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Taxes on Agritourist Services

Summary

In his article, the author presents the selected forms of taxation imposed on agritourist services. In the case of personal income tax, the law envisages several methods of taxation on income from agritourist services, e.g. personal income tax paid in accordance with general rules, flat rate tax, tax card, and lump-sum tax on registered revenue. As far as value added tax is concerned, in general, agritourist farms are exempt from this tax.

Key words: tax, agritourist business, tax on agritourist services.

JEL codes: L83

Introduction

Agritourism is a form of rural tourism connected with a tourist stay on an operating farm. It is worth highlighting that it is a popular form of recreation in Poland. People interested in this kind of business have a lot of doubts because there is no clear definition of agritourism in the tax law provisions.

Until now, agritourism has not been defined. According to W. W. Gaworecki, “it is a form of relaxation at a farmer’s, on an operating farm, where one can stay, have meals with farmers, participate in many farming activities and observe everyday animal breeding and gardening” (Gaworecki 2000, p. 98). Getting involved in agritourism, a farmer should ensure homely atmosphere and provide guests with healthy, fresh food. It is an additional source of income for villagers.

An increasing number of people start participating in rural relaxation. Rural areas have been discovered again as places for active, not passive forms of spending free time. People started to appreciate rural landscape, specificity and diversity of farms and the possibility to have contact with local people (Gaj 2008, p. 34-35). An important element of rural tourism, including agritourism, is its accessibility, also for people with lower income, and a possibility to find a farm that is far away from big cities and holiday resorts.

However, it is necessary to emphasise that the provisions of tax law do not thoroughly define the rules of imposing taxes on agritourism services. The choice of the most appropriate type of tax mode is the biggest problem for farmers.

Methods and material

The article aims to present the current tax regulations in relation to agritourism. The article highlights the territorial range of the European Union single market which includes

Poland. It also utilises a deepened analysis of the legal state, which made it possible to achieve the aim and analyse taxation bases.

Up to five rooms in the country without tax

Small-scale income from room renting and catering for holidaymakers is exempt from income tax. Based on Article 21 point 43 of the Act on Personal Income Tax, income from renting guest rooms in country dwelling houses located on farms to holidaymakers and income from catering provided to them if the number of rented rooms does not exceed five is exempt of income tax. This means that in order to be subject to the exemption depends on the fulfilment of all the following conditions¹:

- The maximum number of rooms a farmer can rent is five (it is not specified how many beds can be in the rooms).
- The guest rooms for rent must be in dwelling houses that belong to the farmer's farm premises.
- Dwelling houses of the farm facilities must be located in the countryside (rural areas).
- The income must be obtained from holidaymakers staying at the farm.
- Apart from renting guest rooms and catering services, the holidaymakers are not provided with other services.

It is worth mentioning, however, that exemption does not apply to renting rooms in a holiday home, regardless of the number of rooms for rent, and organisation of tourist activities and bicycle and kayak rental services. If the number of rented rooms exceeds five, the whole income from agritourism is subject to taxation.

Choice of personal income taxation mode

A non-agricultural business activity is an individual activity performed on one's behalf regularly and in an organised way in order to earn profits. Being involved in agritourism business of guest rooms renting, an entrepreneur can be subject to tax exemption only in the case he/she fulfils all the following statutory terms (Act on Personal Income Tax 2000):

- Guest rooms are rented to holidaymakers.
- Dwelling houses are located in rural areas.
- The landlord is a farmer and his dwelling houses with guest rooms are within the farm premises.
- The number of rooms for rent does not exceed five – regardless of the number of beds in them.

It must be highlighted that the exemption also applies to income from catering services provided to the lodgers. Taxpayers that are subject to the exemption from personal income tax do not have to keep books. However, they are obliged to register their turnover for the

¹ Art. 21 item 1 point 43 of the Act on Personal Income Tax.

needs of VAT payment unless they are made exempt from this tax. What is also very important for agritourism farms is the fact that there is no tax exemption in the case of renting camping space for tents and camper vans.

If the number of rooms exceeds five or other statutory conditions for tax exemption are not fulfilled, a farmer can choose one of the taxation modes listed below (*Informator...* 2008, p. 3):

- Personal income tax paid in accordance with general rules.
- 19% flat rate tax.
- Lump-sum tax on registered revenue.
- Tax card.

To exercise the right to choose the taxation mode effectively, an entrepreneur must back it up with an adequate written statement lodged to the Head of the Taxation Office. The choice of the Taxation Office is based on the location of the entrepreneur's place of residence.

Personal income tax – general rules

Room renting treated as a non-agricultural business activity is subject to taxation in accordance with general rules or 19% flat rate tax and must be entered in a business activity register. The taxpayer being subject to this taxation mode is obliged to calculate the amount of due tax based on the progressive rate scale and the Act on Personal Income Tax. It must be mentioned that an entrepreneur can subtract the costs, including the house maintenance, cleansers, furnishings and depreciation expenses. Both revenue and costs must be registered in the Book of Revenue and Spending. However, the legislator decided that farmers could be subject to a simpler procedure if their income from agritourism does not exceed PLN 10,000 per year and the activity is carried out on one's own and his/her family (*Informator...* 2008, p. 3).

flat rate tax

Income from agritourism can be subject to 19% flat rate regardless of the amount of income. Owners of agritourism farms who have chosen this taxation mode are obliged to make the due advance monthly payments calculated in accordance with Article 30c of the Act on Personal Income Tax (2000), i.e. as a result of subtraction of the sum of advance payments due in the previous month from the whole amount of tax due from the beginning of the year.

