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CONTEMPORARY DILEMMAS OF TAXATION EQUALITY

Abstract

The article confronts the most important political and economic thoughts dealing with the way of distributing the tax burden in society with contemporary socio-economic conditions and with the current tax legislation. The essence of the analyzed problem is the traditional dilemma of a flat tax or a progressive tax. In the economic terms, the Polish tax system, treated as a whole, together with social security (ZUS) and health care contributions (NFZ), is not progressive, but regressive, because in percentage terms, the effective burden generally decreases with increasing wealth (the nominal tax rates are flat with the exception of progression in case of PIT). The Polish Deal did not change the fundamental conclusion on the regression of the Polish tax system, although some social groups recorded an increase in the tax burden on personal income (PIT together with ZUS and NFZ contributions).

KEYWORDS

taxation equality, progression of taxation, regression of taxation, Polish Deal

SŁOWA KLUCZOWE

równość opodatkowania, progresja opodatkowania, regresja opodatkowania, Polski Ład

1. INTRODUCTION

The aim of the article is to confront the most important political and economic thoughts dealing with the way of distributing the tax burden in society with contemporary socio-economic conditions and with the current tax legislation. The examined problem combines the ideas of equality, solidarity, and justice, but all these values are self-contained and autonomous,¹ and – in accordance with the title of this article – the aim of further analysis is to assess the Polish tax system in terms of the equality postulate.

The article is an extended version of the speech at the 21st Conference of the Faculty of Law and Administration of the Warsaw University entitled *Równość i nierówność w prawie (Equality and inequality in law)* (Warsaw, 28 February 2020) and is also associated with speeches at the 20th Conference of the Faculty of Law and Administration of the University of Warsaw entitled *Solidarność i dobro wspólne jako wartości w prawie (Solidarity and the common good as values in law)* (Warsaw, 1-4 March 2019)² and at the 23rd Conference of the Faculty of Law and Administration of the University of Warsaw entitled *Prawo w epoce populizmu (Law in the era of populism)* (Warsaw, 18 March 2022).³ In the course of the analysis, I also refer to a series of articles published in the monthly magazine “Doradztwo Podatkowe. Biuletyn Instytutu Studiów Podatkowych”⁴

Traditionally, the principle of equality is expressed by the dictum “treat equals equally, and the different – differently”. Equality does not imply sameness, and the prohibition of discrimination is not the same as the prohibition of differentiation: differentiation remains permissible when it serves justice, only unjust differ-

¹ On treating solidarity and equality as determinants of justice: A. Stoiński, *Idea sprawiedliwości społecznej. Wstępna klasyfikacja znaczeń*, Olsztyn 2017, pp. 103-118; in the legal context: A. Bielska-Brodziak, I. Bogucka, *Solidarność jako termin prawny i jego funkcjonowanie w praktyce orzeczniczej*, (in:) *Idea solidaryzmu we współczesnej filozofii prawa i polityki*, A. Łabno (ed.), Warszawa 2012, pp. 223-230.

² K. Radzikowski, *Polski system podatkowy wobec postulatu sprawiedliwości społecznej*, w: *Solidarność i dobro wspólne jako wartości w prawie*, ed. D. Bach-Golecka, Warszawa 2021.

³ K. Radzikowski, *Prawo podatkowe w cieniu populizmu (na przykładzie Polskiego Ładu)*, “Studia Iuridica” 2022, No. 91.

⁴ K. Radzikowski, *Współczesne dylematy równości i sprawiedliwości opodatkowania*, “Doradztwo Podatkowe. Biuletyn Instytutu Studiów Podatkowych” 2020, No. 12 (part 1), 2021 No. 1 (part 2), 2 (part 3) and 3 (part 4).

entiation is prohibited.⁵ Discrimination consists not only in the different treatment of a group with the same essential feature,⁶ but also in the equal treatment of entities who are significantly different from each other (precisely: entities belonging to significantly different categories may but do not have to be treated differently, and in this situation, equal treatment will often violate the principle of equality).⁷ However, the principle of equality does not imply the prohibition of imposing specific obligations or the requirement to guarantee specific rights.⁸

Referring the above to public-law financial relations – the level of wealth (property) should be considered an important feature. The principle of equality does not require the introduction of specific levies or benefits, but it is a guideline for their structure and character. The essence of the analyzed problem is the traditional dilemma of a flat tax or a progressive tax, i.e. the answer to the question of how much the richer should pay higher taxes than the poorer: proportionally or overproportionally to the level of wealth⁹?

The contemporary debate on socio-economic issues is within the limits set by liberalism on the one hand, and on the other – by the broadly understood left-wing trends referring to the concept of the so-called welfare state. The views from before the era of classical economics are rejected as utopian or anachronistic (e.g. physiocracy or mercantilism). Let us follow the arguments invoked in this debate over the past two centuries.

⁵ Cf. W. Sadurski, *Równość wobec prawa*, “Państwo i Prawo” 1978, No. 8-9, pp. 52 *et seq.*; J. Falski, *Konstytucyjna zasada równości w orzecznictwie Trybunału Konstytucyjnego*, “Państwo i Prawo” 2000, No. 1, pp. 49 *et seq.*; M. Ziółkowski, *Zasada równości w prawie*, “Państwo i Prawo” 2015, No. 5, pp. 95 *et seq.*; judgments of the Constitutional Tribunal: of 3 Sep 1996, ref. No. K 10/96; of 18 Dec 2000, ref. No. K 10/00; of 28 Mar 2004, ref. No. K 40/04 and of 11 Nov 2010, ref. No. K 2/10.

⁶ For example, judgments of the Constitutional Tribunal: of 9 Mar 1988, ref. No. U 7/87; of 17 May 1999, ref. No. P 6/98; of 4 Jan 2000, ref. No. K 18/99; of 18 Apr 2000, ref. No. K 23/99; of 21 Jun 2001, ref. No. SK 6/01; of 5 Oct 2005, ref. No. SK 39/05; of 24 Oct 2005, ref. No. P 13/04, of 11 Dec 2006, ref. No. SK 15/06; of 19 Dec 2007, ref. No. K 52/05; of 23 Mar 2010, ref. No. SK 47/08; of 15 Jul 2010, ref. No. K 63/07; of 21 Jan 2014, ref. No. SK 5/12 and of 13 May 2014., ref. No. SK 61/13.

⁷ Cf. judgments of the Constitutional Tribunal: of 23 Oct 1995, ref. No. K 4/95; of 29 Sep 1997, ref. No. K 15/97; of 6 May 1998, ref. No. K 37/97; of 19 Apr 2011, ref. No. P 41/09; of 12 Jul 2012, ref. No. 24/10; of 19 Dec 2012., ref. No. K 9/12 and of 21 Jul 2014, ref. No. K 36/13.

