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THE ANALYSIS OF OWN REVENUES OF SILESIAN RURAL COMMUNITIES OF THE BESKIDY EUROREGION IN THE PERIOD 2006-2016

Summary
It has been 17 years since Beskidy Euroregion was established. This is enough time to make a first assessment concerning the level of development of communes situated in this Euroregion. Most of them are rural communes, therefore they were chosen as an object of analysis. It is a well-known fact that every organization needs financial supply to create conditions for development, that is why the most important purpose of the paper is analyzing selected Silesian rural communes form Euroregion Beskidy with respect to different sources of revenue and comparing the obtained values with the national average.

Key words: *commune, revenue, development, PIT, property tax*

JEL Classification: H71

Introduction

A commune is the basic unit of territorial self-government in Poland executing tasks such as satisfaction of needs of the local community[1] and creation of the best possible environment for living and working of residents. The extent to which this task is successfully achieved depends on the scale and pace of local development[2]. Execution of local

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[1] Article 163 of the Constitution of the Republic of Poland of 2 April 1997 (Journal of laws 1997 no 78 item 483).

[2] Ziółkowski M., *Ruch Prawniczy, Ekonomiczny i Socjologiczny*, Year LXXVII –

government tasks entails the necessity to bear certain costs which, in turn, must be covered from a certain source. The revenues at the disposal of local government units guarantee the execution of tasks and competences of local authority[3].

Whether it is possible to impact the volume and structure of the communal budget depends on the localization and character of the commune, its demographic situation, economic base, situation on the job market, number of business entities, volumes of investment and condition of infrastructure[4] (Rudzka-Lorentz, Sierak 2005).

According to the Act of 13 November 2003 on the Revenues of Local Government (Journal of laws 2003 No 203 item 1966) there are three main groups of revenues: own revenues, subvention (obligatory revenue) and grants (optional revenue). As a rule, independence of a local government unit grows as a consequence of growth in own revenues and decrease in targeted subsidies in total budget revenues on particular levels[5]. It should be emphasized however, that the best source of financing for local development are own revenues for, at least, three reasons:

- the commune can influence the process of shaping the revenue coming from the three sources mentioned above,

- local authorities have an exclusive right to decide about directions into which the resources coming from the three sources are spent - a considerable proportion of compensatory (transfer) revenues in local budgets, based to a large extent on discretion of distribution in the hands of central authorities, limits financial independence of local government units[6],

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Journal 1 – 2015, p. 145.

[3] Sawicka K., *Finanse samorządu terytorialnego – podstawy wyodrębnienia, struktura* [in:] Korczak J (ed.), *Województwo, region, regionalizacja 15 lat po reformie terytorialnej i administracyjnej*, 2nd Departmental Conference of Scientific Circles of the Department of Law, Administration and Economics of Wrocław University, Digital Library of Law and Economics, Wrocław 2013, p. 286.

[4] Rudzka-Lorentz C., Sierak J., *Zarządzanie finansami jednostek samorządu terytorialnego*, [in:] Zalewski A. (ed.), *Nowe zarządzanie publiczne w polskim samorządzie terytorialnym*, Warsaw School of Economics, Warszawa 2005, p. 163.

[5] Sawicka K., *Finanse…* op. cit. p. 293.

[6] Szewczuk A., *Strategia decentralizacji systemu finansów publicznych w Polsce i jej wpływ na funkcjonowanie sektora samorządowego* [in:] *Finansowanie jednostek samorządu terytorialnego*, L. Patrzałek (ed.), WSB Universities, Poznań –Wrocław 2004, p. 39.

- the only criterion of external audit relating to the expenditure of these resources is the criterion of legality (Journal of laws 1992 No 85 item 428).

The subject of the study conducted by the authors of the present publication is own revenues (taxes and local fees, PIT, CIT and property revenue) of rural communes located in the Silesian part of Beskidy Euroregion. The fact that only rural communes were examined in the study was determined by the dominating number of this kind of communes in the structure of entities in the Euroregion which consists of: 1 town on powiat rights, 4 urban communes, 5 urban-rural communes, 28 rural communes (18 of them located in the Silesian Region) and 5 powiats. The communes under examination were: Buczkowice, Kozy, Porąbka, Wilkowice, Czernichów, Gilowice, Jeleśnia, Koszarawa, Lipowa, Łękawica, Łodygowice, Milówka, Radziechowy-Wieprz, Rajcza, Ślemień, Świnna, Ujsoły and Węgierska Górka. The study of revenues of the above mentioned communes embraced the period of 2006-2016. The aim of the study was examination of the dynamics of changes in the volumes of revenue, particularly with respect to own revenues. The analysis is of multi-layered comparative nature: the dynamics of changes in the volumes of revenues from various sources was examined between particular communes but also with respect to the reference point which consists of the same values but averaged for all rural communes in Poland.

1. Analysis of own revenues in selected communes

The main parameter which determines the revenue of communes and is comparable for all units is called the G ratio i.e. tax revenue per one resident. A big advantage of G ratio is the fact that it is determined for all communes in the country and embraces all most important sources of own revenues such as property tax and participation in taxes which constitute the revenue of central budget, namely PIT and CIT. A considerable drawback of the ratio is that it does not include property income, what in case of touristic communes may be of considerable significance. Chart 1 shows the G ratios for the examined communes in 2016 versus average for the whole country.

