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## **THE IMPORTANCE OF REVENUES FROM LOCAL FEES IN FINANCING MUNICIPALITIES IN POLAND**

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**Abstract:** The article discusses the legal structure of the local fee and presents a multi-faceted statistical analysis, in terms of quantity and value, covering the application of this fee by the municipalities in Poland. The purpose was to present and assess the importance of this fee in financing municipalities. The study concerns revenues of all municipalities in Poland in the period 2014-2020. The conducted analysis shows that, generally, the local fee is not a common and significant source of financing the municipal sector. However, the examples of a few units indicate its high potential in generating revenues, thus after introducing the appropriate legal changes in the fee structure it should be used to a greater extent. This fee represents a desirable public levy which can fulfil important fiscal and non-fiscal functions resulting from its structure.

**Keywords:** local self-government, local finance, public revenues, public levy, local fee.

## 1. Introduction

The implementation of the basic principle of the local self-government, i.e. the principle of subsidiarity and its condition consisting in the decentralisation of the public authority (tasks and competences), requires the appropriate financial resources by the local self-government units (LGUs). The consequence of decentralising tasks and competences for the benefit of LGUs takes the form of public finance decentralisation, namely the transfer of public financial resources from central level to local self-government and the power of their administration (Ruśkowski, 2004, p. 26).

The decentralisation of public finance is based on certain principles, formulated in legal acts which include the principle of diversification and the flexibility of financial resources. It is assumed that the presence of these features should ensure the stability of financing the tasks performed by the LGUs in the conditions of inflation and other economic phenomena resulting in higher costs of implementing these tasks. This principle is directly formulated in Art. 9 sec. 4 of the European Charter of Local Self-Government (ECLG), which states that “the financial systems on which resources available to local authorities are based shall be of a sufficiently diversified and buoyant nature to enable them to keep pace as far as practically possible with the real evolution of the cost of carrying out their tasks”.

The catalogue of local self-government revenues specified in the Act of 13 November 2003 on the revenue of local self-government units is extensive and highly diversified by type. The inclusion of many revenues, frequently presenting marginal fiscal efficiency, may raise doubts from the perspective of the transparency of the public finance system, due to its higher complexity, as well as the cost of collecting public levies. The local fee, also colloquially referred to as tourist tax is one of the types listed directly in it. The purpose of the article was to discuss and assess the importance of this fee in financing municipalities in Poland. The author presents the legal structure of the local fee, and also includes a multi-faceted statistical analysis in terms of quantity and value regarding the application of this fee by municipalities in Poland. The analysis covers all the municipalities in Poland in the period 2014-2020. Municipal budget reports and the data retrieved from the Local Data Bank of Statistics Poland constituted the source of information for the purposes of the conducted analysis.

## 2. The essence, types and functions of public fees

The definitions of a public fee encountered in the source literature are predominantly constructed based on indicating the characteristics of this levy, both similar to and different from tax. According to one of the definitions, it is a cash benefit, charged by a public entity for the public sector in connection with the mutual benefit consisting in official activities or providing public sector services, resulting from

a specific basis and collected in a given amount and in accordance with payment terms (Dzwonkowski, 2012, pp. 3-4).

The theoretical basis for distinguishing a fee from a tax is the concept of equivalence, following which the characteristic feature of a fee is the presence of a specific counter-benefit on the part of the beneficiary of the fee, which distinguishes it from an unpaid (non-equivalent) tax (Owsiak, 2005, p. 185). Equivalence also provides a fee with an individualisation feature, as it is charged by public authorities for a specific activity or service provided by a particular entity which gains its own, separate benefit (Gomułowicz and Małecki, 2013, p. 129). The scale and scope of this benefit is diverse, which results from the correlation between the amount of the charged fee and the value of the counter-benefit, which can be measured, e.g. by its costs. Therefore, the equivalence of the fee can take a full, marginal or partial form.

Fees make up an abundant and diverse catalogue of levies, and their typology can be carried out based on various criteria. One of them is the subject-based criterion resulting from the multi-faceted activity of public authorities. This allows to distinguish fees for official activities performed by these bodies, and the fees for material and non-material services provided by various public entities. The former are closer to taxes, whereas the latter to prices (Kosikowski and Ruśkowski, 2008, p. 617).

