SILESIAN UNIVERSITY OF TECHNOLOGY PUBLISHING HOUSE

SCIENTIFIC PAPERS OF SILESIAN UNIVERSITY OF TECHNOLOGY 2025
ORGANIZATION AND MANAGEMENT SERIES NO. 221

THE IMPORTANCE OF PERSONAL INCOME TAX IN THE BUDGETS OF MUNICIPALITIES IN POLAND IN 2019-2023

Ewelina MARKOWSKA

Casimir Pulaski University of Radom; ewelina.markowska@urad.edu.pl, ORCID: 0009-0007-8355-8622

Purpose: The general aim of the publication is to present the importance of personal income tax in the budgets of municipalities in the years 2019-2023.
Methodology: Analysis of data from the library of the Central Statistical Office.
Findings: The results of the assessment obtained as a result of the analysis of budget revenues of municipalities showed the significant importance of personal income tax, which in turn affects the implementation of a wide range of tasks by local government units. In the analysed period, the greatest changes in the legal system affecting the revenues of local government units took place, in particular, several significant modifications to the Personal Income Tax Act were made, which in turn poses a challenge for municipalities to take action in the field of effective management of budget revenues.
Research limitations/implications: The article contains a preliminary study. In the future it is planned to conduct additional quantitative and qualitative research.
Originality/value: The publication discusses the importance of personal income tax in the revenues of municipalities in Poland. The analysis took into account own revenues, subsidies and subsidies. The article also includes selected legal changes in personal income tax, which had an impact on the development of municipal revenues on this account.
Keywords: taxes, personal income tax, public finances, local government units.
Category of the paper: Research paper.

1. Introduction

The foundation of the independent economy of the commune is the budget. The condition for the ability of municipalities to perform the public tasks assigned to them is to ensure that these units receive an appropriate share in public revenues. The nature and scope of the decentralization processes taking place is directly related to the category of financial independence of municipalities, which is referred to as local financial autonomy. The distribution of public revenues at the systemic level requires that the own tasks of the municipal government are financed in the form of own revenues transferred to them. One of the sources of budget revenues of municipalities is personal income tax. Personal income tax (PIT) in the Polish tax system is characterized by the fact that the revenues from this tax are divided between the State Treasury and local government units, i.e. municipalities, districts and provinces. This tax is classified as direct taxes, because the subject of taxation is a natural person earning income, and not business transactions, as in the case of corporate income tax on company income. PIT applies to income from: remuneration from employment, pensions, benefits, running a sole proprietorship, freelance profession and artistic, literary, scientific, creative, journalistic and educational activities. The aim of the publication is to present the importance of personal income tax in the budgets of municipalities in 2019-2023.

2. Personal income tax – theoretical connotations

Personal income tax was introduced by the Personal Income Tax Act of 26 July 1991, which replaced five acts in force until the end of 1991. These were the following acts (Dolata, 2013):

a) The Act of 4.02.1949 on the tax on remuneration (Journal of Laws No. 7, item 41, as amended).
b) The Act of 28.07.1983 on the equalization tax (Journal of Laws No. 42, item 188, as amended).
c) The Income Tax Act of 16.12.1972 (Journal of Laws of 1989 No. 27, item 147, as amended).
d) The Act of 28.02.1982 on the taxation of socialized economy units (Journal of Laws of 1987 No. 12, item 77 as amended).
e) The Act of 15.11.1984 on agricultural tax – in the scope of agricultural tax on the income of natural persons from special branches of agricultural production, in the wording in force until 31.12.1991 (Journal of Laws No. 52, item 268, as amended).

The current act introduced a general personal income tax. This was one of the elements of the reform of the Polish tax system in the early 1990s. Since its implementation, it has been amended many times. Every year, new changes are made to its content. Both the causes and the nature of these changes are varied. To a large extent, they are dictated by the need to adapt the structure of the tax to the changing economic and social reality in Poland. These changes also result from the adaptation of the existing regulations to constitutional requirements, which in effect means that all structural elements of the tax are regulated in the act itself, and not in regulations. In addition, it should be noted that mainly since 2016, the changes introduced have been aimed at tightening the system of collecting this tax (Wolański, 2020).

An income tax payer is a natural person earning taxable income. This tax is a personal tax, which means that it covers all income earned by the taxpayer. The exception is income for which the Personal Income Tax Act does not apply. The second exception is the parallel existence of simplified forms of income taxation, contained in Articles 29-30 of this Act (u.p.d.o.f.). The subjective scope of this tax is related to the issue of unlimited and limited tax liability. Natural persons who live in the territory of Poland are subject to unlimited tax liability, and the subject of taxation is their income in its entirety, regardless of where the sources of income from which this income is earned are located. Therefore, both income from domestic sources and from foreign sources are subject to the tax obligation. A limited tax obligation applies to natural persons who do not have a permanent residence in Polish, although they earn income here. The subject of the personal income tax is income. Therefore, all types of income are taxed, except for exempt income. Apart from strictly defined exceptions indicated in the Act, in the case of income obtained by the taxpayer from multiple sources, the subject of taxation is the sum of income from these sources. Income from a source of revenue is the surplus of the sum of revenues over the costs of obtaining them in a given tax year. (Kosikowski, Ruśkowski, 2008).

