NAUKI O FINANSACH FINANCIAL SCIENCES 1(6) • 2011
ISSN 2080-5993

Maja Krasucka
University of Opole

HOUSEHOLD OPTIMISING TAX BEHAVIOURS

Summary: The article presents the issue of the tax behaviours of households oriented towards the optimisation of tax burden. The author shows how tax attitudes and behaviours are influenced by such factors as the strictness of the tax system and willingness to co-operate. Besides this, she presents the problem of tax planning. Using personal income tax as an example, the article presents available solutions allowing active taxpayers to pursue a strategy oriented towards the optimisation or reduction of the amount of paid taxes. The conducted analysis seems to indicate that the execution of a long-term tax burden optimisation strategy is possible practically in a limited scope and available to those households which achieve capital income, income from property rental or those undertaking to conduct business activities.

Keywords: household, personal income tax, tax strategy, tax reliefs.

1. Introduction

A tax deprived of a quality of neutrality generates economic and social effects, and thus in a significant way determines the economic, financial social, individual (private/personal) behaviours of individual households. The character and scope of such effects of tax burden [Owsiak 2005, p. 199] depend on such variables as the level of taxation, the subject and basis of taxation, taxation rates and scales, tax reliefs and exemptions, the manner of tax burden distribution, the place and method of tax collection as well as developed concepts of possible future changes in taxation, i.e. so-called "household tax expectations". What is also important in this context is a household's demographic and social profile shaped by the following factors: the size and age of a household, the phase in a family's life cycle, the age of the members of a household, their level of education, occupation or place of residence. The direct impact of taxes is visible in their influence on the level of a taxpayer's and his or her family's disposable income as well as on the prices of goods and services. Thus, the influence of taxes in this area determines the financial standing of households and the economic security of their members. Therefore, tax burdens cause changes in the level and structure of consumption of families, weaken the motivation to work and save, modify the dynamics and directions of investment activities. The indirect influence of taxes is more subtle and deeper – they influence not only economic and

financial behaviours but also personal (private) choices made by a taxpayer and his or her family as well as the time of such choices (e.g. entering into a marriage, having children, pursuing a career by women with small children, the influence of economic migration on family ties).

Thus, if the consequences of taxation for households are so widespread and appear in various fields of their activities, they also generate tax behaviours directed towards the evasion, delay or reduction of tax burdens. Using personal income tax as an example, the objective of the article is to present available solutions, allowing active taxpayers to pursue a strategy oriented towards the optimisation or reduction of the amount of paid taxes.

2. The determinants of tax attitudes and behaviours

The consequence of the state authorities' interference with property relations is taxpayers' reactions to taxation. Attitudes towards taxes are the mechanism triggering particular tax behaviours. They are diversified: in practice there are honest (disciplined) taxpayers who pay taxes and dishonest (undisciplined) ones who escape from paying taxes consciously or unconsciously. The taxpayer's response to a tax obligation is determined by two variables: the strictness of the tax system and willingness to co-operate[1]. The strictness of the tax system, comprising factors determining the type of relations between the tax administration and the taxpayer, for example the individual tax burden rate, penal sanctions effective in a given country and the inquisitiveness of the tax authorities. In consequence, the strictness of the tax system may encourage the taxpayer to pay his or her tax burdens or it may create in him or her adverse reactions and persuade him or her to attempt tax fraud. It is possible to distinguish the following approaches to tax obligation: involvement, submission, resistance, defiance and game [Sowiński 2009, p. 44]. Involvement is related to belief in the tax system as a mechanism oriented towards securing the common good. The taxpayer accepts his or her responsibility for the payment of his or her part of tax and perceives the fulfilment of this obligation as proper conduct. Submission is characterised by treating the tax service as the legitimised authority with which one should cooperate. Resistance is distinguished by attributing evil intentions to the tax service which "hunts" undisciplined taxpayers. Defiance is the expression of disenchantment with the system in which taxpayers have surrendered in their "fight" against the tax service and the tax system. Game can be characterised as an approach in which the tax service is perceived as a partner and the taxpayer looks for opportunities to use the law for his or her own benefit.

The other variable – the willingness to co-operate – is related to the moral aspect of tax behaviours. It comprises this area of economic awareness which is unconscious and unverbalised, and which is expressed in a spontaneous and individual evaluation of the tax system as well as the individual approach to taxes. It is therefore the area

[1] The so-called "tax fraud model" [see Keyser Wentworth and Urso Rickel 1985, p. 460].

