

# PRACE NAUKOWE

Uniwersytetu Ekonomicznego we Wrocławiu

# RESEARCH PAPERS

of Wrocław University of Economics

Nr 403

**Finanse publiczne**

Redaktorzy naukowi  
Jerzy Sokołowski  
Michał Sosnowski



Wydawnictwo Uniwersytetu Ekonomicznego we Wrocławiu  
Wrocław 2015

Redakcja wydawnicza: Agnieszka Flasińska, Barbara Majewska

Redakcja techniczna: Barbara Łopusiewicz

Korekta: Magdalena Kot

Łamanie: Beata Mazur

Projekt okładki: Beata Dębska

Informacje o naborze artykułów i zasadach recenzowania

znajdują się na stronie internetowej Wydawnictwa

[www.pracnaukowe.ue.wroc.pl](http://www.pracnaukowe.ue.wroc.pl)

[www.wydawnictwo.ue.wroc.pl](http://www.wydawnictwo.ue.wroc.pl)

Publikacja udostępniona na licencji Creative Commons

Uznanie autorstwa-Użycie niekomercyjne-Bez utworów zależnych 3.0 Polska

(CC BY-NC-ND 3.0 PL)



© Copyright by Uniwersytet Ekonomiczny we Wrocławiu  
Wrocław 2015

**ISSN 1899-3192**

**e-ISSN 2392-0041**

**ISBN 978-83-7695-535-3**

Wersja pierwotna: publikacja drukowana

Zamówienia na opublikowane prace należy składać na adres:

Wydawnictwo Uniwersytetu Ekonomicznego we Wrocławiu

ul. Komandorska 118/120 53-345 Wrocław

tel./fax 71 36 80 602; e-mail:[econbook@ue.wroc.pl](mailto:econbook@ue.wroc.pl)

[www.ksiegarnia.ue.wroc.pl](http://www.ksiegarnia.ue.wroc.pl)

Druk i oprawa: TOTEM

## Spis treści

<b>Wstęp</b> .....	9
<b>Arkadiusz Bernal:</b> Discrimination of domestic supplies relative to imports for the value added tax exemptions .....	11
<b>Szymon Bryndziak:</b> Family allowance in personal income tax, in the context of tax expenditures.....	21
<b>Andrzej Czyżewski, Anna Matuszczak:</b> KRUS w budżecie rolnym Polski w długim okresie.....	30
<b>Agnieszka Deresz, Marian Podstawka:</b> Mechanizmy przestępstw podatkowych na przykładzie podatku VAT .....	42
<b>Jarosław Dziuba:</b> Fiskalne skutki kształtowania stawek podatku od nieruchomości przez miasta na prawach powiatu.....	54
<b>Malgorzata M. Hybka:</b> Discretionary tax liability reliefs in Germany and Poland .....	66
<b>Agata Jakubowska:</b> Zaufanie podstawą współpracy banku i samorządu lokalnego.....	77
<b>Aneta Kargol-Wasiluk, Adam Wyszowski:</b> Rola rady fiskalnej w utrzymaniu dyscypliny finansów publicznych. Wnioski dla Polski .....	87
<b>Krystyna Kietlińska:</b> Rola 1% w zasilaniu organizacji pożytku publicznego (OPP) .....	102
<b>Krzysztof Kil, Mateusz Folwarski:</b> Czynniki wpływające na wynagrodzenia zarządów banków spółdzielczych w województwie małopolskim w okresie pokryzysowym .....	112
<b>Marta Kluzek:</b> Preferencyjne opodatkowanie dochodów z kapitałów pieniężnych – możliwość czy konieczność? .....	122
<b>Anna Leszczyłowska:</b> Obciążenia spółek kapitałowych podatkiem dochodowym w koncepcji <i>allowance for corporate equity</i> (ACE).....	132
<b>Robert Lisowski:</b> Stopy zwrotu otwartych funduszy emerytalnych po reformie.....	141
<b>Malgorzata Mazurek-Chwiejczak:</b> Kierunki ewolucji modeli opodatkowania konsumpcji w państwach OECD .....	153
<b>Ewelina Młodzik:</b> Źródła i rodzaje ryzyka w sektorze finansów publicznych .....	163
<b>Grażyna Musialik, Rafał Musialik:</b> Zarządzanie sektorem publicznym a preferencje publiczne .....	172
<b>Błażej Pilarczyk:</b> Podatkowa grupa kapitałowa w sektorze elektroenergetycznym w Polsce .....	183