Chart 1. G ratios for the examined communes in 2016
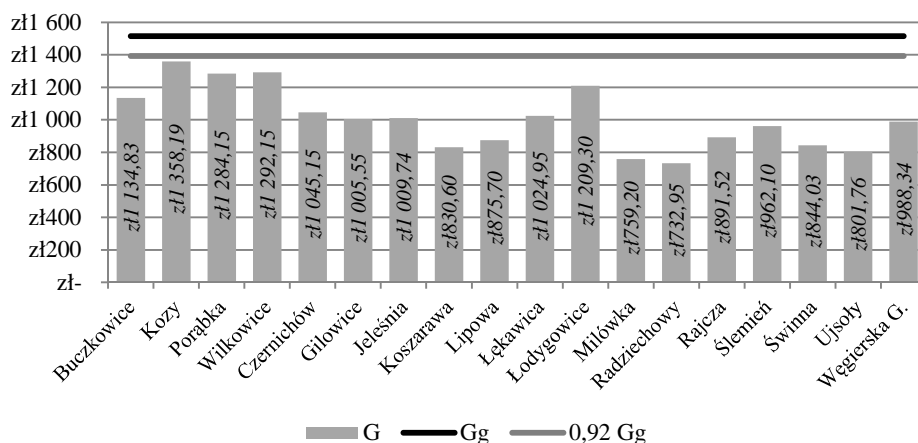
Source: own work based on the budget execution reports in part: Information on execution of budgets of local government units for the period 2006-2016 (www.mf.gov.pl)

The additional values of ratios Gg and 0,92 Gg serve as reference points. Gg is a ratio calculated as an average for the whole country, whereas 0,92 Gg is the maximum level of the ratio for communes which are entitled to a basic sum of compensatory amount of the general subsidy i.e. low income communes. Conclusions that can be drawn from Chart 1 are not optimistic for the examined communes; the G ratio for all communes is below the so called poverty index. In 7 out of 18 communes G ratio is on the level of 50% of the national average. In such a case one may not speak about accumulation of free resources at the exclusive discretion of local authorities, the resources which may be spent on creation of framework conditions for local development.

Next step in the analysis was examination of the dynamics of ratio of fiscal revenues. Dynamics of particular G ratios were referred to the dynamics of changes of GG (national average). The achieved results are presented in Table 1.

Table 1. Dynamics of G ratio for the selected communes in the period 2006-2016

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Buczkowice	0,96	1,21	1,12	1,21	1,08	0,97	1,02	1,14	1,02	1,13	1,04
Kozy	1,04	1,18	1,10	1,23	1,10	1,00	1,04	1,08	1,09	1,06	1,05
Porąbka	1,10	1,16	1,06	1,09	1,10	0,99	1,18	1,01	0,99	1,05	1,07
Wilkowice	1,06	1,14	0,99	1,21	1,10	0,96	1,00	1,06	1,08	1,05	1,06
Czernichów	1,01	1,11	1,08	1,04	1,05	0,91	0,55	1,10	1,13	1,01	1,06
Gilowice	1,05	1,10	1,15	1,19	1,16	0,89	0,96	1,14	1,11	1,09	1,09
Jeleśnia	1,28	1,19	1,06	1,12	1,09	0,91	1,07	1,13	0,93	1,05	1,17
Koszarawa	0,86	1,16	1,11	1,26	1,06	0,87	0,99	1,14	1,30	1,11	1,08
Lipowa	1,04	1,16	1,12	1,19	1,13	0,97	1,05	1,16	1,05	1,20	1,06
Łękawica	1,03	1,07	1,18	1,19	1,10	0,92	1,05	1,20	1,06	1,10	1,07
Łodygowice	1,05	1,11	1,14	1,13	1,09	0,97	1,03	1,12	1,16	1,00	1,20
Milówka	1,06	1,21	0,99	1,47	0,97	0,91	1,05	1,08	0,99	1,11	1,12
Radziechowy-Wieprz	1,02	1,16	1,11	1,17	1,15	0,84	1,00	1,09	1,05	1,10	1,18
Rajcza	1,00	1,09	1,14	1,16	1,11	0,98	1,00	1,11	1,04	1,07	1,15
Ślemień	0,98	1,16	1,08	1,12	1,12	0,91	1,07	1,11	1,06	1,18	1,11
Świnna	1,04	1,25	0,98	1,20	1,03	0,97	1,01	1,08	1,14	1,04	1,08
Ujsoły	0,99	1,13	1,11	1,16	1,10	0,93	1,01	1,10	1,13	1,03	1,25
Węgierska Górka	0,96	1,11	1,19	1,14	1,04	0,94	1,04	1,05	1,04	1,10	1,01
Gg *(point of reference)*	*1,06*	*1,09*	*1,10*	*1,17*	*1,08*	*0,97*	*1,01*	*1,07*	*1,06*	*1,06*	*1,06*

Source: own work based on the budget execution reports in part: Information on execution of budgets of local government units for the period 2006-2016 (www.mf.gov.pl)

The analysis of data presented in Table 1 allows to formulate slightly more optimistic conclusions on own revenues of the examined communes. In majority of the communes the dynamics of G ratio in the examined period was higher than dynamics of growth of G ratio for the national average Gg (grey column areas). It means that rural communes belonging to Beskidy Euroregion make up for their 'revenue gap' with respect to the national average. The analysis of dynamics of G ratios of the studied communes over the whole period 2005-2016 seems to confirm this trend. The relevant data is presented in Chart 2.

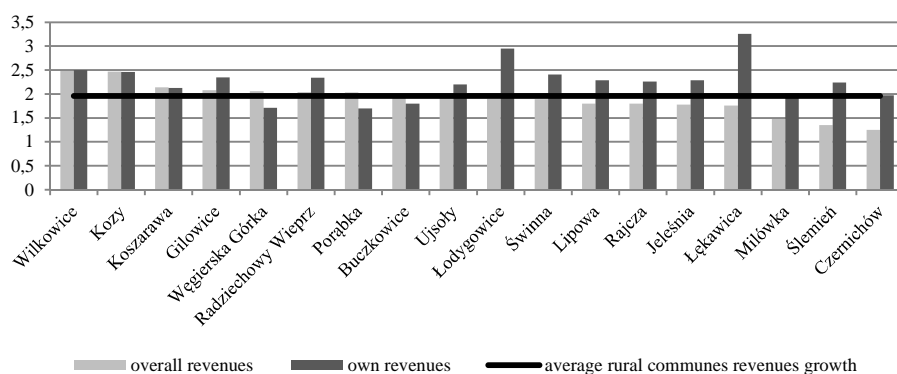**Chart 2. G ratios for the examined communes in 2016**
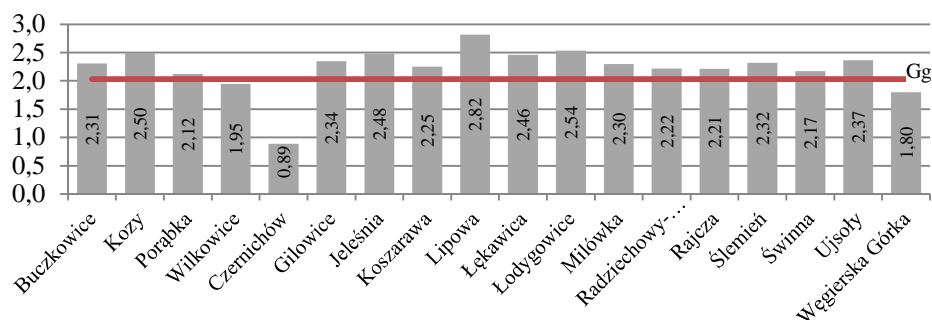
Source: Source: own work based on the budget execution reports in part: Information on execution of budgets of local government units for the period 2006-2016 (www.mf.gov.pl)

