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LEGAL DILEMMAS OF STREAMING PROPERTY TAX LOGIC

PRAWNE DYLEMATY STRUMIENIOWEJ LOGIKI PODATKÓW MAJĄTKOWYCH

ЮРИДИЧЕСКИЕ ДИЛЕММЫ НАЛОГОВОЙ ЛОГИКИ ПОТОКОВОЙ СОБСТВЕННОСТИ

Abstract


Taxes have the property that they constitute a stream because they are paid by subtracting parts of various other streams generated by business entities. When paying tax, they must pay part of their income - in the case of direct tax or expenditure - in the case of indirect tax; we count both volumes as economic categories called streams. These tax characteristics are called the tax logic stream. The conclusion about the flow of tax is in fact trivial, but fraught with serious consequences - not always noticed. Since the tax itself is a stream, firstly, in its creation as a category of public finances, one should always determine the right reference to the value of some other stream; it should be created in relation to this other stream, for example in terms of income, because only the stream is an effective source of income. The tax is a cash stream and only to the cash flow must be referred.

Keywords: *taxes, indirect tax, direct tax, property taxes, cash streams, tax streams, flow of property tax logic*

Streszczenie

Podatki mają tę właściwość, że stanowią strumień, ponieważ są płacone przez odjęcie części różnych innych strumieni generowanych przez podmioty gospodarcze. Płacąc podatek, muszą oddać część swoich dochodów - w przypadku podatku bezpośredniego, lub wydatków - w wypadku podatku pośredniego; obydwie wielkości zaliczamy do kategorii ekonomicznych nazywanych strumieniami. Takie cechy podatków nazywamy strumieniową logiką podatku. Wniosek o strumieniowym charakterze podatku jest w istocie trywialny, ale brzemienny w poważne skutki - nie zawsze dostrzegane. Skoro bowiem podatek sam jest strumieniem, to: w jego tworzeniu jako kategorii finansów publicznych powinno się zawsze określać właściwe odniesienie do wartości jakiegoś innego strumienia; powinien on być tworzony względem tego innego strumienia, na przykład względem dochodu, gdyż tylko strumień jest efektywnym źródłem dochodu. Podatek stanowi strumień pieniężny i tylko do strumienia pieniężnego powinien być odniesiony.

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Słowa kluczowe: podatki, podatek pośredni, podatek bezpośredni, podatki majątkowe, strumienie pieniężne, strumienie podatkowe, strumieniowa logika podatków majątkowych

Аннотация

Налоги представляют собой поток, поскольку они выплачиваются путем вычитания частей различных потоков, генерируемых субъектами хозяйствования. При уплате налога они должны оплачивать часть своих доходов - в случае прямого налога или же расходов - в случае косвенного налога; мы считаем оба показателя экономическими категориями, называемыми потоками. Эти налоговые характеристики называются потоком налоговой логики. Вывод о том, что налоги имеют характер потока на самом деле тривиален и является рискованным, так как не всегда замечается. Поскольку сам налог является потоком, во-первых, при его создании в качестве категории государственных финансов всегда следует определять соответствующую ссылку на стоимость какого-либо другого потока; он должен быть создан в отношении этого другого потока, например, с точки зрения дохода, поскольку только поток является эффективным источником дохода. Налог представляет собой денежный поток и относится только к денежному потоку.

Ключевые слова: налоги, косвенный налог, прямой налог, налоги на имущество, денежные потоки, налоговые потоки, поток налога на имущество

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The statement of the problem in general outlook and its connection with important scientific and practical tasks.