<b>Elwira Pindyk:</b> Wpływ planu zagospodarowania na dochody gminy z tytułu podatku od nieruchomości od osób fizycznych .....	192
<b>Piotr Podsiadło:</b> Zagadnienie pomocy publicznej z perspektywy traktatowej przesłanki jej wpływu na konkurencję i wymianę handlową na rynku wewnętrznym .....	206
<b>Ireneusz Pszczółka:</b> Wybrane aspekty funkcjonowania państwowych funduszy majątkowych .....	217
<b>Piotr Ptak:</b> Arithmetic of sovereign debt crisis in Europe and challenges ahead .....	227
<b>Halina Rechul:</b> Cele i zarządzanie ryzykiem jako elementy kontroli zarządczej w jednostkach sektora finansów publicznych .....	238
<b>Magdalena Rękas:</b> Wpływ zmian konstrukcji ulgi na dzieci na dochody do dyspozycji rodzin w Polsce .....	248
<b>Mateusz Rolski:</b> Banki spółdzielcze w Polsce – własność prywatna w służbie społeczności lokalnej czy przedsiębiorstwa nastawione na zysk?.....	265
<b>Jacek Sierak:</b> Selected problems of finances of municipalities in the 25 <sup>th</sup> year of self-government in Poland.....	275
<b>Karolina Sobczyk, Joanna Woźniak-Holecka, Tomasz Holecki:</b> Organizacja i finansowanie programów z zakresu profilaktyki raka szyjki macicy skierowanych do kobiet w województwie śląskim.....	289
<b>Jerzy Sokolowski:</b> Opodatkowanie osób fizycznych w Polsce podatkiem dochodowym w latach 2009-2013 .....	298
<b>Michał Sosnowski:</b> Redistributive function of fiscal policy and the income inequalities among the society.....	308
<b>Katarzyna Stabryła-Chudzio:</b> Kierunek zmian w płatnościach bezpośrednich dla rolnictwa państw członkowskich Unii Europejskiej.....	321
<b>Edyta Sygut:</b> Wydajność fiskalna a przedmiot i podstawa opodatkowania podatku akcyzowego .....	331
<b>Tomasz Śmietanka:</b> Finansowo-administracyjne aspekty współpracy JST subregionu radomskiego z samorządem województwa (w opinii wójtów, burmistrzów i starostów) .....	341
<b>Anna Świrska:</b> Metoda kalkulacji poziomu dochodów własnych gminy na potrzeby wyliczenia kwoty podstawowej subwencji wyrównawczej .....	354
<b>Zuzanna Urbanowicz:</b> Polityka pieniężna Narodowego Banku Polskiego a decyzje Europejskiego Banku Centralnego .....	364

## Summaries

<b>Arkadiusz Bernal:</b> Dyskryminacja dostaw krajowych w porównaniu z importem w wypadku zwolnień z podatku od wartości dodanej.....	11
<b>Szymon Bryndziak:</b> Ulga prorodzinna w podatku dochodowym od osób fizycznych w kontekście <i>tax expenditures</i> .....	21
<b>Andrzej Czyżewski, Anna Matuszczak:</b> Farmers' social security fund in Polish agricultural budget in the long term.....	30
<b>Agnieszka Deresz, Marian Podstawka:</b> Mechanisms of tax frauds based on VAT.....	42
<b>Jarosław Dziuba:</b> Fiscal implications of real estate tax rates established by cities with county rights.....	54
<b>Małgorzata M. Hybka:</b> Ulgi w spłacie zobowiązań podatkowych w Niemczech i w Polsce.....	66
<b>Agata Jakubowska:</b> Trust as a fundament of cooperation between bank and local government.....	77
<b>Aneta Kargol-Wasiluk, Adam Wyszkowski:</b> The role of fiscal council to maintain discipline of public finance. Some implications for Poland.....	87
<b>Krystyna Kietlińska:</b> The role of 1% of PIT and CIT in supporting charity organizations in Poland.....	102
<b>Krzysztof Kil, Mateusz Folwarski:</b> Determinants of remuneration of the cooperative banks' board members in Lesser Poland Voivodeship in the post-crisis period.....	112
<b>Marta Kluzek:</b> Preferential taxation of income from capital gains – possibility or necessity?.....	122
<b>Anna Leszczyłowska:</b> Corporate tax burden in the concept of an allowance for corporate equity (ACE).....	132
<b>Robert Lisowski:</b> Open pension funds' rates of return after the reform.....	141
<b>Małgorzata Mazurek-Chwiejczak:</b> Directions of consumption tax models evolution in OECD member states.....	153
<b>Ewelina Młodzik:</b> Sources and types of risk in the public finance sector.....	163
<b>Grażyna Musialik, Rafał Musialik:</b> Public sector management vs. public preferences.....	172
<b>Błażej Pilarczyk:</b> Tax capital group in the electricity sector in Poland.....	181
<b>Elwira Pindyk:</b> Influence of development plan on the municipality's incomes for property tax from natural persons.....	192
<b>Piotr Podsiadło:</b> A question of state aid from the perspective of the treaty premise of its effect on competition and the trade exchange on the internal market.....	206
<b>Ireneusz Pszczółka:</b> Selected aspects of the operating of sovereign wealth funds.....	217