Average growth of Gg ratio in the examined period was 2,03. A vast majority of communes saw an increase in tax revenue ratio per one resident to the value above 2,03. Only in case of three communes the observed growth of G ratio was below the reference point. In case of one commune the value of G ratio decreased, which must be understood as a clearly negative phenomenon.

The next value which underwent examination was the dynamics of all revenues in the analyzed period (Chart 3).

Chart 3. Dynamics of changes in overall revenues and own revenues of the examined communes in the period 2006-2016

Source: Source: own work based on the budget execution reports in part: Information on execution of budgets of local government units for the period 2006-2016 (www.mf.gov.pl)

The horizontal line in the chart marks the average growth (1,96) in total revenues of rural communes in the period under examination. Among the examined communes in 8 of them the growth in total revenues exceeded the reference point, 9 communes failed to reach the level of 1,96. It should be emphasized however, that all the communes increased their total volumes of revenues. Average growth of revenues in all communes under examination measured with the size of communal budget in 2016 amounted to 1,95 which is right on the level of dynamics of average revenue for all rural communes. Another important aspect is the fact that in most of the communes the ratio of growth with respect to own revenues was higher than in case of total revenues. It means that own revenues increased their share in the structure of communal revenues which, in consequence, contributed to increased independence of these units. Table 2 shows the dynamics of total revenues in selected communes in the examined period.

Table 2. Dynamics of overall revenues for selected communes in the period 2006-2016

|	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Buczkowice	0,98	1,03	1,10	1,02	1,40	1,25	0,83	0,88	1,11	1,02	1,20
Kozy	0,90	1,15	1,11	1,06	1,08	1,05	1,05	1,09	1,05	1,12	1,21
Porąbka	1,01	1,05	1,09	1,15	1,18	0,97	0,95	1,03	1,14	1,14	1,06
Wilkowice	0,91	1,18	1,07	1,08	1,11	1,26	0,94	1,05	0,95	1,20	1,16
Czernichów	1,41	1,29	0,74	0,95	1,49	1,12	0,81	1,00	0,96	0,96	1,10
Gilowice	1,21	1,08	1,13	1,05	1,11	1,02	1,13	0,99	1,02	1,04	1,21
Jeleśnia	1,08	1,06	1,07	1,14	1,05	1,01	1,02	0,93	1,18	1,02	1,14
Koszarawa	1,38	0,88	1,07	1,08	1,03	1,26	0,91	1,05	1,03	1,02	1,11
Lipowa	1,30	1,04	1,06	1,19	1,21	1,25	0,99	1,03	1,07	0,95	1,04
Łękawica	1,38	0,91	1,22	1,12	0,99	0,96	1,11	1,09	1,02	1,10	1,13
Łodygowice	1,26	1,00	1,01	0,99	1,62	1,15	0,85	0,87	1,10	1,22	0,95
Milówka	1,11	1,14	1,00	1,12	1,20	0,98	1,02	0,94	1,16	1,09	1,05
Radziechowy-Wieprz	1,09	1,14	1,18	0,89	1,16	1,11	0,99	0,99	1,10	1,04	1,19
Rajcza	1,28	0,95	1,06	1,12	1,21	0,94	1,05	1,09	1,05	0,98	1,21
Ślemień	1,78	0,94	0,85	1,28	1,81	0,76	0,78	0,98	0,91	0,91	1,50
Świnna	1,28	1,00	1,01	1,04	1,27	1,05	1,07	0,91	1,16	0,99	1,21
Ujsoły	1,10	1,21	0,98	1,08	1,50	1,01	0,95	1,03	0,93	0,97	1,14
Węgierska Górka	1,17	1,02	1,08	1,01	1,41	0,96	0,98	0,99	1,13	1,00	1,24
Dynamics of growth of overall revenues of rural communes *(reference point)*	*1,14*	*1,09*	*1,10*	*1,05*	*1,12*	*1,04*	*1,04*	*1,03*	*1,05*	*1,04*	*1,15*

Source: own work based on the budget execution reports in part: Information on execution of budgets of local government units for the period 2006-2016 (www.mf.gov.pl)

The analysis of total revenues of the communes under examination confirms the conclusions drawn from the analysis of G ratios as compared to the national average. In 108 cases out of 198 (all communes for the entire period) the observed increase in total revenues of the examined communes was below the national average (grey column areas). Growth of own revenues per one resident translates into lowering of the basic amount of compensatory subsidy and grants which depend on the G ratio of a given commune. Lower dynamics in the growth of revenue can hardly be seen as a positive trend, however, in this case it finds justification and reasons of such a relation may be seen as positive because they are a consequence of growth in tax revenues.

As far as the revenue side of the budget is concerned, a very important parameter is the proportion of own revenues in the total

amount of revenues. Communes with high value of G ratio are characterized by high proportion of own revenues, communes with low ratios of tax revenues per one resident show low proportion of own revenues. It is therefore possible to put forward a thesis that the better financial performance of a commune the higher its G ratio and higher share of own revenues in the structure of budget revenues. The share of own revenues in total revenues of the examined communes is presented in Chart 4.

