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## Wstęp

*Problemy ekonomii, polityki ekonomicznej i finansów publicznych* wydajemy w serii Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu. Niniejsza publikacja, stanowiąca pierwszą z czterech części materiałów konferencyjnych, zawiera 36 opracowań, w tym sześć w języku angielskim. Zostały one poświęcone aktualnym problemom naukowo-badawczym z zakresu teorii ekonomii, realizacji polityki ekonomicznej – w wymiarze mikro- i makroekonomicznym – oraz zagadnieniom związanym ze stanem finansów publicznych w Polsce i na świecie.

Liczne grono autorów prezentuje wyniki swoich dociekań naukowych w postaci teoretycznych i empirycznych analiz związanych z polityką fiskalną na szczeblu centralnym i samorządowym, wykorzystaniem instrumentów polityki podatkowej w odniesieniu do opodatkowania kapitału, pracy i konsumpcji oraz z problemami polityki pieniężnej i rynku kapitałowego w skali krajowej i międzynarodowej. Ponadto zeszyt zawiera opracowania dotyczące nierówności społecznych, polityki regionalnej i lokalnej, rozwoju produkcji rolnej, obszarów wiejskich i przetwórstwa spożywczego, problemów sektora usług turystycznych i transportowych, jak również rozwoju innowacyjności przedsiębiorstw, efektywności wydatków na B+R oraz polityki państwa w obszarze rynku pracy.

Publikacja nasza jest adresowana do środowisk naukowych i studentów wyższych uczelni oraz osób, które w praktyce zajmują się finansami publicznymi, współczesnymi problemami polityki ekonomicznej czy ekonomii. Poszczególne artykuły były recenzowane przez profesorów uniwersytetów, w większości kierowników katedr ekonomii lub polityki ekonomicznej. Za ich rzetelne recenzje chciałbym serdecznie podziękować. Dziękuję również pracownikom Katedry Ekonomii i Polityki Ekonomicznej Uniwersytetu Ekonomicznego we Wrocławiu oraz wszystkim osobom i instytucjom zaangażowanym w powstanie tej publikacji.

Jestem w pełni przekonany, że książka *Problemy ekonomii, polityki ekonomicznej i finansów publicznych* będzie Państwa inspirować do dalszych badań i dociekań naukowych oraz przyczyni się do powstania równie interesujących opracowań w przyszłości.

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## PERSONAL INCOME TAX EXPENDITURES IN GERMANY AND POLAND

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## PREFERENCJE W PODATKU DOCHODOWYM OD OSÓB FIZYCZNYCH W NIEMCZECH I W POLSCE

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**Summary:** Tax preferences are nowadays integral components of every tax system. They make it possible to perform non-fiscal functions by means of taxes. Because tax preferences result in the loss of public revenue and their budgetary effect is similar to that of expenditures, they are sometimes referred to as tax expenditures. In recent years, tax expenditures have increasingly become the subject of studies both in reports published by the governments of the OECD countries, as well as in the literature on public finance. Among other reasons, this is due to the growing amount of loss of revenue following the implementation of new forms of tax preferences into tax systems, and to the fact that the existing forms of tax preferences are being used at an increasing scale. This concerns in particular the personal income tax by means of which governments, to a rising extent, achieve their allocative, redistributive and stabilizing objectives. Tax expenditures in the personal income tax are the subject of analysis in this article. The article compares these expenditures in two EU member states – Germany and Poland. Moreover, it includes the characteristics of these tax preferences which result in the largest loss of public revenue in the countries analyzed.

**Keywords:** tax reliefs, tax expenditures, personal income tax, Germany, Poland.

**Streszczenie:** Preferencje podatkowe są integralnym elementem systemów podatkowych. Pozwalają one na realizację funkcji pozafiskalnych przez podatki. Ponieważ powodują one ubytek dochodów publicznych, a ich skutek budżetowy jest zbliżony do wydatków, określane są one niekiedy mianem wydatków podatkowych. W ostatnich latach wydatki podatkowe są coraz częściej przedmiotem analiz zarówno w raportach publikowanych przez administracje publiczne państw OECD, jak i w literaturze z zakresu finansów publicznych. Wynika to między innymi z rosnącej kwoty ubytku dochodów w następstwie wdrażania do systemów podatkowych nowych form i zwiększania skali zastosowania dotychczas obowiązujących preferencji podatkowych. Dotyczy to w szczególności podatku dochodowego od osób fizycznych, za pomocą którego państwa w coraz szerszym zakresie realizują cele alokacyjne, redystrybucyjne i stabilizacyjne. Wydatki podatkowe w podatku dochodowym od osób fizycznych stanowią przedmiot analiz w tym artykule. W jego treści porównano te wydatki w dwóch państwach członkowskich Unii Europejskiej – w Niemczech i w Polsce. Ponadto scharakteryzowano preferencje w tym podatku skutkujące największym ubytkiem dochodów publicznych w rozpatrywanych państwach.

