

LOCAL TAXATION AS AN INSTRUMENT SUPPORTING THE BEHAVIOURS CONTRIBUTING TO NATURE CONSERVATION IN THE LIGHT OF APPLICABLE POLISH LAWS AND ON THE BASIS OF STUDIES RESULTS

Jacek Witkowski

Dr., Lublin University of Technology, POLAND, j.witkowski@pollub.pl

Abstract

In the age of increasing environmental awareness of the society which is expressed mainly through implementation of the concept of sustainable development on various levels of management, care about the natural resources becomes particularly important. On one hand, these resources should be protected but, on the other hand, they should be exploited in a manner which does not endanger their potential. In this respect, a major role should be played by local self-governments having several instruments which have been made available in order to affect the local entities including, among others, taxation tools which can be used for the achievement of goals considered as a priority.

The article describes those taxes in Poland for which the local self-governments perform the role of fiscal authority. The analysis of such tax considerations is carried out in terms of potential reductions and waivers in case of business activity intended for broadly understood protection of natural resources. In a way, some of these reductions and waivers are automatic ones because they have been clearly defined in relevant legal acts. However, the Polish legislation leaves certain discretion to local economy managing entities determining the value of levies which has been clearly indicated in the study including reference to relevant regulations. In order to illustrate the need to introduce the taxation solutions contributing to the development of pro-environmental activity, particularly in case of economic and agricultural activity, the second part of the study describes the results of pilot research carried out in the second half of the year 2017 on a group of farmers being the owners of the areas encompassed by NATURA 2000 protection programme. In this case, the study population consisted of 36 owners of agricultural farms located in three villages in the territory of Lubelskie and Mazowieckie Voivodship in central and south east part of Poland. The purpose of this project was essentially to examine the possibility of commencement of additional non-agricultural service activity by these persons or its extension in tourism sector with full respect for nature conservation principles. From obtained answers it appears, among others, that introduction of preferences in taxes and local fees is expected by the majority of respondents as the substantive support for their activities. It should be also emphasized that, owing to readiness prevailing among the respondents to broaden their knowledge in the scope of the rules of proceeding in protected areas, a part of these facilitations could be oriented towards supporting trainings in this scope.

Keywords: taxes, local government, nature conservation

1 INTRODUCTION

In the age of increasing environmental awareness of the society which is expressed mainly through implementation of the concept of sustainable development on various levels of management, care about the natural resources becomes particularly important. On one hand, these resources should be protected but, on the other hand, they should be exploited in a manner which does not endanger their potential. In this respect, a major role should be played by local self-governments having several instruments which have been made available in order to affect the local entities including, among others, taxation tools which can be used for the

achievement of goals considered as a priority.

The article describes those taxes in Poland for which the local self-governments perform the role of fiscal authority. The analysis of such tax considerations is carried out in terms of potential reductions and waivers in case of business activity intended for broadly understood protection of natural resources. In a way, some of these reductions and waivers are automatic ones because they have been clearly defined in relevant legal acts. However, the Polish legislation leaves certain discretion to local economy managing entities determining the value of levies which has been clearly indicated in the study including reference to relevant regulations. In order to illustrate the need to introduce the taxation solutions contributing to the development of pro-environmental activity, particularly in case of economic and agricultural activity, the second part of the study describes the results of pilot research carried out in the second half of the year 2017 on a group of farmers being the owners of the areas encompassed by NATURA 2000 protection programme. In this case, the study population consisted of 36 owners of agricultural farms located in three villages in the territory of Lubelskie and Mazowieckie Voivodship in central and south east part of Poland. The purpose of this project was essentially to examine the possibility of commencement of additional non-agricultural service activity by these persons or its extension in tourism sector with full respect for nature conservation principles.

