dr hab. Dorota WYSZKOWSKA, prof. UwB
Uniwersytet w Białymstoku, Wydział Ekonomii i Finansów
e-mail: d.wyszkowska@uwb.edu.pl
ORCID: 0000-0003-1084-5341

dr Adam WYSZKOWSKI
Uniwersytet w Białymstoku, Wydział Ekonomii i Finansów
e-mail: a.wyszkowski@uwb.edu.pl
ORCID: 0000-0001-7287-9534

dr Paweł DZIEKAŃSKI
Uniwersytet Jana Kochanowskiego w Kielcach, Wydział Prawa i Nauk Społecznych
e-mail: pawel.dziekanski@ujk.edu.pl
ORCID: 0000-0003-4065-0043

DOI: 10.15290/oes.2022.03.109.09

“POLISH DEAL” AND FINANCIAL AUTONOMY OF COMMUNES IN POLAND[1]

Abstract

Purpose – The article aims to present the main changes in the financing of municipalities in Poland resulting from the implemented “Polish Deal” and “Polish Deal 2.0” programs and to assess the consequences of their introduction for the financial autonomy of municipalities.

Research method – The article will use methods typical of social sciences, i.e. the method of empirical cognition, in particular observation, comparison, and measurement. The authors will compare the amount of loss of revenue of municipalities resulting from the reduction of their revenue from share in PIT with the amount of “compensation” in the form of a development part of the general subsidy and will assess their impact on the financial autonomy of municipalities.

Results – A significant loss of own revenue from the share of municipalities in PIT is to be compensated by revenue under the development part of the general subsidy. However, even the cumulative equalised compensation, which is unlikely to occur, will lead to a reduction in the financial autonomy of municipalities. The proposed construction of the development part of the subsidy will favour units with funds for the implementation of property expenditures, and at the same time, the upper limits of its allocation will restrict the acquisition of funds by the largest units in terms of investment potential. Although shares in taxes constituting central budget revenue are not a source of revenue that clearly has a positive impact on the financial autonomy of municipalities, their replacement with an additional part of the general subsidy will contribute to further limitiations of this autonomy, which should be the foundation of the local government.

Originality/value/implications/recommendations – It seems necessary to undertake a broad discussion on the reconstruction of the system of financing municipalities and other local government units in Poland. The system does not currently provide an appropriate revenue structure for the entities and does not favour the sustentation of one of the basic principles of operation – financial autonomy.

[1] The article is financed by the Faculty of Economics and Finance of the University of Białystok. Article received 20.06.2022, accepted 15.07.2022.

Keywords: financial autonomy, development subsidy, own revenue, shares in personal income tax

JEL Classification: H71, H72

1. Introduction

In the opinion of many specialists, the reform concerning the decentralization of public authority in Poland, launched in 1990 and completed in 1999, is one of the most successful reforms carried out in our country. Admittedly, the literature and public opinion hold the view that decentralization has not been completed, especially in the financial aspect. However, the establishment of local government units (LGUs) on three levels was and is to ensure the implementation of the principle of subsidiarity and lead to the best possible satisfaction of the needs of the local community.

Taking into account that the local government performs public tasks independently and on its own responsibility, it was assigned a public legal subjectivity separate from the state and property separation. The autonomy of the local government is determined by the fact that it has legal personality. Self-government bodies were equipped with the possibility of using administrative authority, and their activities were subjected to supervision by state authorities only according to the criterion of legality of action. The scope of tasks assigned to individual local government units reflects the degree of decentralisation and determines the position of local government units in meeting the needs of local communities. The performance of these tasks is associated with the need to spend financial resources that must be assigned to local government units by law. The revenue allocated to the LGUs are therefore a guarantee for the implementation of their tasks. Providing local government units with adequate revenue and granting them the right to shape their amount and collection becomes a key issue [Sawicka, 2013, pp. 286–287]. It reflects the ability of the LGUs to generate revenue from statutory sources and ensure the financing of tasks.

It should be remembered that local government in Poland is not an autonomous organization, and autonomy, including financial one, does not consist in total autonomy from the state, but in precisely determining in which situations and forms state authorities may interfere in activities reserved for the independent operation of local government bodies [Antkowiak, 2011, pp. 160–161]. This autonomy is the essence of the decentralization of the state administration [Dolnicki, 2021, p. 47].

Autonomy, considered in various aspects, should be an inherent attribute of local government, which determines its essence and allows for the full and actual implementation of the principle of subsidiarity. Recent changes in the LGUs' financing system are mainly related to the considerable reduction of revenue from share in personal income tax (PIT), included in the LGUs' revenue. This poses a significant threat to the ability to finance the activities of these entities, especially in the context of their financial autonomy. Indeed, shares in taxes constituting central budget

revenue are not the best example of revenue that can be influenced by the local government. However, it can at least indirectly affect the tax base, undertaking actions aimed at improving the living conditions and functioning of economic entities, as opposed to revenue received in the form of general subsidies or targeted subsidies.

The article aims to present the main changes in the financing of municipalities in Poland resulting from the implemented "Polish Deal" and "Polish Deal 2.0" programs and to assess the consequences of their introduction for the financial autonomy of municipalities.