**Słowa kluczowe:** ulgi podatkowe, wydatki podatkowe, dochody publiczne, podatek dochodowy od osób fizycznych, Niemcy, Polska.

## 1. Introduction

Tax preferences are used to perform public tasks as an alternative to expenditures. Granting the right to these preferences is selective and results in a loss of public revenue. Therefore, in the American literature, tax preferences are often referred to as tax expenditures. These include in particular exclusions, exemptions, deductions or preferential rates. The notion of tax expenditures was introduced in 1968 by the US Secretary of the Treasury Stanley Surrey. In 1975, the US Congress passed a law requiring the value of the planned tax expenditures to be disclosed in budget acts. Nowadays, the value of tax expenditures is estimated in a number of OECD countries. In 2010, the OECD published a report devoted to tax expenditures in ten of its member states. It includes definitions, classifications, methods of measuring these expenditures and controversial issues associated with their use [*Tax expenditures...* 2010, pp. 12-23]. In addition, a comparative analysis of their concept, scale and consequences in the countries analyzed was conducted.

Reports taking into account the revenue effects for tax expenditures are drawn up in most Member States of the European Union. In nine Member States, an obligation to draw up such reports was even included in the law [Bauger 2014, p. 12]. The use of tax expenditures is growing steadily, both in terms of their number and value. This applies in particular to tax expenditures in taxes imposed on income [Dziemianowicz 2013, p. 55].

Among the countries monitoring tax expenditures are Germany and Poland. In the relevant literature it is sometimes emphasized that in Germany, the concept of tax expenditures appeared even ten years earlier than in the US. In Germany, information on the loss in the public revenue due to tax preferences has been published in reports on budget subsidies since 1959 [Shaviro 2003, p. 23]. In Poland, the first report presenting the estimates of tax expenditures was published in 2010 [Dziemianowicz et al. 2014, p. 97]. It is therefore intriguing to analyze to what extent Polish definition of tax expenditures and methods of their measurement resembles the ones used in Germany.

This article includes a comparative analysis of tax expenditures in the personal income tax in Germany and Poland. Its basic aim is to evaluate the effect of these expenditures on personal income tax revenue on the basis of official statistics concerning these expenditures published on behalf of the Federal Government in Germany and Ministry of Finance in Poland. The author describes legal provisions governing the rules for granting the right to those tax preferences which lead to the greatest loss in the public revenue. Part of the article is also devoted to definitions and sources of information on tax expenditures in the countries analyzed.



## 2. Definition and sources of information on tax expenditures in Germany and Poland

Definition of tax expenditures varies across Member States of the European Union. In Germany, the value of tax expenditures can be inferred on the basis of reports on federal subsidies. This is because these reports include two categories of budget subsidies: financial assistance (*Finanzhilfen*) and tax benefits (*Steuervergünstigungen*). The first category includes funds provided by the federal government for the purpose of the economic activities conducted by entities and industries of the private sector, allocated outside the sector of the federal administration. Tax benefits, on the other hand, are extraordinary tax regulations that result in the loss of public revenue [*Fünfundzwanzigster Subventionsbericht...* 2015, p. 10]. Much as these reports do not define tax expenditures directly, they allow to consider as tax expenditures such tax regulations which aim at supporting companies and particular sectors of the economy. They are seen as an instrument for implementing the government's economic and social policies [Burton, Sadiq 2013, p. 55, 90]. Provisions that benefit households are reported as tax expenditures only in so far as they are indirect subsidies to private enterprises or business sectors [*Tax expenditures...* 2010, p. 88]. Reports on federal subsidies are published in Germany every two years, and the annual budgetary draft is attached with a list of twenty tax expenditures of the highest value. They take into account the value of tax expenditures in the year of publication and in the two preceding years, as well as their estimates for the next calendar year (tab. 1).

