Tax management and tax evasion represent an intrinsic element of economic turnover, an area of interest both to the institutional and to the real spheres of national economy. These problems, beyond any doubt, should become the focus of interest for all states having a common market, e.g. the European Union, or the countries which have not introduced the universally binding and which are highly susceptible to abuses in VAT tax – such as the United States. With this in mind, the authors of this volume outline the issues of managing taxes and tax evasion, with a focus on the European Union in general and Poland in particular. The choice did not come by accident, since the latter was the only EU member state which in the waning years of the still continuing economic crisis never fell into negative economic growth.
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Tax Management and Tax Evasion
New Horizons in Management Sciences

Edited by Lukasz Sulkowski

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Volume 4
Tax Management and Tax Evasion
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Introduction

Tax management and tax evasion represent an intrinsic element of economic turnover, an area of interest both to the institutional and to the real spheres of national economy. It needs to be said openly that a specific kind of tax engineering flourishes now, in the days of all-pervasive globalisation, when tax burdens impact the overall productivity of production factors, but very often relate to only non-tangible and legal values. Such schemes are devised as a rule by large multinational corporations, which develop international tax strategies adapted to the profile of conducted economic activity; other enterprises follow suit with their strategies. The aim is, of course, such reduction of tax liabilities, using legal means, which will allow for retaining the largest possible profit in the overall profit & loss account, allowing for presentation of the best possible financial result. This way in many countries one meets with major firms, such as trade and service companies, hyperstore chains or all categories of single logo restaurant chains which, irrespective of mass scale presence in multiple locations in the given country, may be paying no taxes in that country, or the sum of such taxes will be disproportionately low in relation to the generated turnover. After all, in international relations it would be difficult to prove that an entity which differentiates costs as part of creative price manipulations in reality transfers profits so as to reduce tax liabilities.

In this context a fundamental question arises, asked above all by the tax authorities seeing such anomalies and webs of international entanglements: to what point is this really optimising of taxes within bounds of the law, and from when can one speak of wilful breaking of laws and tax evasion? How should they suppress the practice of mass scale extortion relating in particular to indirect taxes, and VAT above all else, from budgets of individual states? How to, from the perspective of an entrepreneur, secure oneself against being sucked into a tax carousel, attempts to shift responsibility by a buffer enterprise, and in consequence attempts at punishing in bad faith? How can a state support honest tax competition, as part of securing the economic turnover process with an appropriate, and in particular efficient system of managing taxes? These are fundamental questions, to which it is not only necessary to seek answers, but which in a fundamental way necessitate revisiting and altering given tax policies.

These problems, beyond any doubt, should become the focus of interest for all states having a common market, e.g. the European Union, or the countries which have not introduced the universally binding and highly susceptible to abuses
VAT tax – such as the United States. Such problems certainly fall within the range of interest of every state, since in the present day multinational capital does not ask whether things are well in a given country, but only whether it is possible to reap profits by doing business in that country.

With this in mind we present to you the present monograph, outlining the issues of managing taxes and tax evasion, mainly (though not exclusively) through focus on European Union, with Poland in particular. The choice did not come by accident, since the latter was the only EU member state which in the waning years of the still continuing economic crisis never fell into negative economic growth. Yet the growth was not matched by tax collections which, particularly in VAT, experienced a gigantic fall during 2012–2013, widening the tax gap due to unsatisfactory tax collections. This was exacerbated by the fact that in recent years there was an increase in the number of tax-related court litigations, reviewing complaints of taxpayers in dispute with tax authorities.

The monograph consists of twelve chapters, providing a systematic review of the issues signalled by its title. From presentation of the significance of taxes, their competitiveness, optimising and impact in a global environment plus strategic planning in public finance, all the way to issues connected with the unofficial economy, tax gap, tax fraud and legislation addressing indirect tax crimes.