Chart 4. Share of own revenues in total revenues of the examined communes in 2016
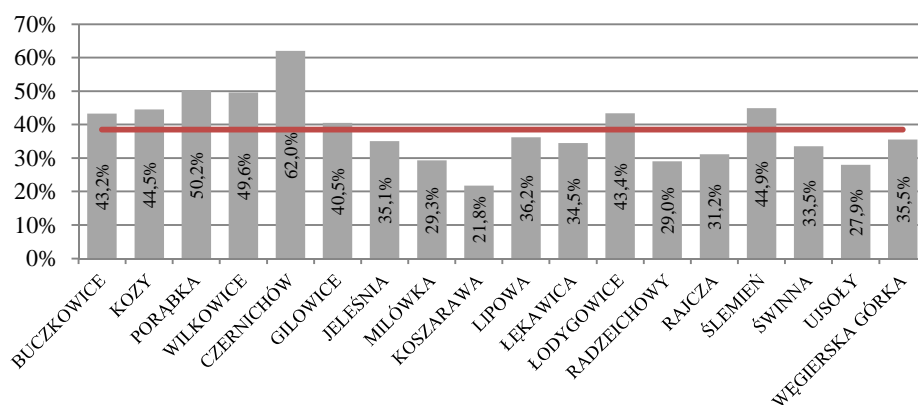
Source: own work based on the budget execution reports in part: Information on execution of budgets of local government units for the period 2006-2016 (www.mf.gov.pl)

In 2016 among the examined rural communes of Beskidy Euroregion only 8 out of 18 managed to achieve the ratio of share of own revenues above the average for rural communes in Poland (the horizontal line in the chart). The lowest ratio, at the level of 21,8%, was observed in Koszarawa, where the greatest proportion of revenues (almost 80%) comes from external transfers, what is not a favourable situation because it hinders the ability to undertake independent actions by local authorities. It should be added, however, that in the examined period in case of most of the communes the share was gradually rising; only in 7 communes the proportion of own revenues in total revenues in 2016 was lower than in 2005. The dynamics of the level of revenues in the examined communes is presented in Chart 3.

Local government units, communes in particular, dispose of a wide range of sources of budget revenue. In accordance with the legislation in force[7] the own revenues of communes are as follows:

- Tax revenues:
    - property tax,
    - agricultural tax,
    - forest tax,
    - vehicle tax,
    - income tax of physical persons paid as flat rate tax,
    - inheritance task,
    - tax on civil law activities.

- Revenues from fees:
    - stamp duty,
    - market dues,
    - visitors' tax,
    - fee for dog ownership,
    - advertising fee,
    - service charge,
    - other fees constituting the revenues of a commune paid pursuant to separate provisions.

- Revenues of communal budget units and payments into budgetary establishments;

- Revenue from the communal assets;

- Inheritance, bequeathing and endowments for the commune;

- Revenue from financial penalties and fines charged by the commune pursuant to separate provisions;

- 5,0% of revenue generated for the sake of the national budget in relation to government administration tasks and other tasks commissioned pursuant to legal acts, unless otherwise specified;

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[7]Act on Revenues of Local Government (Journal of laws 2003 no 203 item 1966) as amended. Particular taxes are regulated by separate legal acts: Act on Taxes and Local Fees (Journal of laws 1991 no 9 item 31) as amended, (Journal of laws 1984 no 52 item 268) as amended, Act of 15 November 1984 on Agricultural Tax (Journal of laws 1984 no 52 item 268) as amended, Act of 30 October 2002 on Forest Tax (Journal of laws 2002 no 200 item 1682) as amended.

- Interest rates from loans granted by the commune, unless otherwise specified;
- Interest rates from late payments of liabilities constituting the commune's revenue;
- Interest rates from financial resources accumulated on bank accounts of the commune, unless otherwise specified;
- Grants from budgets of other local government units;
- Other revenues due for the commune pursuant to separate provisions;
- Participation in the revenue from income tax of physical persons, from tax payers residing in the commune,
- Share in the revenue from income tax of physical persons who have their registered office in the territory of the commune.

The number of tax entitlements does not translate however into actual flows of income[8]. In practice, only revenues from income tax and property tax constitute a considerable part of a commune's own revenues. The structure of own revenues of rural communes in 2016 is presented in Chart 6.

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[8] Miszuk M., *Czynniki ryzyka w systemie finansowym gmin*, *Nierówności Społeczne a Wzrost Gospodarczy*, no 40 (4/2014) ISSN 1898-5084, p. 172.

Chart 5. Structure of own revenues in rural communes in 2016
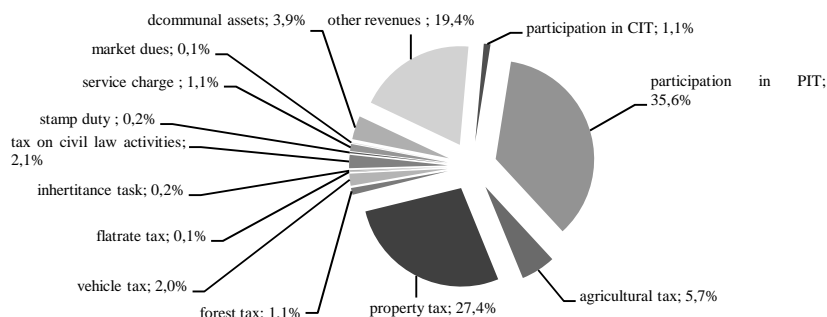
Source: own work based on the budget execution reports in part: Information on execution of budgets of local government units for the period 2006-2016 (www.mf.gov.pl)

Statistically the biggest proportion in the structure of own revenues constitute revenues from income tax from physical persons and from property tax (a stable trend for the whole period under examination) therefore, in the further part of the paper this particular types of revenue will by subject of a thorough analysis.

2. Participation in income tax of physical persons (PIT)

Participation in income tax of physical persons belongs to the category of widely understood own revenues[9] due to fact that local governments do not dispose of decision making authority with respect to these taxes. The dynamics of revenues from participation in PIT is presented in Chart 7.