**Table 1.** Reporting practices of tax expenditure in Germany and Poland

Country	Levels of government covered				Time coverage	Categorization
	Central government	State government	Local government	Social security funds		
Germany	X	X	X	–	t – 2, t – 1, t, t + 1	tax base, type of tax measure, purpose, sector
Poland	X	–	X	–	t – 1	tax base, purpose

Source: [Bauger 2014, p. 12].

Information on the value of tax expenditures in Poland is published in reports on tax preferences. They take into account only the value of tax expenditures in the previous year. These reports invoke the OECD definition of tax preferences, according to which a tax preference is the transfer of public funds made as a result of a reduction in tax liability due to tax code provision that is divergent from adopted tax standard (tax benchmark). The conditions on which a given provision is recognized as a tax preference are its abstract and general nature. Therefore, a tax

relief granted on discretion by tax authorities, is not a tax preference according to this definition. Unlike in Germany, the definition of tax expenditures in Poland refers to the adopted tax standard (*reference benchmark approach*). The situation is similar in Austria, France or the Netherlands. In Poland, such an adopted standard in the personal income tax is the income tax system which takes into account the principles of universality and completeness of taxation, as well as the following principles: the taxation of real income, the taxation of units, and the taxation of income according to a specified rate or a progressive tax scale. In addition, part of this standard includes also simplified forms of taxation, depreciation and amortization of tangible and intangible assets according to fixed rates, benefits in kind and cash equivalents received by employees from their employers on the basis of the labour law, exemptions for the Polish National Bank, the Treasury, budgetary units, local self-government units, earmarked funds and some state legal persons [*Preferencje podatkowe...* 2014, pp. 10-11]. In Germany, as in the UK, the *substitution benchmark approach* is applied. As a result of his approach there is no explicit definition of a benchmark tax system. Only those tax preferences are taken into account which can be replaced by a direct subsidy [Burton, Sadiq 2013, p. 85, 89, 90]. Structural provisions (e.g. progressive tax rates and personal exemptions) are not treated as tax expenditures. Recapitulating, it can be said that the concept of tax benefits included in reports on budget subsidies in Germany is narrower than the Polish notion of tax preferences.

In Germany, subsidy reports take into account not only the loss of revenue of federal and local governments, but also the loss of public revenue of the states occurring as a result of granting the rights to tax benefits. They list the tax benefits in such taxes as the personal income tax, the corporate income tax, the trade tax, the value added tax, the insurance tax, the tax on motor vehicles, the tax on spirits, and the tax on energy products. They include information on the legal bases of tax benefits, the taxes in which they have been implemented, the category of support, the sector of the economy and the validity period.

Reports illustrating the value of tax expenditures in Poland include the loss of revenue of the central and local governments (tab. 1). The analyses present tax expenditures in the most important taxes from the perspective of the state budget revenue, i.e.: the value added tax, the excise duty, the personal income tax, the corporate income tax, as well as in local taxes, significant from the perspective of municipal budgets, i.e. the property tax, the agricultural tax and forestry tax. The reports include information about the legal basis of tax preferences, the taxes in which they have been implemented and the sector of the economy of the beneficiary.

The simplest and most widely used method of estimating the value of tax expenditure is the revenue forgone method<sup>1</sup>. This method is used both in Germany

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<sup>1</sup> Other methods applied to estimate tax expenditures include: revenue gain and outlay equivalent method [Swift 2006, pp. 21-23].

and in Poland. Its essence is to determine the funds which do not flow into the budgets of the public finance sector as a result of the provision regulating a given tax benefit (tax preference). It is based on the comparison of the existing legislation and the legislation without the provision in question. Behavioral responses or the interaction with other tax bases are disregarded in this method [*Tax expenditures...* 2014, p. 12]. In Germany, under these estimates, also the concept of the marginal cost of public goods is applied. It enables the calculation of overall economic shadow cost of public expenditures. In addition, the estimate of the value of tax expenditures takes into account also the administrative costs of these expenditures, using the Federal Government Standard Cost Model [Thöne 2012, pp. 12-13]. The value of tax preferences (tax benefits) in the countries analyzed is calculated, inter alia, on the basis of the actual data, including these coming from tax declarations and budget reporting.

### **3. The most significant tax expenditures in the personal income tax in Germany**

In most Member States of the European Union the total of tax expenditures in income taxes exceeds, with respect to values, the total expenditures in the VAT. The situation is similar in Germany, where the ratio of tax expenditures in the personal income tax to the GDP, and the ratio of tax expenditures in the personal income tax to tax expenditures in all taxes in total, are higher than the corresponding ratios for the value added tax and the corporate income tax [*Tax expenditures...* 2014, p. 9].