Tax, (Latin name: taxare), means a compulsory financial obligation imposed on a taxpayer by the state or its functionally equivalent. Currently, it is most often taken in cash, although in the pre-capitalist times it was often paid in kind. Regardless of the socio-political formation of the state, first the ruler and then the state required and requires resources to satisfy its needs and to fulfill its tasks towards its subordinates or citizens. These funds initially came from the assets of the ruling regime, from the forced benefits collected from the population in the conquered areas, and from the voluntary services provided to the ruling population. These benefits, due to their lasting nature, have become

customary and, as a consequence, obligatory. From these customary, obligatory benefits, at a certain stage of the development of socio-economic relations, a modern tax has emerged. Taxes were mainly used to contribute to the budget, as well as social, economic and political functions (Dolata 1999, pp. 21-22). It can be assumed that the main objective of tax policy, both from the macro- and microeconomic perspective, is to fulfil the fiscal function of taxation which is to accumulate tax revenues enabling the fulfilment of tasks and functions due to the entities of the public finance sector. Tax revenues are used to finance budget transfers, including

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for the public sector, affecting the allocation processes between taxpayers and the public finance sector (Kosikowski C., Ruśkowski E., 2003, p.476). Taxes have the property of a stream because they are paid

by subtracting part of the various other streams generated by business entities. The streaming nature of the tax means that the taxpayer must pay it by giving a part of the income stream.

The analysis of the latest research when the solution of the problem was initiated.

The issue of the concept, understanding and dilemmas of the stream logic of property taxes has been and remains the subject of research conducted by many domestic and foreign scientists, such as Jerzy Żyżyński, Julita Łukomska, Jarosław Neneman, Paweł Swianiewicz, Cezary Kosikowski, Eugeniusz Ruśkowski, Stanisław Owskiak, Paul Marie Gaudemet, Joel Molinier.

The following publications are presented in this paper: Budżet i polityka podatkowa (Żyżyński J., 2009), Finanse publiczne i prawo finansowe (Kosikowski C., Ruśkowski E., (red.), 2003), Finanse publiczne. Teoria i praktyka (Owskiak S., 2002), Finanse publiczne (Gaudemet P.M., Molinier

J., 2002), Podstawy wiedzy o podatkach i polskim systemie podatkowym (Dolata S., 1999) and Concepts of real estate tax transformations, expert report prepared for Bank Gospodarstwa Krajowego (Swianiewicz P., Neneman K., Łukomska J. 2014).

The proposals for tax streams are, in fact, mundane, but they also have important results. Since taxes are a stream, their creation should, as a category of public finances, make appropriate reference to the value of another stream. Taxes are cash flows and it is only the cash flow that should be considered.

Aims of the paper. Methods.

The main task of the article is to examine theoretical, methodological and legal aspects and dilemmas of tax stream logic. The main research method in this publication is induction. It consists in presenting general conclusions or determining certain regularities based on empirically specified phenomena or processes. It is a kind of reasoning based on details of general characteristics of a phenomenon or object. The application of this method requires the assumption that only facts can constitute the basis for scientific settlement. These facts are situations that have really occurred. Inductive methods include various legal acts, analyses, expert opinions, statistical data and

scientific documents used in social research. The second method used is the synthetic one which consists in the combination and presentation of tools and forms of tax stream logic in the overall model of not only fiscal but also social policy. This method treats reality as a combination of functions. It is based on combining different concepts into a whole. Through a complex research approach, data sources were triangulated, i.e. information on property tax was compared and theoretical triangulation based on the analysis of data from various theoretical concepts of tax and social policy was applied.



Exposition of main research materials with complete substantiation of obtained scientific results. Discussion.

The system transformation processes of the Polish economy, i.e. their marketing and commercialisation, were correlated with the key aspects of economic globalisation, namely the cross-border movement of goods and capital which are becoming increasingly important. A significant support for these processes was the adjustment of legal regulations and institutional standards governing the functioning of the financial system in Poland (Gwoździwicz S., Prokopowicz D., 2017, pp. 60-75).

In Poland, imposing taxes and other public levies, determining entities, subjects of taxation and tax rates, as well as the principles of granting exemptions and amortizations and categories of entities exempt from tax payments is done by way of an act (Journal of Laws of 1997, No. 78, item 483)(13). Details of the tax system in Poland are specified in the tax ordinance (Journal of Laws of 1997, No. 137, item 926, as amended)(14), which is the basic act in the field of tax law, governing issues important from the point of view of all tax types, such as, but not limited to, competence of tax authorities, creation and expiration of tax liabilities, powers of attorney, responsibility for tax liabilities, issuing interpretations of the provisions of additional law, reliefs in payment of tax liabilities, interest for late payment of tax liabilities, statute of limitations of tax liabilities, tax proceedings, tax inspection and verification activities. [(19)Rödl & Partner 2016].