---

<b>Piotr Ptak:</b> Arytmetyka kryzysu zadłużenia w Europie a wyzwania na przyszłość .....	227
<b>Halina Rechul:</b> Objectives and risk management as part of management control in the public finance sector.....	289
<b>Magdalena Rękas:</b> Impact of structural changes in children relief available for income for families in Poland .....	248
<b>Mateusz Rolski:</b> Co-operative banks in Poland – private property at the service of the local community or an enterprise set to the profit? .....	265
<b>Jacek Sierak:</b> Wybrane problemy finansów gmin w 25. roku samorządności terytorialnej w Polsce .....	275
<b>Karolina Sobczyk, Joanna Woźniak-Holecka, Tomasz Holecki:</b> Organisation and financing of the programmes from the scope of cervical cancer prevention targeted at women in the Silesian Voivodeship .....	289
<b>Jerzy Sokolowski:</b> Taxation of individuals in Poland with income tax in the years 2009-2013.....	298
<b>Michał Sosnowski:</b> Redystrybucyjna funkcja polityki fiskalnej a nierówności dochodów ludności .....	308
<b>Katarzyna Stabryła-Chudzio:</b> The direction of changes in direct payments for agriculture of the European Union member states.....	321
<b>Edyta Sygut:</b> Fiscal efficiency vs. the tax base of excise tax .....	331
<b>Tomasz Śmietanka:</b> Financial and administrative considerations of the cooperation of the communes and districts of Radom subregion with the self-government of the voivodeship (according to commune administrators, mayors and district administrators) .....	341
<b>Anna Świrska:</b> Calculation method for optimizing incomes from the equalized part of the subsidy transferred to municipalities.....	354
<b>Zuzanna Urbanowicz:</b> Monetary policy of the National Central Bank of Poland vs. the decisions of the European Central Bank .....	364

**Szymon Bryndziak**

Uniwersytet Łódzki

e-mail: [szymon.bryndziak@uni.lodz.pl](mailto:szymon.bryndziak@uni.lodz.pl)

---

## **FAMILY ALLOWANCE IN PERSONAL INCOME TAX, IN THE CONTEXT OF TAX EXPENDITURES**

---

### **ULGA PRORODZINNA W PODATKU DOCHODOWYM OD OSÓB FIZYCZNYCH W KONTEKŚCIE *TAX EXPENDITURES***

---

DOI: 10.15611/pn.2015.403.02

**Summary:** The use of children's allowance in personal income tax is discussed. The allowance is a kind of tax preference, classified as tax expenditure. Due to low demographic factors, the *ratio legis* of such a solution was the support of families with children. The controversies on the use of the allowance, especially its discriminating character, and differences between potential and real effects of its use, especially in the context of family benefits, are described.