In terms of value, the most important tax expenditure is the deduction of the church tax (tab. 2). This deduction is regulated in Art.10.1(4) of the Income Tax Act [Einkommensteuergesetz... 2009]. The church tax is paid by individuals belonging to religious communities, recognized as public entities. A prerequisite for the deduction is a certificate confirming that the taxpayer has paid the tax to the religious community of his or her choice. The church tax may be deducted in total from the income tax base. The tax base of this tax is the personal income tax and its rate reaches 8% for Bavaria and Baden-Württemberg and 9% for all other states (Länder). When the taxpayer does not belong to a religious community, or when he or she wants to leave such a community, it is possible to exempt him or her from this tax. People experiencing financial hardship may be exempted from the payment of this tax by the authorities of the church to which they belong. At the same time, no voluntary payments made to the aforementioned communities are considered to constitute the church tax. One exception are contributions made by members of religious communities which are considered to be public entities in at least one state, on condition that these communities do not impose any church tax on their followers during the calendar year.

**Table 2.** The highest tax expenditures in the personal income tax in Germany

Type of tax expenditure	2011		2012		2013	
	The value of preferences (EUR million)	The share of the PIT revenue forgone (%)	The value of preferences (EUR million)	The share of the PIT revenue forgone (%)	Preference value (EUR million)	The share of the PIT revenue forgone (%)
Deduction of church tax	3 040	1.54	3 210	1.50	3 290	1.45
Exemption of bonuses for work on Sundays, free days, night shifts	2 455	1.24	2 525	1.18	2 575	1.14
Deduction of donations	1 580	0.80	1 660	0.77	1 700	0.75
Deduction of expenses on craft works performed in the household (e.g. renovation)	1 520	0.77	1 520	0.71	1 520	0.67
Deduction of expenses on insurance except for contributions to private retirement arrangements	1 640	0.83	1 530	0.71	1 410	0.62
Deduction of contributions to private retirement arrangements	970	0.49	970	0.45	1 120	0.49
Other preferences	2 147	1.08	1 549	0.72	1 923	0.85
Total	13 352	6.75	12 964	6.04	13 538	6.98

Source: [*Vierundzwanzigster Subventionsbericht...* 2013, pp. 58-84; *Kassenmäßige Steuereinnahmen...* 2015, <http://www.bundesfinanzministerium.de>].

In Germany, approximately 7.6 billion loss in public revenue in 2011-2013 accounted for tax exemptions for bonuses for work on Sundays, on public holidays and at night shifts. Pursuant to Art. 3b of the Income Tax Act, tax-exempt are those bonuses whose amounts do not exceed:

- 25% of the basic salary, in the case of bonuses for night shifts (between 10 p.m. and 6:00 a.m.),
- 50% of the basic salary, in the case of bonuses for work on Sundays,
- 125% of the basic salary, in the case of bonuses for work on December 31 and other statutory holidays,
- 150% of the basic salary, in the case of bonuses for work on: December 24 (from 2 p.m.) and December 25, 26, as well as May 1.

Also work performed between midnight and 4 a.m. of the next day is regarded as work on Sundays and public holidays. If the work starts at night before midnight, the limit of the bonuses qualifying for entitlement to the tax exemption is raised to 40%.

Also tax loss related to deducting from the tax base donations made by the taxpayer to the so-called tax-privileged aims is relatively high (tab. 2). This deduction is regulated by Art. 10b of the Income Tax Act. The definition of tax-privileged aims

is included in Art.51-54 of the Tax Ordinance [Abgabenordnung... 2002]. Charity, church, religious, and scientific aims, as well as aims serving the public good or the development of culture are considered tax-privileged. These include, for example: supporting activities related to ecology and the conservation of nature, promoting support for people persecuted for political, racial or religious reasons, promoting the protection of animals, supporting efforts to ensure equality between men and women, supporting German traditions and customs, promoting support for developing countries. The deduction should not exceed the following limits: 20% of the total income or 4% of the sum of the turnover and remunerations paid by the company in the calendar year [Kußmaul 2013, p. 80]. The taxpayer is required to provide the tax authority with the official confirmation of the payment of the donation [Niemeier et al. 2009, p. 1152].

