius nei samdomi darbuotojai, dirbantys pagal nuolatinės sutartis ar pensininkai.

Apibendrinant galima teigti, kad Lenkijos gyventojų pajamų apmokestinimas nėra pakankamai teisingas, nes didžiausias pajamas gaunantys mokesčių mokėtojai yra privilegijuoti, jie turi daugiau galimybių sumažinti jiems tenkančią mokesčių naštą. Pirmojo tarifo sumažinimas, taip pat išimčių panaikinimas reikštų teisingesnį gyventojų pajamų apmokestinimą.