**Keywords:** tax expenditures, personal income tax, children's allowance in personal income tax, family benefits.

**Streszczenie:** Niniejszy artykuł dotyczy roli i znaczenia ulgi na dzieci w podatku dochodowym od osób fizycznych. Ulga ta jest rodzajem podatkowej preferencji, która jest klasyfikowana w doktrynie jako *tax expenditures* (wydatki podatkowe). Ze względu na niskie wskaźniki demograficzne, *ratio legis* omawianego rozwiązania było zapewnienie wsparcia dla rodzin z dziećmi. Artykuł przedstawia zarówno kontrowersje, które wiążą się ze stosowaniem ulgi, a dotyczą jej dyskryminującego charakteru, jak i różnice między potencjalną a rzeczywistą efektywnością jej stosowania, szczególnie w kontekście świadczeń rodzinnych.

**Słowa kluczowe:** preferencje podatkowe, podatek dochodowy od osób fizycznych, ulga prorodzinna, świadczenia rodzinne.

## **1. Introduction**

Tax as a fiscal instrument is a complex construction. On the one hand, taxes are used to perform the fiscal function and “if a form of tax is used for some non-fiscal purpose the tax is apparent” [Rybarski 1935, p. 18]. On the other hand, taxes are used in the active state policy for current economic and social needs. The state achieves its tasks by supporting specific types of activities or selected types of entities, using different forms of finance. These can be direct budget grants or subventions, preferential loans or credits, also specific tax preferences.

The use of tax preferences causes activities having the features of expenditures, performed through the tax system. Different from direct budget expenditures, planned and set in one document and controlled at the expending stage, the tax preferences in the form of tax allowance are published in many legal regulations and their real value can be estimated only by an *ex post* analysis. Furthermore, the complex catalogue of tax allowances is contrary to the tax justice principle achieved by the equality and generality of taxation. J.-B. Say wrote that privileges for individuals are almost always unjust for the community so the use of tax allowances makes income tax less common, as it is not paid in full and on every income [Nykiel 2002, p. 78].

The aim of this paper is to describe the idea of tax expenditures in the context of the so-called family allowance, used in personal income tax (hereinafter referred to as PIT). Tracing the legislative changes, the author attempts to estimate the rightness of the recent amendments of regulations on family allowance and their influence of the income of taxpayers.

## 2. Methodology of the research

Logical language analysis of the dogmatics of law and microeconomic analysis are the research methods used for this paper. The examination of binding legal regulations is based on the regulations of Personal Income Tax Act [Ustawa z 26 lipca 1991] and Family Benefits Act [Ustawa z 28 listopada 2003]. The statutory texts made for the systematisation of legal norms regulating support of families in the tax system and family benefit system, including postulates *de lege ferenda*. The purpose of the analysis was to compare the effects of direct benefits with those achieved by donations in the form of tax expenditures.

A microeconomic analysis was made for an income situation of a taxpayer receiving a child's allowance and a child benefit, together with additional sums, in the system of family benefits. The monthly costs of PLN 111.25 and the standard social insurance premium covered by an employee (9.52% for old age pension insurance, 1.50% for social insurance and 2.45% for disease insurance) were assumed for calculations. The health insurance factor assumed was 7.75%; as such amount can be deducted from tax.

## 3. The idea of tax expenditures against direct budget expenses

According to S. James and C. Nobes, tax expenditures can be defined by preferential tax treatment of groups of taxpayers or types of activities, by the reduction of tax charges, not by concrete payments from the budget [James, Nobes 1987, p. 307]. The authors of *Tax Expenditures in OECD Countries* describe this idea as tax legal regulations reducing or postponing tax income for a relatively narrow group of taxpayers, in reference to basic regulations [OECD 2010, p. 12]. S. Surrey wrote that



the concept of tax expenditures assumed two elements of income tax. “One part comprises the structural provisions necessary to implement the income tax on individual and corporate net income; the second part comprises a system of tax expenditures under which Governmental financial assistance programs are carried out through special tax provisions rather than through direct Government expenditures” [Surrey 1973, p. 6]. Tax expenditures are then informal subvention tools of taxation subject or objects, using different types of instruments for the reduction of due tax. The use of such instruments can result in the increase of the fiscal charges of other taxpayers or limitation of public expenses [Wyszkowski 2011, p. 465]. Moreover, tax expenditures function as many legal tax constructions, different in form. The main forms used are:

- tax allowances – amounts decreasing taxable total income,
- tax deferrals – constructions based on putting off tax payment terms,
- tax exemptions – exclusion of some types of income from the scope of a given tax,
- tax reliefs – reducing taxable income the amount of due tax,
- tax credits – amounts decreasing the amount of tax liability [OECD 2010, p. 12].