Taxes have the property of a stream, since they are paid by subtracting part of the various other streams generated by business entities. When paying tax, they must return part of their income - in the case of direct tax, or expenditure - in the case of indirect

tax, both of which fall into economic categories called streams. Such features of taxes are called the streaming logic of tax.

The conclusion is that a streamlined tax is indeed trivial, but it has serious repercussions - not always seen. Since the tax itself is a stream, first of all, in its creation as a category of public finances, we should always define a proper reference to the value of some other stream; it should be created in relation to this other stream, for example in relation to income, because only the stream is an effective income source. The tax is a cash flow and it only should be recognized as the cash flow. It is a paradox that certain legal transactions, which are of an internal nature for companies, are taxed. It turns out that subsidies to the company's supplementary capital are taxed; the tax on civil law transactions is charged on the company's articles of association (instruments of incorporation), amendments to contracts, etc. Consequently, the tax becomes a sanction without any economic justification.

In the case of property taxes, the basis of taxable amount for property tax or inheritance tax is the value of the property. The streaming nature of the tax means that the taxpayer must pay it by giving a part of the income stream. Therefore, if it does not have such a stream, it must sacrifice the accumulated savings, possibly take a loan to repay them, and eventually even cash all or part of his assets (inheritance). Therefore, it seems reasonable to postulate that the property tax should not lead to the depletion of the taxpayer's assets (property) (Owsiak S. 2002, p. 156). We should consider the question of whether, due to economic illogicality, property tax should be eliminated from the tax system. In my opinion, it should not, provided that the income generated by the

property is subject to tax. Such an approach is economically rational because although the subject matter of taxation is the property, and the tax base is the value of this property, the tax is paid on the income stream from that property.

It is therefore possible to identify certain situations where taxation of assets is justified, even though these taxes do not directly consider the streaming nature of taxation in their design:

Firstly, taxation makes sense when income from assets is hidden and there are no formal grounds for charging tax on them. Thus, property tax may be a form of indirect taxation of income, since it retains its stream character.

Second, asset taxation is justified when the State wants to put pressure on the owners of productive assets to use them properly. An example is the tax on building land which encourages landowners to make it profitable (Gaudamet P.M., Molinier J. 2002, p. 481). The willingness to put pressure on businesses to use their assets productively or to tax hidden income may also justify the taxation of large residential properties. However, presuming that a property is or can be used for a paid lease, i.e. that income is derived from it, may often be completely unjustified, and then the negative effects of property tax will occur (Żyżyński J. 2009, p. 178). However, the taxation of productive assets motivated by the desire to activate inactive assets may lead to a weakening of the incentive to invest. An entrepreneur who has the prospect of paying tax on inactive assets - even if the assets cannot be used productively without his own fault - will be afraid to take the risk of investing, especially in conditions of economic uncertainty. In this way, the property tax has a weakening effect on the economic situation.

Thirdly, property taxation is economically and socially justified when the owners of

certain categories of property use the services of the State in connection with that property and the tax is a form of payment for those services. An example is a tax on means of transport (construction and maintenance of roads) or a betterment levy (increase in the value of real estate as a result of certain administrative and legal actions).

Fourth, taxation of assets is justified where the public authorities consider it necessary to impose certain restrictions (high tax rates) on certain assets, where these are considered economically or socially undesirable, or where a certain type of creation of such assets is considered inappropriate. However, in fact, in such a situation, the stream of income or transactions connected with the property is subject to taxation anyway.