⁸ Judgment of the Constitutional Tribunal of 9 June 2010, ref. No. K 29/07.

⁹ Progression of taxation consists in an overproportionate increase in burdens in relation to the tax base reflecting the level of wealth; the opposite of progression is regression, while proportional tax is characterized by a uniform percentage rate regardless of the amount of the tax base, without any reliefs, exemptions, exclusions and tax-free amount, and such elements are included – with a uniform percentage rate – the so-called flat tax, which thus gains a mildly progressive character in the lower tax base ranges (colloquially, the concepts of flat and proportional taxes are treated as synonymous).

2. POLITICAL AND ECONOMIC THOUGHTS TOWARD TAXATION EQUALITY

The problem of distributing the tax burden in society, from the point of view of equality and justice as well as efficiency, was dealt with, among others, by A. Smith, D. Ricardo, J. B. Say, J. S. Mill, K. Marks, A. Wagner, F. Neumark and J. M. Keynes. Their opinions still determine the views of an ideal tax system, both on the doctrinal and journalistic level, as well as in political practice.

Adam Smith believed that citizens should contribute to the state in proportion to the income they receive under its care (the so-called equivalence theory). This idea is interpreted in various ways. The phrase “proportionally” suggests a flat tax, but it does not exclude progression, because the proportion does not refer to wealth but to protection (benefits) from the state, and this increases overproportionally to the level of wealth.¹⁰ Importantly, A. Smith’s views refer to his contemporary feudal society, a large part of which was not burdened with any public levies, and to the poll taxes levied at that time with a fixed amount, regardless of the level of wealth – in comparison, even a flat tax burdening the entire society is beneficial to the poor. A. Smith also advocated imposing consumption taxes on luxury goods instead of necessities.

According to the so-called David Ricardo’s ‘Edinburgh rule’, the tax should be neutral in the sense that it leaves the citizen in more or less the same financial situation in which it found him (tax neutrality). This rule is unanimously interpreted as a postulate of proportionality of taxation and a ban on treating the tax as a mechanism for redistributing financial resources and equalizing property differences in society.¹¹

Jean Bertrand Say, a popular follower of classical liberal thought in Franco-phone countries, advocated a low, though progressive, tax and giving fiscal burdens a social function – as long as it did not threaten the maintenance of the standard of living of individual citizens.¹² Income tax was supposed to provide 2/3 of budget revenues, and indirect taxes – only 1/3. This postulate was implemented by the English income tax (measured after deducting costs), divided into 5 quotations, shaped from the turn of the 19th century to the beginning of the 20th century depending on the sources of income, together with the so-called super tax – a progressive tax on the excess of the sum of all quotes over a certain minimum.¹³

Considered the precursor of the so-called modern social liberalism, John Stuart Mill treated the tax as a sacrifice to society and not as a measure of benefits

¹⁰ A. Gomułowicz, in: A. Gomułowicz, D. Mączyński, *Podatki i prawo podatkowe*, Warszawa 2016, pp. 52-54.

¹¹ *Ibidem*, pp. 62-67.

¹² N. Gajl, *Teorie podatkowe w świecie*, Warszawa 1992, pp. 53-55.

¹³ *Ibidem*, pp. 59-61.

obtained from it, and the contribution to the state was supposed to be such that everyone felt the same level of burden (the so-called theory of equal sacrifice). Interpretations of this thought are controversial. On the one hand, J. S. Mill criticized progression as a mechanism of wealth redistribution, on the other hand, he expressed the principle of ability to pay, because the tax should only be charged on what remains after deducting the subsistence minimum. What is more, it is not the calculated tax that is to be equal, but the feeling of its burden, and the wealthy to a lesser extent than the poor feel the same loss of income – both in absolute (amount) and relative (percentage) terms.¹⁴

The principle of ability to pay is the canon of modern thinking about the tax system: as an emanation of universality and equality. It is supposed to ensure fair taxation.¹⁵ Referring to the thought of J. S. Mill, Arnold J. Cohen Stuart proposed the concept of equal proportional sacrifice: the same percentage burden on the loss of marginal utility of income leads to the progression of taxation.¹⁶ Similarly, Francis Y. Edgeworth argued that the loss of benefits for the rich due to taxation is less than for the poor, so the parity of benefits foregone determines a strong progression to equalize after-tax income.¹⁷

Adolf Wagner formulated a thesis on the constant increase in public expenditure and the needs of the state budget along with the development of state functions (the so-called Wagner's law). He also drew attention to the redistributive function of taxation: the tax does not only play a fiscal role, as it corrects social inequalities, thanks to which global demand increases to the benefit of all (poorer consume proportionately more income than richer who accumulate it).¹⁸ A. Wagner was in favor of the so-called global tax, which accumulates all income streams and gives a smooth progression, while distinguishing between the so-called funded income (obtained from capital/property) from the so-called unfunded income (obtained from work), and considered it fair and beneficial for society that funded income should be taxed higher and more progressively than unfunded income. Importantly, A. Wagner did not undermine the foundations of his contemporary liberal

¹⁴ A. Gomułowicz, (in:) A. Gomułowicz, D. Mączyński, *Podatki ...*, pp. 69-70; R. Gwiazdowski, *Podatek progresywny i proporcjonalny: doktrynalne przesłanki, praktyczne konsekwencje*, Warszawa 2007, pp. 100-102.

¹⁵ Cf. A. Gomułowicz, *Zasada sprawiedliwości podatkowej*, Warszawa 2001, pp. 47 *et seq.*; R. Mastalski, *Prawo podatkowe*, Warszawa 2018, pp. 7-9, 36-41; T. Wołowicz, *Zasada sprawiedliwości w opodatkowaniu*, (in:) *Organizacje komercyjne i niekomercyjne wobec wzmożonej konkurencji oraz wzrastających wymagań konsumentów*, A. Nalepka, A. Ujwara-Gil (eds.), Nowy Sącz 2009, pp. 311-323; E. K. Drozdowski, *Zasada zdolności płatniczej a polski system podatkowy*, Poznań 2018, pp. 28-42.

¹⁶ A. J. Cohen Stuart, *On Progressive Taxation*, (in:) *Classics in the Theory in Public Finance*, R. A. Musgrave, A. T. Peacock (eds.), New York 1958, pp. 48 *et seq.*

¹⁷ H. Peyton Young, *Sprawiedliwy podział*, Warszawa 2003, pp. 153-157.