It must be noted that the introduction of different tax privileges to the tax system, reducing or postponing tax charges for a relatively narrow group of taxpayers, means the removal of the tax burden from these entities or groups of taxpayers and charging the rest of the society. If you assume the permanent value of the state income, the use of tax expenditures means that the same sum of income must be obtained from a lower number of taxed entities. So a question must be put whether donations in the form of expenditures are proper, in the context of direct payments of the state budget.

Different from budget expenses, tax expenditures are not included in concrete records. Budgets are based on the principle of openness, everybody can analyse planned expenses, the budget procedure is well known and the budget law is the result of many negotiations and parliamentary debates. Spending public funds is carried out according to respective legal regulations and the infringement thereof can result in responsibility caused by breaking the discipline of public finances. Whereas the process of enacting tax expenditures, in spite of its openness, is strongly affected by lobbying of different kind because the members of parliament can introduce such provisions of tax law that reflect individual or group interests. It is very important that tax expenditures data should reflect recent flows and trends, underlying macroeconomic developments and well-defined policy commitments. Annual spending on tax expenditures should be prepared and presented within a comprehensive and consistent quantitative macroeconomic framework and the main assumptions underlying the budget should be provided. Another defect of this construction is that they are not the direct result of the budget act so it is hard to estimate the expending process. Tax expenditures are a secret form of subvention, which makes their control difficult and they are not regulated like the open expenses of the state budget. That is favorable for corruption practices [James, Nobes 1987,

p. 308]. The construction of public expenses should make the spending of public funds purposeful, reliable, effective and correct. Such features cannot be attributed to tax expenditures as their construction is based on their absence in the budget and the government has no control of such funds. On the other hand, the use of such constructions instead of direct expenses can save costs related to the accumulation and administration of budget income [Messere 1993, p. 24].

#### **4. Controversies about child's allowance as an example of tax expenditures**

One of the leading problems existing from the beginning of personal income tax legislation has been the differentiation of tax charges dependent on the personal situation of a taxpayer. Income tax in Poland is a global (unitary) tax, i.e., all income sources of a taxpayer are taxed together. Such a solution enables the consideration of the personal situation of a taxpayer and his ability to pay resulting from his financial and family situation. Tax expenditures considering the family situation include the constructions of joint taxation of spouses, taxation of lonely persons with children and the so-called child's allowance, also named family allowance. The latter has been modified by the law maker in recent years and has the potential to become an effective form of support, so it deserves a closer analysis.

The construction of the child's allowance was introduced to the Personal Income Tax Act in 2007. Its *ratio legis* assumed support for families with children, because of low demographic factors [Ministerstwo Finansów 2010b, p. 22]. Until 2012, the child's allowance enabled the deduction of PLN 93.67 for each month of exercising parental authority.<sup>1</sup> Since 2013, after the amendment of the Personal Income Tax Act [Ustawa z 24 października 2012], the monthly allowance for the third child has been PLN 139.01 and PLN 185.34 for the fourth and every next child. Table 1 contains the maximum amounts that can be deducted by a family in connection with the allowance. In 2013, the law maker also introduced restrictions in the use of the allowance. Persons with one child can deduct the allowance only if their annual income is not higher than:

- PLN 56 000, if a taxpayer is unmarried,
- PLN 112 000, if a taxpayer is married for the whole year (joint income of the taxpayer and his/her spouse),
- PLN 112 000, if a taxpayer is a lonely person, bringing up the child alone.

Making the deductions dependent on income and the number of children of a family is contradictory to the principles of common and just taxation and reduces the types of entities entitled to the allowance. Another restriction is that the deductions can be made only by taxpayers who settle their tax statements according to the tax

---

<sup>1</sup> The allowance can be also used by persons functioning as legal guardians provided that they live together with a child, also persons caring in the form of a foster family.

scale (the so-called general rules). The allowance cannot be made by entrepreneurs taxed according to the proportional scale, farmers and lump-tax enterprisers. The figures in Table 1 prove that 300 thousand less persons used the allowance in 2013 than in 2012 and the state budget “saved” 150 million PLN. The allowance can neither be used by persons having no income, e.g. the unemployed with no right to any benefit. This fact seems to confirm that subsidisation by tax expenditures forces taxpayers to be more active which can indirectly mobilise them to look for employment and counteract their social exclusion. On the other hand, the treatment of personal income tax as the instrument of family policy requires alternative solutions for persons who are not income tax payers [Bolkowiak, Majewicz 1996, p. 8]. If such alternatives are not used the aid of the state will not be common and not all families with children will be supported to the same degree.