We hope that the book which we present to you will become an incentive to linking in common the knowledge inherent in the worlds of science, business and politics, in the aim of achieving better understanding of the tax issues still not understandable to the majority, which constitute present day tax engineering. For that reason we have the ambition of starting and joining in extensive, international discussions of this issue, which should above all allow for designing constructive solutions and for their practical implementation in the organisational & legal order of individual states and economic turnover entities.

Konrad Raczkowski, Łukasz Sułkowski
Intellectual capital management in tax administration and country’s economic growth determined by competitive taxation

Introduction

Ever more changeable socio-economic environment, in which international factors exert a significant impact on defining the realities of individual economies, forces national states to strive for improving their competitive standing. That may be shaped in diverse ways within the twelve pillars proposed by the World Economic Forum [Schwab, 2014, p. 4–9], yet from the perspective of the present chapter should be considered through (a) fundamental requirements for ensuring effectiveness of the institutions which support macroeconomic equilibrium; (b) factors raising effectiveness, connected with improving the education and skills of tax administration staffs as regards understanding effectiveness of the market held in balance for the common good; and (c) innovation and development factors, directed at promoting enterprising attitudes, supportive for enterprises, and on the other hand taking up effective fight against unfair competition operating outside the bounds of law. This should be supplemented with one more, important and fundamental factor, namely tax competition. Both for the countries associated in integration groupings, and in other national states, important are the opportunities for attracting capital in particular, as a mobile factor of production, contributing to creation of new jobs, investment and development of the given economy. Hence it is not surprising that economic development of a country, even of a region, is decided by tax policy and tax administration which acts as its practical executive arm. Through its actions it exerts a direct impact on the functioning of business entities, their condition, efficacy and competitiveness. Interactions taking place between the tax administration and entities involved in economic turnover are critical to development of businesses, shaping the state of public finances. For that reason management of intellectual potential in tax administration may be of key significance to

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Notion and Importance of Intellectual Capital in Tax Administration

Intellectual capital is certainly a strategic asset for any organisation. It is defined as the sum of “knowledge held by the people forming an organisation, enabling transformation of its resources into a defined financial value of the enterprise – hence encompassing the entirety of inter-relations between its various component elements and the entirety of knowledge transfer between them in the form of processes to generate, acquire, transform and accumulate knowledge, and as the results of these relations in the form of intellectual property” [Karoń, 2012, p. 36]. Intellectual capital is identified as knowledge in itself, that is the wealth inherent from holding knowledge [Łucki, 2005, p. 126]. At the same time, L. Edvinsson and M. S. Malone rightly note that this term is to be understood as the spread forming between the market value and the book value of an enterprise – the so-called sum of concealed resources which are not reflected in financial accounts. These resources cover general knowledge and specialist expertise, experience and trade skills, technology and organisational culture – everything through which an organisation is capable of developing and meeting the needs of its customers and achieve a competitive edge [Edvinsson, Malone, 2001, p. 39–40].

In the broad sense, intellectual capital is defined as “entirety of non-tangible assets of people, enterprises, communities, regions and institutions which, properly applied, may become the source of present and future wellbeing of a country” [Report, 2010, p. 85]. In a similar sense of intellectual capital can be defined as “all intangible resources that are available to an organization that give a relative advantage and which in combination are able to produce future benefits” [Cegarra-Navarro, Sánchez-Polo, 2010, p. 330].

One cannot, however, speak of intellectual capital and its development when the conditions within an organisation are not conducive to transfer of know-how within an organisation, and stimulation of the learning process is no more than just declarative. Individual employees have to be aware of that, and their own knowledge should develop [Adamkiewicz-Drwiło, 2010, p. 347; Bojewska, 2013, p. 147] as regards:

a) permanent monitoring of economy functioning and the market mechanisms accompanying economic processes;
b) making use of organisational, technical and technological advances, particularly in active, but also in passive ways;

c) shaping self-organisation networks dedicated to development of know-how and exchange of best practices, through developing and implementing new services and products;

d) drawing up the business case for application of know-how creating processes;

e) advanced marketing and information transfer – both within, but particularly to the macro-environment of the organisation;

f) shaping other desirable attitudes.