¹⁸ A. Gomułowicz, (in:) A. Gomułowicz, D. Mączyński, *Podatki ...*, pp. 73-82.

state. He did not want to violate property or hamper economic development, and changes in the property structure of society were to be gradual and quite limited.

Karl Marx and Friedrich Engels came from different assumptions. They considered a classless society (equal in terms of property) in which there would be no place for both private property and taxes to be the goal, but until this goal was achieved (through revolution) they advocated a high tax burden and strong progression, which would lead to the confiscation of private property.¹⁹

Fritz Neumark emphasized that there are no universal rules for the distribution of the tax burden, and, in fact, equality understood in the abstract requires, individualized and unequal treatment (he was in favor of progression).²⁰

The socio-economic policy of the Western world in the 20th century was dominated by two tendencies: interventionism and neoliberalism.

The first comes from the thought of John M. Keynes from the period of the so-called Great Depression at the turn of the 1920s and 1930s, and its essence is to increase consumer demand in periods of economic downturn through financial transfers to society (e.g. remuneration for public works).²¹ Tax policy must be subject to business cycles (in principle, J. M. Keynes was in favor of progression), but in periods of recession the tax burden must decrease, so public needs should be financed at the expense of the budget deficit (public debt).²²

The foundations of the neoliberal theory were created by the so-called Austrian school (Ludwig von Mises and Friedrich von Hayek) and developed by the so-called Chicago school/Chicago boys (Milton Friedmann). Neoliberals are against progression and taking into account the life situation of the taxpayer because it overcomplicates the tax system and makes it fiscally inefficient and only seemingly fair: a progressive income tax primarily affects the middle class, not the upper class, and hinders the social advancement of the poor, as it deprives them of the results of intensive work.²³ Statistical data undermine its ability to correct social inequalities (as measured by the so-called Ginni coefficient).²⁴

¹⁹ K. Marks, F. Engels, *Manifest partii komunistycznej*, https://www.ce.uw.edu.pl/wp-content/uploads/2018/10/4.-kapitalizm_marks_engels_manifest-komunistyczny.pdf, p. 14 (accessed 31 December 2023).

²⁰ A. Gomułowicz, (in:) A. Gomułowicz, D. Mączyński, *Podatki ...*, pp. 81-89.

²¹ It is worth noting that Michał Kalecki developed the theory of business cycles simultaneously with J. M. Keynes, but his works, although generally considered more comprehensive and convincing, remained less popular due to the language barrier (he published in Polish and French, not in English).

²² R. Gwiazdowski, *Podatek ...*, pp. 106-111.

²³ R. Gwiazdowski, *Podatek ...*, pp. 13-14, 171 *et seq.*

²⁴ M. Pasternak-Malicka, *Dylemat sprawiedliwości podatkowej subiektywnej w perspektywie liniowej oraz progresywnej stawki podatkowej w świetle badań własnych*, AUMCS Sectio H Oeconomia 2017, No. 51, pp. 274 *et seq.*; cf. the criticism of the credibility of the so-called Ginni coefficient and alternative proposals: A. Walasik, *Redystrybucyjna funkcja finansów publicznych w ujęciu teoretycznym*, Katowice 2008, pp. 70-77 and 89-95. A flat income tax has been introduced in many countries of Central and Eastern Europe, although its impact on the wealth strat-

To sum up this part of the considerations, it should be pointed out that according to liberal thought, the burden proportional to the level of wealth is fair and economically effective, as it encourages more efficient work, and the resources thus accumulated stimulate the entire economy (also to the benefit of the poor). While, contrary to appearances, the progression of taxation does not benefit anyone, as it hinders the economic development of the whole society and promotes the so-called gray economy, which for the rich is a kind of punishment for more efficient work, and for the poor, it does not make any difference. Whereas the concept of the so-called welfare state is based on an active social policy financed by high progressive taxes, which burden not only current income, but also previously accumulated wealth.

The liberals highlight two paradoxes of the progressive income tax: 1) it affects people with relatively high earnings at the peak of their professional aspirations, but omits a group of even more affluent people with previously accumulated wealth (including inheritance) who do not run taxable activity any longer, and 2) numerous reliefs and tax avoidance, which raises along with the level of wealth, actually brings the progressive scale closer to a flat one. These paradoxes are also noticed by contemporary left-wing supporters, however – unlike the liberals who advocate proportional taxation of income, without taking into account costs, exemptions, reliefs, tax-free amount and individualization of the taxpayer's life situation²⁵ – they are in favor of a progressive property tax (on capital, real estate and inheritance), which is supposed to better reflect the diversity of the society due to accumulation of wealth and rewarding the management through shares in the capital.²⁶

3. TAXATION EQUALITY VS ECONOMIC SOURCE OF TAX

In the general view, the dispute over the equality and fairness of the distribution of the tax burden boils down to the personal income tax (PIT),²⁷ although the

ification of the society is disputed, as it does not strictly coincide with the distribution of income inequalities: K. Lewkowicz-Grzegorzczuk, *Redystrybucyjne konsekwencje wprowadzenia podatku linowego w wybranych krajach UE*, (in:) *Ewolucja roli podatków i systemów podatkowych we współczesnych gospodarkach*, J. Szolno-Koguc (ed.), Lublin 2019, pp. 142-156.

²⁵ R. Gwiazdowski, *Podatek ...*, pp. 13-14, 171 *et seq.*

²⁶ T. Piketty, *Kapitał w XXI wieku*, Warszawa 2015, p. 644 *et seq.*; A. Atkinson, *Nierówności: co da się zrobić?*, Warszawa 2017, pp. 297-338; *cf.* critically: G. Reisman, *Piketty's Capital: Wrong Theory, Destructive Program*, TJS Books 2014; Polish translation: G. Reisman, *Kapitał i kapitalizm XXI wieku, czyli od błędnej teorii do destrukcyjnych reform Piketty'ego*, Warszawa 2015.

²⁷ Act of 26 July 1991 on personal income tax (consolidated text, Journal of Laws of 2022, item 2647, as amended; hereinafter: PIT Act).

above-mentioned philosophers and economists spoke about the tax system in its entirety and about the relationships between different types of burdens (income tax was formed relatively recently, so the outlined statements treat it more as a postulate than an empirical reality).

I see three reasons for this phenomenon. First of all, PIT is most burdensome to taxpayers, in a subjective sense, because we encounter it commonly in the context of remuneration for work (regardless of the legal title), while turnover taxes remain hidden in the total price of purchased goods and services (they are noticed by entrepreneurs), and in an objective sense, as it is more difficult to shift than other types of taxes (especially turnover taxes).²⁸ Secondly, PIT takes into account the personal situation of the taxpayer (property, family, living costs, etc.). Thirdly, currently, PIT is levied on a progressive scale, which evokes emotions and affects the social sense of justice.