Revenues are money and monetary values received or left at the taxpayer's disposal in a calendar year, as well as the value of benefits received in kind and other gratuitous benefits (except for the cases specified in Articles 14-15, Article 17(1)(6), (9), (10) and (11), Articles 19, 25b, 30ca, 30da and 30f of the Personal Income Tax Act). This Act distinguishes the following sources of revenue (u.p.d.o.f.):

a) service relationship, employment relationship, including cooperative employment relationship, membership in an agricultural production cooperative or other cooperative dealing with agricultural production, homework, retirement or disability pension;
b) activities performed personally;
c) non-agricultural economic activity;
d) special departments of agricultural production;
e) rent, sublease, lease, sublease and other agreements of a similar nature;
f) cash capital and property rights;
g) paid sale of real estate or part thereof and a share in real estate, cooperative ownership right to a residential or commercial premises and the right to a single-family house in a housing cooperative, right of perpetual usufruct of land and other things, if the paid sale does not take place in the performance of business activity and was made in the case of paid sale of real estate and property rights specified above – before the lapse of 5 years, counting from the end of the calendar year in which the purchase or construction took place, and other items – before the end of half a year, counting from the end of the month in which the purchase took place;
h) the activities carried out by the controlled foreign company;
i) unrealized gains referred;
j) other sources: revenues not covered by disclosed sources or derived from undisclosed sources.

Sources of revenue are one of the fundamental categories that is related to the structure of income taxes. Revenues are an essential element of the income tax structure, so their origin must be normatively defined and their origin must be relevant. As a result, the determination of revenue always results in linking it to some source. Sources of income are the primary factor in the construction of the subject of taxation, which determines any further tax consequences (Huchla, 2018).

Personal income tax is characterized by the following features: is a personal tax that is charged to natural persons earning income from various sources of revenue after deduction of costs, takes into account the personal situation of the taxpayer, does not differentiate the burden from the point of view of sources of revenue and is an instrument of income distribution policy (Komar, 1996). Personal income tax is global in nature, which means that it covers the entire income of an individual, regardless of the source of its acquisition, so it gives a full picture of the financial situation of a given taxpayer and thus allows for the assessment of his ability to pay (Gomułowicz, Małecki, 2011).

3. Selected legal changes in personal income tax in 2019-2023

On 26 September 2019, the content of the Act amending the provisions concerning personal income tax was published in the Journal of Laws. On October 1, 2019, the PIT rate was reduced from 18 to 17 percent. The rate of 17 percent was applicable to incomes up to PLN 85,528. Above this threshold, a tax rate of 32% was charged on the surplus. In addition, tax-deductible costs have been increased. Costs before the changes, i.e. in 2018, were as follows (PortalGov.pl):

a) PLN 111,25 per month (one-time employees);
b) PLN 139,06 monthly (one-time employees, commuters);
c) PLN 1 335,00 per year (one-time employees);
d) PLN 1 668,72 annual (single-time employees, commuters);
e) PLN 2 002,05 per year (multi-time employees);
f) PLN 2 502,56 per annum (multi-time employees, commuters).

On the other hand, from 1 October 2019, tax-deductible costs amounted to (PortalGov.pl):

a) a) PLN 250,00 per month (one-time employees);
b) b) PLN 300,00 per month (one-time employees, commuters);
c) c) PLN 3 000,00 per year (single-time employees);
d) d) PLN 3 600,00 per year (one-time employees, commuters);
e) e) PLN 4 500,00 per year (multi-time employees);
f) f) PLN 5 400,00 per year (multi-time employees, commuters).

After the changes introduced as of 1 October 2019, the annual profit of a taxpayer who earned PLN 2 250 (minimum wage in 2019) amounted to PLN 472. On the other hand, with earnings of PLN 4 765 (average monthly salary in the national economy in 2019), it was PLN 732 per year (podatki.gov.pl).

Another important change introduced in 2019 in the field of PIT was the introduction of the so-called relief for young people. This is a special tax exemption that is intended to financially support people starting their professional career. The basic assumption of this relief is the exemption from income tax (PIT) of income earned by persons up to 26 years of age, up to a certain limit. The main reasons for introducing the relief for young people were (poradnik-finansowy.pl):

a) increasing the attractiveness of employment for young people;
b) facilitating professional starts;
c) encouraging people to take up legal work;
d) financial support at the beginning of the career.

The relief for young people is an important tool of social and economic policy, which aims at both the professional activation of young people and increasing their purchasing power. This relief is currently still in force. On November 15, 2021, the President of Poland signed the law called the Polish Deal (Act of 29 October 2021 Amending the Personal Income Tax Act, the Corporate Income Tax Act and Certain Other Acts). The new regulations came into force in January 2022, the regulations were published on November 23, 2021. From 1 January 2022, the tax-free amount in Poland has increased from PLN 8 000 to PLN 30 000. In addition, the tax threshold was raised from PLN 85 528 to PLN 120 000. Income covered by the 32% rate concerned those earned above PLN 120 thousand. The so-called relief for the middle class was also introduced. The basis for calculating the relief for the middle class was the value of the taxpayer's income, i.e. the gross amount. The amount of the relief was calculated as the product of revenues (gross amount) and the relevant ratio. These regulations were in force until 30 June 2022. The Act of 9 June 2022 amending the Personal Income Tax Act and certain other acts, the so-called "Polish Deal 2.0" was signed by the President of the Republic of Poland on 13 June 2022, and on 15 June 2022 the Act was published in the Journal of Laws (PIT.pl).