2 TAXES AND THEIR ROLE IN ENVIRONMENTAL PROTECTION MANAGEMENT

In modern economy, the taxes constitute one of the most important instruments stimulating determined behaviours in terms of various aspects of social life, particularly in social and economic sphere. Particularly, they constitute a source of income for local self-government authorities on various levels for financing of so called public goods which certainly include widely understood natural environment resources. Tax levies can be introduced in a view to protect and save biodiversity in case of exploitation of raw materials from stream beds, activities carried out in forest areas, fees for hunting licenses or in agriculture when using artificial fertilizers and pesticides. However, in order to ensure their effectiveness, their level should be adequate to be the right incentive for entities which are subject to such levies (The Use of Market Incentives, 2006, p. 31). Social impacts resulting from the protection of natural vegetation areas, particularly those characterized by high protective value are higher than benefits associated with their development in terms of production because it is impossible to renew their natural values. However on the other hand, until nature preservation is not treated as the type of activity directly generating revenue, it will be much more expensive to protect an area than the management thereof in a manner ensuring determined production. Therefore, we need to convince officials that the markets are failing in case of nature preservation on socially desirable level (Talking to the Taxman, 1999, p. 17).

Tax levies are increasingly perceived in the literature as economic instruments directly contributing to the protection of valuable natural resources and they should lead to the reduction of negative impacts on environment through proper legal and institutional as well as economic solutions. Simultaneously, it should be emphasized that the economic instruments are in practice more flexible than other instruments in the scope of environment protection because it is generally considered that it is more easy and faster to modify and adapt the fees to new circumstances than to amend the legal acts and implementation regulations. They supplement and strengthen the functioning of legal and administrative tools because they create the incentives for compliance with the requirements included in direct regulations and, moreover, they make it possible for interested entities to make the decisions in the scope of environment protection with consideration of associated economic benefits (Wasiuta, 2015, p. 227-228).

Local self-government taxes constitute certain part of all public levies charged to various entities. There are three levels of local self-government authorities i.e. voievodship, powiat and commune level. Local self-government taxes are charged on the last two levels. The local tax should be characterized by four features: 1) should constitute an exclusive income source for self-government budget, 2) its payment should be directly transferred to bank accounts kept for local budgeted service, 3) local authorities should be vested in tax control instruments, 4) local tax authorities should be provided with competences required to settle tax issues (Ofiarski, 2016, p. 266). In the conditions existing in Poland, the lowest self-government level i.e. communes being the subject matter of the present article, aforesaid tax control can be considered as the active control in the broad sense (full control), the active control in the strict sense (limited control) and passive control (impossibility to affect the construction of taxes and fees) (Filipiak, 2015, p. 224). Further part of this article will describe some taxes classified in the first one from among the groups specified above and namely: tax on real estates, tax on transport means, farm tax and forest tax.

At least in theory, the local self-government authorities on commune level should be in possession of relatively widest knowledge in the scope of needs and problems of local communities which are managed by them. Therefore, their engagement in activities contributing to the protection of natural resources seems to

be highly justified and, additionally, it is supported by relevant legal grounds (heads of communes, mayors or presidents are the entities responsible for nature preservation in Poland). Except of other tools, tax instruments can contribute to the implementation of eco-development programme on commune level. Such programme should, among other things, consider the following elements which are important in terms of nature conservation: natural valuation, scenario of commune eco-development or development directions and characteristics of undertakings in subdivision into the areas of economic and social activity as well as sanitary infrastructure (Wyrębek, 2010, p. 51-52).

3 ACTUAL POSSIBILITIES TO INFLUENCE THE VALUES OF SOME TAX LEVIES BY LOCAL AUTHORITIES

As mentioned above, the local self – government entities on commune level in Poland perform the role of tax authority in relation to some taxes. It should be emphasized that certain possibilities in the scope of tax allowances and exemptions in case of various actions taken with natural environment or with environmental benefit in mind have been already included by the legislator in applicable legal acts.

However, notwithstanding the foregoing, according to applied solutions, commune authorities (commune councils) are entitled to make additional decisions in this scope.

Regulations concerning aforesaid taxes administered by commune self-governments in Poland have been included in several legal acts in the form of the following acts:

- Act of 12th January 1991 on local taxes and fees (Journal of Laws of 2016, Item 716 as amended) determining, among other things, the tax on real estates and tax on transport means
- Act of 15th November 1984 on farm tax (Journal of Laws of 2016, Item 617 as amended)
- Act of 30th October 2002 on forest tax (Journal of Laws of 2016, Item 374 as amended),

In each case, the principles have been established for tax rates determination by commune authorities (by commune council). These principles have been generally characterized in Table 1.