which generates the so-called "tax mentality" [Keyser Wentworth and Urso Rickel 1985, p. 460] and "tax morale" [Alm and Torgler 2004, p. 2]. Tax mentality constitutes an area of social awareness, an attitude towards civic duties. It is a collective social reaction to taxation. It reflects people's attitudes towards taxation (a feeling of tax obligation) as represented by a social group which the taxpayer identifies with or belongs to. Tax mentality is influenced by circumstances related, for example, to a change in a country's political or economic system influencing, in turn, a feeling of statehood, identity with the authorities, compliance with constitutional standards in tax levying, the justice of the tax system, the procedure, manner and form of taxation, social attitudes towards tax obligation evasion. Furthermore, tax mentality is also influenced by the fact as perceived by society, the state is anonymous; therefore, people hold a general conviction that nobody is hurt by tax evasion. On the other hand, tax morale consists in the taxpayer's individual reaction to tax burdens, which means that it is related to his or her conscience. This means that the taxpayer's action corresponds to his or her inborn motivation, internal conviction, acceptance of the tax obligation and the state's tax authority. Taxpayers' morale also depends on the morale and legal awareness of the state authorities, which should impose only taxes that are consistent with rather than contradictory to morale understood as behaviours beneficial to the community at large. Thus, the taxpayer's reaction to the influence of this group of factors is related to the approach consisting in the taxpayer's acceptance of tax obligations imposed on him or her. This adaptation may have one of the three forms: surrender, internalisation and identification [Kelman 1958, p. 53]. Surrender is an apparent, external adaptation to tax requirements in view of the possible negative consequence of disobedience. On the other hand, internalisation consists in the integration of tax obligations with the taxpayer's value system. From the point of view of the state, it is the most desirable type of its citizens' adaptation to obligations under the tax law. The taxpayer refrains from tax frauds because of the lack of approval for tax evasion in his or her family and social environment. Respecting the tax law, the taxpayer is convinced that his or her actions are proper. In this respect, identification is similar to internalisation; however, its major objective is to acquire approval from people of importance and authority whom the taxpayer wants to imitate. The consequences of this type of adaptation to taxation last until the taxpayer gets to know of a more attractive idea or the current leader or authority loses his or her attractiveness. The two latter forms, as approaches resulting from a conviction of the rightness of imposed tax burdens, result in changes of opinions, which, in turn, strengthen generated consequences (the strongest – in the case of internalisation)[2].

Poles' tax morale can be described with respect to their care of the common good. Their interest is not aroused by the fact that somebody violates the common good by evading the payment of taxes. A considerable part of society considers tax

[2] The highest level of tax morale is shown by the United States, and in Europe – by Austria and Switzerland [see Alm and Torgler 2004, pp. 6-14].

evasion as a generally accepted phenomenon and a thing deserving approval. A lower level of sensitivity is visible in all social groups, but the main indicator of opinions on the common good is the level of education. This factor is to the largest extent responsible for economic differences; it influences the objective understanding of economic phenomena and the practical skill to make rational economic decisions in a particular economic reality [Świecka (ed.) 2008, pp. 107, 109]. Hence, the youngest Poles are the least sensitive to reprehensible tax behaviours, while people close to retirement (aged 45-64) – but not the oldest (aged 65+) – are the most sensitive. Citizens who are the least critical of the evasion of tax obligations are those living in the countryside and having the lowest level of education [Czapliński and Panek (eds.) 2009, p. 258].

3. Tax strategy

Influenced by the strictness of the tax system and willingness to co-operate, the taxpayer's actions, based on economic behaviours, are oriented towards the optimisation of tax burdens and consist of the following: paying due taxes and subsequently making up for their amount, transferring tax burdens to other entities (forwards or backwards), eliminating or limiting factual or legal circumstances causing taxation, refusing to pay taxes, avoiding taxation, evading taxes. However, the possibility of optimising tax burdens depends on the knowledge of the structure of particular taxes, the regulations concerning tax procedures and the institutions determining, enforcing and controlling public law obligations. A wide variety of the elements of a households' tax environment as well as their certain individualisation cause taxpayers to adopt a passive or active approach towards tax obligations. The taxpayer's passive approach to tax obligations is related to the fulfilment of imposed obligations without any attempt to change the factual or legal circumstances determined by the legislator as causing tax obligations or a failure to use reliefs or exemptions provided for in the tax law. On the other hand, the taxpayer's active approach manifests itself by tax planning oriented towards tax optimisation[3]. Such behaviour means choosing an operating model or a structure of a planned transaction or legal action that will ensure the minimisation of total tax burdens. Tax planning should be co-ordinated in all areas of the taxpayer's personal, family, economic and investment activities; it needs to precede the implementation of selected projects. It should be stressed, however, that the optimisation of tax charges should comprise taxes whose burden is significant and known to the taxpayer. This results from the fact that the starting point in the development of the taxpayer's active approach towards tax obligations is the identification of such obligations; the next step is its fulfilment in the manner corresponding to a tax strategy selected by the taxpayer. A tax strategy comprises the taxpayer's (including his or her family members')

[3] This notion is frequently replaced by "tax intelligence" which means the intelligent application of regulation in order to achieve a legal reduction of tax burdens [Stasiak 2008, p. 40].

individualised actions and decisions which in the future will result in a lower amount of due taxes, and sometimes will allow the taxpayer to avoid the payment of taxes or will prevent double taxation.