One form of a property tax is an ad valorem property tax, based on the general tax treatment of real estate and a link between the amount of paid tax and the value of the real estate (based on different parameters). However, the underlying concept of taxing at market value is logically inconsistent. The market value of a property arises only when concluding a commercial transaction and is an ex post category, and cannot be determined in advance, as it is defined by the seller and the buyer, sometimes in the process of very complicated negotiations. Only their cooperation can lead to the determination of the price of such real estate, and the price of similar real estate "to be a reference point for the determination of the value of real estate" is only one of many factors supporting but not directly determining the final price of the real estate. The system of administrative valuations generates the risk of proper determination of tax rates. They should consider the taxpayer's ability to pay, defined as the revenue stream from which the tax can be paid, without having to give up other taxpayer's needs. It

should be remembered that in addition to the "market value of the property", other methods of tax assessment may be considered. In the interwar period, Poland was subject to real estate tax on all properties in its municipalities, including buildings with courtyards and squares. Cultivated fields, meadows, pastures, orchards and gardens, as well as forest and waterside lands were excluded from taxation. The legislator has assumed that these properties may generate income but that this income is uncertain, seasonal and often dependent on many random factors, so they should be exempt from taxation. Similarly, properties owned by the state treasury, local governments, social security institutions, religious associations, scientific and educational institutions, as well as land under public roads and railways, uninhabited property occupied by hospitals, and properties not inhabited or used due to poor technical condition were excluded (the analogy is the so-called "technical reasons in the current Local Taxes and Charges Act."). Interestingly, the taxable amount was the rent or lease, collected at the rates preceding a given tax year. If the property was not leased, the taxable amount was the hypothetical rent that would have been possible to obtain from the property (calculated using a method comparing it with other properties of a similar type) (15)(Żyżyński J. 2009, pp. 181-182). The tax base for the tax year was the rent or lease payable for the year preceding the tax year (up to 10% of the value). If the property was not leased, the tax was based on a hypothetical rent that could be obtained from the property (from 3% to 5%). If such a value could not be determined, the value of the so-called circulation value, determined on the basis of prices paid for similar properties in the year preceding the tax year, was assumed. If the landlord suffered losses as a result of the non-payment of rent by tenants, these losses were considered

when calculating the tax. It was therefore a typical income tax on hypothetical income from assets and met the logic of the stream character of the tax. A property tax was also in force. It was paid by natural and legal persons occupying premises. The tax ranged from 8% to 12% of the taxable amount, and the taxable amount was the actual rent from the year preceding the tax year. The rate of 8% was for one-, two- and three-room premises, and 12-percent for premises having four and more rooms. In the case of real estate tax as well as property tax, the taxable amount was the income that could be obtained from real estate. Therefore, it is not the transaction value or the sale value that is used. This tax was more of a working nature than a profitable one, and it taxed the generated income stream. An approach based on the assumption that rental income should be taxed at separate rates and given the form of a small uniform property tax related to market rents seems reasonable. Such an approach makes real estate tax an income tax, and the cadastral value of the real estate itself is only the basis for formal determination of its amount. This approach implies that a taxpayer who owns a property receives a fixed income allowing him to pay the tax. For example, the owner of a single-family house does not pay rent but pays property tax, thus financing the local infrastructure he uses. It should be noted that making the tax dependent on the market value of the property has another very serious and not always noticed disadvantage, which makes the tax not only inconsistent logically but also very unreasonable ecologically and emotionally. The tax burden is becoming a function of the economic situation on the real estate market.

The increased prosperity may give rise to speculations such as an explosion in market prices. In such a case, the tax burden also

increases dramatically. If property tax depended on market prices, this would mean a very good result for local authorities' budgets, but it would also mean a high increase for taxpayers. On the contrary, with the market downturn and falling prices, it would reduce the burden on taxpayers as well as weaken local finances, making public finances unsustainable.

It is not only assets that are taxed but it also changes in the form of ownership of assets. However, from an economic point of view, it is only a change of form of safekeeping of assets (property): one participant in the transaction changes his or her apartment (inherited, for example) into money, the other changes money for the apartment. If the authorities levy a tax on this transaction, they motivate the participants to hide its value, and the use of arbitrary pricing systems by official tax collectors - although based on official market price tables or value assessments - can still deviate from the real situation. Of course, the transaction involves a cash flow between the parties. However, the economic content is a change in the form of ownership of assets, so taxation of this act has serious economic drawbacks. The sale of real estate is a property transaction, but it may be profitable. Income tax is only payable if the difference between the sale price and the purchase price is positive, since there is a taxable profit. If this difference is negative immediately, i.e. if the seller had incurred a loss, the sales tax would have increased that loss. The entire amount obtained from the sale, i.e. the value of the flat determined during the sale transaction, is subject to the sales tax. Attempting to tax the actual income would require knowing the actual price the seller has previously received, and this might not be possible in practice, as there would be a temptation to hide this price, to give falsified data in contracts. This may