Table 1: General principles of determination of some selected local taxes

Tax	Influence of commune authorities on the value of tax rate
Tax on real estate	The value of tax rates shall be determined by commune council in the form of resolution but the rates must not exceed the statutory amounts calculated per square meter. Additionally, commune council may diversify the value of tax rates for individual types of the subjects of taxation.
Tax on transport means	The value of tax rates shall be determined by commune council in the form of resolution but the annual rate of tax per one transport mean must not exceed the statutory amounts calculated among others for permissible total weight, number of axles, type of suspension. Commune council may diversify the value of tax rates for individual types of the subjects of taxation.
Farm tax	The value of tax rate depends on the number of hectares (conversion hectares and those resulting from the register) and on average price of buying of rye. In special cases, some villages may be classified by commune council to the other taxation district which affects the number of conversion hectares. Commune council is authorized to reduce buying price as well as to introduce tax allowances and exemptions other than those determined in the act, in the form of resolution.
Forest tax	The value of tax rate depends on average price of sale of wood obtained by forest districts. Commune council is authorized to reduce the average price of sale of wood as well as to introduce subject exemptions other than those determined in the act

Source: Own work on the basis of acts (Journal of Laws of 2016, Item 716 as amended, Journal of Laws of 2016, Item 617 as amended, Journal of Laws of 2016, Item 374 as amended)

From the summary presented above it appears that commune self – governments have a real influence on the value of tax levies and therefore they have certain opportunities of subsidies for widely understood pro-ecological activity and for associated infrastructure. Furthermore, we have to consider the existence of tax exemptions directly determined in applicable acts. Part of them is applied routinely but in case of other taxes, the taxpayer shall be required to submit proper application.

4 POTENTIAL BENEFICIARIES OF TAX PREFERENCES

From the point of view of stimulation of environment friendly behaviours and the behaviours contributing to its protection, it seems that tax allowances and exemptions in self-government taxes should be mainly addressed to two groups of entities, i.e.:

- to the persons conducting typical agricultural activity, particularly if this activity is conducted in the areas covered by spatial protection in certain scope.
- to entities conducting service activity in rural areas in the scope of agro-tourism and ecotourism.

The farmers being the owners of protected areas already have certain opportunities to apply for tax preferences. More important are: exemption of tax on real estate i.e. lands, buildings and structures located in national parks and wildlife reserves as well as directly and exclusively used for purposes associated with nature protection as well as ecological sites and wooded lands not occupied for economic activity (Article 7 of the Act on tax on real estates). However on the other hand, there are no efficient financial instruments which could, for example, compensate the limitations for activity in the areas Natura 2000. Applicable direct payments system in the framework of environmental management scheme constitutes the only form supporting pro-ecological behaviours in nature areas in Poland but the amounts of payments seem to be insufficient and the interest of farmers in this programme is still limited.

Increasingly, service providers extend their typical accommodation offer by other proposals which are often associated with widely understood exploitation of local natural resources. It is important to carry out this exploitation in accordance with principles of sustainable development. In addition to high ecological awareness, this requires adequate knowledge and qualifications as well as significant financial efforts that are often necessary in order to create infrastructure for the needs of persons interested in eco-tourism. In this case, tax allowances and exemptions could be the stimulating factors encouraging the supplemental education and greater involvement in the protection of potential being used for the needs of everyday service activity.

5 CHARACTERISTICS OF THE RESEARCH AND DISCUSSION OF RESEARCH RESULTS

In second half of the year 2017, several dozen owners of farms having protected areas Natura 2000 within their boundaries have been requested to complete a questionnaire consisting of 28 closed questions. The research was carried out by the Author in the framework of planned pilot project relating to the adherence to protective requirements in everyday agricultural activity with consideration of most important factors affecting the attitude of persons using the lands being protected. The factors encouraging environment friendly behaviours belong to the topics discussed in the present analysis.

The group of respondents in pilot research consisted of 36 farmers; 22 of them conduct their activity in Sieciechów commune (Mazovian Voievodship), 11 persons have their farms in Radomyśl commune on San river ((Mazovian Voievodship) and 4 respondents live and conduct their agricultural activity in Annopol commune (Lubelskie Voievodship). In this group, only one person declared that, except of the typical agricultural activity, renders services in tourism sector and the next person declared the engagement in non-agricultural production activity. All three communes are situated relatively close to each other in South East Poland and are characterized by rich fauna and flora which mostly occur in special protection areas of habitats and in special areas of birds protection which have been created in accordance with EU directives. Approximated percentage of the areas protected under Natura 2000 programme in the whole surface area of these administrative units is equal to: Sieciechów – 23%, Radomyśl upon San – 49%, Annopol – 13% correspondingly.