**Table 1.** Numbers of taxpayers using child’s allowance and deductions thereof in 2007–2013

Tax year	Number of taxpayers	Percentage of all taxpayers	Deductions (in thousands PLN)
2007	3 973 668	16.43	5 431 984
2008	4 205 909	17.21	6 043 553
2009	4 337 164	17.77	5 633 012
2010	4 303 125	17.52	5 684 317
2011	4 363 599	17.94	5 740 118
2012	4 334 367	18.07	5 698 504
2013	4 024 017	16.52	5 529 539

Source: developed by the author on the basis of [Ministerstwo Finansów, 2008, 2009, 2010a, 2011, 2012, 2013].

The child’s allowance is not used by persons with low income. This is caused by the Polish system of family benefits. The beneficiaries of such benefits can be persons whose income is below a certain statutory limit. And income, as defined in the Family Benefits Act, is revenue minus costs, social insurance premiums and health insurance premiums, and due personal income tax. By paradox, the use of family allowance and the reduction of due tax can result in such family income that family benefits cannot be obtained, which will adversely affect the economic situation of a taxpayer. In spite of the controversies concerning the limited scope of taxpayers entitled to family allowance, the percentage of taxpayers and the resultant value of income lost by the budget are high; the amount of deductions since the beginning of family allowance is about 5.5 billion PLN.

The next controversy is the deduction of the allowance from the value of tax, previously decreased by the value of social insurance premiums. The family allowance functions only for taxpayers who can prove comparatively high income tax. And the assumptions of this function cannot be referred to persons who do not determine such tax. Such a situation can occur if a taxpayer uses other forms of

preferential taxation (e.g. tax settled together with a spouse or a child brought up alone) or achieves relatively low income. In 2013, the minimum revenue of a taxpayer employed on the basis of an employment agreement by one employer at the place of his residence was PLN 21,576.<sup>2</sup> If such a taxpayer used other allowances or preferential settlements not all the family allowance could be considered. These facts indicate that the family allowance fails to achieve purposes assumed by the law maker. The fundamental factor of the child's allowance is the correlation of income with the number of children; and a taxpayer with many children, earning average wages, is excluded from the full use of the allowance. For example, if a taxpayer earns average monthly wages equal to the minimum Polish wages and the spouse has no income and takes care of three children, the potential deduction for these married persons is PLN 3,892.20; however, the allowance paid is PLN 430.93, equal to income tax after the deduction of health insurance premium.<sup>3</sup> The annual income of this family (understood as wages minus due tax and social insurance and health insurance premiums) is PLN 15,830.44. For the sake of comparison, within the system of family benefits, this family would receive family benefit of PLN 77 for a child under 5 years of age, PLN 106 for a child between the age of 5 and 18, PLN 115 for the older child and the allowance of PLN 80 for the third child brought up in such a numerous family.

This is why it is postulated to support families not through the tax system but by direct transfers of benefits paid by the state budget. The functioning of this allowance proves that it can be used by taxpayers having relatively high income and other taxpayers who cannot deduct the whole amount of the allowance. Thus the stimulating function of the allowance is reduced, causing the limitation of the progressivity of personal income tax [Ministerstwo Finansów 2010b, p. 6]. Another consequence is the exclusion of tax subvention of the poorest persons who pay low taxes [Polackova Brix, Valenduc, Li Swift (eds.) 2004, p. 5].

## 5. Negative income tax – a new solution in personal income tax

The existing structure of family allowance is hardly stimulating and the support for taxpayers is illusive. The percentage of families with one child that can use the whole allowance is relatively high (76,1%); in the case of families with two or three children is lower – 67,6 and 30,8%, respectively. 32% of families with children, having taxable income, earn not enough to receive the family allowance [Myck, Kundera, Oczkowska 2013, pp. 8, 9].