A donation may only be deducted if it has been given to:

- a public legal person or other entity providing public services in one of the Member States of the European Union or a state being a party to the Agreement on the European Economic Area,
- a legal person, an association of legal persons, or an estate, which under Art.5.1(9) of the Act on Corporate Income Tax [Körperschaftsteuergesetz... 2002] are exempt from taxation,
- a legal person, an association of legal persons, or an estate operating in one of the Member States of the European Union or a state being a party to the Agreement on the European Economic Area, if under Art.5.1(9) in conjunction with Art.5.2(2) of the Act on Corporate Income Tax, this entity would be tax-exempt in Germany.

Also donations and membership fees paid to a political party, according to Art. 2 of the Act on Political Parties [Parteiengesetz... 1994] are deductible from income. The taxpayer is entitled to deduct for this purpose an amount not higher than 1,650 euros a year (3,300 euros – in the case of a joint settlement of the spouses).

The loss of revenue from the personal income tax in the value of about 5.8 billion euros in 2011-2013 resulted from the right to deduct expenses incurred by commissioning household works (e.g. cooking, cleaning, shopping, babysitting, renovation and modernization) to third parties. These expenses may be deducted from tax. Entitled to this deduction are both taxpayers employing domestic help part-time, and those incurring expenses on household works without hiring domestic help part-time, or those who incur expenses on craft works performed in the household (e.g. renovation). This deduction is regulated by the provisions of Art. 35a of the Income Tax Act. The legislator provides various deduction limits. By employment of domestic help part-time the deduction may not exceed 20% of the expenses incurred, but not more than 510 euros per year. In the case of expenses on household chores done without hiring domestic help part-time, the legislator has introduced a higher annual limit quota – 4,000 euros. Expenditure on works of craft can be deducted in

the amount of 1,200 euros per year. The highest loss of tax revenue is related to deduction of the expenses on the works of craft (tab. 2).

In 2011-2013, the loss of revenue reaching approximately 7.6 billion euro was related to the deduction of insurance expenses. This type of expenses comprises inter alia: premiums for social insurance, contributions to statutory and voluntary pension insurance, health insurance, causality insurance, and liability insurance contributions, as well as premiums for certain kinds of life insurance. The provisions regulating this deduction are included in Art.10.1(3a), and Art.10.4 and Art.10.4a, and Art.10a of the Income Tax Act. The legislator has introduced limits on deduction depending on the category of expenses [Scheffler 2012, p. 132]. For example, the limit of the deduction for basic insurance premiums (*Basisvorsorge*) is increased annually. These contributions may be deducted in their full amount only since 2025.

#### **4. The most significant tax expenditures in the personal income tax in Poland**

Unlike in the case of Germany and most European Union Member States, the total value of tax expenditures in the value added tax significantly exceeds the tax expenditures in the personal income tax and the corporate income tax. Among the countries of the European Union, Poland belongs to those with the highest ratio of tax expenditures in the VAT to tax expenditures in total. Government support in Poland concentrates basically on family and social assistance. This applies also to tax preferences in the personal income tax. As far as this tax is concerned, pro-family preferences result in the most significant decrease in revenue (tab. 3).

In 2011-2013, the loss of tax revenue due to the right to deduct the child tax credit amounted to about PLN 17 billion. The principles of granting the right to this credit are regulated in Art. 27f of the Personal Income Tax Act [Ustawa z dnia 26 lipca 1991 r...]. The tax credit is granted to a taxpayer, if in the tax year:

- he or she exercised parental authority or
- he or she performed the role of a legal guardian (of a child inhabiting with him or her), or
- he or she exercised care by acting as a foster family on the basis of a court order or an agreement with the governor.

For the purposes of this law, children are defined as:

- minors,
- children, regardless of age, who receive attendance allowance or social pension (under separate regulations),
- children under 25 years of age studying in schools, referred to in the law on the educational system, legislation on higher education or the rules governing the education system or the higher education system, applicable in countries other than Poland.