A tax strategy may be created based on various criteria. One of them is the scope of the application of the effective tax law which allows for the development of a legal strategy, a strategy at the edge of the law, a strategy of tax evasion or an illegal strategy [Ickiewicz 2009, p. 147]. Providing opportunities for acquiring "tax advantages", none of these strategies is free from risk. Tax risk is generally identified with a necessity to pay interest or penalties for intentional evasion or understatement of tax obligations revealed during inspection by the tax service. However, if the scope of the occurrence of this risk is broadened to also cover the danger of an erroneous understatement of a liability or the unconscious failure to fulfil a tax obligation, this risk occurs also in the legal strategy. The more so because the source of this risk is also external factors related, for example, to the instability of the tax law, the changeability of the interpretations of the tax law or the fiscalism of the tax service. Another criterion of dividing tax strategies is a temporal perspective which divides tax strategies into short-term and long-term ones. The development of a long-term concept of the optimisation of tax burdens is practiced especially by rich households which expect "tax advantages" generated also for subsequent generations. On the other hand, a short-term strategy is used by taxpayers whose level of achieved income or the material status of their families allows them, according to the tax regulations, to take up activities authorising them within a few years' time to take advantage of particular preferences (taxpayers who "can afford" to use tax reliefs or exemptions)[4]. However, if in consequence of changes in the law the effective period of particular tax preferences is limited practically to a given year, the taxpayer's actions take the form of tax tactics oriented towards the maximum utilisation of the scope of yearly tax reliefs and exemptions[5]. The structure of personal income tax and the related tax technique as well as the individualised scope of the tax environment cause a situation in which each optimisation solution adapted to the requirements of a particular taxpayer will correspond to an individual tax strategy (tactics).

4. The areas of households' activities within the scope of personal income tax

The fulfilment of a tax obligation requires the determination of a tax base which constitutes a reflection of the subject of taxation expressed in terms of quantity or value. In the case of personal tax, for example personal income tax[6], a tax base is

[4] An example of following a short-term strategy is the use of educational, house repair or accommodation tax reliefs.

[5] Such easy availability was characteristic of a considerable number of personal income tax reliefs effective before 2002.

[6] *The Personal Income Tax Act*, i.e. *Journal of Laws*.

income determined as the difference between revenues and tax deductible expenses. Analysing the possibilities of shaping a tax base for personal income tax one can identify four areas of taxpayer activity: the scope of the tax obligation, joint taxation, the modelling of revenues and tax deductible expenses, indirect tax reliefs.

One of the behaviours allowing the taxpayer to avoid a tax burden is physical movement outside the area of fiscal jurisdiction of a given state, i.e. a so-called "physical escape from taxation". Whether the taxpayer is obliged to settle in Poland his or her income achieved abroad is determined by his or her tax residence on the basis of the definition of the place of residence. A natural person whose "centre of interest" is located in the territory of the Republic of Poland[7] or who stays in Poland longer than 183 days is subject to an unlimited tax obligation; therefore, such person's whole income (revenue) is subject to personal income tax irrespective of the place of its achievement. On the other hand, people subject to a limited tax obligation pay income tax only on income (revenue) achieved in the territory of the Republic of Poland under an employment contract, personal service provision, self-employment or real property rental[8]. The statutory definition of a place of residence allows the Polish taxpayer to change his or her place of residence and move abroad before the expiry of a 183-day period, which may release him or her from the obligation to settle taxes under Polish law. However, this possibility requires that the taxpayer should move abroad with the whole family and his or her major source of income should be employment abroad. In the case of taxpayers moving from one territory to another, there exists a possibility of moving the place of residence and a territorial jurisdiction of tax regulations, but it may be difficult within a psychological or emotional context. If a given person has a place of residence both in Poland and a country of employment, he or she should determine the major place of residence on the basis of criteria included in a double taxation convention[9].

The amount of due personal income tax is also reduced if the taxpayer's income is taxed after the end of the financial year on the basis of special regulations. An example illustrating the possibility of influencing the level of a tax base is the choice of the method of taxation between individual (as a matter of principle) or joint[10] (on the basis of a submitted application) together with a spouse or a child raised individually by the taxpayer. Joint taxation[11] of spouses or people raising children on their own constitutes a form of a family preference. However, both cases do not take into consideration the number of people dependent on the taxpayer. The same method is used to calculate a tax base and due tax for married couples without children or for a family with a couple of children as well as people who raise one or more children

[7] It is determined, for example, by family, social, political and cultural ties or personal interests.

[8] *The Personal Income Tax Act* of 21 July 1991, i.e. Journal of Laws of 2010, no. 51, item 307, as amended, article 3.

[9] In conventions signed by Poland, there appear two methods of avoiding double taxation: the exemption with progression method and the proportional tax-credit method.