---

<sup>2</sup> Calculated by the author. Revenue: PLN 21,576, costs: PLN 1,335, social insurance premiums: PLN 2,958, health insurance premiums: PLN 1,442.9. The resultant taxation basis: PLN 19,869, income tax calculated according to the tax scale: PLN 3,020.40, tax after deductions: PLN 1,112.04.

<sup>3</sup> Calculated by the author. Revenue: PLN 20,160, costs: PLN 1,335, social insurance premiums: PLN 2,763.96, health insurance premiums: PLN 1,348.19 (7.75%). The resultant taxation basis: PLN 8,031, income tax calculated according to the tax scale: PLN 1,779.12, maximum amount of family allowance after the consideration of health insurance premiums: PLN 430.93.

The law maker realizes poor stimulation of the allowance that cannot be a satisfactory factor for increasing families. So, starting from 1 January 2015, the law was amended and numerous families are supported stronger [Ustawa z 24 października 2012]. To assure real support for families with children, the allowance will be increased by 20% for the third and every next child, i.e., from PLN 1,668.12 to PLN 2,000.04 for the third child and from PLN 2,224.08 to PLN 2,700 for every next child.

A new solution is introduced to make a part of the family allowance treated as a direct payment, not a tax expenditure. Taxpayers will receive financial support in the amount equal to the difference between the deduction to which a taxpayer is entitled and the deduction made in his tax statement. Such a solution means the introduction of the elements of the so-called negative income tax to the Polish tax system, which is a benefit *de facto* for families with children. It is assumed that the proposed amendments will contribute to the decrease of poverty and the increase of Polish birth rate, by high tax stimulation level.

The mechanism of the new regulation can be considered by analysing the above described income situation of a married couple with three children. Due to the new solution, the parents will receive the joint return of allowance for three children in the amount of PLN 4,224.12 (PLN 1,112.04 for two children and PLN 2,000.04 for the third child); and the annual income of the family will grow to PLN 19,626.61. The proposed amendments will contribute to the decrease of the so-called tax wedge, especially for the least earning families. The tax wedge is the difference between the entire cost of work incurred by an employer and the net salary of an employee. The higher is the tax wedge, the more reluctant are the unemployed to start work and the more reluctant are employers to employ people. A mechanism reducing the taxes of a working member of a family will contribute to the increase of the family income and family consumption; it will limit indirectly the dimension of the black economy. A defect of the new solution will be the high costs paid by the state budget. According to estimates of the Ministry of Finance, included in the Assessment of the results of the regulation attached to the amendments of Personal Income Tax Act, the state budget will lose PLN 1,100,000, comprising decreased tax income and lost profits connected with the limitation of paid social benefits. It is the next defect of the solution resulting from the correlation of the tax system and the system of family benefits that will disappear after the net income of a family exceeds a certain income level. It can be described for an exemplary family with three children aged 3, 8 and 13. Parents work and earn the minimum salaries. The annual income of this family is PLN 40,320; the net income is PLN 31,660.88. The net income for one person per month is PLN 527.68 and it is lower than the income level for family benefit, valid since 1 November 2014 (PLN 574). So the family can count on the support of the state budget, in the amount of PLN 4628.<sup>4</sup> The new rules of calculating children's

---

<sup>4</sup> Calculated by the author. Monthly family benefit for a child aged under 5 – PLN 77. Family benefit for a child under 18 – PLN 106. Additional sums are PLN 100 at the beginning of a school year and PLN 80 (every month) for the third child, as brought up in a numerous family.

allowance will increase the net income of the family by PLN 4,224.12. The resultant net income for one member of the family will be PLN 598.08 which will cause the withdrawal of family benefits and the amount at the disposal of the family will be decreased. One of ways to avoid such a situation would be the gradual withdrawal of family benefits, along with the increase of the net income of a family above the income level. Such a solution is postulated *de lege ferenda*.