This implies that the managers themselves need to know the timing required for learning, delegating leadership, building teams bent on co-operation, committing strongly to the work performed, gaining satisfaction from it, or handling crisis situations [Adamkiewicz-Drwiłło, 2010, p. 347]. Most important in this process is the skill for appropriate and rapid learning, aiming at innovations, accepting creative approach to action (manifested as skill in resolving problems) or adapting to new conditions as part of the risk of implementing new approaches, understood as innovations [Bojewska, 2013, p. 148]. A contemporary manager in an organisation which makes pragmatic use of intellectual capital must show a specific capability for taking the right decisions, frequently reacting *just in time* to surfacing problems, something that is not very common in public administration.

In a way split into categories and broadly circulated delineation of intellectual capital was proposed in the Scandia definition, that intellectual capital is understood as human capital and structural capital, as two main pillars [Karoń, 2012, p. 39]. A third pillar which should be recognised, is the customer capital. Management may apply at the same time to both a single entity of one human being, a team of employees and the organisation as a whole (micro, mezzo, macro, mega levels) and should be focused on supplying high-value products, services and broadly defined improvement of productivity, customer satisfaction, contributing directly to the general increase in value [Skrzypek, 2005, p. 56].

“It should also be remembered that intellectual (human) capital is the property of each employee and cannot be taken over, but only to a certain degree made use of with consent of its owner. Every time that an organisation acquires capable, highly competent employees, it extends the intellectual capital, in other words bolsters the development trend. The same thing happens when an organisation moves by other ways towards a learning organisation, thanks to operating flexibly, acting with dynamism, adapting to new conditions and applying super-compensation in progressive and planned development” [Raczkowski, 2010,
By the same token, the notion of intellectual capital is strictly imbedded in the concept of knowledge management, though due to the value approach may be equally well developed from the financial perspective.

From the vantage point of this publication, the primary consideration is to have human capital, as an element of intellectual capital, related to taxes and economic development. It has been demonstrated that tax evasion declines when productivity and human capital increase. This explains the situation where the more developed countries, marked by more welfare, become ever more developed by increased accumulation of human capital, experiencing a parallel decline in tax evasion ratios [Schneider, Raczkowski, 2013, p. 71].

It is to be noted that intellectual capital of tax administration in many countries carries different connotations. This is linked with the fact of parallel co-existence, at times similar and at times quite diverse functioning models of the public levies administrations themselves (Graph 1).

Graph 1: Comparison of tax administration operating scope in OECD countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Character of operations</th>
<th>PIT</th>
<th>Social Security</th>
<th>CIT</th>
<th>VAT</th>
<th>Excise</th>
<th>Real Estate</th>
<th>Remaining taxes: Real Estate: E; Enrichment: W; Motor Vehicles: M</th>
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<tbody>
<tr>
<td>OECD countries</td>
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<td>Australia</td>
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<td>Austria</td>
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<td>Belgium</td>
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<td>Canada</td>
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<td>Chile</td>
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<td>Czech Republic</td>
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<td>Finland</td>
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<td>France</td>
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<td>Other/1</td>
<td>+</td>
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<tr>
<td>Turkey</td>
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<tr>
<td>United States</td>
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</table>

MDMO - Multiple directorates in Ministry of Finance  
SDMO – Single directorate in Ministry of Finance  
USB- Unified semi-autonomous body  
USBB - Unified semi-autonomous body with formal board or advisory group comprised of external officials  

From that perspective it is possible to distinguish centralised models and decentralised models. The models with homogenous competences regarding
all the main public levies (e.g.: Estonia, Hungary, Ireland, Sweden, or United Kingdom), and those splitting powers regarding different levies, of which Poland can serve as an example. The model adopted in that country (Poland) provides for operation of three separate organisational entities, that is tax administration, treasury inspection and Customs Service, all within the finance administration set-up under auspices of a single Finance Ministry, which in total within all its different units is served by a total staff of nearly 68 thousand people (Table 1).