According to the new regulations, the PIT rate in the first tax bracket (i.e. to PLN 120,000) has been reduced from 17% to 12% for taxpayers taxed according to the general rules (tax scale), i.e. employed under an employment contract, a contract of mandate and entrepreneurs settling in this way. The tax-free amount of PLN 30 000 remained unchanged (Infor.pl).

4. Shares of municipalities in personal income tax

Since 1990, the activities of local government in Poland have undergone significant modifications. This was mainly related to changes in the system of its organization, as well as finances. The initiated process of decentralization of public authority provided municipalities with instruments shaping the stability of their income. Indeed, this concerned own revenues, including funds from the share in personal income tax. With the reactivation of local government in Poland, the amount of revenues of municipalities, both total and own, was determined, among other things, by modifications of their share in PIT revenues (Galiński, 2015). Already in 1984, the Budget Law referred to the provisions of the Act on the System of National Councils and Local Self-Government, in which it was specified that the revenues of local budgets are revenues from payroll tax in the amount of 85% of its revenues. In 1990, municipalities held a 30% share in the revenues from the payroll tax and from the payroll tax, as well as 50% of the revenues from the personal income tax taxed on general terms. On the other hand, since 1992, municipalities have been granted only a 15% share in personal income tax. In 1996 it increased to 16%, and in 1998 to 17% (Wójtowicz, 2014).

Payroll tax, payroll tax, equalization tax and personal income tax taxed on general principles were collected until the end of 1991. Since 1 January 1992, they have been replaced by a single, general personal income tax regulated in the Personal Income Tax Act of 26 July 1991. In such a situation, it was also necessary to amend the Act on Municipal Revenues, which came into force on the same day as the new Personal Income Tax Act. The shares in the revenues from the payroll tax, the payroll tax, the equalization tax and the personal income tax taxed on general principles were replaced by one share of the communes in the revenues from the personal income tax. The share percentage ratio was set at 15%. The Act on Municipal Revenues was replaced on 1 January 1994 by the Act on of 10 December 1993 on the financing of municipalities. Act on the financing of municipalities in the original wording of Article 4 set the percentage of the share of municipalities in the revenues of from personal income tax at the level of 15%. The share percentages have been maintained at the same level as in the Act on Municipal Revenues. The ratio of the share of municipalities in personal income tax revenues was doubled. This occurred on January 1, 1997, which increased to 16%, and on January 1, 1998, which increased to 17%. Another act that regulated the issue of revenues of municipalities and other local government units was the Act on the revenues of local government units in the years 1999-2003. This Act significantly increased the percentage of the share of municipalities in personal income tax revenues from 17% to 27,6%. Starting from the entry into force on 1 January 1999 of the reform changing the administrative division of Polish, which introduced a 3-level structure of territorial division, the share in PIT revenues has become a source of income not only for municipalities, but also for districts and self-governing provinces. Significant changes have also taken place since 2004, as the share of municipalities in PIT revenues was set at -39,34%, where the amount of the commune's share in the revenues from personal income tax, constituting the income of the state budget, is determined by multiplying the total amount of revenues from this tax by 0,3934, subject to Article 89, and an index equal to the share of the personal income tax due in the year preceding the base year of the personal income tax residing in the territory of the commune, in the total amount of tax due in the same year. The ratio of the share of personal income tax due from taxpayers residing in the area of communes, districts and provinces respectively in the total amount of tax due is determined as a weighted arithmetic average of 3 calculation years comprising: the year preceding the base year, the year preceding the base year by 2 years and the year preceding the base year by 3 years, with weights of 0,5, respectively, 0,33 and 0,17. The index is determined on the basis of data contained in the tax returns submitted for a given calculation year on the amount of income earned and the annual tax calculation made by the remitters, as at 30 June of the year following the calculation year. If the data referred to in paragraph 4 are not available, the ratio of the share of personal income tax due from taxpayers residing in the area of the commune, district and province respectively in the total amount of tax due shall be determined on the basis of data from the last 3 calculation years for which these data are available, as at 30 June of the year following the calculation year (ustawa o dochodach JST).

The funds which constitute the communes' income from the share in the revenues from the personal income tax are to be transferred from the central current account of the state budget to the accounts of the communes' budgets by the 10th day of the month following the month in which the tax was credited to the account of the tax office. Funds constituting revenues of commune budgets from the share in personal income tax revenues for the month of December are transferred from the central current account of the state budget to the accounts of commune budgets in the following way: a)by 20 December of the financial year, an advance payment shall be in the amount of 80% of the amount transferred, in accordance with paragraph 2, for the month of November of the financial year; b) by 10 January of the following year, the amount constituting the difference between the amount of the share in the proceeds of the personal income tax which was credited to the account of the tax office in December and the amount of the advance payment transferred in accordance with item 1 shall be transferred.

5. Analysis of personal income tax in municipal revenues in 2019-2023

In Poland, the territorial division is as follows: communes, districts and voivodeships. The article focuses on municipalities that carry out a wide range of public tasks. In addition, they are equipped with the so-called own income. The publication examines local government units divided into municipalities with cities with powiat status and municipality without cities with powiat status. This division resulted from the fact that cities with county rights are characterized by greater economic growth and development. In addition, they show greater financial independence compared to rural, urban and rural-urban communes.