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[9]Jastrzębska M., *Finanse jednostek samorządu terytorialnego*, Wolters Kluwer, Warszawa 2012, p. 110.

Chart 6. Dynamics of revenues from participation in PIT in the examined communes in the period 2006-2016
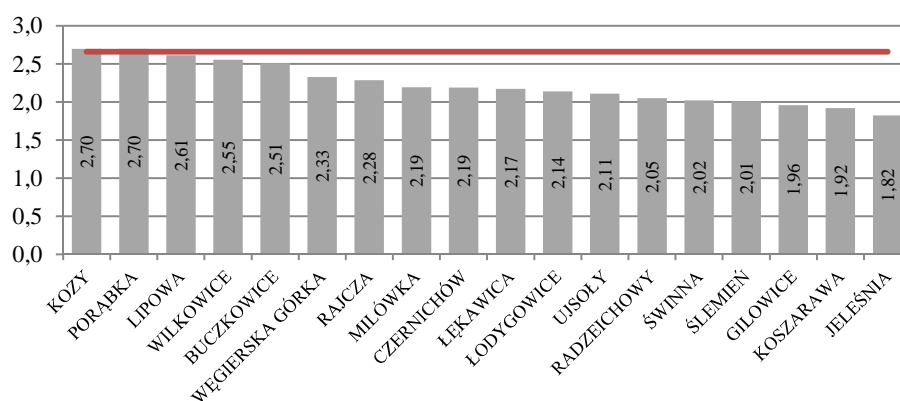
Source: own work based on the budget execution reports in part: Information on execution of budgets of local government units for the period 2006-2016 (www.mf.gov.pl)

The analysis of data presented in the chart clearly shows that the dynamics of growth of income from the participation of communes in PIT proceeds, in majority of cases, much slower than the national average determined for rural communes (red line in Chart 7 on the level of 2,66). Only 2 communes achieved the growth above this reference point. The weighted average of change measured by the aggregate revenues of particular communes determined on the level of 2,29 confirms the existing gap. The achieved results point to some space for improvement of the budget revenues thanks to active policy of attracting residents as well as small and middle entrepreneurs[10]. The dynamics of changes in revenues from participation in income tax from physical persons in respective communes in the examined period is presented in Table 3.

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[10]Entities without legal personality subject to income tax from physical persons.

Table 3. Dynamics of revenues from participation in income tax from physical persons for the examined communes in 2006-2016

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Buczkowice	1,21	1,37	1,12	0,94	1,01	1,23	0,98	1,19	1,03	1,05	1,12
Kozy	1,16	1,28	1,18	1,01	1,05	1,11	1,12	1,06	1,09	1,10	1,06
Porąbka	1,16	1,28	1,18	1,01	1,05	1,11	1,12	1,06	1,09	1,10	1,06
Wilkowice	0,99	1,33	1,14	0,94	0,97	1,14	1,11	1,05	1,08	1,13	1,16
Czernichów	1,19	1,23	1,12	0,85	1,08	1,15	1,06	1,08	1,08	1,06	1,13
Gilowice	1,26	1,30	1,21	0,82	0,95	1,23	1,07	1,14	1,12	0,95	1,01
Jeleśnia	1,18	1,21	1,13	0,85	1,02	1,14	0,96	1,11	1,11	1,08	1,06
Koszarawa	0,89	1,77	0,93	0,83	1,07	1,18	0,93	1,06	1,17	1,04	1,06
Lipowa	1,21	1,26	1,11	0,74	1,07	1,13	1,09	1,12	1,14	1,07	1,03
Łękawica	1,15	1,25	1,20	0,92	1,09	1,08	1,04	1,07	1,09	1,17	1,13
Łodygowice	1,26	1,22	1,15	0,83	1,06	1,23	1,02	1,09	1,12	1,09	1,06
Milówka	1,24	1,24	1,14	0,89	1,04	1,10	1,16	1,04	1,12	1,01	1,08
Radziechowy-Wieprz	1,14	1,24	1,21	0,79	0,99	1,13	1,05	1,08	1,19	1,00	1,15
Rajcza	1,17	1,36	1,12	0,91	1,03	1,21	0,98	1,09	1,10	1,04	1,08
Ślemień	1,10	1,23	1,15	0,80	1,08	1,12	1,10	1,06	1,11	1,05	1,08
Świnna	0,97	1,26	1,03	0,92	1,00	1,12	1,14	1,05	1,12	1,05	1,07
Ujsoły	1,16	1,27	1,17	0,93	0,97	1,21	1,03	0,96	1,09	1,05	1,14
Węgierska Górka	1,22	1,29	1,15	0,87	1,06	1,13	1,06	1,07	1,08	1,11	1,11
Dynamics of growth of revenues from pariticipation in PIT of rural communes *(reference point)*	1,19	1,28	1,20	0,93	1,03	1,15	1,09	1,09	1,10	1,11	1,10

Source: own work based on the budget execution reports in part: Information on execution of budgets of local government units for the period 2006-2016 (www.mf.gov.pl)

The analysis of revenues coming from participation of communes in PIT shows that only in 35% of cases the dynamics is above the reference point. It means that growth of revenues from PIT participation is not as fast as growth of average revenues in rural communes.

Considering revenues from PIT participation it should be highlighted that there are four major determinants of this kind of revenue: the extent of participation of the commune in the tax, construction of the tax, number of residents (revenue potential is highly correlated with the

number of residents[11]) and the volume of income which is subject to taxation.

The extent of participation of the commune in revenues from PIT is determined by the Act on Revenues of Local Government (Journal of laws 2003 no 203 item 1966) and it is set to ultimately amount to 39,34% of revenues from income tax of physical persons, from taxpayers of this tax who permanently reside in the area. The extent of participation is adjusted annually by a ratio calculated on the basis of changing number of residents admitted to social welfare homes (Article 89 of the Act on Revenues of Local Government). The values of participation in PIT revenues are presented in Chart 8.