Lump-sum tax on registered revenue

The choice of this taxation mode is exercised by lodging an adequate statement to the Head of Taxation Office competent for the taxpayer's place of residence. When choosing a lump-sum tax mode, one should take into account the fact that they will not be able to subtract any costs from their revenue that automatically becomes their taxable income.

Lump-sum tax on registered revenue is (Act on Lump Sum Tax... 1998):

- 17% of revenue from services such as accommodation, tourism and other forms of lodgings regardless of the number of rooms for rent.
- 8.5% of revenue from services defined in Article 12 item 1 point 3 of the Act on Lump-Sum Tax on Some Types of Personal Income.

A farmer is obliged to pay the lump-sum tax on registered revenue to the bank account of the Taxation Office adequate to his/her place of residence for every month until the 20th day of the next month and for December until the 31st of January next year. The law makes it possible to pay the due tax quarterly, in which case a taxpayer must make the payment until the 20th day of the first month after the quarter in question.

An owner of the agritourist farm who pays the lump-sum tax is obliged to have and keep all documents confirming the purchase of goods and register tangible and intangible assets. A farmer must also register furnishings and their yearly revenue and spending.

If a farmer has income that is subject to different tax rates, he/she should register revenue in the way that makes it possible to distinguish the revenue from different activities, i.e. for example the revenue from room renting services and catering services should be registered separately.

Tax card

The simplest taxation form is the tax card because tax does not depend on the revenue but results from the decision of the Head of the Taxation Office (*ABC agroturystyki ... 2008, p. 5*).

Tax card is a form of taxation on income of individuals providing hoteling services by renting guest rooms or holiday chalets with the possibility to serve meals. It is used in the following situations (Act on Lump Sum Tax... 1998):

- when the number of rooms together with holiday chalets does not exceed 12 and the tourists are provided with meals and no other services;
- when the taxpayer does not use services provided by persons that are not his/her employees and services provided by other entrepreneurs or companies;
- when the taxpayer is not involved in any type of non-agricultural businesses except those listed in the 12 parts of the table being an annex to the Act (business that can be subject to tax card).

The tax amount is fixed based on the size of the village where the service is provided. A farmer is only obliged to pay the fixed amount of tax on specified dates as decided by the Head of the Taxation Office. The rates of the tax card were published in the Minister of Finance announcement on tax card rates of 2 November 2009 (Monitor Polski No. 88 item 771): persons providing hoteling services that consist in renting guest rooms and holiday chalets and serving meals to lodgers, if the number of rooms does not exceed 12, are obliged to pay the following rates: PLN 56-127 in villages/towns with up to 5,000 dwellers; PLN 102-222 in towns with 5,000 to 20,000 dwellers; PLN 198-399 in towns with more than

20,000 dwellers. Service providers cannot employ more than two workers or two adult members of their family, not excluding a spouse (Obwieszczenie Ministra Finansów... 2009). It must be emphasised that tax card cannot be applied in the case of income from camping site and campervans parking space rental.

Value added tax in the case of agritourism

Owners of agritourism farms are in general exempt from VAT if they do not exceed the limit of PLN 50,000 in revenue per year. If a taxpayer exceeds the limit, he/she is obliged to register their daily revenue. It is worth emphasising that hoteling and agritourism services are subject to 7% rate of VAT. However, it is a lowered rate, thus it is not applicable to (Act on Value Added Tax... 2004):

- sales of other goods that are subject to 22% rate of VAT if in an unprocessed state;
- sales of coffee, tea, non-alcoholic fizzy drinks, mineral water and alcoholic beverages that are subject to 22% rate of VAT.

Conclusion

Taking a decision to start providing agritourism services, it is worth learning what the forms of taxation are, if it is possible to be made exempt from taxes and how payments to the Taxation Office should be made.

Business activity consisting in renting guest rooms and additional services is strictly connected with the necessity of taxation. It seems to be economically justified to make use of the exemption from personal income tax as well as VAT. However, not all farmers involved in agritourism can fulfil the statutory conditions for tax exemption.

It can be stated that one of the most beneficial forms of taxation on income from agritourism is personal income tax in accordance with general rules, i.e. the progressive tax rate. In that case, a taxpayer can subtract costs from their revenue. But it requires quite good knowledge of the tax law.

An owner of the agritourism farm who must choose the taxation mode should carefully analyse future costs and revenue and make a decision based on that analysis. The VAT regulations that apply to agritourism are rather complicated and should be adapted to the current economic conditions.

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Podatki od usług agroturystycznych

Streszczenie

W swym artykule autor przedstawia wybrane formy opodatkowania usług agroturystycznych. W przypadku podatku dochodowego od osób fizycznych ustawa przewiduje kilka metod opodatkowania dochodów z usług agroturystycznych, np. podatek dochodowy od osób fizycznych płacony zgodnie z ogólnymi przepisami, podatek liniowy, kartę podatkową i podatek zryczałtowany od przychodów ewidencjonowanych. Jeżeli chodzi o podatek od wartości dodanej (VAT), to z reguły gospodarstwa agroturystyczne są zwolnione z tego podatku.

Słowa kluczowe: podatek, agroturystyka, podatek od usług agroturystycznych.

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Налоги на услуги агротуризма

Резюме

В своей статье автор представляет избранные формы налогообложения услуг агротуризма. В случае налогов на доходы физических лиц законом предусматривается несколько методов налогообложения доходов от услуг агротуризма, напр., налог на доходы физических лиц, оплачиваемый в соответствии

с общими правилами, пропорциональное налогообложение, налогообложение в виде налоговой карты и фиксированного налога на зарегистрированный доход. Что же касается налога на добавленную стоимость, то, как правило, агротуристские хозяйства освобождены от этого налога.

Ключевые слова: налог, агротуристская предпринимательская деятельность, налог на доходы с агротуризма.

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