**Table 3.** The highest tax expenditures in the personal income tax in Poland

Type of tax expenditure	2011		2012		2013	
	The value of preferences; PLN million (EUR million)	The share of the PIT revenue forgone (%)	The value of preferences; PLN million (EUR million)	The share of the PIT revenue forgone (%)	The value of preferences; PLN million (EUR million)	The share of the PIT revenue forgone (%)
Child tax credit	5740 (1296)	8.50	5699 (1287)	8.07	5530 (1249)	7.50
Joint taxation of spouses' income	2979 (673)	4.41	3067 (693)	4.34	3174 (717)	4.30
Exemption of subsidies to farms	2334 (527)	3.46	1715 (387)	2.43	2445 (552)	3.30
Exemption of family benefits, supplements, family and attendance allowances	1625 (367)	2.41	1582 (357)	2.24	1540 (348)	2.09
Exemption of rehabilitation benefit	813 (184)	1.20	871 (197)	1.23	877 (198)	1.20
Other preferences	5722 (1292)	8.48	5970 (1348)	8.46	5817 (1314)	7.89
Total	19 213 (4339)	28.46	18 904 (4270)	26.77	19 383 (4378)	26.28

Source: [*Preferencje podatkowe...* 2012 p. 24; 2013, p. 23; 2014, p. 23].

The deductible amounts for 2016 are as follows: PLN 1,112.04 – for the first and second child, 2004.04 for the third and 2700.04 for the fourth and each subsequent child.

One pro-family preference resulting in a relatively high loss of tax revenue is the joint settlement of spouses. Spouses entitled to joint settlement are those in community property couples subject to tax who remain married throughout the whole tax year. According to Art. 6, the settlement takes place at the request expressed in the joint annual tax return. The tax is determined for both spouses in double amount of tax calculated from half of the total income of the spouses, with the exception of income taxed at a flat rate which is excluded from the joint income.

The third highest tax expenditure is the tax exemption of direct farming subsidies applied under the Common Agricultural Policy. This tax exemption is regulated in Art. 21.1(116) of the Personal Income Tax Act. As a result of this preference, in 2011-2013, the general state revenue was decreased by about PLN 6.5 billion.

In the group of the five tax preferences most expensive for the state, there are also two other exemptions from the personal income tax. The first is governed by Art. 21.1(8) of the Personal Income Tax Act. According to these regulations, tax exemptions apply to: family benefits received under the law on family benefits, family allowances and attendance allowance, allowances for caregivers received

under the law on determination and payment of benefits for caregivers, maternity grants, and cash benefits received in the case of ineffective enforcement of child support, as well as childbirth allowances received on the basis of separate regulations. In the period analyzed, the entitlement to such exemptions lowered the state revenue from the personal income tax by about PLN 4.8 billion.

Tax exemption of rehabilitation benefits, according to Art. 21.1(27) and Art. 21.1 (107) Personal Income Tax Act, contributed in 2011-2013 to the reduction in tax revenue by PLN 2.6 billion. Pursuant to the aforementioned regulations, the following benefits are tax-exempt:

- benefits for vocational, social and medical rehabilitation of the disabled, received from the State Fund for Rehabilitation of Disabled Persons, from companies' funds for rehabilitation of people with disabilities or from companies' vocational activity funds,
- awards paid pursuant to the regulations on the organization of rehabilitation in psychiatric hospitals and awards for participants in these activities.

## 5. Conclusions

European Union Member States vary significantly with respect to the design of the personal income tax. This diversity applies also to tax preferences used as an instrument for achieving economic and social policy objectives. Comparative studies on tax expenditures are complicated not only due to discrepancies in the nature and structure of tax preferences, but also because of significant differences in the definitions of tax expenditures themselves, methods of measurement and categories of tax expenditures included in reports on these expenditures. Although there are some similarities in regard to estimation procedures of tax expenditures in both countries analyzed, differences in the tax benchmark definition, structure of the tax system and data aggregation methods make it impossible to fully evaluate the effect of tax expenditures on the tax revenue.

The Polish tax system is dominated by pro-family preferences. As many as three such preferences are listed among the five preferences in the personal income tax which cause the highest loss in the public revenue. In 2011-2013, the loss of tax revenue attributed to these preferences amounted to about PLN 31 billion. It should be noted, however, that such preferences, as pro-family reliefs, joint taxation of spouses or exemption from taxation of social benefits earmarked for families were introduced also in many other European Union Member States.

In Germany, the highest loss of public revenue is related to the right to deduct the church tax and to exemption of benefits for work on Sundays, public holidays and at night. As a result of the tax law governing the rights to these preferences, tax revenue in 2011-2013 was decreased by about EUR 17 billion. It must be, however, emphasized that not all tax preferences are taken into account in German reports on budget subsidies, due to the specific definition of tax expenditure.



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