Chart 7. Participation of communes in PIT revenues in the period 2006-2016
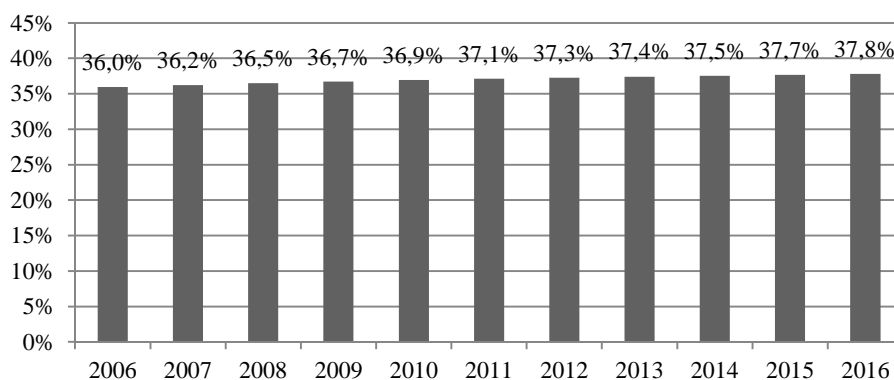
Source: own work based on the budget execution reports in part: Information on execution of budgets of local government units for the period 2006-2016 (www.mf.gov.pl)

The ratio of participation of communes in the revenues from PIT is gradually rising. Therefore, one cannot hold the changes in this respect responsible for decrease in revenues.

Much more controversial from the point of view of budget revenues are changes in the construction of income tax from physical persons introduced as amendments to legal acts. Making participation in PIT one of the most important sources of own revenues is a very risky venture

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[11] Miszczuk M., 2001, *Identyfikacja czynników różnicujących potencjał finansowy gmin* [in:] *Gospodarka lokalna w teorii i praktyce*, E. Sobczak (ed.), Scientific Work of University of Economics in Wrocław, p. 72.

from the perspective of revenue stability. The fiscality of income taxes has been decreasing since 2004. The tax rates of income tax from legal persons (CIT) were lowered from 27% in 2003 to 19% in 2004. In 2005 the legislator opened a possibility to choose a 19% flat income tax for physical persons who conduct business activity, this tax constitutes in 100% the revenue of central budget. Since 2007 it has been possible to deduct considerable amounts due to the fact of raising children (the so called child tax credit). Finally since 2009, instead of three tax rates (19%, 30% and 40%) there has been two PIT rates (18% and 32%). These changes have considerably diminished revenues of local government with respect to PIT and CIT[12]. All changes regulating the personal income tax are additionally powerful with respect to political marketing. Manipulations in the construction of the tax often result in diminishing the income of communes. However, communes are never compensated for related losses of income.

The third factor mentioned above is the number of residents. A bigger population should generate higher income from PIT participation. The correlation between the number of residents and volumes of revenues from participation in PIT is presented in Table 4.

Table 4. Correlation of volumes of revenue from particiption in PIT with the number of residents in the examined communs in the period 2006-2016

Commune	Correlation (ascending order)
Kozy	0,972781
Łodygowice	0,952738
Lipowa	0,950835
Buczkowice	0,919096
Porąbka	0,913331
Ślemień	0,900891
Wilkowice	0,895831
Gilowice	0,890552
Łękawica	0,83416
Węgierska-Górka	0,758794

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[12] Surówka K., *Samorząd terytorialny w Polsce w dobie spowolnienia gospodarczego*, *Nierówności Społeczne a Wzrost Gospodarczy*, no 37 (1/2014), p. 368.

Świnna	0,747987
Radziechowy-Wieprz	0,731749
Czernichów	0,67807
Milówka	0,377633
Rajcza	-0,30216
Jeleśnia	-0,32125
Ujsoły	-0,4976
Koszarawa	-0,78821

Source: own work based on the budget execution reports in part: Information on execution of budgets of local government units for the period 2006-2016 (www.mf.gov.pl) and Local Data Bank of Central Statistical Office (GUS) (www.stat.gov.pl)

The correlation ratios between revenues of the communes from PIT participation and the number o residents show considerable spread starting from almost full correlation of time sequences (Kozy commune) to almost reverse relation (observed in Koszarawa). One may, however, notice a certain regularity when the correlation ratios are placed on the map of the powiat Bielski and Żywiecki. In the communes located in the vicinity of the capital cities of the powiats (Bielsko-Biała and Żywiec) the correlation ratios are the highest, whereas the ratios in more distant communes are much lower. It may be a direct consequence of the fact that residents migrating from urban centres to the country choose such communes which are in close proximity to towns or cities. The situation may change if the prices of land and properties in these neighbouring communes go up due to high demand for houses and their rather fixed supply.

In the analysis of income generated by residents and the sector of small and middle-sized enterprises[13] one encounters difficulties in accessing relevant data or, in fact, there is no data available . It is only possible to study the average salary in the business sector of Silesian voivodship, which in the period 2006-2016 rose, depending on the size of the company, by:

- 67 % in micro enterprises,
- 102% in small enterprises,

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[13]In the examined rural communes small and middle-sized enterprises dominate in the structure of business entities.

- 69% in middle-sized enterprises[14].

In case of revenues generated by non-financial enterprises, the growth of gross income in the studied period amounted to 33 %[15].

3. Property tax

Among own revenues *sensu stricto*[16], the most important role in the budgets of local government units is played by taxes and local fees. The tax which generates the highest proportion of revenues in the portfolio is property tax.

Property tax is imposed on land; buildings or their parts; buildings or their parts which are used for conducting business activity. The tax base for land is its area, for buildings and their parts – usable floor area[17], for buildings or their parts which are used for conducting business activity – their value determined for the day of 1 January of the tax year which is the basis for calculation of depreciation for that year. The property tax rate depends on the destination of the area of land or destination of the usable area of a building. Pursuant to the Act on Taxes and Local Fees (article 20 item 2) the upper limits of tax rates and local fees are announced annually. The upper tax limits are indexed each year by the ratio of prices of consumer goods and services. The upper limits of property tax rates valid for 2016 are presented in Table 5.

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[14] Own calculations based on the Report on the Condition of Small and Middle-sized Enterprises in Poland in the Period 2006-2007, PARP 2007 p. 123 and the Report on the Condition of Small and Middle-sized Enterprises in Poland, PARP 2017, p. 50.