## 6. Conclusions

Tax expenditures are an instrument frequently used when a government wishes to achieve certain economic and social effects. Negative aspects of using tax expenditures are raised in literature, including the increase of tax collection, excessive level of the complication of tax regulations and the erosion of the tax base. That leads to the restriction of the possibility of the reduction of tax rates and new fiscal charges are formed as the budget is not fully fed with tax receipts [Wyszkowski 2010, p. 78]. The functioning of tax expenditures along with direct budget expenses can support some types of activity more than needed, other fields of social or economic life can be left unsupported. The use of tax expenditures breaks the rule of taxation regularity by the relative increase of the charges of taxpayers who do not receive any tax expenditures. The possibility to use the allowance only by taxpayers settling their tax statements according to general rules is discriminating for other groups of taxpayers. On the other hand, the proposed amendments of the construction of family allowance let us hope that the support of families with children by the tax system can become real. The amendments will become effective in 2015 and some time is necessary to assess their implementation. But they seem a good starting point to activities for a modern and effective family policy.

## References

- Bolkowiak I, Majewicz M., 1996, *Polityka rodzina a system podatkowy*, Instytut Finansów, Warszawa.
- James S., Nobes C., 1987, *The Economics of Taxation*, Prentice Hall Europe.
- Messere K.C., 1993, *Tax Policy in OECD Countries. Choices and Conflicts*, IBFD Publications BV, Amsterdam.
- Ministerstwo Finansów, 2008, *Informacja dotycząca rozliczenia podatku dochodowego od osób fizycznych za 2007 rok*, Departament Podatków Dochodowych, Warszawa.
- Ministerstwo Finansów, 2009, *Informacja dotycząca rozliczenia podatku dochodowego od osób fizycznych za 2008 rok*, Departament Podatków Dochodowych, Warszawa.
- Ministerstwo Finansów, 2010a, *Informacja dotycząca rozliczenia podatku dochodowego od osób fizycznych za 2009 rok*, Departament Podatków Dochodowych, Warszawa.
- Ministerstwo Finansów, 2010b, *Preferencje podatkowe w Polsce*, Warszawa.
- Ministerstwo Finansów, 2011, *Informacja dotycząca rozliczenia podatku dochodowego od osób fizycznych za 2010 rok*, Departament Podatków Dochodowych, Warszawa.



- Ministerstwo Finansów, 2012, *Informacja dotycząca rozliczenia podatku dochodowego od osób fizycznych za 2011 rok*, Departament Podatków Dochodowych, Warszawa.
- Ministerstwo Finansów, 2013, *Informacja dotycząca rozliczenia podatku dochodowego od osób fizycznych za 2012 rok*, Departament Podatków Dochodowych, Warszawa.
- Ministerstwo Finansów, 2014, *Informacja dotycząca rozliczenia podatku dochodowego od osób fizycznych za 2013 rok*, Departament Podatków Dochodowych, Warszawa.
- Myck M., Kundera M., Oczkowska M., 2013, *Finansowe wsparcie rodzin z dziećmi w Polsce w 2013 roku*, Raport Mikrosymulacyjny 01/13, Centrum Analiz Ekonomicznych CenEA, <http://cenea.org.pl> (10.12.2014).
- Nykiel W., 2002, *Ulgi i zwolnienia w konstrukcji prawnej podatku*, Dom Wydawniczy ABC, Warszawa.
- OECD, 2010, *Tax Expenditures in OECD Countries*, OECD Publishing, Paris.
- Polackova Bixi H., Valenduc C.M.A., Li Swift Z. (eds.), 2004, *Tax Expenditures: Shedding Light on Government Spending through the Tax System. Lessons from Developed and Transition Economies*, The World Bank, Washington, DC.
- Rybarski R., 1935, *Nauka skarbowości*, Warszawa.
- Surrey S., 1973, *Pathways to Tax Reform: The Concept of Tax Expenditures*, Harvard University Press, Cambridge, MA.
- Ustawa z dnia 26 lipca 1991 r. o podatku dochodowym od osób fizycznych, t.j. Dz.U. z 2010 r., nr 51, poz. 307, ze zm.
- Ustawa z dnia 28 listopada 2003 r. o świadczeniach rodzinnych, t.j. Dz.U. z 2006 r., nr 139, poz. 992, ze zm.
- Ustawa z dnia 24 października 2012 r. o zmianie ustawy o podatku dochodowym od osób fizycznych, Dz.U. z 2012 r., poz. 1278.
- Wyszkowski A., 2010, *Koncepcja tax expenditures w systemie podatkowym*, Gospodarka Narodowa, nr 9, pp. 65–82.
- Wyszkowski A., 2011, *Tax expenditures w ramach podatku dochodowego od osób fizycznych*, Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu, nr 173, pp. 464–472.