The article will use methods typical of social sciences, i.e. the method of empirical cognition, in particular observation, comparison, and measurement

The authors will compare the amount of loss of revenue of municipalities resulting from the reduction of their revenue from share in PIT with the amount of "compensation" in the form of a development part of the general subsidy and will assess their impact on the financial autonomy of municipalities.

The data used in the article come from the sources of public statistics, the Ministry of Finance, and in the case of a loss of revenue of municipalities, due to changes in taxes constituting central budget revenue (PIT and CIT), from Regulatory Impact Assessments related to the implementation of the "Polish Deal" and "Polish Deal 2.0" programs[2].

2. Financial autonomy and shares in taxes constituting central budget revenue

As already noted, LGUs have many characteristic features that distinguish them from other legal units. The most important of them is their multifaceted autonomy [Swianiewicz, 2011, p. 16; Felis, 2015, p. 134], the rule of law, subsidiarity, openness, universality, and granting the right to issue local legal acts. The scope of autonomy of local self-government units can be considered in terms of a subjective and objective approach. When analysing autonomy in terms of the subject, attention should be paid to the existence of the relationship between the state and LGUs. It is the state authorities who decide on the principles of functioning of the local government, specifying the number of levels, their system, the scope and type of tasks, the financial supply system, and the scope of supervision over their activities.

Autonomy in terms of subject matter can be considered in relation to the real sphere of LGUs activity, i.e. tasks that are assigned to perform [the so-called task autonomy, Szydlik, 2017, p. 154] and the financial sphere. In the case of the real sphere of activity, the scope of economic autonomy is related to the possibility of conducting economic and financial policy (including budgetary policy) by LGUs. "The economic autonomy of LGUs is the right to perform public (socio-economic)

[2] Both with regard to the amendments to the Personal Income Tax Act, which entered into force on 1 January 2022, and are planned for 1 July 2022.

tasks on their own behalf and on their own responsibility, as well as the right to undertake their activities, including the right to conduct business activity and choose organizational and legal forms of task implementation (LGU organizational units, transformation of these units, cooperation with external entities within the framework of a public-private partnership), as well as the right to choose types of instruments and their scope of application and impact on entities operating in a given local government unit" [Jastrzębska, 2004, p. 104]. The autonomy of LGUs is determined by their financial resources and assets used to perform tasks. Financial autonomy should be understood as "the right of the local government to independently conduct financial management – to collect revenue specified in acts and to dispose of it, within the limits specified by acts, for the implementation of legally specified tasks. These laws implement the so-called financial authority of LGUs" [Sawicka, 2013, pp. 288–289].

The concept of financial autonomy is considered in the aspect of revenue and expenditure autonomy. The scope of revenue autonomy results from the decentralization of the rights to influence the assigned sources of revenue, and expenditure – from the rights to make decisions on the manner of using financial resources for the implementation of tasks [Kornberger-Sokołowska, 2012, pp. 17–18]. The scope of revenue autonomy is influenced not only by the determination of their share in public revenue according to the tasks assigned to them but also by their structure. Among the sources of these revenues, the most important, and at the same time determining the level of financial autonomy, are own revenues. The greater this autonomy is, the greater the share of own revenue in the budget revenue of local government units [Sawicka, 2013, pp. 288–289].

When analysing the revenue autonomy of LGUs, it is extremely important to clarify the understanding of their own revenue, which can be presented from a narrow and broad perspective. In the first case, own revenues are only those whose amount can be influenced by the local authorities (they have tax authority over them). In a broader sense, own revenue includes those revenues that are collected from sources located in a given unit, are made available to LGUs in full and indefinitely, and come from sources on which local authorities can exert influence, deciding on their introduction or at least determining the legal structure of these revenues [Kotlińska, 2009, pp. 144–145].

Financial autonomy can also be analysed from the expenditure aspect. Expenditure autonomy should be understood as the freedom to spend funds at the disposal of local government units. This autonomy determines the flexibility of decision-making in the distribution of public funds.

Definitely, more importance is attached to revenue autonomy than to expenditure autonomy, therefore, revenue autonomy is often identified with autonomy in general [Kobiałka, 2017, pp. 222–223].

In this study, the financial autonomy of LGUs will be analysed only in the aspect of revenue, which is affected by the implemented changes resulting from the "Polish Deal" and "Polish Deal 2.0" programs. An extremely important issue in this context is the definition of those categories of revenue that should be included in own

revenue, which shape revenue autonomy. While they can undoubtedly include those categories of revenue that may be affected by LGUs, even to a limited extent, shares in taxes constituting central budget revenue are controversial. According to many authors, counting them as their own revenue aims at artificially raising the indicator of their financial autonomy on the revenue side [Dziemianowicz, 2017, p. 103]. This type of approach is presented, for example, by J. Kotlińska, M. Kosek-Wojnar, K. Surówka, E. Chojna-Duch, E. Komberger-Sokołowska, counting these shares as supplementary (compensatory) revenue [Cf. Kotlińska, 2009, p. 143; Kosek-Wojnar, Surówka, 2007, p. 71–72; Chojna-Duch, Komberger-Sokołowska, 1998, p. 8; Poniatowicz, 2016, p. 298–299]. In the opinion of these authors, own revenue should not be subject to restrictions on the part of the state, and local authorities should have an impact on the fiscal performance of these revenues. In the case of shares, these characteristics are not met. "Establishing the institution of tax shares is an attempt to find a compromise between the need to maintain financial autonomy of LGUs and the need to maintain the stability of public finances and the balance of the entire socio-economic system" [Wójtowicz, 2021, p. 148].