Imposing on municipalities the obligation to meet a specific catalogue of community needs requires that these units be provided with income. Chart 1 presents the development of revenues of municipalities together with cities with powiat status in the years 2019-2023. The analyzed period covers both before and during the COVID-19 pandemic. In addition, during this period, the greatest changes in the legal system affecting the revenues of local government units took place, in particular, several significant modifications to the Personal Income Tax Act were made.

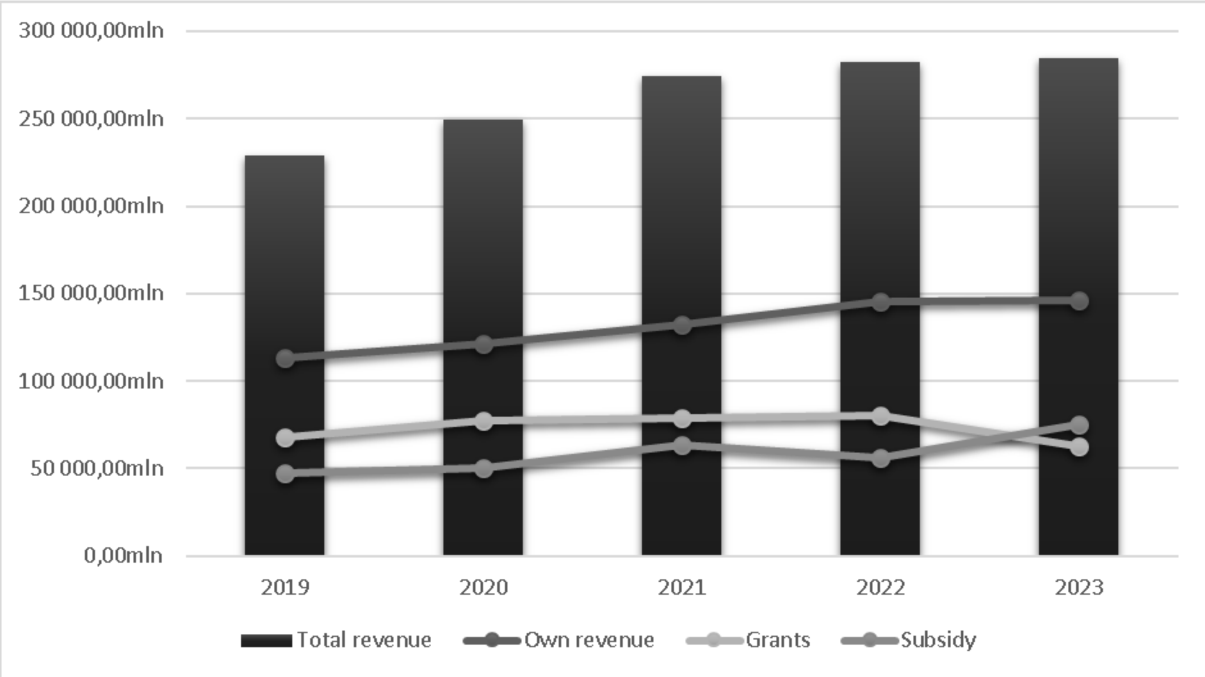

Figure 1. Revenues of communes and cities with powiat status by category in 2019-2023 (in PLN million).

Source: In-house analysis based on BDL data.

The total revenues of municipalities including cities with powiat status in 2019-2023 were characterized by an upward trend, which should be assessed as a positive phenomenon. In the case of the analysis of own income, although an increase was recorded, in 2023 compared to 2022 it was slower. In the case of subsidies, their increase is visible in the years 2019-2022. Only in 2023 compared to 2022 is a significant decrease visible. In terms of subsidies, only in 2022 compared to 2021 was a decrease was recorded.

Table 1.
Revenue growth of municipalities including cities with powiat status in 2020-2023 (in %, previous year = 100)

Specification	2020	2021	2022	2023
Own revenue	107,18	108,61	110,31	100,21
Grants	113,73	101,77	101,83	78,67

Cont. table 1.

Subsidy	106,03	126,34	88,08	134,53
Total revenue	108,88	110,07	102,72	100,92

Source: In-house analysis based on BDL data.

When analysing the dynamics of own income, it should be noted that its increase in 2023 compared to 2022 was insignificant (0.21 p.p.). The reason for this situation were changes in the personal income tax (PIT), which is the main source of income for local government units (LGUs), including municipalities and cities with powiat status. The changes in the personal income tax concerned the introduction of zero PIT for young people, increasing the tax-free amount, raising the tax threshold and reducing the basic PIT rate from 17 to 12 percent. Despite the compensation payments made by the Polish government, it turned out that they were insufficient with the constantly growing budget expenditures of municipalities and cities with district rights. In the case of subsidies, a significant decrease (21.33 p.p.) in 2023 compared to 2022 is noticeable throughout the analyzed period. The decrease in own revenues combined with an increase in current expenditure resulted in a significant decrease in the ability of local governments to implement investments. With regard to subsidies, in the entire analysed period in 2022 compared to 2021, a decrease was recorded (by 11.92 p.p.). The diversity of the structure of their revenues is of great importance for the entire financial system of municipalities and cities with powiat status.