Table 1: General organisational frames of finance administration in Poland

<table>
<thead>
<tr>
<th>FINANCE ADMINISTRATION</th>
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<tbody>
<tr>
<td>Entities</td>
<td>Employment</td>
<td>Structure</td>
<td>Main responsibilities and powers</td>
</tr>
<tr>
<td>Ministry of Finance</td>
<td>2680</td>
<td>Currently in reorganisation phase.</td>
<td>- drafting, executing and controlling execution of State Budget; - responsible also for execution of state budget revenues and expenditures, including tax revenues, and for financial, credit and payment relations with other countries and for implementation of regulations regarding customs and treasury inspections.</td>
</tr>
<tr>
<td>Training Division</td>
<td>170</td>
<td>Finance administration professional education centre (head facility plus 5 field facilities)</td>
<td>- execution of training responsibilities of the Ministry of Finance and the entities subordinated to or supervised by the Minister of Finance; - ensuring employees of finance administration permanent professional development opportunities.</td>
</tr>
<tr>
<td>Treasury Inspection Division</td>
<td>5690</td>
<td>16 Treasury Inspection Offices (UKS); 8 field offices (UKSOZ).</td>
<td>- safeguarding State Treasury interests and property rights as well as ensuring effective execution of tax levies and other levies constituting revenues of state budget or state defined purpose funds.</td>
</tr>
<tr>
<td>Entities</td>
<td>Employment</td>
<td>Structure</td>
<td>Main responsibilities and powers</td>
</tr>
<tr>
<td>--------------------------</td>
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<td>------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Customs Service Division</td>
<td>15330</td>
<td>16 customs chambers (IC); 46 customs offices (UC); 151 customs posts, including 51 at border crossings (OC)</td>
<td>– implementation of customs policy element concerning importation and exportation of goods as well as performance of other tasks under separate regulations, and in particular: 1) performance of operations connected with awarding commodities customs status; 2) assessment and collection of: a) customs and other charges connected with importation and exportation of goods, b) tax on goods and services (VAT) for imported goods, c) excise tax, d) gaming tax and fees and surcharges, e) fuel tax;</td>
</tr>
<tr>
<td>Tax Administration Division</td>
<td>44070</td>
<td>16 treasury chambers (IS); 400 treasury offices.</td>
<td>– collecting tax revenues in the most effective, equitable and efficient manner, – ensuring regular and timely inflow of revenues from taxes and other tax levies, the State Budget and self-government budgets of Community (“Gmina”) administrative units.</td>
</tr>
</tbody>
</table>


Presentation of the Polish reference model is warranted given the changes which took place in that country over the past twenty five years. The real rate of economic growth in Poland generally matched both growth and decline European trends, with given turning points for Poland set markedly more beneficially than in EU states; over the years 2002–2014 growth never went into such a GDP decline which would result in negative economic growth (Chart 1). Still, it did involve an increase of the national debt.
Polish economy is certainly among the fastest growing in the region, yet insufficient tax revenues in the past two years (from both direct, but particularly from the indirect taxes) resulted in the deficit rising by end 2013 to the level of 4.4% of GDP. It seems also that the tax administration seems unable to keep step with the dynamically shifting business environment, in effect resulting in a considerable so-called tax gap, which according to PwC [PWC, 2013, p. 15] in just the Value Added Tax for 2012 could have amounted to between PLN 36.5 and 58.5 billion (USD 12.1 – 19.4 billion).