Some authors understand LGUs' revenue more broadly, including also shares in central taxes [Patrzałek, 2004, p. 84; Owsiak, 1998, p. 114]. Usually, for authors who include shares in taxes that contribute to the central budget in the LGUs' own revenue, the nature of these shares is more significant – their durability, statutory guarantees, types of tax revenue to which they relate – than the possibility of direct impact on them by the state authority, and not by the LGUs.

The literature also presents the view that the unambiguous qualification of shares in central taxes is not of great importance for LGUs, because these funds, like those from other sources of own revenue, are used to finance their own tasks [Owsiak, 1998, p. 114]. In practice, however, the lack of a uniform definition and classification of individual categories of own revenue makes it difficult to unequivocally assess the financial autonomy of LGUs [Felis, 2011, p. 351].

According to the authors, shares in central taxes cannot be treated on the same level as revenue from local taxes when assessing the revenue autonomy of local government units. They are a better source of revenue in terms of shaping this autonomy than the general subsidy because the local government may indirectly affect the entity and the subject of taxation, having a limited impact on the level of revenue achieved. However, a necessary condition for such an approach is the stability of the legal regulations relating to those taxes in which LGUs hold shares. In Poland, various changes have been made in recent years, especially in relation to personal income tax, which resulted in the loss of revenue of local government units, including mainly municipalities. Recently implemented changes under the "Polish Deal" program, as well as those announced for implementation as of 1 July 2022 under the "Polish Deal 2.0", pose a significant threat to the financial autonomy of local government units, mainly municipalities and cities with poviat rights.

3. "Polish Deal" – changes in the revenue system of LGUs in the aspect of financial autonomy

„Polish Deal" is a government program constituting a plan to rebuild the Polish economy threatened by the COVID-19 pandemic and its consequences. Its main objective was to reduce social inequalities and create better living conditions. According to the creators of the Program, nearly half of the citizens – 18 million Poles – should benefit from tax reductions as a result of raising:

- tax-free amount up to PLN 30 thousand for all taxpayers settling on general principles – tax scale; this amount is due regardless of the amount of income earned, in contrast to the previous solution, in which it was dependent on the amount of income and was regressive;
- tax threshold up to PLN 120 thousand (previously slightly over PLN 85 thousand).

Due to the changes introduced on 1 January 2022, the personal income tax (PIT) of 32% should be paid by half as many people as before (in 2019, out of 25.5 million taxpayers taxed according to the tax scale, slightly more than 1.2 million – 4.84% paid the tax using a higher tax rate).

In addition, the legislator decided to introduce numerous tax preferences. Thus, for example, the income of taxpayers who moved their place of residence to the territory of the Republic of Poland, the income of taxpayers who are parents of at least four children, or specific income of pensioners was exempted from tax. As part of the tax relief, the following were introduced: middle-class relief, relief for monuments, relief for expansion, relief for innovative employees, relief for the prototype, or robotization.

In addition, it is necessary to mention significant changes that have made one of the simplified forms of PIT taxation more attractive, i.e. a lump sum on recorded revenue. These changes related to the introduction of new, lower tax rates, the redefinition of some tax categories, and the limitation to this form of taxation of rental income and related sources only. The introduction of these solutions, together with those that came into force in 2021, is to encourage a larger group of taxpayers to use this form of taxation, which seems to be important for local government finances. Tax revenue from this form of taxation contribute entirely to the central budget.

The legislator also introduced solutions that de facto aim at eliminating the second simplified form of PIT taxation in the form of a tax card. This is also extremely important because the revenues from this form of taxation are entirely contributed to the budgets of municipalities.

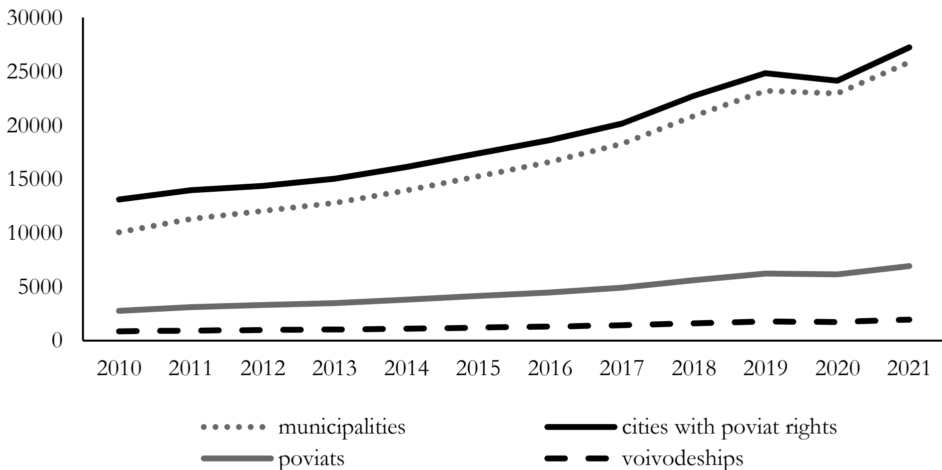
One should also not forget about the introduction of many solutions in corporate income tax (CIT) aimed at sealing the tax system. One can mention, for example, the so-called minimum tax, limiting the possibility of making depreciation write-

offs on certain fixed assets, limiting the settlement of debt financing costs, or changes in the so-called hidden dividend[3].