According to the state budget data for the years 2019-21, which confirm the regularities from previous years, PIT accounts for approx. 15% of the tax revenue, while turnover taxes such as VAT and excise duty, account for approx. 45% and almost 20%, respectively (for comparison, corporate income tax CIT – only 10%).²⁹ In the light of this regularity, there should be no doubt that – contrary to the common perception – the postulate of taxation equality, including the reference to the principle of ability to pay, should be examined not so much in the context of individual taxes, and especially PIT, which is most exposed in political discussions and socially visible, but in the context of a comprehensive system of public burdens, taking into account the life situation of taxpayers and the phenomenon of tax shifting.

While the need for a comprehensive assessment is emphasised in the literature, it is usually limited to a strictly defined tax system.³⁰ Meanwhile, it is nec-

²⁸ Turnover tax (the so-called indirect tax) is settled by the seller, but it is an obligatory part of the price, so in the model approach its burden is borne by the buyer, and ultimately the final consumer who does not run a business and has no possibility of further shifting. Consequently, although the tax is paid by entrepreneurs, the economic burden is borne only temporarily (until it is shifted to the next links in the chain of trade), and consumers, as a rule, are guided by the total price, having no idea what is the percentage of the turnover taxes included in it. In the model approach, income and property taxes (the so-called direct taxes) are charged to the taxpayer's assets.

²⁹ <https://www.gov.pl/web/finanse/sprawozdanie-roczne-za-2019-rok>, <https://www.gov.pl/web/finanse/sprawozdanie-roczne-za-2020-rok>, <https://www.gov.pl/web/finanse/sprawozdanie-roczne-za-2021> (accessed 31 December 2023). These data do not include 1) contributions under the social insurance (ZUS) and health insurance (NFZ) systems, which are charged to personal income in a similar way and in a comparable amount to PIT (originally, these contributions were not separated from personal income) and 2) shares of local government units (LGUs) in the revenues from both income taxes PIT and CIT (they are the most important source of revenue for LGUs). As a consequence, burdens on personal income are more important for the entire public finance system than it results from the data on PIT and the state budget.

³⁰ Cf. A. Gomułowicz, *Zasada ...*, pp. 54-56.; E. K. Drozdowski, *Zasada ...*, pp. 168 *et seq.*

essary to take into account all tax burdens, in particular public-law fees as well as ZUS and NFZ contributions, together with the parts financed by entrepreneurs for the benefit of employees and contractors, which effectively reduce personal income in the sense that they could, at least partially, increase the remuneration of employees and contractors (the total burden on personal income is colloquially referred to as the tax wedge).³¹ From the socio-economic point of view, this approach is more accurate to refer to the economic source burdened with the tax (dilemmas: work or capital, and savings or consumption) than to the formal and legal criterion of the subject of taxation (income, turnover, property).

The views outlined earlier were formulated with regard to the 19th-century liberal state, which only played the role of the proverbial “night watchman”, remaining without responsibility for the well-being of its citizens, the vast majority of whom lived in poverty unimaginable by today’s standards, without security for old age and in case of illness. Along with the development of the so-called welfare state, the importance of the redistributive role of the state (benefits, subsidies, social welfare, etc.) has been increasing, while the method of spending budget revenues also has become a determinant of taxation justice.³² As a consequence, these benefits significantly adjust the burden of taxation and, together with taxes, are assessed in terms of the postulate of equality within the broadly understood public finance system.

When considering the equality and fairness of taxation, it is impossible to ignore the problem of the efficiency of the tax system. On the legal theory level, concerns are expressed about the possibility of combining fairness with the effectiveness of taxation,³³ while economics treat these goals as divergent and competing with each other.³⁴ The most fiscally effective option is to maximize the scope of taxation (both object and subject) and minimize the unit tax burden (in terms

³¹ In the model approach, fees are remuneration for a specific service provided by the public authority (e.g. stamp duty for performing an official act) and often do not flow directly to the state budget, but to separate funds for specific expenditure purposes (a fund is an exception in the budget law, which binds specific streams of public expenditure and revenue). Nevertheless, in most cases, there is no equivalent benefit for an individual benefit (i.e. for a specific citizen or entrepreneur), so such payments have the nature of a typical tax. ZUS and NFZ contributions differ from a typical tax in the sense that they specify equivalent benefits: retirement and health care, respectively, where only in the case of social insurance the amount of the benefit depends on the amount of individual contributions, while in health insurance, the contribution is a condition for being covered by medical care, however, its scope does not depend on the amount of individual contributions, but on the general availability of medical services and individual medical indications.

³² J. Gliniecka, J. Harasimowicz, *Z zagadnień teorii podatku*, “Głosa” 1997, No. 5, p. 2.

³³ A. Gomułowicz, *Zasada ...*, p. 13; *idem*, *Problemy teorii opodatkowania w Polsce (artykuł dyskusyjny)*, “Głosa” 1996, No. 4, p. 3.

³⁴ F. Grądalski, *Wstęp do teorii opodatkowania*, Warszawa 2004, pp. 35-39; on the economic dilemma of justice (equality) and efficiency cf. T. Kwarciański, *Sprawiedliwość czy efektywność? Analiza wykorzystująca ekonometryczny model wzrostu gospodarczego z historycznie optymalnym różnicowaniem płac*, “AUL Folia Oeconomica” 2007, No. 213, pp. 109 *et seq.*

of the total amount and the percentage).³⁵ These principles are best illustrated by Jean Baptiste Colbert's well-known statement about the art of plucking geese so that there is as much feather as possible and as little screaming as possible: the lion's share of tax revenue comes from the core section of society, not from a handful of rich people, so the tax luxury has no fiscal significance and only affects social awareness (gives a sense of justice but not budget revenues).

As can be seen from the above-mentioned statistical data, turnover taxes are the most fiscally effective ones, which in the economic sense burden the society's consumption expenditures, while entrepreneurs incurring investment expenditures are relieved of their burden. Accumulated savings are also not subject to these taxes. Turnover taxes reflect the principles of universality and minimization of the individual burden: while income tax is not paid by persons whose income does not exceed the tax-free allowance, they benefit from reliefs, incur losses, etc. All consumers are charged with turnover taxes, regardless of their level of wealth and other conditions of life, and the unit burden is relatively moderate and hidden in the total price of goods and services. Turnover tax rates are flat, and with the increase in the level of wealth, the share of consumption expenditure charged with these taxes decreases, and the share of investment (savings) free of these taxes increases, so effective taxation is regressive in relation to the income at the disposal of households.³⁶ The excise duty has undergone a significant evolution. Traditionally, it was imposed on a narrow range of goods considered luxury (e.g. yachts, jewellery, furs, cars), and recently – mainly consumer goods with fixed demand (apart from tobacco and alcohol, mainly energy carriers such as liquid fuels, electricity, coal and gas).