Table 2.
Structure of own revenues of municipalities and cities with powiat status in 2019-2023 (in %)

Specification	**2019**	**2020**	**2021**	**2022**	**2023**
Agricultural tax	1,35	1,33	1,25	1,16	1,34
Forest tax	0,26	0,25	0,23	0,23	0,34
Property tax	20,52	19,90	19,76	19,24	21,39
Tax on means of transport	1,03	0,96	0,94	0,90	0,97
Inheritance and gift tax	0,29	0,25	0,32	0,37	0,40
Tax on civil law transactions	2,58	2,47	3,39	2,85	2,72
Business tax of natural persons, paid in the form of a tax card	0,06	0,05	0,14	0,13	0,13
Shares in taxes constituting state budget revenues - personal income tax	**42,35**	**38,74**	**40,22**	**39,30**	**30,33**
Shares in taxes constituting state budget revenues - corporate income tax	3,22	3,12	3,57	3,47	4,97
Stamp duty revenues	0,44	0,40	0,44	0,42	0,43
Revenues from the service charge	0,35	0,31	0,29	0,29	0,28
Revenues from the market fee	0,12	0,09	0,00	0,08	0,08
Revenues from other local fees collected by local government units on the basis of separate acts	5,82	7,30	7,94	8,24	9,04
Other income - receipts from services	5,20	4,00	4,23	4,86	5,66
Income from assets	6,22	6,09	7,11	6,54	6,58
Other income - funds for co-financing own tasks obtained from other sources	0,74	6,45	1,32	1,29	3,66

Source: In-house analysis based on BDL data.

In the structure of own revenues of municipalities and cities with powiat status in the entire analysed period, two important sources supplying the budgets of these local government units should be indicated. This is a share of personal income tax and property tax. The lowest share of personal income tax in the own revenues of municipalities was recorded in 2023 (30,33%), while its highest share was in 2019 (42,35%). The share of property tax in the own revenues of municipalities and cities with powiat status in the analysed period is on average nearly 20%.

The above information in the field of finances concerned municipalities together with cities with powiat status. However, it is important to present the development of individual sources of revenue, broken down into cities with powiat status and municipality without cities with powiat status.

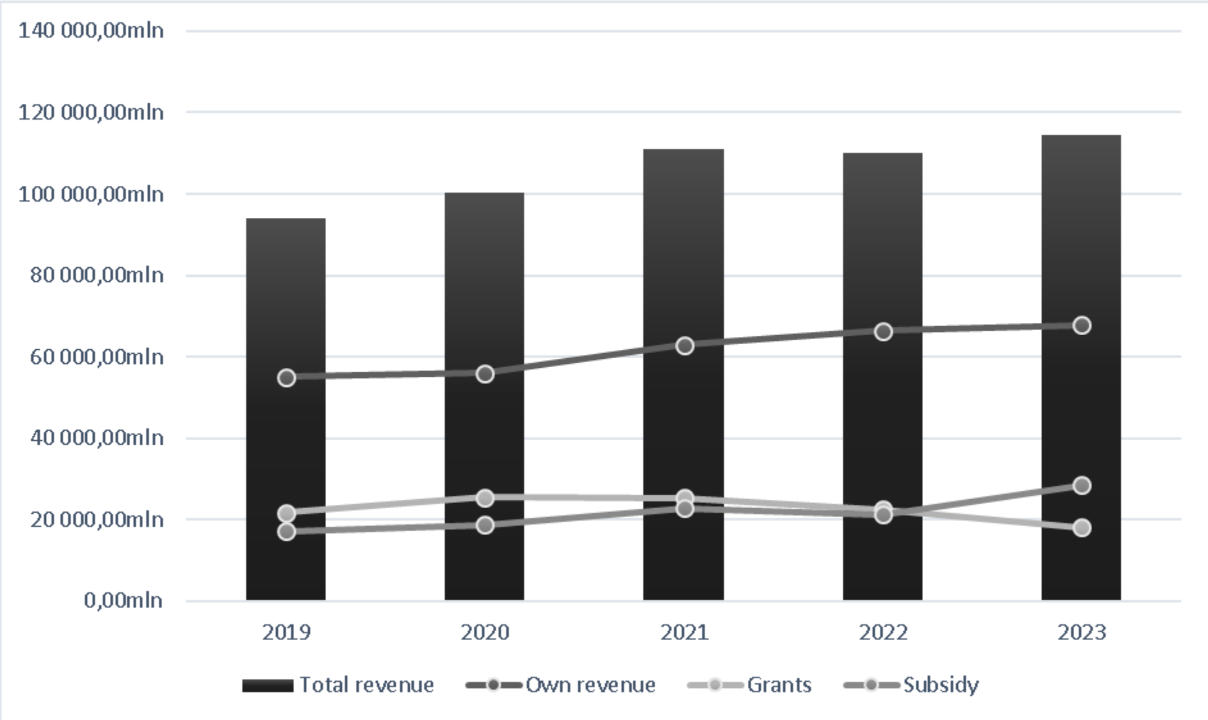

Figure 2. Revenues of cities with powiat status by category in 2019-2023 (in PLN million).
Source: In-house analysis based on BDL data.