The introduced changes, despite the promises of the government, turned out to be unfavourable for some citizens, e.g. earning more than PLN 6,000 gross (mainly due to the inability to deduct the health contribution from the tax). This was, among others, the reason for launching a discussion on the need for changes in the adopted solutions. The legislator introduced a reform called "Polish Deal 2.0" as of 1 July 2022. Among the proposed changes, which will have far-reaching consequences for a wide group of residents settling on general principles (tax scale), there is a reduction of the basic rate of PIT from 17 to 12% and the elimination of the so-called middle-class tax relief introduced at the beginning of the year[4]. In addition, the possibility to deduct part of the health contribution for certain groups of taxpayers is to be introduced.

CHART 1

LGU revenue from share in PIT 2010–2021 (in PLN million)



Source: own study based on the Statistics Poland data [www 1; www 2].

The presented changes, mainly related to PIT, are not indifferent to the finances of LGUs, especially municipalities (including cities with poviat rights), which are ultimately the recipient of a significant part of the funds obtained from revenue

[3] The part of the study referring to the "Polish Deal" programme was presented by the authors in the Opinion prepared for the Foundation in Support of Local Democracy *The "Polish Deal" programme and the financial situation of local government units*.

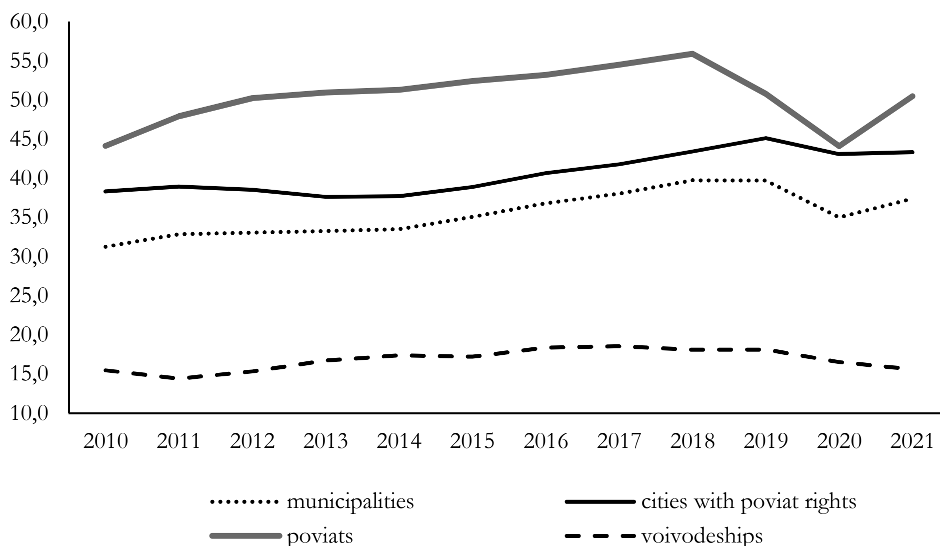
[4] For taxpayers for whom the abolition of the so-called middle-class relief might not be a beneficial solution, the entitlement to reduce tax liability by the amount of the loss caused by the change in the system is provided.

taxes, especially PIT. Revenues from this tax are an important source of budget revenue for municipalities in Poland. Chart 1 shows the revenue from PIT in the years 2010 – 2021 according to the type of local government units.

In 2021, after a period of decline caused by the COVID-19 pandemic, a significant increase in PIT revenue in all types of units can be observed, but the largest increase by approx. 13% concerns municipalities and cities with poviat rights. Revenue on this account in these local government units amounted to PLN 25,309.35 million and PLN 26,827.54 million, respectively. They accounted for close to 24% and 43% of these units' own revenue, respectively. Figure 2 shows the share of PIT revenue in the own revenue of local government units by type.

CHART 2

Share of LGU revenue from PIT in own revenue 2010–2021 (%)



Source: own study based on the Statistics Poland data [www 1; www 2].

Considering the amount of revenue from the analysed source, it should be stated that the changes introduced and proposed to be introduced in PIT will have a significant impact on the amount of revenue earned by the basic LGUs. According to the legislator, within the next 10 years from the entry into force of the "Polish Deal" program, local government units will lose approx. PLN 125 billion, and as a result of the "Polish Deal 2.0" approx. PLN 83 billion. The loss of income in each year is presented in Table 1.

TABLE 1

Loss of LGU revenue from PIT within 10 years after entry into force of changes introduced under "Polish Deal" (PD) and "Polish Deal 2.0" (PD 2.0) (in PLN million)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
PD	13545	13256	13028	12759	12529	12319	12135	11975	11838	11723	125 107
PD 2.0	-	11102	7991	8255	8500	8817	9113	9473	9811	10125	83 187

Source: own study based on: [*Assessment of the effects of regulations…*].

Taking into account the amount of revenue from the share in PIT of individual types of LGUs, Table 2 estimates the losses of municipalities, including cities with poviat rights in this respect, and compares them with the amount of revenue from PIT to illustrate the scale of the loss of revenue of these units.