Reform of the pension system bolstered public finances, limiting gross public debt in 2014 to 50.3% of GDP [European, 2014, p. 89]. Still, the solutions adopted as part of new national accounts ESA 2010 in principle only slightly change the statistical situation of public finances. European Commission also stated that by 2015 Poland still needs to address the problems of excess deficit. Reaching this goal and restructuring both revenues and expenditures in such a way as to save 2.2% of GDP [Council, 2013] requires reforming public finance along with reform of the entire apparatus of state finance (the finance administration). Notable in this context are the conclusions stemming from the EY 2014 report, treating the twenty five years of shaping and functioning of the tax system, within new organisational structures which claim the need for [System, 2014, p. 3–5]:

a) striking a balance between the taxpayer and the state, manifested by uniform law and its interpretation;
b) treating the tax system as part of the approach shaping competitive terms for the state as a whole (after all, it operates within EU structures and in an
environment of universal globalisation). Shaping a transparent fiscal policy, while motivating business to involvement with research & development, and fostering innovativeness;

c) consulting tax law with the business community – before enactment, rather than only during the time when a statute already becomes binding;
d) creating a new tax law system from the grounds up, immune to changes on the political scene;
e) permanently educating tax collection personnel and enforcing taxes in an efficacious manner, rather than relying on impunity of officials shrouding ill will or substantive uncertainties.

Tax administration, same as most public institutions, shows typical traits of organisations, such as: organisational structure, links and interdependences within and without. In its operation it relies on four categories of resources within classically defined management, that is planning and decision making, organising, leading and controlling, which consist of [Griffin, 2004, p. 5–6]:

a) human resources – officials and support personnel (should be viewed as intellectual capital);
b) financial resources – financial capital at its disposal, allocated by law;
c) tangible resources – in the form of all kind of specialist equipment and office premises;
d) information resources – indispensable and key to performing the assigned statutory responsibilities, directed to taking multi-criteria decisions.

Employees of the tax apparatus can certainly contribute to facilitating economic processes or in contrast, constitute their negation. Most important in this respect are two aspects, considered as part of efficacy: efficiency and effectiveness. This concerns making wise use of resources (efficiency). This is linked with creative approach of the given manager, but also an official not entrusted with a managerial role in the tax administration, directed to making use of own skills and know-how, which will permit utilisation of available resources as part of efficient operation. At that, “according to the theory of organisation, effectiveness is the superior category in relation to such subordinate terms as output, productivity, profitability, success and even rationality. Effectiveness is a major tool in measuring success of management (...), illustrating the speed of response to market challenges, and also expectations of its participants, is a proven tool in building up a competitive edge, and also allows for the right response to signals coming in from outside” [Skrzypek, 2012, p. 313–325]. Many studies have shown that effectiveness of tax administration within its institutional shape depends on trust in

At this juncture it appears imperative to propose a split-down definition of intellectual capital accruing to a given tax administration (Chart 2).

**Chart 2: Intellectual capital in tax administration**

- **Human capital**
  - logical thinking and special skills, e.g. legal, economic, managing, IT, behavioural;
  - organisational culture rooted in values, public service and aim for achieving sustainable development

- **Structural capital**
  - codified knowledge;
  - fiscal, analytical, investigative, network co-operation skills;
  - norms & standards of consolidating and building up tax and economic competitiveness.

- **Customer capital**
  - pricing tax compliance and tax administration;
  - number of taxpayers and increases in their number;
  - sum of benefits from reciprocal co-operation

Source: own elaboration.

In this model intellectual capital of tax administration is built up on the basis of domestic intellectual capital represented by enterprises and other entities of economic turnover (first sector), the entire public sector, so called third sector (including civil society) and households. Domestic intellectual capital comes from knowledge of all members of a given society, who hold diverse interests, hold different bodies of data and information and represent divergent perspectives in real and institutional perceptions of the state [Käpylä, Kujansivu, Lönnqvist, 2012, p. 349]. Important also is the very perception of a public administration official by the tax administration as client, stakeholder who may perform his or her mission well and to whom the organisation should ensure
conditions for harmonious development. This is the key to building up structural, and particularly customer capital, in which the most difficult feat concerns attaining such an effect where the employee will get to like the administration for which he or she works, not forgetting that in reality this is public service (though within full freedom of thought) and will consider that each taxpayer paying in taxes fosters economic growth and broadly defined development.