partially justify the use of income tax, although it seems that there are organisational methods in place to minimise the possibility of such abuses. However, the justification for this form of tax does not alter the undisputed fact that it contradicts the conclusions of the streamlining of the tax as an economic category. Wealth taxes therefore raise many questions, are defective for a number of reasons, distort the distribution and circulation of wealth, but they are also fundamentally contrary to the logic of the tax as an economic stream (Żyżyński J. 2009, pp. 185-186).

Among interesting and practical concepts of reforms of the real estate taxation current model (as alternatives for a cadastral tax) one should mention a report by Paweł Swianiewicz, Jarosław Neneman and Julita Łukomska entitled "Concept of transformations of real estate tax" (Swianiewicz P., Neneman K., Łukomska J. 2014). According to the report authors, the system of financing local governments in Poland requires changes that would lead to the strengthening of the share of own revenues in the budgets of Polish local governments, and at the same time would increase their autonomy in the scope of their financial policy. Among the proposals to strengthen the tax potential of local budgets there are: discussions about changes in the field of property tax, ideas aimed at transforming shares in PIT into local income tax and the concept of local value added tax formulated relatively by W. Misiąga. In this report, the author presents a concept which meets several important criteria, i.e. increases the potential income of many local governments, is fairer than the current binding system and is relatively simple and easy to implement. The author points out that the strengthening of self-governments' own revenues through a reformed property tax has many advantages, which include:

- a. Increase the credibility of local governments towards their residents. The municipality's budget depends on local taxes and charges.
- b. Fiscal policy should be adapted to local preferences.
- c. Revenue structure strengthens the reputation of the local government in the State system.
- d. Due to the high share of own income in the local government budget, the level of local development is growing.

The author presented an alternative proposal to the *ad valorem* tax, based on the assumption of zoning the highest tax rate, in which the tax depends indirectly on the real estate value. The reform proposal is based on the following assumptions:

- a. The tax could be charged on the surface area of the property, but the maximum rates should vary according to location.
- b. Location in the region and dependence of the highest rates on the level of GDP per capita.
- c. Designation of areas within a municipality where tax rates vary.

Estimates of the impact of the proposed changes on the income of local government units are presented in three variants: "Basic", "radical" and "conservative".

Under the baseline, the rate of the highest property tax depends on GDP per capita. According to the author, the second factor is the distinction of large province cities and communes with highly developed tourist infrastructure.

The radical option is to reduce the disproportion between the income collected from residential, commercial and non-commercial property by raising the tax rate on non-commercial property to the highest level. The retained option would be no change that could lead to the greatest political insecurity - i.e. an increase in the rates of the tax on residential buildings. This option would further widen the gap between the amount

of funds received from residents and from businesses.

Analysts from EC Harris pointed out the role and importance of real estate in the new approach to measuring GDP. The idea of using the value of real estate (fixed assets) to measure the wealth of individual economies (GDP measures only the income of the economy and not its assets) seems to be very relevant, especially if we analyse the shortcomings of the GDP structure based only on the annual revenue stream. GDP excludes, in substance, accumulated assets from previous years. It is like comparing the wealth of two people, one of whom (X) earns PLN 200 000 annually, but has no assets, because he is at the beginning of his professional career, and the other (Y), who receives an annual pension of PLN 30 000, but has several flats, plots of land, shares, etc. with a value of e.g. PLN 5 million. It is known that person Y is much wealthier than person X, although measuring their assets only with a stream of annual income make us think that the case is opposite. This example accurately illustrates the shortcomings of the current GDP structure in measuring the wealth of the economies of individual countries. GDP takes into account only current financial flows in a given year, and completely ignores the wealth that individual countries have accumulated in the past years. That is why HC Harris, in cooperation with the Center for Economic and Business Research (CEBR), has developed its own national wealth index, the so-called "Built Up Assets Index". This indicator shows the value of all fixed assets in the economy, i.e. which infrastructure the inhabitants of a given country can use. The new indicator analyses all the public and private assets built and put into use. In order to estimate it, it is necessary to evaluate all residential and office areas, as well as roads, bridges, viaducts, railway lines, airports, power plants, etc. The authors of the