TABLE 2

Loss of revenue of municipalities, including cities with poviat rights within 10 years after entry into force of changes implemented under the program "Polish Deal" and "Polish Deal 2.0"

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Municipalities PD (PLN million)	10335	10114	9940	9735	9560	9399	9259	9137	9032	8945
Municipalities PD2.0 (PLN million)	-	8471	6097	6299	6486	6727	6953	7228	7486	7725
PD % PIT*	19.4	19.0	18.7	18.3	18.0	17.7	17.4	17.2	17.0	16.8
PD 2.0 % of PIT*	-	15.9	11.5	11.8	12.2	12.7	13.1	13.6	14.1	14.5

* Taking into account the amount of revenue from share in PIT from 2021.

Source: author's own compilation.

According to the data presented in the charts and in the table, the loss of revenue from the presented source will be severe, especially for basic LGUs. It will be particularly strongly felt by cities with poviat rights, which are currently the largest recipients of funds from share in PIT. Throughout the analysed period, the revenue of cities with poviat rights amounted to approx. 44% of the total revenue of LGUs from PIT. These units obtained more funds from the analysed source than all other communes in Poland.

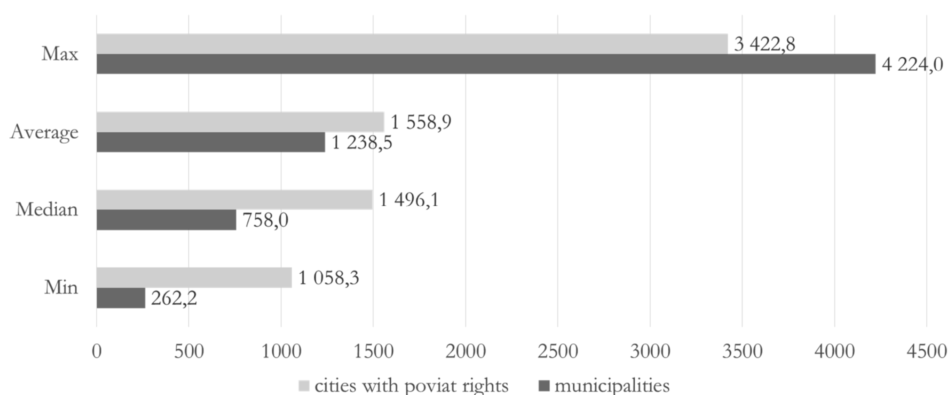
It should be emphasized that there are significant differences between municipalities in the amount of revenue from share in PIT, which results, among others, from the nature of units, population, economic activity of residents. Chart 3 presents

the differentiation of revenue from share in PIT between basic local government units per capita.

A particularly high level of diversification of units in terms of revenue from share in PIT per capita is visible in the case of municipalities. However, as already mentioned, the largest losses due to the PIT tax reform will affect cities with poviat rights [Wyszkowska, Wyszkowski, 2021].

CHART 3

Differentiation of the level of revenue from PIT in basic LGUs in 2021 (in PLN per capita)



Source: author's own compilation.

The legislator, when undertaking the implementation of the "Polish Deal", was aware of the consequences for the revenue of LGUs in Poland, hence they provided specific instruments to compensate for the planned losses of this revenue. It is extremely important, from the point of view of the undertaken topic, to look at these instruments that will allow to provide financing for LGUs, especially investment activities of an optional nature. It should be emphasized that this activity is extremely important from the point of view of local communities and changing conditions related to, among others, the high level of inflation, the phenomenon of double aging of the population, and can be implemented only after securing the funds for the implementation of obligatory tasks – current.

Under the legislator's declaration, the losses of revenue of LGUs will be compensated and stabilized in subsequent years through, among others: additional funds in the amount of PLN 8 billion for the implementation of LGUs' own tasks (already paid in 2021), development subsidy, solutions guaranteeing the LGUs' predictable revenue from PIT and CIT in a given financial year (in 12 equal monthly instalments) and an revenue rule that will ensure long-term financial stability of LGUs. *The Impact Assessment of the regulation* of the "Polish Deal" programme did not present a comparison of revenue losses with the size of the indicated values of instruments

compensating for these losses. Only in the next *Impact Assessment of the regulation of* the "Polish Deal 2.0" program, did the legislator present estimates of the impact of the implementation of the reform on the revenue of local government units (Table 3).

TABLE 3
Detailed breakdown of the impact of the reform on the revenue of LGUs (PLN million)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Loss of revenue from PIT	0	-11102	-7991	-8255	-8500	-8817	-9113	-9473	-9811	-10125
Development subsidy	0	10362	9240	5385	6030	6890	7821	8692	10106	11371
Change in revenue	0	-740	-1249	-2869	-2471	-1927	-1292	-781	295	1246

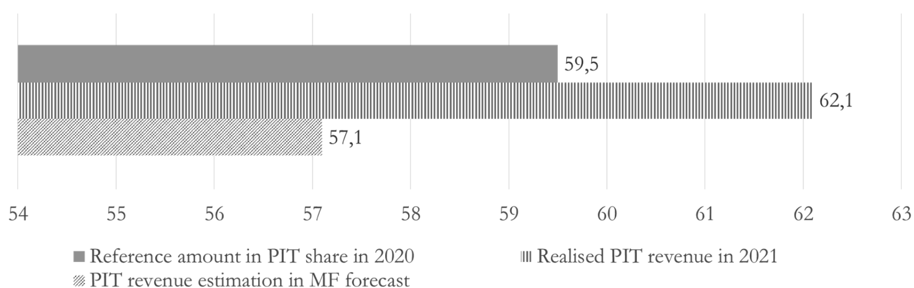
Source: [*Regulatory Impact Assessment*…].