[15] Own calculations based on data obtained fom Central Statistical Office (GUS) (www.stat.gov.pl).

[16]The term own revenues sensu stricto refers to tax entitlements for which the authorities of the commune dispose of decision taking powers, compare: Jastrzębska M., *Finanse jednostek samorządu terytorialnego*, Wolters Kluwer, Warszawa 2012, p. 110.

[17] Pursuant to the Act on Taxes and Local Fees (Journal of laws 1991 No 9 item 31) the usable floor area is understood as area above the overall clear height of 2,20 m. The area of rooms or their parts and part of storey with overall clear height between 1,40 m and 2,20 m is included in the usable floor area in 50%, when the overall clear height is below 1,40 m, such area is omitted.

Table 5. Selected upper limits of property tax valid for 2016

Tax	Upper tax limit
– from land related to business activity regardless its qualification in the land and property register	0,89 PLN/m^2
– from other categories of land including land used to conduct paid statutory work for public benefit by NGOs	0,47 PLN/m^2
– from residential buildings or their parts	0,75 PLN/m^2 of the usable floor area
– from buildings (or their parts) associated with running business activity	22,86 PLN/m^2 of the usable floor area
– from buildings (or their parts) used to conduct business activity with respect to turnover of certified seeds	10,68 PLN/m^2 of the usable floor area
– from buildings	*2%* of their value determined on the basis of article 4 item 1 point 3 and items 3-7 of the Act on Taxes and Local Fees

Source: the announcement of the Minister of Finance of 5 August 2015 on upper limits of tax rate quotas and local charges quotas in 2016.

From the perspective of budget revenues, technically the most effective is attracting small and middle-sized enterprises to settle and register in the territory of the commune as a large number of entrepreneurs guarantees higher (as compared to participation in CIT) participation in income tax and revenues from property tax calculated in accordance with the higher rate for property used to conduct business. The dynamics of revenues from property tax of the examined communes juxtaposed to average national dynamics in the studied period is presented in Chart 9.
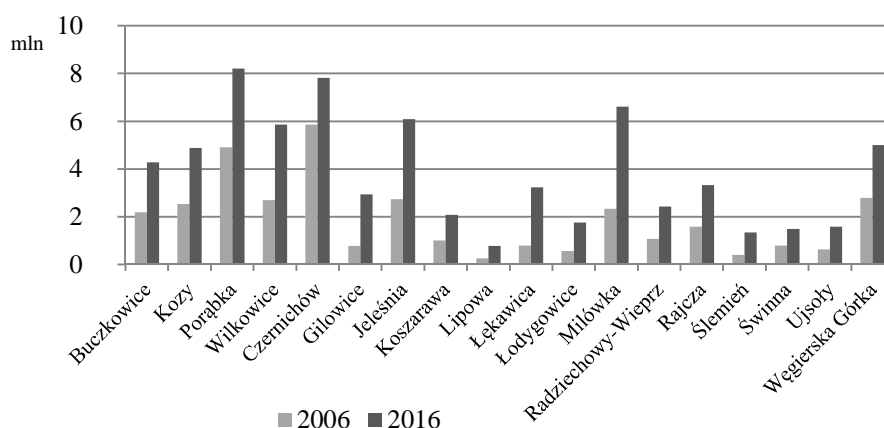
Chart 8. Dynamicsof revenues from property tax in the examined communes in the period 2006-2016.
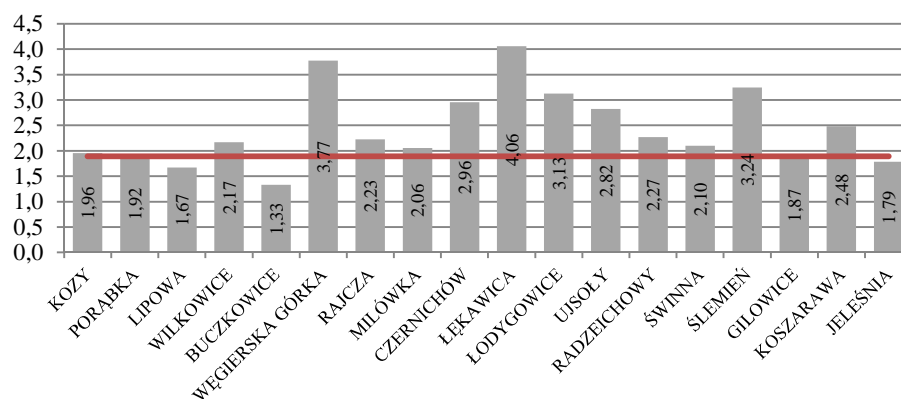
Source: own work based on the budget execution reports in part: Information on execution of budgets of local government units for the period 2006-2016 (www.mf.gov.pl)

Throughout the whole period 10 out of 18 examined communes observed increase in revenues from property tax to the level above the average growth for all the communes in Poland. The dynamics of growth in particular communes, however, shows considerable dispersion i.e. in the commune of Buczkowice the growth amounted to 33% whereas in Łękawica revenues grew by 406% in the examined period. One must not forget, however, the so called base effect according to which it is easier to arrive at high dynamics if in the reference period the revenues stood at a low level. Juxtaposition of revenues in particular communes in the first and last year of the examined period is shown in Chart 10.

Chart 9. Juxtaposition of revenues from property tax in 2006 and 2016 for the examined communes

Source: own work based on the budget execution reports in part: Information on execution of budgets of local government units for the period 2006-2016 (www.mf.gov.pl)

In case of Łękawica and Ślemień the reference point was very low so it was considerably easy to achieve high level of ratio of revenue growth, and despite arriving at the highest growth, the revenues from property tax are on the medium level among the examined communes in 2016. The situation looks different in Węgierska Górka where the starting point in 2006 was one of the highest, a positive impact of activities undertaken by local authorities on generating sources of budget revenues. In the analysis of the dynamics of revenues of the examined communes in consecutive years (Table 6) clear surges in revenues could be observed.