new indices covered 30 countries and the calculations were based on accumulated investments in the economy (based on data from national accounts), and then they imposed depreciation schemes (based on OECD and World Bank data) for specified types of investments. At the end of 2012, the value of assets built in 30 countries amounted to USD 193 trillion, which is almost three times more than last year's GDP of those countries (USD 68 trillion). The richest countries are the USA (USD 39.7 trillion), followed by China (USD 35.45 trillion), Japan (USD 18.27 trillion), India (USD 11.77 trillion) and Germany (USD 10.29 trillion). Poland, with USD 1.74 trillion of assets at its disposal, is ranked 21st in this ranking, which gives a value per capita of USD 45.5 thousand (PLN 145 000).


The system of property taxation should be understood as a group of taxes in force in a given country, the subject of which is the ownership, as well as the legal transfer of certain assets, subject to taxes based on the binding legal regulations (Reško D., Wołowiec T., 2012, p.6-12). The principle should be that their structural link with a property should be reflected not only in the object of taxation but also in the construction of the taxable amount. The subject of property tax is related to a wide range of events, often of a heterogeneous nature. We can therefore say that it would be difficult to adopt a solution based on the universal identification of assets with which the legislator has tax liability. There is no doubt that the subject matter of property taxation is broad in scope and therefore requires the adoption of a definition of assets in a narrow or broad sense. For the purposes of this trial, due to the fact that research areas are limited to taxes that burden property ownership, the definition of property in the narrow sense has been adopted (property comprising only particular types of assets adopted by the legislator).

In practice, the task of the state tax policy, apart from its fiscal function, is also to guarantee the possibility of stimulating and regulating influence on economic and social processes (Skica T., Wołowiec T. 2013, p. 88-104). With regard to property taxes, the social and economic context in which the local government operates should not be overlooked in legal regulations (as well as in relation to reforms carried out). It should be remembered that the expectations towards property taxes cannot be too high and the specific features of property tax functions should also be considered. Therefore, any tax policy shaped by legal norms should include postulates for effective use of real estate, shaping a rational spatial structure of cities and environmentally-oriented tax solutions.

The diversity of views expressed in the literature on the inclusion of taxes on agricultural and forest land, buildings and unstructured urban areas in the category of property, income or mixed taxes makes it necessary to propose certain solutions to reduce negative legal and economic phenomena within property taxes. From this point of view, the following activities would be desirable:

- a. Arranging the legal regulation of property taxes by adopting permanent, easily identifiable features;
- b. Wherever there is a separate taxation of agriculture and forestry, general taxation principles should be introduced (e.g. income tax - an example of a tax levied on the generation side of income, property tax on the value of property owned - an example of a tax on a resource, VAT - an example of a tax levied on the use side of income);
- c. Considering a selection mechanism promoting the development objective and limiting market disturbances;
- d. Detailed consideration of the necessary design elements of property taxes (e.g.

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residential, agricultural, forestry and other) in order to reject an unjustified approach based on the free determination of the affiliation of these taxes;

- e. Simplify tax structures to eliminate revenue specificities.

When analysing the legal and formal division of taxes into direct and indirect, the criteria for determining the characteristics of property taxes belonging to direct taxes should be treated very carefully. I believe that the features of direct taxation should be limited to those that are the least controversial:

- a. Direct taxes are taxes levied on income or property belonging to or outside the taxpayer's control in such a way as to enable him to derive benefits from the property;
- b. The object of the tax is the same as the actual source of the tax (direct link), because the generated income or assets directly refer to the value from which the tax is actually paid;
- c. Direct taxes refer directly to the tax capacity of taxpayers, as they are imposed directly on the source of income;
- d. Direct taxes are those in respect of which it is possible to use the relevant administrative registers of taxpayers and their income and assets (cadasters) for tax assessment purposes;
- e. Direct taxes are those that are closely linked to the effects of economic activity.