The total revenues of cities with powiat status in 2019-2023 were characterized by an upward trend. Total revenue in 2019 amounted to PLN 93 894,37 million, and in 2023 it increased to PLN 114 341,97 million. In the case of the analysis of own revenue, an increase was recorded in the entire analysed period. In the case of subsidies in 2021-2023, they were characterized by a downward trend. In terms of subsidies, only in 2022 compared to 2021 was a decrease was recorded.

Table 3.
Structure of own revenues of cities with powiat status in 2019-2023 (in %)

Specification	2019	2020	2021	2022	2023
Agricultural tax	0,04	0,04	0,04	0,04	0,04
Forest tax	0,01	0,01	0,01	0,01	0,01
Property tax	16,39	16,45	15,87	15,97	17,39
Tax on means of transport	0,64	0,62	0,55	0,55	0,57
Inheritance and gift tax	0,33	0,31	0,37	0,44	0,49
Tax on civil law transactions	2,91	2,84	3,91	3,32	3,29
Business tax of natural persons, paid in the form of a tax card	0,05	0,05	0,15	0,15	0,13

Cont. table 3.

Shares in taxes constituting state budget revenues - personal income tax	**45,15**	**43,09**	**43,33**	**40,87**	**33,36**
Shares in taxes constituting state budget revenues - corporate income tax	4,75	4,65	4,95	5,33	7,34
Stamp duty revenues	0,59	0,56	0,59	0,63	0,65
Revenues from the service charge	0,02	0,02	0,01	0,01	0,01
Revenues from the market fee	0,04	0,03	0,00	0,02	0,02
Revenues from other local fees collected by local government units on the basis of separate acts	5,36	6,82	7,18	7,85	8,62
Other income - receipts from services	7,31	5,63	5,71	6,74	7,67
Income from assets	7,09	7,24	8,10	7,55	7,81
Other income - funds for co-financing own tasks obtained from other sources	0,30	3,66	0,50	1,05	2,20

Source: In-house analysis based on BDL data.

In the structure of own revenues of cities with powiat status in the entire analysed period, the two most important sources of budget revenues should be indicated, which are the share in the personal income tax and the real estate tax. The lowest share of personal income tax in the own revenues of municipalities was recorded in 2023 (33.36%), while its highest share was in 2019 (45.15%). The share of property tax in the own revenues of cities with powiat status in the analysed period is on average 16%. The lowest share in own revenues in the case of tax revenues was recorded in the field of agricultural tax, forestry tax and tax on business activity of natural persons paid in the form of a tax card.

It is important to present the development of revenues in municipalities without cities with powiat status.

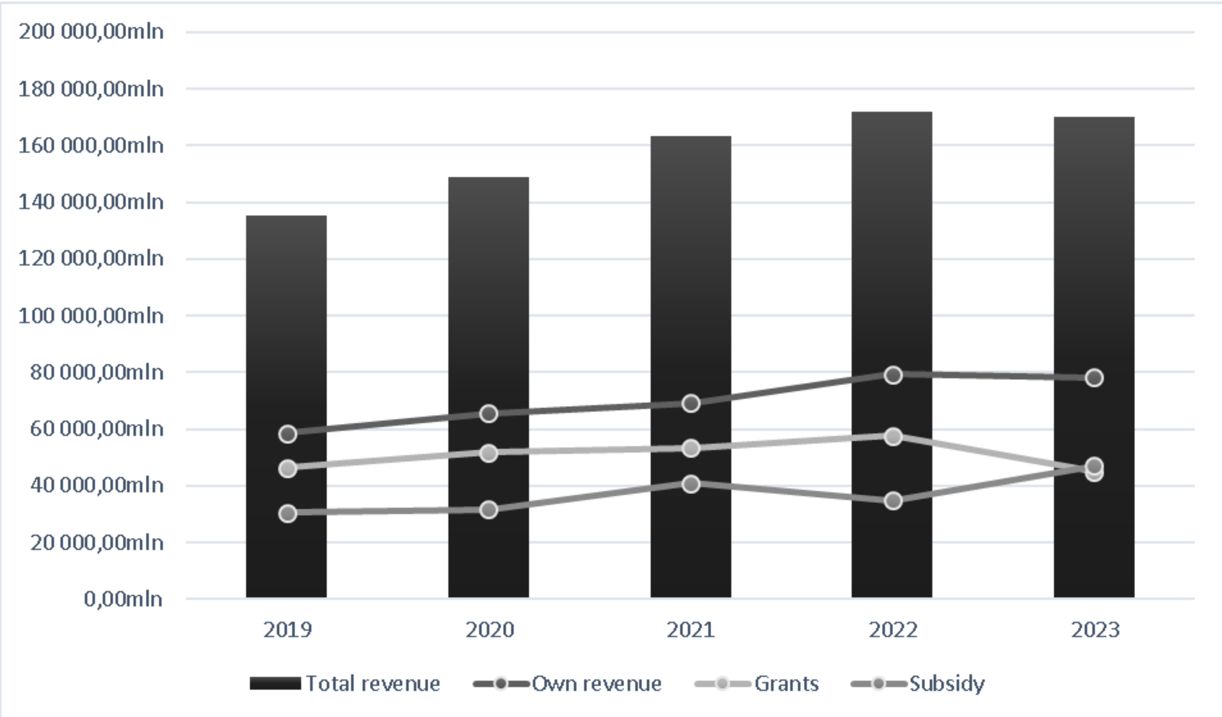

Figure 3. Revenues of municipalities without cities with powiat status by category in 2019-2023 (in PLN million).