Therefore, it should be considered that the basic instrument for compensation of lost revenue of LGUs will be the development part of the general subsidy, which was introduced by the Act of 14 October 2021 amending the Act on the revenue of local government units and certain other acts[5] The mechanism for determining the amount of this part of the subsidy was specified in art. 9c of the Act on the revenue of local government units. Considering that the amount of the development part of the subsidy will depend on the amount of the so-called reference amount, which in turn will result from the planned revenue of LGUs from share in PIT specified in multiannual financial forecasts, this amount will be constantly underestimated even though it will be subject to indexation. The level of underestimation in the first year of the division of the development part of the subsidy will be approx. PLN 2.5 billion in relation to the amount of revenue earned by LGUs due to share in PIT (Chart 4).

[5] The Act amends: the Act of 13 November 2003 on the income of local government units; the Act of 17 June 1966 on enforcement proceedings in administration; the Act of 15 February 1992 on corporate income tax; the Act of 7 October 1992 on regional chambers of account; the Act of 27 August 2009 on public finances; the Act of 9 March 2017 on the metropolitan union in the Silesian Voivodeship and the Act of 14 December 2018 amending the Act on public finances and certain other acts. The Act is the legal basis for the transfer of LGUs from the central budget in 2021, PLN 8 billion as a supplement to the general subsidy. The allocation of these funds to the part of communes, poviats and voivodships took place in proportion to the share of income planned for 2022 from shares in the income from PIT of communes, poviats and voivodships in the total amount of income of all units on this account on the terms specified in the Act (including taking into account the level of their wealth determined for 2022). The allocation of the received funds is decided by the authority constituting the LGUs.

CHART 4

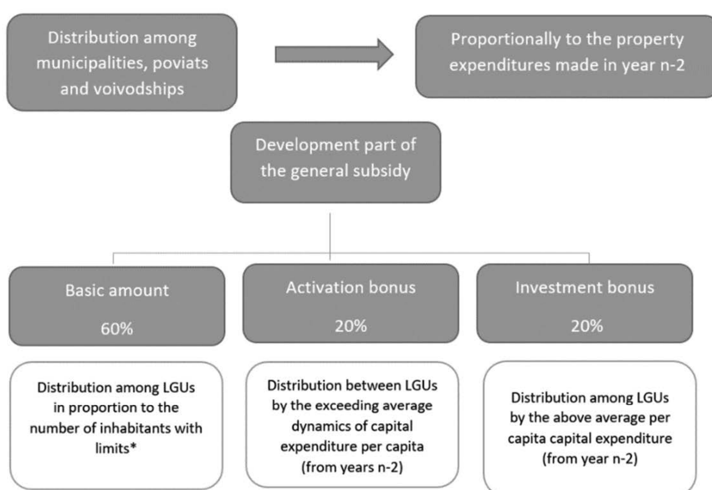
Fixed hypothetical amount of LGU tax revenue for 2022 from share in PIT (PLN billion)



Source: [Kubalski, 2022, p. B2].

CHART 5

Rules for the distribution of the development part of the general subsidy



* Limits established as a percentage of the total amount attributable to particular types of local government units:

- in the case of municipalities – at least 0.01% and not more than 3% of the total amount attributable to municipalities,
- in the case of poviats, at least 0.1% and not more than 0.95% of the total amount per poviat,
- in the case of voivodships – at least 3% and not more than 10% of the total amount per voivodship.

Source: [Act of 13 November 2003 on the revenue of local government units, art. 28a].

It can therefore be concluded that the amount of revenue foregone will not be compensated cumulatively by the LGUs. The greater problem, from the point of view of the financial autonomy of individual local government units, remains the proposed method of dividing the development part of the general subsidy, which in

no way takes into account the amount of revenue lost from share in PIT. According to the legal regulations, this part of the subsidy will be distributed taking into account, in principle, two criteria, namely the population and the amount of capital expenditures. The distribution diagram of the analysed part of the subsidy is shown in Chart 5.

It can be concluded that the compensation system – in the form of the development part of the general subsidy – will constitute a kind of a new additional equalisation mechanism (Robin Hood Tax). It will reward units that will carry out significant investment expenditures regardless of the source of their financing, while in some way it will "penalise" units with the largest number of inhabitants due to the adopted limits on the distribution of funds. This will probably lead to a change in the distribution of revenue of LGUs at the basic level – the transfer of funds from larger, richer units, with a greater share of revenue from PIT to smaller, poorer ones, in which this source of revenue has not had a significant fiscal significance so far. The largest revenue losses, and thus the reduction of financial autonomy – the reduction of disposable revenue, will affect the city with poviat rights, especially the metropolises, which are currently the largest recipients of funds from share in PIT, because they have a wide tax base of this tax – a large number of rich residents paying PIT. On the other hand, it can be assumed that smaller municipalities will benefit from this form of compensation, especially those of an agricultural nature, in which residents show economic activity related to agriculture, who do not pay PIT, as well as entities that use the money from government funds for local government investments to the greatest extent.