Table 6. Dynamics of revenues from participation in income tax of physical persons for the examined communes in 2006-2016

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Buczkowice	1,06	1,01	1,10	1,11	1,03	1,04	1,09	1,11	1,04	1,01	1,17
Kozy	1,01	1,07	1,04	1,08	1,06	1,10	1,27	1,04	0,94	1,04	1,07
Porąbka	0,99	1,01	1,06	1,10	1,47	0,84	0,99	1,06	1,06	1,05	1,00
Wilkowice	1,01	1,03	1,04	1,11	1,16	0,99	1,12	1,08	1,08	1,05	1,16
Czernichów	1,01	1,02	1,02	1,02	1,04	0,98	1,35	0,86	1,08	0,94	1,06
Gilowice	1,06	1,00	1,03	1,13	1,00	1,04	1,37	1,07	1,02	2,03	1,03
Jeleśnia	1,11	1,16	1,00	1,05	1,10	1,00	1,12	1,04	1,29	1,05	1,06
Koszarawa	1,03	1,03	0,99	1,12	1,19	0,97	1,09	1,06	1,16	1,11	1,04
Lipowa	1,04	1,13	0,96	0,98	1,04	1,07	2,21	1,08	1,03	1,03	1,01
Łękawica	1,04	1,07	1,06	1,02	1,08	1,05	1,97	1,55	1,04	1,04	0,94
Łodygowice	1,00	1,04	1,03	1,07	1,08	1,27	1,54	1,13	0,98	1,10	1,05
Milówka	1,02	0,99	1,06	1,13	1,11	1,10	1,07	1,19	1,46	1,05	1,01
Radziechowy	1,05	1,05	0,97	1,00	1,09	0,98	1,10	1,18	1,49	1,07	1,01
Rajcza	1,15	0,96	1,06	1,00	1,01	1,04	1,13	1,11	1,27	0,94	1,30
Ślemień	1,05	0,90	1,04	1,23	1,15	1,09	1,03	1,50	1,21	1,15	1,03
Świnna	1,05	1,05	1,04	1,10	1,05	1,04	1,06	1,06	1,03	1,06	1,16
Ujsoły	0,98	1,02	1,00	1,01	1,03	1,04	1,33	1,05	1,47	1,01	1,09
Węgierska Górka	1,04	0,92	1,14	1,01	1,14	1,08	1,09	1,01	1,19	1,03	1,02
Dynamics of growth of revenues from property tax of rural communes *(reference point)*	1,04	1,05	1,05	1,05	1,07	1,07	1,09	1,09	1,06	1,03	1,04

Source: own work based on the budget execution reports in part: Information on execution of budgets of local government units for the period 2006-2016 (www.mf.gov.pl)

According to the data in Table 6 in 101 out of 198 examined communes the growth in revenues from property tax grew above the reference point. In a number of cases the growth was quite spectacular e.g. in Koszarawa in 2012 when the dynamics of revenues from property tax was on the level of 221% or in Gilowice in 2015 when the revenues grew by 203%. When it comes to small rural communes such growth usually implies that a large investment of business nature was completed and put into service. With relatively lower revenues in previous periods the increase in revenues due to sometimes even a single large investment is clearly visible.

Conclusions

The analysis of revenues of rural communes located in the Silesian part of Beskidy Euroregion indicates that the volume and structure of revenues are changing for the advantage of the communes. In majority of localities the growth of revenues was recognized both on a yearly basis absolutely as well as with respect to the national average dynamics determined for rural communes in Poland. The structure of revenues in the examined communes is evolving towards increasing the share of own revenues in the total amount of revenues for a commune what opens a certain area of flexibility with respect to decision making powers in the hands of local authorities. Own revenues from two major sources: participation in income tax of physical persons and property tax grew considerably, in many cases, above the national average determined for rural communes. The growth was particularly visible in case of property tax. Such trends suggest that the policy of local decision-makers with respect to revenues to local budgets is appropriate.

Although conclusions formulated by the authors after completion of the study were generally positive, it should be emphasized that the dynamics of revenue growth was different in different communes. In case of total revenues the dynamics higher than the average for all rural communes was observed in 54% of cases (all communes in all studied years). As far as the main source of communes' own revenue is concerned i.e. participation in PIT, the dynamics was much weaker. Only in 35% of cases the growth exceeded the reference point which means that the gap between the examined communes and the national average is deepening which is a definitely negative phenomenon.

An interesting finding which was discovered due to calculations conducted during the analysis, is the fact that generally higher correlation between volumes of revenue from participation in PIT with the average for all rural communes in Poland was achieved in communes directly neighbouring with urban centres being the capital cities of powiats.

As regards the revenues generated from property tax the situation is similar as in case of total revenues. The ratio calculated on the basis of relation of the number of communes where this revenue grew above the reference point to all communes in the examined period was 51%.

Local decision makers should direct their local policies on improving the living conditions for residents and facilitating business activity for entrepreneurs especially those from the sector of little and middle-sized

enterprises. High standards of living and good working conditions attract new residents and entrepreneurs and translate into increase in own revenues of the commune.

Legal acts

[1.] The Constitution of the Republic of Poland of 2 April 1997 (Journal of laws 1997 no 78 item 483).

[2.] Act of 13 November 2003 on the Revenues of Local Government (Journal of laws 2003 no 203 item 1966).

[3.] Act of 12 January 1991 on Taxes and Local Fees (Journal of Laws1991 no 9 item 31).

[4.] Act of 15 November 1984 on Agricultural Tax (Journal of laws 1984 no 52 item 268).

[5.] Act of 30 October 2002 on Forest Tax (Journal of laws 2002 no 200 item 1682).

[6.] Act of 7 October 1992 on Regional Chambers of Auditors (Journal of laws1992 no 85 item 428).

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[1.] Report on the condition of small and medium-sized enterprises in Poland in 2006-2007, PARP 2007.

[2.] Report on the condition of small and medium-sized enterprises in Poland, PARP 2017.

Websites

[1.] http://stat.gov.pl/

[2.] http://www.mf.gov.pl/ministerstwo-finansow

[3.] http://www.euroregion-beskidy.pl/