[10] Article 6 of *the Personal Income Tax Act of .., Journal of Laws…*

[11] After fulfilling particular conditions both residents and non-residents are entitled to this right.

on their own[12]. Joint taxation causes a factual reduction of due tax on income which is, in fact, common for the whole family. This method of calculating taxes is beneficial for spouses (a single parent) if one of them has no income or they achieve incomes significantly different from each other. Thus, joint taxation allows the taxpayer to double the minimum amount of income exempt from taxation and to apply a lower tax rate. Submitting a joint tax return is beneficial for spouses if their incomes fall into different sections of the tax rate scale. Therefore, submitting a joint tax return contributes to the flattening of income and the reduction or avoidance of tax progression. In years 2007-2009 about 40% of all taxpayers taxed according to the tax scale took advantage of the opportunity to tax spouses' incomes jointly. About 2% of all taxpayers taxed according to the tax scale claimed to have their income tax reduced on account of their status of single parents raising children on their own.

The third area of shaping a tax base is related to the modelling of revenue and tax deductible expenses towards the lowering of income (a tax base). This form of tax activity brings results mainly in the case of taxpayers conducting their own business activities. According to a general formula, income subject to taxation depends first of all on the amount of revenue and the amount of tax deductible expenses. Taxpayers achieve revenue from various sources and under various legal arrangements (e.g. an employment contract, pension, personal service provision, capital, property rights). In tax law, close to 130 items exempt parts of the taxpayer's income from tax obligation. Among those which can be used by large groups of taxpayers, one can distinguish various types of compensation, family benefits, grants for students or pupils. Theoretically, the modelling of revenue (assuming that the taxpayer is not interested in their lowering) may consist of the diversification of their structure towards the domination of revenue exempted from taxation. However, in practice, such a scope of activity would require access to many sources of revenue, which for many taxpayers is not possible to achieve. Furthermore, the income effectiveness of such sources is relatively low in comparison to those covered by taxation; therefore, their choice would result in a reduction in disposable income. In this context, there are more possibilities for shaping tax deductible expenses. To a considerable degree, tax deductible expenses depend on the source of revenue and their level may be diversified considerably. One can distinguish revenue from which all expenses can be deducted, revenue from which only a part of expenses can be deducted (contract of specific work) or revenue from which no expenses can be deducted (disability benefits, pensions). An example of income shaped by the modelling of revenue and tax deductible expenses is revenue from private property rental subject to taxation under a tax scale[13]. Revenue from property rental has a market character and is

[12] The income of a single parent raising children alone does not include income (revenue) subject to a flat rate tax (e.g. winnings in lotteries, dividends, interest on bank deposits) or income achieved by a child of full legal age.

[13] In years 2007-2009 revenue from property rental constituted about 0.3% of the total amount of revenue achieved by the payers of personal income tax.

determined by the taxpayer, while tax deductible expenses are changeable and cover documented expenses incurred in connection with property rental (e.g. costs of legal services, operating costs, administrative costs, property tax, insurance costs, expenditures on the purchase of equipment increasing the standard, etc.) and depreciation[14] of a rented apartment or house. This gives the taxpayer some possibility of increasing his or her revenue or tax deductible expenses. Furthermore, if property rental is the taxpayer's only source of income, his or her tax is additionally decreased by the tax-free amount for the first section of the tax scale. However, the taxpayer achieving income from property rental should also analyse the option of having his or her revenue subject to a flat-rate tax. By 20th January of every tax year the taxpayer may submit a proper application and choose this form of taxation at a flat rate of 8.5% of achieved revenue. The advantages of such a choice include the application of a tax rate lower than in the case of taxation in line with the general principles, the exclusion from a tax base of such elements as payments incurred by a tenant and related to a rented property (e.g. a housing co-operative's operating costs, utility bills) if a rental agreement provides for the tenant's payment of such costs[15]. Furthermore, the attractiveness of this form of taxation is strengthened by the fact that revenue from property rental occurs only after rent has been paid or made available to the taxpayer. This means that taxable revenue is not revenue which becomes due and payable on the date of payment but revenue which has been factually received by the taxpayer.

Another area of lowering a tax base is indirect tax reliefs. From his or her income the taxpayer may deduct social insurance premiums, donations, apartment credit interest tax relief, expenses on disability rehabilitation, Internet costs. The amounts deducted under indirect tax reliefs in Poland are presented in Figure 1, while the number of active taxpayers is shown in Figure 2. In years 2007-2009 social insurance premiums were deducted respectively by 50.7%-51.8%-52.2% of the total number of taxpayers, and the amount of deducted premiums constituted 10.2%-8.24%-8.15% of gross income before deductions. Since 2008 taxpayers have also been able to deduct insurance premiums paid abroad. From income achieved in 2010 the taxpayer may deduct, up to the specified limit, donations for the following purposes: public benefits as provided by registered public benefit organisations, religious worship, voluntary blood donation organisations. Apart from using such donations, it is also possible to deduct from income donations provided for in the acts on the relationship

[14] Depreciation is one of the key cost items lowering the amount of due tax. It can be determined applying depreciation rates to an initial value which can be the cost of production or market value determined by an expert. It is also possible to use the so-called simplified depreciation of flats, according to which each year an initial value is determined as a product of a flat's area expressed in square metres and the amount of PLN 988.