The conditions outlined above show that in public-law financial relations, the criterion of equality in terms of property should be related to two variables: 1) the level of wealth understood as a whole, and 2) resources or activities encumbered with public levies or entitling to public benefits. Resources and activities may be subject to differentiated treatment depending on the current tax and social policy. However, this differentiation should not be of a discriminatory nature, and the level of wealth considered as a whole should act as a corrective factor that adjusts the burden of contributions and the intensity of aid in accordance with the principles of fairness and solidarity within the framework of standards of the so-called welfare state.

Guided by the indicated criteria, the postulate of taxation equality should be considered in the following areas: 1) the amount of the tax burden, 2) the distribution of the tax burden between work and assets (property, capital), 3) the distribution of the tax burden between consumption and savings, and 4) the distribution

³⁵ *Wstęp do nauki polskiego prawa podatkowego*, W. Modzelewski (ed.), Warszawa 2010, pp. 31-32.

³⁶ H. Kuzińska, *Rola podatków pośrednich w Polsce*, Warszawa 2002, pp. 34-37.

of the income tax burden among individual groups of taxpayers and sources of revenue.

Moreover, the collection of taxes and contributions should be confronted with redistributive benefits for society.

4. CURRENT SOCIO-ECONOMIC CONDITIONS VS TAX POLICY

Referring to the analysis in the series of articles indicated in footnote No. 4, I confront the postulates outlined above with the contemporary socio-economic situation and tax policy.

Two seemingly opposite socio-economic trends can be observed: on the one hand, the uninterrupted increase in the level of wealth and the reduction of extreme poverty, but on the other hand, since the 1980s, a marked exacerbation of social inequalities, both globally and within most countries (the accumulation of wealth is accompanied by the fact that hired work does not guarantee a way out of poverty due to the barrier of costs of education, health care, etc.). Although in absolute terms, the indicators of wealth and quality of life are increasing, in relative terms, they are decreasing with the increasing level of debt burden of both society and individuals. This regularity undermines the so-called trickle-down theory, according to which the accumulation of wealth stimulates the entire economy (“drips”) to the benefit of the poorer through investment and employment.

Since the turn of the 1980s and 1990s, as a result of political changes, the Polish economy has been developing and the level of wealth of the entire society has been increasing. Nevertheless, it is the so-called dependent market economy characterized by low innovation and labor costs as well as support for foreign investments (also through tax incentives) in the service and production sectors with low added value in relation to the research and design as well as marketing and sales phases. Social inequalities and social insecurity are increasing (mainly due to the non-standard forms of employment, the so-called junk contracts), and the Marxian conflict of labor and capital turns out to be surprisingly topical.

The problems of the pension system are also growing. Firstly, contrary to the tendency to increase life expectancy, for political reasons, the retirement age was lowered as of 1 October 2017 and differentiated by gender: for men – 65 years, for women – 60 years.³⁷ Moreover, many professional groups are entitled to the privilege of early retirement (effectively we are dealing with the lowest retirement age in the EU). Secondly, the abandonment of otherwise controversial pension funds (OFE) improves the state’s current assets at the cost of postponing, against

³⁷ Act of 16 November 2016 amending the Act on old-age and disability pensions from the Social Insurance Fund and certain other acts (Journal of Laws of 2017, item 38).

the constantly deteriorating demographic trends, the problem of financing pension benefits.

Poland meets the contemporary standards of a welfare state (high share of social spending in GDP). It is worth emphasizing that it enforced an increase in minimum rates for hired work, regardless of the legal form in which it is provided.³⁸ Despite income inequalities higher than the EU average, we are dealing with lower than the EU average inequalities in property, education and health (the former result from the intergenerational accumulation of wealth limited in the Socialist socio-economic system, but in the near future they will grow along with the progressing society getting richer). In connection with an active social policy based on redistribution mechanisms, expenditure inequalities have also been decreasing for several years, and thanks to the good economic situation (at least until the COVID-19 crisis) the same applies to unemployment. Nevertheless, the consumption effects of the “Rodzina500+” (Family500+) program could be achieved at a much lower cost if it did not cover the whole society, but only poor people, while at the same time discriminating against single parents with one child (only from July 2019 the benefit covered the first child in the family). This program failed to achieve its most important goal – to increase the fertility rate. It had a negative impact on women’s professional activity and buried hopes for an active predistribution policy that would be more favorable in the long term.³⁹

Until the 1970s, world economic policy was governed by interventionism, characterized by high progressive taxes, while in the 1980s, the neoliberal school emerged, guided by the paradigm of tax neutrality and a low and flat rate. The significant tax cut has increased the debt burden of society as a whole, as governments have had to borrow capital that has not been collected as tax revenues, and the interest paid by the financial elites is a burden on all of us.

Contemporary tax systems reflect two basic trends that are intensifying in countries that are just aspiring to become fully developed (in Europe, according to the division into the so-called old and new EU under the 2004 enlargement *caesura*).

Firstly, it is about incentives for investment through lower taxation of capital (business activity) in relation to labor and consumption. Moreover, with the increase in the level of wealth and the size of business activity, the possibilities of using optimization instruments increase, which allow you to hide income and/or assets or disclose them in countries with a low (zero) tax rate, instead of where they were earned. As a result, the effective tax burden is lower than the nominal tax rate, while international corporations are paying much lower taxes than small

³⁸ Act of 22 July 2016 amending the Act on the minimum remuneration for work and certain other acts (Journal of Laws of 2016, item 1265, as amended).

³⁹ Predistribution is defined as access to infrastructure and public benefits in order to prevent social inequalities before they arise, and redistribution – financial transfers mitigating the effects of existing social inequalities.

and medium-sized enterprises, and hired labor remains the highest taxed group. This phenomenon is not offset by the tendency to increase the income tax of the richest citizens in connection with economic and financial crises and special social needs. These burdens are often called solidarity taxes, they have a clear political overtone with marginal fiscal significance, and often turn out to be counterproductive from this point of view, as they cause the affected people to flee abroad (change their residence) to other countries (the famous example of France).

Secondly, the importance of indirect taxes that burden consumption (mainly VAT and excise duty) is growing. In the aftermath of the 2008 financial crisis, there was a tendency across the EU to raise VAT rates, while rates of income taxes levied on business activity were not changed or even lowered (with the exception of the so-called solidarity taxes charged to a narrow group of the richest citizens). New indirect burdens were also introduced: 1) special taxes on the banking sector, the burden of which was largely shifted to society by increasing the prices of services (commissions, interest rates, etc.) and 2) additional selective taxes that burdened the consumption of many everyday goods in addition to excise duty (e.g. sugar or alcohol).