One of the key questions included in questionnaire, from the study subject point of view, was related to the issue of incentives encouraging greater commitment to environmental protection. The respondents had several variants of answers also including an option informing about tax allowances and exemptions in local taxes. This option has been considered by 14 respondents i.e. 39% of participating persons as the factor which could encourage the initiation or intensification of protective activities. Additionally, it is worth noting

that insignificantly higher percentage of farmers (18 persons, i.e. 50%) indicated the allowances in income tax, which is not managed by self-governments, as the solution which may encourage them to apply more environment friendly behaviours. Other answers indicating preferential credits, other tools or the variant saying that no incentives will be effective, were selected sporadically (Fig. 1)

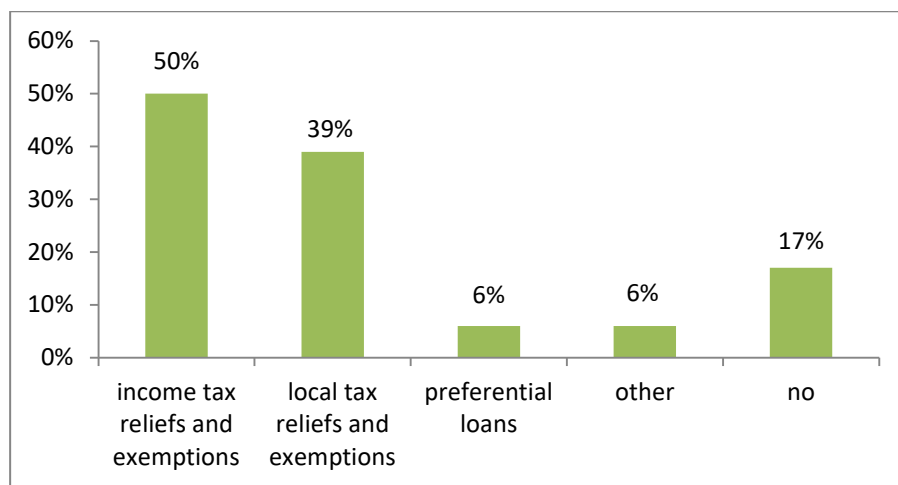


Fig.1. Economic incentives to become more involved in nature conservation

Source: Own work

The expectation of at least a part of agricultural producers that appropriate taxation tools will be initiated by self - governments in order to support the activity in the areas encompassed by protection regime, has been confirmed in indications given to the other item of questionnaire. This item presents several methods of local self-government support for the potential additional service activity rendered by farmers and their families. Self-government tax allowances and exemptions have been indicated as an effective form of aid by almost 2/3 respondents and, simultaneously, this answer variant was selected most frequently. In second place, the engagement of commune authorities in the form of organization of trainings as well as promotion and marketing activities (10 indications for each option – 28%) and aid in initiation of cooperation with other entities acting on local market of tourism services (8 indications) would be expected by the respondents. This state of affairs is obviously due to the fact that insufficient founding and insufficient knowledge in the scope of entrepreneurship is perceived by the majority of respondents as the factor most intensively inhibiting the development of non-agricultural activity (Fig. 2)