This is in principle in accordance with the assumptions of the legislator, who justified that the adoption of the indicated criteria for the division of the development part of the general subsidy should contribute to [*Draft Act amending the Personal Income Tax Act*]:

– reducing development inequalities between LGUs (thanks to the basic amount, determined in principle in proportion to the number of inhabitants),
– strengthening the investment activity of entities (thanks to the activation bonus and investment bonus).

Taking into account the presented data, it can be assumed that the level of revenue that the basic LGUs will have will be lower than if the "Polish Deal" and "Polish Deal 2.0" programs were not introduced. This is tantamount to the fact that LGUs will be characterized by a lower level of financial autonomy in a broad sense, as they will have fewer budgetary resources. The problem of limiting financial autonomy and the so-called "crowding out" of own revenues by various forms of state budget transfers is not new both in Poland and in the world. This problem is widely described in the literature [cf.: Bartle, Kriz, Morozov, 2011; Grdinić, Matić, Drezgić, 2019; UN-HABITAT, 2015].

More importantly, the level of autonomy, in this approach, will change in individual units. It seems that the implementation of compensation instruments will lead to a reduction in differences in the level of revenue per capita between units and the

profitability map of individual units will change significantly already in 2023. Hence, it would be advisable to estimate the financial consequences of the introduced changes, not only at the macro-level, but for individual local governments units to identify winners and losers.

4. Conclusions

Despite the annual increase in the revenue of local government units, including municipalities and cities with poviat rights, the financial autonomy of units is decreasing. This is due to the reduction of own revenue, and replacing it with transfer revenue. This contradicts the essence of local government. The introduced changes resulting from the "Polish Deal" and "Polish Deal 2.0" programs will have a negative impact on the level of revenue of municipalities, especially cities with poviat rights. Despite the proposed instruments to compensate for the loss of revenue of LGUs from share in PIT, the revenue of LGUs will decrease, which will adversely affect the level of their financial autonomy. The loss of revenue will be the greatest in cities with poviat rights, and they will be the ones most affected by the implemented changes. Already today, in the face of high levels of inflation, increased expenditures resulting from the need to provide public services to Ukrainian refugees, double aging of the population, previously introduced changes in the financing of LGUs, the financial situation of individual entities is significantly deteriorating [Żółciak, 2022]. It seems that further limitations in the level of revenue of entities may lead to their problems with repayment of liabilities, and financing investment activities that are extremely important in changing conditions. These changes pose a significant threat to the financial stability of individuals as well as to their transparency and predictability, which threatens to disrupt the provision of public services and, in the case of cities with poviat rights, to act as centres of economic development. This may also jeopardise the capacity of LGUs to use the EU funds in the near future financial perspective.

Specialists in local government finance are frequently revisiting the discussion on the need for a deep reform of the local government financing system. It should not be forgotten that the current system was created under completely different conditions and minor changes do not guarantee ensuring financial autonomy, which is one of the pillars of self-government. Among other things, it would be advisable to revisit earlier proposals for supply financed by LGUs shares from indirect taxes, in particular the value add tax, which would ensure greater stability of revenue due to the nature of these taxes and greater resilience to economic changes.

References

Act of 13 November 2003 on the revenue of local government units, Journal of Laws of 2021, item 1672, as amended.

Antkowiak P., 2011, *Decentralizacja władzy publicznej w Polsce na przykładzie samorządu terytorialnego*, „Środkowoeuropejskie Studia Polityczne", nr 2, pp. 155–174.

Assessment of the effects of regulations – Act amending the Personal Income Tax Act, the Corporate Income Tax Act and certain other acts, Assessment of the effects of regulations – draft Act amending the Personal Income Tax Act and certain other acts.

Bartle J.R., Kriz K.A., Morozov B., 2011, *Local Government Revenue Structure: Trends and Challenges*, "Public Administration Faculty Publications", no. 4, pp. 268–287.

Chojna-Duch E., Komberger-Sokołowska E., 1998, *Dochody gmin z podatków i opłat*, PWN, Warszawa.

Dolnicki B., 2021, *Samorząd terytorialny*, Wolters Kluwer, Warszawa.

Draft Act amending the Personal Income Tax Act, the Corporate Income Tax Act, and certain other acts, https://www.gov.pl/web/premier/projekt-ustawy-o-zmianie-ustawy-o-podatku-dochodowym-od-osob-fizycznych-o-podatku-dochodowym-od-osob-prawnych-oraz-niektorych-innych-ustaw3 [date of entry: 11.06.2022].

Dziemianowicz R., 2017, *Dysfunkcje udziałów w podatkach państwowych w aspekcie zmniejszającej się samodzielności dochodowej samorządu terytorialnego w Polsce*, „Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu", nr 485, pp. 90–107.

Felis P., 2015, *Funkcja fiskalna i społeczna w powierzchniowym systemie opodatkowania nieruchomości na przykładzie gmin w Polsce*, „Gospodarka Narodowa", nr 3(277), pp. 133–158.

Felis P., 2011, *Decentralizacja władztwa podatkowego jako wyzwanie dla reformy systemu podatków lokalnych. Tezy*, [w:] *Ekonomia, nauki o zarządzaniu, finanse i nauki prawne wobec światowych przemian kulturowych, społecznych, gospodarczych i politycznych*, Bartkowiak R., Ostaszewski J. (red.), SGH, Warszawa.