[15] Such payments are not covered by the notion of performance in kind or other free performance referred to in *the Act on the Flat-rate Income Tax on Some Revenue Achieved by Natural Persons* of 20 November 1998, Journal of Laws of 1998 no. 144, item 930, as amended.

between the state and particular churches. The taxpayer may deduct from his or her income documented payments to a beneficiary's bank account, donations given to religious legal entities for their charitable activities. Such donations may be the most beneficial for taxpayers as they are not covered by deduction limits specified in the personal income tax act.

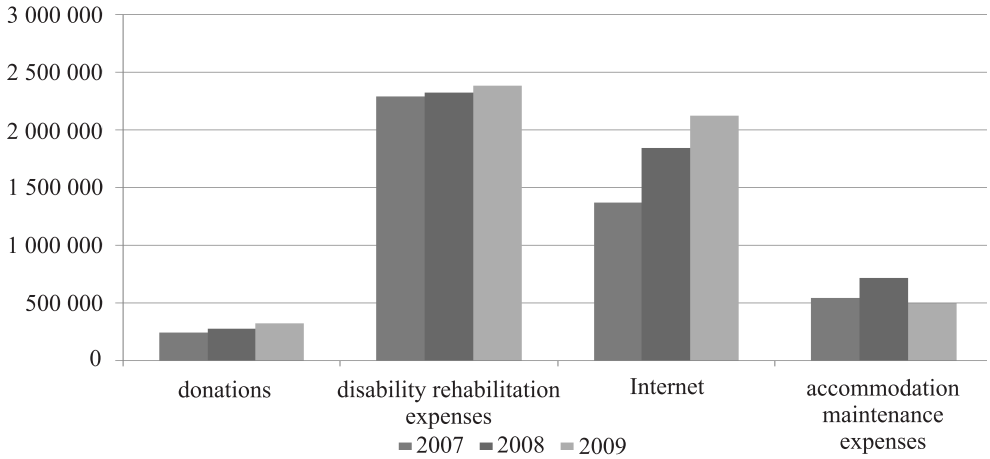

Figure 1. The amount of deductions under indirect tax relief regulations in years 2007-2009 (PLN thousand)

Source: Author's own work based on [*Information Concerning*… 2008, 2009].

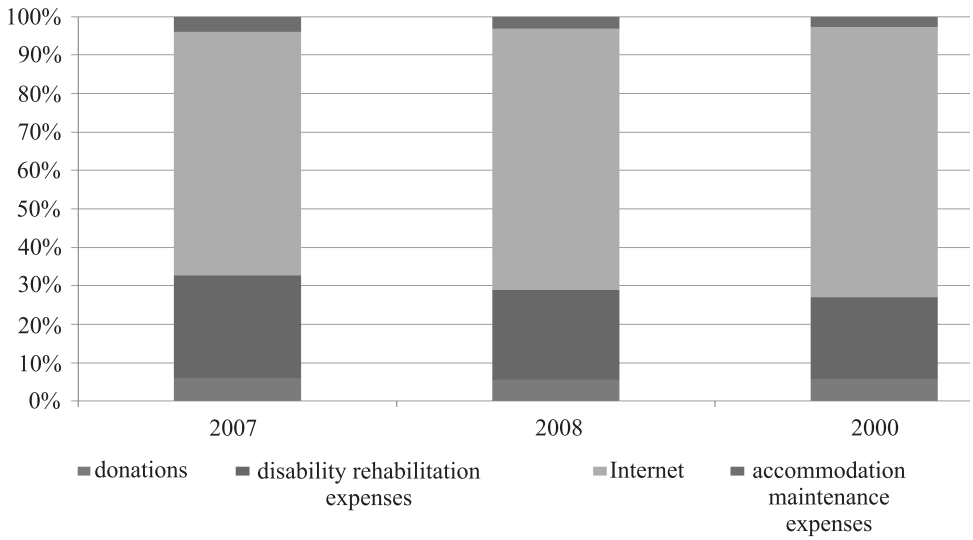

Figure 2. The number of taxpayers using indirect tax reliefs in years 2007-2009

Source: Author's own work based on [*Information Concerning*… 2008, 2009].