Poland does not have a single law to regulate the property taxation system as a whole. The characteristic feature of tax regulations that make up this system is not a large number of implementing regulations.

Conclusions.

Polish property taxation and inventory system is critically assessed by EU experts

In principle, these taxes are fully regulated by legal acts of statutory rank which distinguishes them positively from the rest of taxes. This system is made up of three taxes with a very similar legal structure, which are regulated by three legal acts that are not extensive in scope. Real estate tax is regulated by the Local Taxes and Charges Act (16), the Forest Tax Act (17) and the Agricultural Tax Act (18). The subject of these taxes is land management in its broadest sense. Real estate tax is charged not only on land, but also on buildings, structures and premises. Only land is subject to forestry and agricultural taxes. These taxes are intended to be complementary in such a way that land which is subject to forestry or agricultural tax is not subject to property tax, except where it is used for economic activities other than forestry or agriculture. These taxes are in competition with each other because, depending on the use made of the property for agricultural, forestry, residential or business purposes, it may be subject to one of the three taxes. Although there is a rule that distinguishes these taxes, they are intertwined in both subtitles and in terms of substance. When it comes to property taxation, the coexistence of these three benefits gives rise to many misunderstandings in theory and practice. The real estate taxation system in force in Poland is a typical historical model which was regulated not on the basis of predetermined assumptions, but on the basis of the principle of permanent adjustment of its individual elements - taxes - to the constantly changing social and economic situation.

who have identified the need to reform it. It is an outdated system which is based on the

taxation of property surfaces (land and buildings) and takes little account of value as the taxable amount (buildings). In these taxes, assets are valued for taxation purposes by square meters and hectares (physical and conversion) but not in money (Szybowski D., 2017, p.163-190). This is particularly important in the context of creating conditions for accelerating economic growth in Poland in the years following the unanimous consolidation of the global economy by the process of reconstruction after the recent financial crisis and may enter a phase of much higher growth than at present, given the periodicity of the business climate. Moreover, despite the need to reform public finances in many European economies, economists point to the need to improve security regulations (Gwoździwicz, Prokopowicz 2017, pp. 27-42). The extent to which the opportunities associated with globalisation and the minimised threats will be used depends on undertaking an appropriate, national policy of appropriate successive inclusion of a given country in the modes of globalisation processes, taking into account the economic potential and possible gaps and underdevelopment of the country's economy. This thesis is still valid also in view of shaping the development of the banking system in Poland. (Gwoździwicz S., Prokopowicz D., 2015, p.203-216). In the transformation of the structure of taxes that are part of the real estate taxation system, it can be clearly seen that the legislator quits the taxation of income (agricultural tax) as well as the values of immovability (property tax), for the taxation of the area of real estate. The main factor which determines the amount of these taxes has become the area of the real estate. In fact, there is no reliable and register of taxes on immovable property that

would enable the correct amount to be determined. The area which is the taxable amount is assumed to be the result of the land and building register. However, in fact, only the land register is functioning, and to this day it has not been possible to establish a building register. Therefore, the taxable amount for buildings is defined by the physical size. The taxes that make up this model, despite constant changes, are becoming more and more similar in terms of type, but they continue to manifest themselves in a certain inconsistency of construction. Subsequent changes in property tax and agricultural tax contributed to the fact that these benefits transformed from property taxes (on real estate) and income taxes (on agriculture) into property taxes which still have specific elements for income taxes. This dual form of taxation is the reason why their object (property) does not match the taxable amount which does not directly reflect the property value. The current system does not solve the problem of agriculture taxation, including agricultural real estate. Now, the tax on real estate, especially agricultural one, is the only benefit to be paid by the owners of farmsteads. Because this occupational group does not pay taxes on the general principles of income and income from agricultural activity, the agricultural tax tries to become a tax in the form of income and property. This system does not have a general part on the basis of which the institutions common to all taxes would be regulated. These taxes are not associated as a whole in any political act; but on the contrary, property tax is included in the group of local taxes and charges, while forest and agricultural taxes are not.


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