Grdinić M., Matić R., Drezgić S., *Analysis of Fiscal and Tax Autonomy of Local government units in selected EU-13*, https://www.nispa.org/files/conferences/2019/e-proceedings/system_files/papers/analysis-of-fiscal-grdinic.pdf Member States [date of entry: 8.07.2022].

Jastrzębska M., 2004, *Samodzielność ekonomiczna i finansowa jednostek samorządu terytorialnego*, „Ekonomia", nr 13, pp. 100–112.

Kobiałka A., 2017, *Samodzielność finansowa jednostek samorządu terytorialnego w Polsce*, [w:] Żukowski M. (red.), *Sektor finansów publicznych a rozwój gospodarczy: problemy i dylematy*, Wydawnictwo KUL, Lublin.

Kornberger-Sokołowska E., 2012, *Finanse jednostek samorządu terytorialnego*, Warszawa.

Kosek-Wojnar M., Surówka K., 2007, *Podstawy finansów samorządu terytorialnego*, PWN, Warszawa.

Kotlińska J., 2009, *Dochody własne jednostek samorządu terytorialnego w Polsce*, „Ruch Prawniczy, Ekonomiczny i Socjologiczny", Rok LXXI, z. 3, pp. 143–161.

Kubalski G.P., 2022, *Finanse samorządów po Polskim Ładzie*, „Dziennik Gazeta Prawna", nr 95 (5757), p. B2.

Owsiak S., 1998, *Finanse publiczne. Teoria i praktyka*, Wydawnictwo Naukowe PWN, Warszawa.

Patrzałek L., 2004, *Finanse samorządu terytorialnego*, Wydawnictwo AE im. Oskara Langego we Wrocławiu, Wrocław.

Poniatowicz M., 2016, *Udziały samorządu terytorialnego w państwowych podatkach dochodowych w aspekcie postulatów teoretycznych federalizmu fiskalnego*, „Annales Universitatis

Mariae Curie-Skłodowska Lublin – Polonia", vol. L, 1 Sectio H, pp. 296–303, DOI:10.17951/h.2016.50.1.295.

Projekt ustawy o zmianie ustawy o podatku dochodowym od osób fizycznych, ustawy o podatku dochodowym od osób prawnych oraz niektórych innych ustaw, https://www.gov.pl/web/premier/projekt-ustawy-o-zmianie-ustawy-o-podatku-dochodowym-od-osob-fizycznych-ustawy-o-podatku-dochodowym-od-osob-prawnych-oraz-niektorych-innych-ustaw3 [date of entry: 11.06.2022].

Regulatory Impact Assessment – Draft Act amending the Personal Income Tax Act and certain other acts.

Sawicka K., 2013, *Finanse samorządu terytorialnego – podstawy wyodrębnienia, struktur,* [w:] *Województwo, region, regionalizacja 15 lat po reformie terytorialnej i administracyjnej: II Wydziałowa Konferencja Kół Naukowych Wydziału Prawa, Administracji i Ekonomii Uniwersytetu Wrocławskiego*, Korczak J. (red.), Prawnicza i Ekonomiczna Biblioteka Cyfrowa, Wrocław.

Kobiałka A., 2017, *Samodzielność finansowa jednostek samorządu terytorialnego w Polsce*, [w:] *Sektor finansów publicznych a rozwój gospodarczy: problemy i dylematy*, Żukowski M. (red.), Wydawnictwo KUL, Lublin.

Swianiewicz P., 2011, *Finanse samorządowe, koncepcje, realizacja, polityki lokalne,* Municipium SA, Warszawa.

Szydlik A., 2017, *Cechy jednostki samorządu terytorialnego*, [w:] Bobak D i in., *Samorząd terytorialny. Praktyka, prawo, finansowanie, perspektywy*, Wydawnictwo Think & Make, Warszawa.

UN-HABITAT, 2015, *The Challenge of Local Government Financing in Developing Countries*, United Nations Human Settlements Programme, Nairobi, https://unhabitat.org/the-challenge-of-local-government-financing-in-developing-countries [date of entry: 7.07.2022].

Wójtowicz K., 2021, *Udziały jednostek samorządu terytorialnego w podatkach państwowych*, „Studia BAS", nr 1(65), pp. 147–169.

Wyszkowska D., Wyszkowski A., 2021, *Podatek dochodowy od osób fizycznych jako źródło dochodów miast wojewódzkich – kontrowersje wokół zasad podziału*, „Ruch Prawniczy, Ekonomiczny i Socjologiczny, ROK LXXXIII, z. 3, pp. 269–286, https://doi.org/10.14746/ rpeis.2021.83.3.18.

Żółciak T., 2022, *Budżetowe nadwyżki topnieją w oczach*, „Dziennik Gazeta Prawna", nr 111(5773).

www 1, https://stat.gov.pl/obszary-tematyczne/rachunki-narodowe/statystyka-sektora-instytucji-rzadowych-i-samorzadowych/gospodarka-finansowa-jednostek-samorzadu-terytorialnego-2020,5,17.html [date of entry: 20.05.2022].

www 2, https://www.gov.pl/web/finanse/2021-r3 [date of entry: 3.06.2022].