**Taxes and Their Impact On Economic Development**

Public levies are an intrinsic element by which any state functions, the criteria of which concern net increase in property or sources of generated income. Under the first criterion income is defined as basically all sources and conditions in which such income was generated (including inheritances, donations and other increments in property). In the theory of sources, the essence is represented by new property value which for the given individual is a fixed source of regularly obtained revenue [Litwińczuk, 2013, p. 32]. In general terms, public levies consist of “taxes, dues, fees, shares in profits of state-owned enterprises and single shareholder State Treasury companies, as well as other monetary encumbrances, the requirement of paying which to the benefit of the state, regional self-government entities, state-operated defined purpose funds and other entities of the public finance sector stems from other statutes” [Flis, 2010, p. 98–99].

A good tax system does not necessarily have to be responsible for economic growth, but it is certain that a bad tax system may lead to retarding development [Bird, 2010, p. 2]. It has been proven empirically that reducing taxes from corporate entities can reduce the inclination to evade taxes, can increase investment, support new business formation, result in increasing sales, and finally bring about higher GDP [Bruhn, 2011, p. 5]. This was also confirmed by the studies conducted in Canada and elsewhere over the years 1977–2006, which showed that a reduction of CIT by 1% results in a temporary boost of economic growth by precisely 0.1–0.2% [Ferede, Dahlby, 2012, p. 587] (obviously assuming that businesses do not resort on a massive scale to tax optimising arrangements, which have connotations closer to tax evasion). This was also supported by research carried out in the United States, covering 1945–2010, which proved that top tax rates, including top rates of capital gains taxes, have no or only negligible impact on economic development. In turn reductions in these rates correlated with improvements in productivity, investment and savings [Hungerford, 2012, p. 16], while maintaining rates at unchanged levels encouraged the same taxpayers to opt for various
forms of unofficial economy [Thornton, 2012, p. 449]. In addition, introduction or maintenance of certain group of taxes at unchanged levels or within a set statutory-organisational infrastructure may be, on the one hand, problematic for the state budget, yet at the same time contribute to economic growth. Already now the European Union is coping with serious problems regarding VAT fraud and notorious attempts to swindle budgets of individual countries on refunds of that tax, where: “missing intra-community trader fraud is one of the most prevalent types of cross-border fraud in the area of VAT” [Combating, 2013, p. 4].

On the other hand, the unending search for hypothetical possibilities, opportunities and threats involved in introducing such a tax is being considered by the United States, which ponder whether introduction of a value added taxes would be warranted economically and would not result in excessive tax evasion. Already at present, 70% of U.S. GDP is generated by consumer spending. Should there be introduction of a 10% VAT, then GDP should hypothetically increase 7%. At the same time revenues from this tax could not be lower, due to reluctance of authorities as regards borrowing needs (in particular with respect to health care) or difficulties with taxation of housing according to its value [Feldstein, 2011, p. 119]. System changes, specifically with regard to taxing medical care seem unavoidable, since the United States already now spends the highest GDP percentage of any country on these needs, which by 2035 may amount to no less than 26% of GDP [Baicker, Skinner, 2011, p. 39].

A different situation with regard to VAT can be observed in Latin America countries (e.g. Argentina, Chile, Brazil, Mexico), where it is an effective instrument increasing tax revenues, enabling their further redistribution. At that it does not have an excessive impact on the functioning and distortion of economic turnover. In contrast, income tax in these same countries is basically unproductive and does not improve effectiveness of revenues. This is in part due to the fact that these countries have a high proportion of tax exemptions and reliefs, high shares of informal economy, and the tax rates themselves are held down to a low level [Canavire-Baccareza, Martinez-Vasquez, Vulovic, 2013, p. 21–22].