Expenditures on disability rehabilitation constitute an important item influencing the amount of a tax base. The catalogue of tax deductible expenses under the disability rehabilitation tax relief specified in the act has a closed character. Taxpayers entitled to this relief are private persons with disabilities or with disable dependants. It is imperative that the taxpayer taking advantage of this relief possess a certificate of disability issued by an authorised institution. Expenses related to disability rehabilitation were deducted by close to 4.5% of all taxpayers by an average amount of PLN 2,330,533,000. For a few years taxpayers have also been able to deduct from their income expenses on Internet bills (a maximum amount of PLN 760 a year). During the whole period under analysis the combined amount of these deductions was rising steadily because of, among other things, advantageous interpretations of tax regulations, according to which it is not a marital tax relief; therefore, either spouse is entitled to it if he or she achieves income and possesses documentary evidence that such an expense has been incurred and that the Internet has been accessed in premises being the taxpayer's place of residence. Taxpayers who pay for access to the Internet in a rented apartment are also entitled to this tax relief; the condition is that invoices should be issued in the name of a tenant and not the landlord of a real property. The situation with mobile access to the Internet is similar; if the taxpayer wants to take advantage of this tax relief, he or she has to prove that such mobile access was used only in the place of the taxpayer's residence.

Another form of decreasing personal income tax burdens is direct tax reliefs which decrease the amount of due tax calculated on the basis of the progressive tax

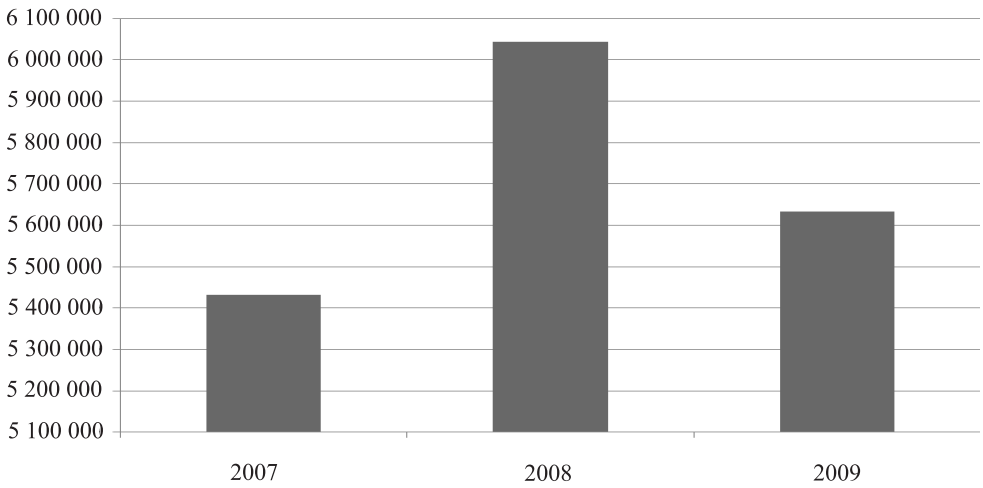

Figure 3. The amount of deductions under pro-family tax relief regulations in years 2007-2009 (PLN thousand)

Source: Author's own work based on [*Information Concerning*… 2008, 2009].

scale. The most popular of such direct reliefs is the pro-family tax relief whose maximum yearly amount equals PLN 1112.04 for each child. Figures 3 and 4 show the amount of deductions under this tax relief and the number of taxpayers using it. The largest value of deductions occurred in 2008 while the most taxpayers claimed this relief in 2009. In 2009 there was a noticeable fall in the value of claimed family reliefs, which was caused mainly by changes in the relevant regulations. Currently the amount of this tax relief can be deducted in proportion to the number of months in which the taxpayer looked after a child; the pro-family tax relief can be claimed by parents, legal guardians and foster families. This tax relief cannot be claimed by taxpayers paying the flat-rate personal income tax.

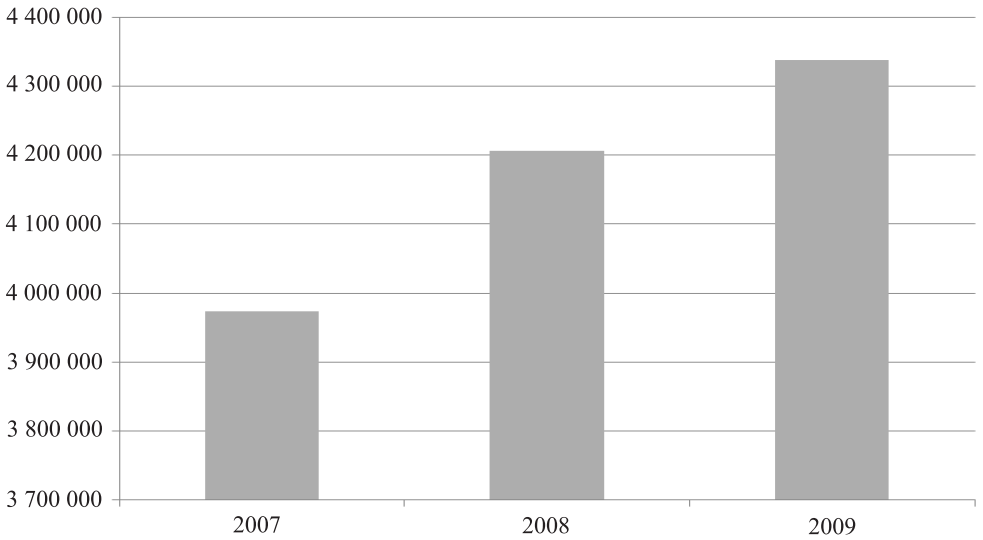

Figure 4. The number of taxpayers using the pro-family tax relief in years 2007-2009

Source: Author's own work based on [*Information Concerning*… 2008, 2009].