Source: In-house analysis based on BDL data.

The total revenues of municipalities without cities with powiat status in 2019-2022 were characterized by an upward trend. Only in 2023 compared to 2022 is their decrease visible. In the case of the analysis of the development of own revenues in 2019-2022, an increase was recorded, with a decrease in 2023 compared to 2022. In the case of subsidies in 2021-2023, they were characterized by an upward trend. In terms of subsidies, only in 2022 compared to 2021 a decrease was recorded, which was characteristic for all local government units.

Table 4.
Structure of own revenues of municipalities excluding cities with powiat status in 2019-2023 (in %)

Specification	**2019**	**2020**	**2021**	**2022**	**2023**
Agricultural tax	2,59	2,43	2,35	2,10	2,47
Forest tax	0,50	0,45	0,44	0,41	0,63
Property tax	24,41	22,84	23,29	21,99	24,86
Tax on means of transport	1,40	1,25	1,29	1,20	1,32
Inheritance and gift tax	0,25	0,20	0,27	0,31	0,33
Tax on civil law transactions	2,26	2,15	2,92	2,45	2,23
Business tax of natural persons, paid in the form of a tax card	0,06	0,05	0,13	0,13	0,12
Shares in taxes constituting state budget revenues - personal income tax	**39,71**	**35,02**	**37,39**	**37,98**	**27,69**
Shares in taxes constituting state budget revenues - corporate income tax	1,77	1,81	2,32	1,91	2,91
Stamp duty revenues	0,31	0,26	0,30	0,24	0,24
Revenues from the service charge	0,66	0,56	0,55	0,51	0,51
Revenues from the market fee	0,20	0,15	0,00	0,13	0,14
Revenues from other local fees collected by local government units on the basis of separate acts	6,25	7,70	8,64	8,57	9,40
Other income - receipts from services	3,22	2,61	2,88	3,29	3,91
Income from assets	5,40	5,11	6,20	5,69	5,51
Other income - funds for co-financing own tasks obtained from other sources	1,15	8,84	2,06	1,49	4,92

Source: In-house analysis based on BDL data.

In the structure of own revenues of municipalities without cities with powiat status in the entire analysed period, it is necessary to indicate the two most important sources of budget revenues, which are the share in the personal income tax and the real estate tax. The lowest share of personal income tax in the own revenues of municipalities was recorded in 2023 (39,71%), while its highest share was in 2019 (45,15%). The highest share of property tax in the own revenues of municipalities without cities with powiat status was 24,86%, while the lowest was recorded in 2022 (21,99%). The lowest share in own revenues in the case of tax revenues was recorded in the field of inheritance and donation tax, tax on means of transport, forest tax and tax on business activity of natural persons paid in the form of a tax card.

6. Summary

The legislator's intention was to be the primary source of revenue for municipalities to be their own revenues. However, the differences in the level of own revenues have turned out to be so clear that in the situation of some municipalities their level is so low that it would even make it impossible to perform public tasks imposed on these local government units. These differences in the income situation of commune budgets are eliminated on the basis of financial transfers from the state budget to the budgets of municipalities. The financial system in Poland takes into account the category of income qualified as own and external, transferred from the state budget. Therefore, municipalities have at their disposal local taxes, shares in taxes constituting the income of the state budget, as well as targeted subsidies and general subsidies. Municipalities are key to their own revenues, which are also an indicator of their financial independence. However, the generated amount of own revenues of municipalities seems to be too low to fully guarantee the proper implementation of public tasks at the highest level. Moreover, it should be noted that the main purpose of the changes in the system of financing local government units after 2003 was to increase their own revenues, which was mainly achieved through an increase in the above-mentioned percentage shares in taxes constituting the income of the state budget, including primarily in personal income tax. Nevertheless, the percentage share in PIT depends on the economic situation. In the analysed period, the greatest changes in the legal system affecting the revenues of local government units took place, in particular, several significant modifications to the Personal Income Tax Act were made, which in turn poses a challenge for municipalities to take action in the field of effective management of budget revenues. Changes in personal income tax (PIT) may affect the revenues of municipalities in Poland in several ways, depending on the nature of these changes. If the government decides to reduce the PIT tax rate, it may lead to a reduction in revenues to municipal budgets. Municipalities receive part of their income from PIT, because part of this tax (the so-called PIT share) is transferred to local governments. A reduction in the PIT rate may therefore result in lower revenues for municipalities. Another aspect is the fact that if the tax-free amount is raised, people with lower incomes will pay less tax, which may also reduce PIT revenues to municipal budgets. This may be particularly important in the case of municipalities that have a large number of low-income residents. Tax credits such as child credit, housing credit, or others can affect the revenue of municipalities. On the one hand, they may reduce tax revenues of individuals, but on the other hand, they may stimulate local economies, e.g. through greater investments in housing, which may result in higher revenues from property taxes. Sometimes changes in the tax system may also include changes in the distribution of tax revenues between the central and local government levels. If a larger part of PIT is transferred to the central budget, it may result in a reduction in municipal revenues, which will force local authorities to look for other sources of financing or make changes in budget policy. Changes in PIT may also have indirect effects, such as changes in the level of consumption, investment or migration of people, which may affect the revenues of municipalities in the long term. For example, if lower PIT rates stimulate economic development, it may lead to more income from other sources, such as business taxes. To sum up, it should be noted that changes in personal income tax may affect the revenues of municipalities in Poland both in the short and long term, depending on the nature of the changes, including reduction of rates, introduction of reliefs or changes in the system of distribution of tax revenues. Municipalities will have to monitor these changes and adapt their budgets to the new conditions.