After all, economic growth requires using three basic factors of production, namely labour, capital and technological advances. Taxes may be both a development opportunity for the economy and a threat [Zipfel, 2012, p. 2], creating entry and functioning barriers for defined economic entities on the given market. So it is possible to claim that taxes, reflecting on aggregate productivity of production factors, impact economic growth [Myles, 2000, p. 141–169;
Myles, 2009], in as much as they become stimulators of economic processes within an effectively operating state institutional system responsible for contribution of public levies.

Present day tax systems around the world are in many areas systemically maladjusted to the changing global realities. A high proportion of corporations function by basing their operations on trade in non-tangible and legal values, rather than the physical products tangibly accessible at the given location. In the latest PwC report “The global results on Paying Taxes study 2014” a general trend is noted in reducing tax rates [Paying, 2014, p. 23]. The countries with heaviest taxation burdens in 2014 were Gambia (283.2%) Comoro Islands (217.9%), Congo (118.1%), Argentina (107.8%) or Uzbekistan (99.3%). On the other extreme of tax burden scale (lowest tax burden), one notes such countries as Vanuatu (8.4%) or Macedonia (8.2%).

The United States, as the world’s largest economy, maintains total tax burdens on the level of 46.3% GDP. This is a level close in percentage terms to that of Japan (49.7% GDP) and much lower than in the case of China (63.7% GDP) – Chart 3.

Chart 3: Tax burdens on world’s three largest economies (% GDP)

In turn, European Union countries have highly differentiated total taxation burdens, varying between 19.8% (Croatia) and 65.8% (Italy), with differing rates of capital gains tax [Paying, 2014, p. 173–175] – Chart 4.
At the same time tax revenues as percentage of GDP vary between individual EU countries from 21.1% GDP (Spain) to 43.4% GDP (France) – Chart 5. In principle, in each country tax revenues are directly linked to GDP (function of revenues and expenditures). This is connected with the fact that cyclically calculated revenues are calculated in relation to projected GDP falling within the forecast trend [Romer, Romer, 2007, p. 15–16], which in the near future may turn out to be either lower or higher.

Among all the EU countries, a reduction of tax revenues as percentage of GDP in 2012 was noted in six countries, that is in Denmark, Hungary, Portugal, Slovakia, Spain and Sweden. The average of these revenues came to 35% (of GDP). The data differ slightly from Eurostat 2012 statistics, which reported that the taxes collected amounted to 40.6% GDP of the entire EU budget.

It may be said, therefore, that taxes can impact economic growth, and their appropriate compliance and redistribution may contribute directly to launching new investments, jobs, or programmes of activating the unemployed on the labour market – which leads to economic growth. Lack of tax revenues in state coffers is undesirable for obvious reasons, and for that reason it is important to have tax morality and a specific form of tax patriotism. Tax optimisation, often adopting the shape of tax evasion as part of, among other things, choice of tax jurisdiction, provide unitary revenues and may drive a given economy (not always the one where the firm has its head office and actual place of conducting business). Unfortunately, it also spurs unfair competition, contributing to elimination of honestly operating economic entities from the market, and by the same token constitutes a more severe threat of systemic character to the entire economic fabric. For that reason, both nation states as an element of modernising their own fiscal systems in adjusting their economies, and particularly business people themselves, seek opportunities presented by given tax jurisdictions, competing with each other in both economic and in taxation terms (Table 2).