An important issue influencing the scale of benefits acquired by the taxpayer under the pro-family tax relief is the level of achieved income. This is especially for families with many children on a low income. In practice, not all taxpayers are able to take advantage of the full amount of the deduction for each child. Furthermore, it is a yearly tax relief, so the unused amount cannot be deducted the following year. Thus it is mainly taxpayers achieving a high income that are able to take full advantage of this relief.

All capital income is taxed at a rate of 19%[16]. Capital revenue (income) is not combined with income from any other sources. Besides, the principle is that joint tax

[16] In 2007-2009 the number of taxpayers active on the capital market was equal to 1% of all taxpayers subject to the general taxation principles.

settlement – so-called "compensation" (the combination of income and loss) does not apply to capital income, which the taxpayer settles separately from income achieved from other sources.

Income or revenue from various sources implies various principles of determining a tax base: the calculation and payment of a 19% flat-rate tax by the taxpayer and the self-taxation with a 19% linear tax by the natural person achieving revenues from the particular sources. As a matter of principle, with respect to the popular forms of investment (saving), income such as interest on deposits, dividend and income resulting from a rise in the price of investment fund participation units after their repurchase by a fund is settled for taxation purposes by banks and investment funds or companies paying out dividends; in such cases income constitutes a tax base. In the case of disposing of shares in limited companies, the taxpayer settles taxes individually and takes into consideration tax deductible expenses. Revenue from the sale of securities occurs at the time of their transfer to a buyer. People who incurred a loss by buying and selling shares on a stock exchange may settle such loss against their income from the five consecutive years (but not more than a half of such loss in a given financial year).

Companies offering their customers investment or saving products indicate the possibility of avoiding or postponing such a tax. With respect to saving in bank deposits, the product allowing for the avoidance of the tax on interest is a daily capitalisation term deposit[17], in which the daily amount of calculated interest is lower than the minimum amount causing the appearance of a tax obligation. One of the interesting forms of investment is so-called "umbrella funds", consisting of many sub-funds. Choosing this type of fund, the participant is able to change his or her investment strategy freely and postpone the moment of paying taxes on profit until the final withdrawal from an investment. As a matter of principle, loss on investment funds may not be compensated with income achieved from any other investments or any other income. However, in the case of umbrella funds, the taxpayer may compensate the loss on one sub-fund with the profit on another sub-fund so that tax can be paid only at the time of withdrawal from a fund. The amount of tax to be paid is also influenced by the methods of unit redemption used by investment fund companies (FIFO, LIFO, HIFO). In some funds it is possible to specify which particular units are to be repurchased; this gives the taxpayer an opportunity to optimise the level of his or her taxation[18]. From the point of view of taxation, ETF funds listed on the Warsaw Stock Exchange are an interesting offer[19]. Investors may receive income from trading ETF fund units on the

[17] A morning deposit in LUKAS BANK, www.lukasbank.pl.

[18] Funds managed by KBC TFI, www.kbctfi.pl.

[19] Lyxor ETF WIG20. is a foreign sub-fund of Multi Units Luxembourg conducting activities under the laws of Luxembourg. Participation units in this fund reflect the behaviour of the stock exchange prices of the 20 largest companies. Dividend is equal to the weighted average of the dividends of the companies included in the WIG 20 index.

stock exchange and an annual dividend. What is interesting is that the dividend is covered by a 0% taxation rate in accordance with a bilateral agreement between Poland and Luxemburg[20]. Income achieved from changes in the value of ETF participation units on the stock exchange is taxed the same as income from trading in shares or any other financial instruments.

The area of activities related to the individual calculation of due tax is especially attractive to taxpayers. Income from stock exchange investments is taxed with a 19% linear tax deducted from income. This means that the amount subject to taxation is the difference between income and tax deductible expenses. If this difference has a negative value, it means that the investor has incurred a loss in a given financial year. A loss from a given source of income incurred in a given financial year may be deducted from income achieved from the same source in the next five consecutive financial years. It should be remembered that the recognition of the investor's profit or loss is determined by the closing of an investment position. Decisions oriented towards the lowering of tax on stock exchange activities allow for the settlement of loss and postponement of the moment of taxation. Investors implement their optimisation strategies by selling securities in the old year with a loss and then repurchasing them quickly at a similar price (even at the same session). A sales transaction is necessary for the settlement of a loss. A fall in the value of a security is not interpreted as a loss under the taxation regulations. If the investor has a profit on some transactions and his or her portfolio includes instruments on which he or she has incurred an untaxed loss (closed positions), he or she should close the loss-generating positions in order to include them in his or her tax return. The final day for such optimisation is 28th December because the time distance between a transaction involving shares and their recording (transfer of ownership) is three days. On the other hand, investors wishing to realise a profit decide to sell shares when their value is higher than the value at the moment of purchase. If the investor does not expect any serious price reductions until the end of the year, he or she should wait with a selling order until the beginning of the following year. In this way, the time of tax settlement will be postponed until 2011. Until this time the equivalent amount may be kept, for example in an interest bearing bank account.