5. FEATURES OF THE POLISH TAX SYSTEM (LEGAL STATUS UNTIL THE END OF 2021)

Referring to the analysis in the series of articles indicated in footnote No. 4, it should be stated that the Polish tax system, together with ZUS and NFZ contributions, is not progressive but regressive. In percentage terms, the effective burden generally decreases with increasing wealth, albeit in an uneven manner. This regularity results from three groups of factors.

Firstly, indirect taxes with flat rates and regressive character in relation to the level of wealth are the most effective in fiscal terms. As can be seen from the above-mentioned statistical data, we note a clearly higher share of these taxes in budget revenues than in most developed countries, while the low shares of CIT and PIT prove the effectiveness of tax avoidance by entrepreneurs and wealthy individuals. Next to the traditional VAT and excise duties, the following have been added: 1) levy on sweetened beverages (the so-called sugar tax),⁴⁰ 2) levy

⁴⁰ Article 12a *et seq.* of the Act of 11 September 2015 on public health (consolidated text, Journal of Laws of 2022, item 1608, as amended).

for alcoholic beverages up to 300 ml,⁴¹ 3) tax on certain financial institutions,⁴² and 4) retail sales tax.⁴³ The first two taxes (hidden under the name of fees) are similar to the traditional excise duty (subject to the lack of harmonization at the EU level). Whereas, the last two taxes are of a revenue nature, as they are charged to turnover without deduction of costs: a) total assets, dominated by the value of granted loans and b) revenues from sales, so the transfer of their burden to buyers (consumers) is not a model design feature and depends on market conditions, but it has taken place to a large extent (both taxes apply only to entities meeting the criterion of a sufficiently high turnover threshold).

Secondly, when we talk about income taxes, CIT is characterized by a flat rate, and despite the nominally progressive PIT rates, the total burden on personal income (including ZUS and NFZ contributions) is close to a flat rate, with the peak at the middle class of hired workers under the Labor Code. Differentiation of the so-called tax wedge, depending on the legal basis of employment, has a negative impact on the labor market, and causes, among others: 1) the fiction of self-employment, when an entrepreneur works in a manner typical of an employment relationship (the phenomenon intensifies with the increase in income) and 2) the increase in popularity of the so-called junk contracts concluded under civil law (in the short term, they can be beneficial for both the employee and the employer).

The progression of personal income burden is disrupted by the following factors: 1) only two PIT rates – 17% (previously: 18%) and 32% (the limit is the income threshold of PLN 85,528),⁴⁴ while more than 98% of taxpayers remain covered by the former and the problem of progression does not apply to them, 2) a flat PIT rate of 19% for entrepreneurs,⁴⁵ 3) lump-sum tax deductible costs for employment contracts in the amount of PLN 250 (previously: PLN 111.25) per month, while for civil law contracts they amount to 20% (sometimes even 50%) of revenue,⁴⁶ and entrepreneurs account for all actual expenses incurred, and what is more, abuses involving purchases used for private purposes are frequent – unlawful, but difficult to control on a mass scale (this also applies to deducting VAT, which effectively increases the level of income), 4) frequent – unlawful, but difficult to control on a mass scale – underestimation by entrepreneurs of the PIT tax base and the amount of ZUS and NFZ contributions resulting from not recording turnover (also applies to VAT, which also effectively increases the level of income) and remuneration paid to employees, 5) flat-rate ZUS and NFZ contribu-

⁴¹ Article 9² sec. 11 *et seq.* of Act of 26 October 1982 on upbringing in sobriety and counteracting alcoholism (consolidated text, Journal of Laws of 2023, item 165, as amended).

⁴² Act of 15 January 2016 on tax on certain financial institutions (consolidated text, Journal of Laws of 2023, item 623, as amended).

⁴³ Act of 6 July 2016 on retail sales tax (consolidated text, Journal of Laws of 2023, item 148, as amended, collection of this tax was suspended until the end of 2020).

⁴⁴ Article 27 sec. 1 of the PIT Act.

⁴⁵ Article 30c of the PIT Act.

⁴⁶ Article 22 sec. 2 and 9 of the PIT Act.

tions with suspension of collection of the first of them after exceeding the income threshold (30 times the average salary per year),⁴⁷ 6) flat-rate ZUS and NFZ contributions for entrepreneurs, calculated from 60% of the average salary (regardless of the actual income), with the possibility of reduction and suspension of collection in the initial period (the so-called start-up relief),⁴⁸ and the calculation based on actual income, when it does not exceed 30 times the minimum wage (the so-called small ZUS in force from 1 January 2019 to the end of January 2020 and the so-called small ZUS plus, in force from 1 February 2020),⁴⁹ 7) exclusion from ZUS and NFZ contributions of certain so-called junk forms of employment, 8) numerous flat-rate or lump-sum forms of taxation (regardless of actual income),⁵⁰ 9) exclusion from PIT (similarly: CIT) of agriculture and forestry, regardless of the area, type of crops or breeding and the scale of profits, subject to the so-called special activities (e.g. greenhouses),⁵¹ and 11) preferential KRUS contributions for farmers in relation to ZUS. This privilege is still available also to entrepreneurs in possession of at least 1 ha of agricultural land.⁵²

The progression is intensified by the following factors: 1) tax-free amount of a clearly degressive nature (from 2017),⁵³ and 2) child relief, which consumes the tax remaining after deduction of NFZ contributions.⁵⁴ However, the amounts of deductions are so low (especially in the first case) that this effect applies only to the lower end of the tax scale (people with the lowest income). Similarly, but in a narrow subjective scope, the so-called zero PIT for young people: exemption from tax on income earned by people under 26 years of age (up to PLN 85,528 per year).⁵⁵ On the opposite side of the tax scale range, from 2019, the progression is strengthened by an additional solidarity levy in the amount of 4% of the surplus of income of natural persons over PLN 1 million (income of the Solidarity Fund,

⁴⁷ Article 19 of the Act of 13 October 1998 on the social insurance system (consolidated text, Journal of Laws of 2022, item 1009, as amended; hereinafter: ZUS Act).

⁴⁸ Article 18a of ZUS Act and Article 18 sec. 1 of the Act of March 6, 2018, Entrepreneurs' Law (consolidated text, Journal of Laws of 2023, item 221, as amended).

⁴⁹ Article 18c of the ZUS Act.