From a political point of view, the state authorities should carry out analyses and forecasts in terms of possible consequences in the event of changes in PIT. It is also important to provide strategic guidance in the field of financial planning or to promote the adaptation of the tax policy to the current socio-economic situation. Another solution could be to indicate a new source of own revenues of municipalities, which would ultimately offset the effects of the reduction in budget revenues from PIT.

References

1. Dolata, S. (2013). *Podstawy wiedzy o polskim systemie podatkowym.* Warszawa, pp. 347-355.
2. Galiński, P. (2015). Stabilność dochodów z podatku dochodowego od osób fizycznych w jednostkach samorządu terytorialnego w Polsce. *Zarządzanie i Finanse. Journal of Management and Finance, nr 4*.
3. Gomułowicz, A., Małecki, J. (2011). *Podatki i prawo podatkowe.* LexisNexis, p. 626.
4. https://bdl.stat.gov.pl/bdl/start, 26.02.2025.
5. https://www.gov.pl/web/finanse/nizszy-pit-17-dla-wszystkich-juz-obowiazuje, 26.02.2025,
6. https://www.podatki.gov.pl/media/5752/20190930_nizszy_pit_ulotka_2019.pdf, 27.02.2025.
7. Huchla, A. (2018). Różnicowanie zasad opodatkowania dochodów osób fizycznych w zależności od rodzaju źródeł przychodów – uzasadnione czy bezpodstawne. *Studia BAS, Nr 2(54)*, pp. 245-246.
8. Komar, A. (1996). *Systemy podatkowe krajów Unii Europejskiej.* Warszawa: PWE, pp. 36-37.
9. Kosikowski, C., Ruśkowski, E. (2008). *Finanse publiczne i prawo finansowe.* Warszawa: Wolters Kluwer Business, p. 552.
10. *Polski Ład 2.0 – zmiany podatkowe od 1 lipca 2022 r. Stawki, skala podatkowa, ulgi, składka zdrowotna i inne nowości*. Infor.pl, 28.02.2025.

11. *Polski Ład opublikowany w Dzienniku Ustaw*. PIT.pl, 28.02.2025.
12. Ulga dla młodych (do 26 roku życia) - zasady i limity zwolnienia z PIT, poradnik-finansowy.pl, Twoje źródło wiedzy o finansach i biznesie, 28.02.2025.
13. Ustawa z dnia 10 grudnia 1993 r. o finansowaniu gmin (Dz.U. z 1998 r., Nr 98, poz. 611).
14. Ustawa z dnia 13 listopada 2003 r. o dochodach jednostek samorządu terytorialnego (Dz.U. z 2024 r. poz. 356).
15. Ustawa z dnia 14 grudnia 1990 r. o dochodach gmin i zasadach ich subwencjonowania w 1991 r. oraz o zmianie ustawy o samorządzie terytorialnym (Dz.U. z 1990 r. Nr 89, poz. 518).
16. Ustawa z dnia 19 października 1991 r. o zmianie ustawy o dochodach gmin i zasadach ich subwencjonowania w 1991 r. oraz o zmianie ustawy o samorządzie terytorialnym, a także o zmianie niektórych innych ustaw (Dz.U. nr 110, poz. 475).
17. Ustawa z dnia 20 lipca 1983 r. o systemie rad narodowych i samorządu terytorialnego (Dz.U. z 1983, Nr 41, poz. 185).
18. Ustawa z dnia 26 lipca 1991 r. o podatku dochodowym od osób fizycznych (Dz.U. z 2025 r., poz. 163).
19. Ustawa z dnia 26 listopada 1998 r. o dochodach jednostek samorządu terytorialnego w latach 1999-2003 (Dz.U. z 2002 r., Nr 216, poz. 1826).
20. Ustawa z dnia 29 października 2021 r. o zmianie ustawy o podatku dochodowym od osób fizycznych, ustawy o podatku dochodowym od osób prawnych oraz niektórych innych ustaw (Dz.U. z 2021 r., poz. 1128).
21. Ustawa z dnia 3 grudnia 1984 r. Prawo budżetowe (Dz.U. z 1984 r., Nr 56).
22. Ustawa z dnia 5 grudnia 1996 r. o zmianie ustawy o finansowaniu gmin (Dz.U. Nr 156, poz. 774).
23. Wolański, R. (2009). *System podatkowy w Polsce.* Warszawa: Wolters Kluwer Polska, p. 72.
24. Wolański, R. (2020). *System podatkowy. Zarys wykładu.* Warszawa: Wolter Kluwer, p. 77.
25. Wójtowicz, K. (2014). Udział w podatkach państwowych, a problem stabilności fiskalnej jednostek samorządu terytorialnego w Polsce. *Annales Universitatis Mariae Curie – Skłodowska Lublin – Polonia, nr 2*, p. 136.