Table 2: Ranking of economic-tax competitiveness in EU countries

<table>
<thead>
<tr>
<th>Country</th>
<th>GCI 2013–2014</th>
<th>Tax compliance and tax administration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rank</td>
<td>Score</td>
</tr>
<tr>
<td>Austria</td>
<td>16</td>
<td>5.15</td>
</tr>
<tr>
<td>Belgium</td>
<td>17</td>
<td>5.13</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>57</td>
<td>4.31</td>
</tr>
<tr>
<td>Croatia</td>
<td>75</td>
<td>4.13</td>
</tr>
<tr>
<td>Cyprus</td>
<td>58</td>
<td>4.3</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>46</td>
<td>4.43</td>
</tr>
<tr>
<td>Denmark</td>
<td>15</td>
<td>5.18</td>
</tr>
<tr>
<td>Estonia</td>
<td>32</td>
<td>4.65</td>
</tr>
<tr>
<td>Finland</td>
<td>3</td>
<td>5.54</td>
</tr>
</tbody>
</table>
Economic competition is currently something natural, and such main factors as institutions, infrastructure, macroeconomic equilibrium, health and education, higher learning and life-long learning, efficient goods and labour markets, developed financial market, technical preparedness, size of the market itself, quality of business environment, innovation – determine the foundations for development of a state [Schwab, 2014, p. 4–9].

Tax compliance and tax administration examined two main components: total time for preparing and filing a tax return and the administrative costs of taxation. For instance in Poland these values are more than 42% worse than the
EU average in terms of time required and 30% worse in administrative costs of taxation [Excellence, 2012, p. 5].

Building up competitiveness of an economy basing on tax competitiveness is a pragmatic and reasonable approach. Any tax harmonisation under bilateral or multilateral arrangements may be needed, but always involves a risk for the weaker – mainly less developed countries. This stems from reduced capacity for competing on the global market, something that may be manifested through lessened activity of domestic economic entities, outflow of investment and general economic slowdown.

Already now many consulting firms advise enterprises about the business model scenarios to be applied or on how to decrease tax liabilities while staying on the right side of the law, at that increasing the revenues gained. Large holding corporations have entire structures doing nothing but devising tax optimising schemes. The countries with appropriate institutional systems responsible for the tax sphere outright strive for publishing such open competitiveness reports. After all, what sort of decisions can the entrepreneur take when learning that total tax costs are 46.4% lower in Canada than in the United States or 63.3% higher in France than in the United States [Competitive, 2014, p. 2]. Such information always encourages reflection and search for best ways to optimise.

**Conclusions**

The sum of knowledge represented by staff of given tax administration in the light of constant tax competition, both the crawling tax competition and the outright unfair tax competition, is a key element of attention devoted to public finance as part of economic development. Already now there is an evident intellectual abyss between the market creators of tax engineering and the tax administration personnel, reflected particularly in declining tax revenues and elimination of fairly operating economic entities from the market by dishonest entities, often impossible to locate – as perpetrators of deeds prohibited by law.

Differing tax rates in many countries, diverse scope of powers within defined structures, disparities in total tax burdens and finally different scopes of tax and also economic competition are, in a global world, an unstable standard which requires regular close scrutiny, regarding which conclusions need to be drawn and own mechanisms adjusted for efficient functioning. Effectiveness of a given country’s tax administration itself will not improve when its staffs will be barred, politically or by the powers that be, from disseminating and implementing the conclusions drawn from performed analyses. It will not improve unless employees of given tax administration themselves will raise their capabilities and skills
necessary for understanding the mechanisms of international tax strategies, optimising operation of enterprises. It will not improve unless the tax administration of its own accord will not start promoting enterprising spirit and attitudes negating and suppressing tax offences.

The general global trend towards reducing taxes notwithstanding, the share of taxes in the budget of a given state will have to be sufficient to ensure its functioning. That is not to say, obviously, that higher taxes will ensure higher revenues, or lower tax rates will contribute less to generating GDP. Understanding of these phenomena, understanding that tax administration intellectual capital may have a substantial impact on individual sector policies and in consequence on economic growth is vitally important. Today this part of public administration in a given country which, next to the central bank and financial supervision, acts as guardian of financial stability. Managing the tax administration intellectual potential is today the key to understanding the rôle of institutions in the economic process and their influence on economic growth and welfare.

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