⁵⁰ First of all, on the basis of the Act of 20 November 1998 on flat-rate income tax on certain revenues earned by natural persons (consolidated text, Journal of Laws of 2022, item 2540, as amended).

⁵¹ Cf. Art. 2 sec. 1 point 1 of the PIT Act.

⁵² Article 5a of the Act of 20 December 1990 on social insurance for farmers (consolidated text, Journal of Laws of 2023, item 208, as amended).

⁵³ In 2009-16 it amounted to slightly more than 3,000 PLN per year; starting from 2017, it amounts to PLN 6,600 (PLN 8,000 in 2018-19) and decreases (unevenly) to zero at the tax base of PLN 127,000 PLN per year and higher; for people earning over 11,000 PLN in 2017 and 13,000 PLN in 2018-19 and below the rate change the threshold from 18% to 32%, i.e. PLN 85,528.50 per year the tax-free amount was retained in the previous amount (cf. Art. 27 sec. 1a of the PIT Act).

⁵⁴ Article 27f of the PIT Act (this relief is not granted in the case of bringing up only one child after exceeding the threshold of PLN 56,000 per year for each parent).

⁵⁵ Article 21 sec. 1 point 148 of the PIT Act.

originally called the Solidarity Fund for the Support of People with Disabilities).⁵⁶ It has a narrow scope as it has been estimated that it burdens approx. 21,000 people and brings the Fund about PLN 1.150 billion annually.⁵⁷

Thirdly, there is no general tax on the value of property, especially real estate, but there are selective taxes on individual assets, and – except for construction structures related to business activity – the tax base for agricultural, forestry, or real estate taxes does not depend on the value (*ad valorem*) but per area, and the amount of tax remains symbolic (except for entrepreneurs).⁵⁸ The legislator also resigned from taxing the transfer of property (regardless of its value) between relatives in the event of inheritance or donation.⁵⁹

6. POLSKI ŁAD (THE SO-CALLED POLISH DEAL) (EFFECTIVE FROM 2022)

The regularities outlined above raise objections from the point of view of equality and fairness of taxation. The Polish Deal was an attempt to rebuild the tax system. It focused on the burdens of personal income most felt by the society: PIT together with ZUS and NFZ contributions (other issues are omitted).

The main goal of the Polish Deal is to create a friendly and fair tax system, and the stabilization of budget revenues strained by the COVID-19 pandemic is of secondary importance.⁶⁰ The government referred to the judgment of the Constitutional Tribunal of 28 October 2015, which emphasizes the principle of the ability to pay.⁶¹ Therefore, the Polish Deal is primarily intended to influence the social sense of justice, while – despite the regulations aimed at tightening the collection – it does not increase budget revenues from PIT, but on the contrary, it

⁵⁶ Article 30h of the PIT Act (unlike in the case of the “basic” PIT, the revenues from the solidarity levy are not shared by LGUs and it does not constitute the basis for transferring 1% to a public benefit organization) and Art. 3 sec. 2 of the Act of 23 October 2018 on the Solidarity Fund (consolidated text, Journal of Laws of 2020, item 1787, as amended).

⁵⁷ Justification of the draft act referred to in footnote No. 56, Sejm paper No. VIII.2848.

⁵⁸ Article 4 sec. 1 and Article 5 sec. 1 of the Act of 12 January 1991 on local taxes and fees (consolidated text, Journal of Laws of 2019, item 1170, as amended), Article 4 and 6 of the Act of 15 November 1984 on agricultural tax (consolidated text, Journal of Laws of 2020, item 333, as amended) and Article 3 and 4 of the Act of 30 October 2002 on forestry tax (consolidated text, Journal of Laws of 2019, item 888, as amended).

⁵⁹ Article 4a of the Act of 28 July 1983 on inheritance and donation tax (consolidated text, Journal of Laws of 2021, item 1043, as amended).

⁶⁰ Act of 29 October 2021 amending the Personal Income Tax Act, the Corporate Income Tax Act and some other acts (Journal of Laws of 2021, item 2105); *cf.* justification of the project, Sejm paper VIII.1531.

⁶¹ Ref. No. K 21/14.

forecasts a decrease by approx. PLN 15 billion annually (approx. PLN 10 billion state budget, approx. PLN 13 billion budgets of LGUs as a share in income from PIT, while the revenue of the National Health Fund (NFZ) is to increase by approx. PLN 8 billion).⁶² It emphasizes the reduction of the tax burden. The changes are favorable or at least neutral for 24 million people (90% of taxpayers).⁶³

The indicated objectives are to be implemented in four directions of action: 1) tightening the progression of taxation, 2) simplifying settlements, 3) tightening tax collection and eliminating tax fraud, and 4) introducing investment incentives.

The changes include:

- increasing the tax-free amount to PLN 30,000 for taxpayers subject to general rules according to the tax scale (salaries or pensions up to PLN 2,500 per month are not to be taxed at all),⁶⁴
- raising the income threshold to PLN 120,000, after which the 32% tax rate applies,⁶⁵
- no possibility to deduct NFZ contributions from tax (previously 7.75%),⁶⁶
- NFZ contributions for entrepreneurs based on the actual level of income (abolition of the lump-sum privilege),⁶⁷
- exemption from tax on certain types of income (employment, self-employed business activity) in the case of professionally active pensioners, parents of at least 4 children and persons returning to the country (transfer of permanent residence to Poland) – up to the amount of the former tax threshold (85,528 PLN) (exemptions cannot be cumulated – it also applies to the so-called zero PIT for young people),⁶⁸ and
- relief for the middle class earning income from employment under the Labor Code or from business activity (settlement on general terms according to the tax scale) in order to neutralize the increase in the burden resulting from the progressive elements of the tax structure. It is about shifting the progression effect to the upper-income brackets (above PLN 11,141 per month) because according to the basic regulations of the Polish Deal, the limit for increasing charges is PLN 5,701 per month.⁶⁹

⁶² Regulatory impact assessment, attachment to the Sejm paper VIII.1531.

⁶³ *Ibidem*.

⁶⁴ Article 27 sec. 1 u.p.d.o.f.

⁶⁵ Article 27 sec. 1 u.p.d.o.f.

⁶⁶ Repeal of Article 27b of the PIT Act.

⁶⁷ Article 81 sec. 2 of the Act of 27 August 2004 on health care services financed from public funds (consolidated text, Journal of Laws of 2022, item 2561, as amended).

⁶⁸ Article 21 sec. 1 points 148 and 152-154 in connection with Article 21 sec. 44 of the PIT Act.

⁶⁹ Article 26 sec. 1 point 2a in connection with Article 26 sec. 4a-4c of the PIT Act.