5. Conclusion

The structure of personal income tax allows the taxpayer to undertake activities with a view to lowering the obligatory tax burden. Most of them require only the taxpayer's direct settlement of due taxes with a tax office, which is done by 75% of taxpayers,

[20] Income from dividend may be taxed in either Poland or Luxembourg. Tax on dividend paid in Luxembourg will not be payable in Poland if the dividend is taxed in Luxembourg; *The Double Taxation Convention between the Republic of Poland and the Grand Duchy of Luxembourg of 14 June 1995*, *Journal of Laws of 1996* no. 110, item 527, article 10, paragraph 1.

and the fulfilment of the statutory conditions for taking advantage of the most popular tax reliefs and deductions. However, it is also important that the scale of using such privileges is determined in principle by the level of achieved income. Therefore, as far as tax optimisation behaviours are concerned, most taxpayers resort mainly to tax tactics. The development and implementation of a tax strategy is determined by the achievement of income, which allows for the modelling of revenue or tax deductible expenses, which is excluded from joint taxation under the general principles or which may be covered by flat-rate taxation. It seems that the execution of a long-term tax burden optimisation strategy is possible practically in a limited scope and available to those households which achieve capital income, income from property rental or those undertaking to conduct business activities. It should be also stressed that the current directions of changes in the personal income tax regulations (e.g. the elimination of some reliefs, changes in the determination of some tax deductible expenses) may additionally narrow the already small area of suing tax tactics and strategies to a group of rich households and private entrepreneurs.

References

Act on the Flat-rate Income Tax on Some Revenue Achieved by Natural Persons of 20 November 1998, Journal of Laws of 1998 no. 144, item 930, as amended.

Alm J., Torgler B. (2004), *Culture Differences and Tax Morale in the United States and in Europe*, CREMA, Working Paper No. 4.

Czapliński J., Panek T. (eds.) (2009), *Diagnoza społeczna 2009. Warunki i jakość życia Polaków* [Social Diagnosis 2009. Poles' Living Conditions and Quality of Life], Warszawa.

Ickiewicz J. (2009), *Obciążenia fiskalne przedsiębiorstw* [Tax Burdens of Business Enterprises], PWE, Warszawa.

Information Concerning the Settlement of Personal Income Tax for 2007 (2008, 2009), The Ministry of Finance, www. mf.gov.pl.

Kelman H.C. (1958), Compliance, identification, and internalization. Three processes of attitude change, *Journal of Conflict Resolution,* Vol. 2, No. 1.

Keyser Wentworth D., Urso Rickel A. (1985), Determinants of tax evasion and compliance, *Behavioral Sciences & the Law*, Vol. 3, No. 4.

Owsiak S. (2005), *Finanse publiczne* [Public Finance], PWN, Warszawa.

Sowiński R. (2009), *Uchylanie się od opodatkowania. Przyczyny, skutki i sposoby zapobiegania zjawisku* [Tax Evasion. The Causes, Consequences and Prevention of the Phenomenon], Wydawnictwo Naukowe UAM, Poznań.

Stasiak P. (2008), Kraje raje [Countries – Tax Havens], *Polityka*, No. 33.

Świecka B. (ed.) (2008), *Bankructwa gospodarstw domowych. Perspektywa ekonomiczna i społeczna* [Bankruptcy of Households. The Economic and Social Perspectives], Difin, Warszawa.

The Double Taxation Convention between the Republic of Poland and the Grand Duchy of Luxembourg of 14 June 1995 (1996), Journal of Laws of 1996 no. 110, item 527.

OPTYMALIZACYJNE ZACHOWANIA PODATKOWE GOSPODARSTW DOMOWYCH

Streszczenie: W artykule przedstawiono problematykę zachowań podatkowych gospodarstw domowych ukierunkowanych na optymalizację poziomu ciężaru podatkowego. Ukazano jak na postawy i zachowania podatkowe wpływają takie czynniki jak surowość systemu podatkowego i chęć współpracy. Na przykładzie podatku dochodowego od osób fizycznych zaprezentowano dostępne rozwiązania, które aktywnym podatnikom umożliwiają realizację strategii ukierunkowanej na zoptymalizowanie lub obniżenie wysokości płaconego podatku. Na podstawie przeprowadzonej analizy wydaje się, że realizacja długoterminowej strategii optymalizacji obciążeń podatkowych w praktyce możliwa jest w ograniczonym zakresie i dostępna tym gospodarstwom domowym, w których osiągane są dochody kapitałowe z najmu nieruchomości, bądź też które podejmują się prowadzenia działalności gospodarczej.