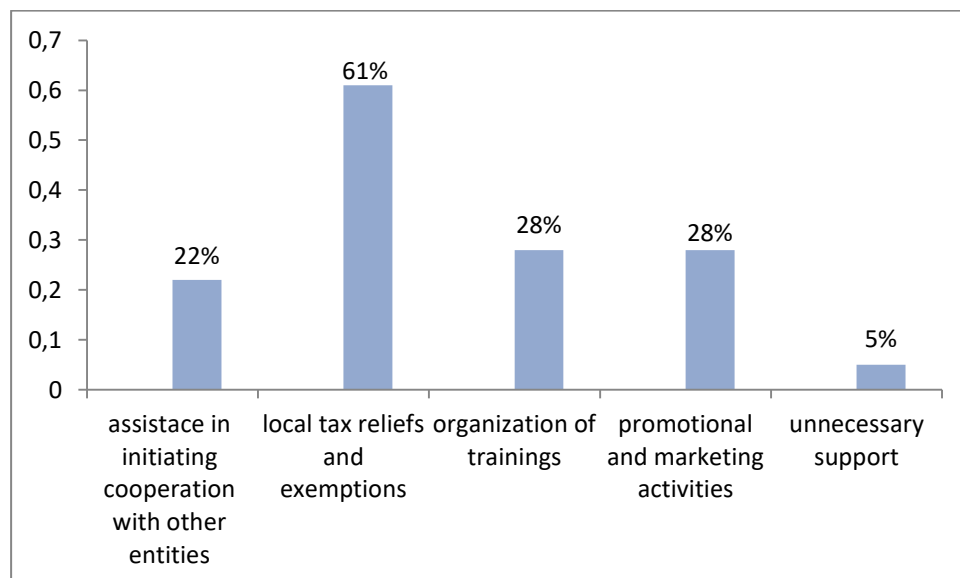


Fig. 2. Expected forms of local authorities support for launching and expanding service activities in tourism

Source: Own work

On the grounds of conducted survey, it has been indicated to the fact that the preferences in local taxes would be generally welcomed by the owners of farms with protected areas but also it is possible to come forward with at least preliminary proposals to tax preferences themselves. First of all, they could encompass the wildlife inventory. From the questionnaire it appears that, in the areas encompassed by the study, the wildlife inventory was never carried out (with two exceptions) and there is no doubt that such inventory is an important foundation for resolving the differences between daily activity and requirements in the scope of nature conservation. Tax allowances and exemptions could be also oriented toward enhancement of farmers' knowledge in the scope of principles of environment protection and nature conservation including the rules of activity conduction in Natura areas. Although the majority of respondents evaluated their knowledge in the scope of nature conservation and pro-ecological behaviours as satisfactory (28 persons – 78% of total number of respondents) but, on the other hand, nobody declared that he/ she is in the possession of comprehensive knowledge in the scope limitations concerning Natura 2000 areas (almost all of them think that they know this subject "less or more"). More alarming, in the context of future protection plans and programmes, it the fact that, in the opinion of significant group of private owners of areas encompassed by the study (20 persons i.e. 55% of total number), applicable Polish regulations in this scope are rather not precise and clear. With regard to protection plans associated with Natura 2000, only one person from among the respondents gave a positive answer to the question whether such plan already exists for protected area being his property (without indicating the type of such plan). Readiness for enhancement of knowledge in the scope of EU protection programme has been declared by 30 from among 36 respondents.

For many years, a very poor level of self-governments and private persons activity in the process of creation of new protected areas and objects has been indicated in publications concerning nature preservation on local level as an important problem. Also in this case, the proper tax incentives can be the chance for a positive change. Applicable laws in the scope of tax on real estates have been already mentioned above. However, the lack of interest of the persons acting in rural environment in the new protection forms in the meaning of the act on nature preservation of 16th April 2004 (Journal of laws of 2004, No 92 Item 880 as amended) seems to justify the extension the offer addressed to taxpayers conducting agricultural farms.

6 SUMMARY

Tax allowances and exemptions the value of which depends on the decision of commune self – governments should be treated as one of instruments supporting the actions of private persons for the protection of local natural resources. Allocable Polish tax laws provide the local authorities, among other things, with the possibility to diversify the rates of tax on real estates, on transport means as well as the rates of farm tax and forest tax. The administrators of the smallest administrative units can use this opportunity in order to create additional incentives particularly addressed to the persons conducting the typical agricultural activity as well as to the existing and potential service providers in the scope of tourism.

The results of the study carried out for the group of the owners of agricultural farms located in South East Poland justify the conclusion that such preferences could be perceived by the large part of taxpayers as an important part of the support for their daily activity. Additionally, on the basis of answers obtained from questionnaire, it is possible to draw certain conclusions concerning the issues which could be the subject of tax benefits which would be very important for the improvement of existing situation in the scope of nature preservation and associated tasks. In particular, it relates to the review of valuable natural resources in the form of wildlife inventory, enhancement of knowledge and ecological awareness and, finally, higher commitment to the process of creation of new forms of area – oriented and object – oriented protection.

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