The ideological reasons stand behind the abandonment of the possibility of jointly settling the tax of a single parent raising a child with this child, which interferes with the progression effects similarly to joint taxation of spouses.⁷⁰

Subsequent changes from 1 July 2022 include:

- lowering the basic tax rate to 12% (the rate for the second income bracket is still 32%),⁷¹
- abolition of the relief for the middle class (with retroactive effect from 1 January 2022, but with a one-time option to use it if the new taxation conditions turn out to be less favorable in 2022),⁷²
- entrepreneurs who apply a flat rate can deduct NFZ contributions up to the statutory limits (similarly for those settling on a flat-rate basis or under the simplified rules referred to as the tax card),⁷³
- renewal of a joint tax settlement of a single parent with this child in a less favorable form (as a rule, the progression adjustment factor is 1.5 – except for parents of disabled children, for whom it is 2 as before).⁷⁴

7. SUMMARY

According to the analysis, the Polish tax system, treated as a whole, together with ZUS and NFZ contributions, is not progressive, but regressive because, in percentage terms, the effective burden generally decreases with increasing wealth (at least until the end of 2021).

Due to the limited scope, property taxes elude this assessment. Turnover taxes are characterized by a mild and fairly uniform regression, while income taxes together with ZUS and NFZ contributions (the so-called tax wedge) are close to a linear distribution, subject to the following factors. Firstly, in the lower income brackets, the effects of progressive factors are visible: child relief, new rules of the tax-free amount and the so-called small ZUS (small ZUS plus), while the exclusion of agriculture from PIT and ZUS and numerous lump sums shift the regression of taxation up the social structure. Secondly, there is a difference between the tax wedge depending on the legal form of employment: the highest burdens are borne by hired employees under the Labor Code.

The middle class bears the heaviest burdens, especially workers hired under the Labor Code, and at the same time, they receive redistributive assistance lim-

⁷⁰ Repeal of Article 6 sec. sec. 4-4b of the PIT Act.

⁷¹ Article 27 sec. 1 of the PIT Act.

⁷² Article 30c sec. 2 point 2 of the PIT Act.

⁷³ Repeal of Article 26 sec. 1 point 2aa in connection with art. 26 sec. 4a-4c of the PIT Act.

⁷⁴ Article 6 sec. 4c-4h of the PIT Act.

ited by the level of wealth to a limited extent. The paradox of the highest burden on the middle class is correctly perceived by both the liberal and left-wing, although they differ in their assessment and directions of proposed changes, while public opinion formulates the accusations about the lack of protection of the poorest and postulates of a clear progression of taxation.

These allegations should be treated with great caution. Firstly, it is by no means the case that the poorest bear the highest burdens in terms of percentages, and the progression of taxation has the adverse effect of discouraging people from working and saving. Secondly, an active social policy based on redistributive mechanisms must be taken into account. Poland is a typical welfare state and expenditures in this respect do not differ from the EU average (lower absolute values result from a lower standard of living of the entire society). There is no pre-distributive policy aimed at preventing social inequalities before they arise (access to education, health care, and broadly understood infrastructure), but – as evidenced by the results of polls and elections – the majority of voters appreciate direct financial transfers, spent at the discretion of the beneficiary, at the same time awareness of the regressive nature of the tax system as a whole is missing. It can be expected that “building in” the function of equalizing wealth inequalities into the tax system by giving it a progressive character, combined with a reduction in the level of redistribution, would provoke dissatisfaction in the society. The dilemma of burdening the poor with income tax, considered in philosophy, sociology, and economics, loses its significance because, as the analysis proves, in fact, they do not pay any tax, but only ZUS and NFZ contributions. Moreover, these are covered by various forms – unknown in the 19th-century country – aid financed from public funds. Therefore, the problem of the traditionally understood tax-free subsistence minimum is eliminated.

In this context, it seems crucial not so much to change the structure as to tighten the tax system in order to increase the total sum of budget revenues. The activities undertaken by the government for several years in the first place (rightly so!) focused on the so-called VAT loophole, and in the second – on combating direct taxation avoidance and profit transfer abroad (however, the effectiveness of these activities is debatable).

The economic crisis related to the COVID-19 pandemic reinforced the outlined regularities. New indirect taxes (e.g. sugar levy, levy on alcoholic beverages) were accompanied by a reduction in personal income burdens for certain social groups (e.g. the so-called zero PIT for young people) with an increase, limited by the level of wealth, for others (e.g. limiting the use of the tax-free amount) (legal status until the end of 2021). Changes in the taxation of personal income turn out to be chaotic and do not improve the condition of public finances, but only antagonize society and give rise to justified suspicions of favoring groups that currently support the currently ruling politicians. This kind of approach violates the principle of equality and is not conducive to the implementation of the related

ideas of solidarity and justice. However, in the current political conditions, it is difficult to expect a reliable verification of these allegations in the light of constitutional standards.

The above trends have been intensified by the Polish Deal, which breaks the fundamental principles of an effective tax system: the priority of the fiscal function and the pursuit of minimizing the unit burden while maximizing the scope of taxation. It is striking that the Polish Deal is by no means intended to increase budget revenues, but on the contrary – it assumes their decrease, which in itself undermines the sense of any tax reform. It is only about changing the distribution of burdens for various groups of the population due to PIT, ZUS and NFZ contributions. However, this change does not result from rational economic premises or from a coherent system of axiological values, but is chaotic and gives the impression of randomness. The propaganda message emphasized the reduction of burdens for the majority of society, however, the benefits usually amount to a few or a dozen PLN a month and have long been neutralized by inflation caused by the increase in public debt due to the implementation of the populist socio-economic policy.

In real terms, the level of burdens on the majority of society does not change, while some social groups experience a significant increase (primarily entrepreneurs and the most affluent hired workers). The propaganda message has emphasized this increase as an expression of tax justice. However, the Polish Deal is accompanied by a constant increase in the fiscal importance of indirect taxes, which are regressive in nature, so in the percentage sense (in relation to disposable income) they are a greater burden for the poorer than for the richer.

When considering the tax system as a whole, the legislator and the government by no means care about the interests of the poor, but only keep up appearances to do so, acting in the area most susceptible to populist legislation, because indirect taxes are much less visible than PIT together with ZUS and NFZ contributions.

As a consequence, the Polish Deal did not change the fundamental conclusion on the regression of the Polish tax system, although some social groups recorded an increase in the tax burden. Considering that this increase concerns the most visible burden on personal income, it is not surprising – contrary to the arguments of the government and the legislator – that the allegation of violation of the equality and justice (instead of restoring equality and justice, the changes have increased inequalities and perpetuated perceptions of injustice).

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