Fees can also be divided in terms of the certainty of their collection. This criterion is considered from the perspective of the beneficiary and divides fees into obligatory ones, the collection of which is the responsibility of public authorities that cannot be relinquished, and optional, i.e. potentially available and obtained on a voluntary basis. Following the criterion of the fee beneficiary, there are fees assigned to the state budget and fees constituting revenues of the local self-government budgets, also referred to as local fees. The latter can be collected by both the local self-government revenue administration and the state administration, and also by the central offices.

Local fees may vary regarding the competences assigned to the local self-government units in terms of influencing their legal structure which, in turn, determines their impact on the level of generated revenue. Full fiscal power is the most desirable from the perspective of the financial independence exercised by LGUs, which in this respect can be referred to as the power to impose fees or, more generally, levy power. Another criterion for classifying local fees is the frequency of their occurrence. This division includes fees common in the budgets of all local self-government units, and those which appear sporadically in some budgets (Sekuła, 2010, p. 275). Such infrequency may result from the optional nature of the fee and the waiver of its collection for various reasons (e.g. low fiscal efficiency) or the failure to meet the conditions for charging the fee.

Regardless of the fee type, they perform a fiscal function aimed at ensuring, similarly to other public levies, the inflow of revenues to the public budget. The source literature emphasises a definitely more limited fiscal significance of such fees

as compared to taxes as they constitute only a secondary source of supplementary budget revenues (Gomułowicz and Małecki, 2013, p. 129). Low fiscal importance cannot, however, represent an argument for abandoning such fees as they perform a number of other functions. The source literature lists the intervention (stimulating), prohibitive, preventive, repressive, educational, psychological and informative function (Dzwonkowski, 2012, p. 4). The functions exercised by fees may have a positive effect (e.g. a stimulating function) on the fee-paying entities, inducing, encouraging or sometimes forcing them to act in line with the expectations of the public authorities. The discussed impact can also be negative (e.g. a prohibitive function), limiting access or discouraging from using public services.

Some fees also have a compensatory function as the source of funds allowing the compensation of damages or the coverage of losses incurred by society as a result of the actions performed by the entities paying the fee (Budzeń and Kańduła, 2021, p. 206). This can take the form of fees for using goods subject to special protection due to public interest (e.g. using the natural environment), which represent the third type of fees, apart from those for official services as well as the services rendered by public units. Such goods are, among others, the natural environment and the cultural environment. Taking advantage of them by society, especially to an excessive extent, may cause damage, the compensation for which takes the form of fees paid by the environment users (Pietrzak, Polański i Woźniak, 2008, p. 327). The fees should constitute the source for covering the additional public expenditure indispensable to keep the environment and infrastructure in the same good condition.

### **3. Legal structure of the local fee**

Based on the legal criterion, local fees constituting revenues of Polish municipalities can be divided into the fees regulated by the Act of 12 January 1991 on local taxes and fees (Ustawa z dnia 12 stycznia 1991 r.) and also the fees regulated by other laws. The first group includes: market facilities, commercial activity, spa resort functions, dog ownership licences and advertising fees. The second group covers numerous and diverse types of fees, the regulations of which are set in many strictly financial acts or the acts of the broadly interpreted substantive law.

Pursuant to Art. 17 of the Local Taxes and Fees Act, the local fee is collected for each commenced day of stay from natural persons staying longer than one day for tourist, leisure or training purposes:

- in localities with favourable climate attributes, landscape values and conditions allowing the stay of people for these purposes,
- in localities situated in areas which have been granted the status of a health resort protection area based on the terms set out in separate regulations.

The provision of the Act states that this fee is optional, as it can be introduced by the municipal council by way of a resolution, however, there is no such obligation. This fee may cover the entire municipality or only some of its localities specified

by the municipality council resolution and meeting the conditions for collecting the fee. These conditions were established, based on the statutory delegation, by the Council of Ministers by way of a regulation, taking into account the regional and local differences and the climate criteria (maintaining the air purity standard and permissible levels of electromagnetic waves), landscape (natural and sightseeing values) and accommodation (accommodation base) (Rozporządzenie Rady Ministrów z dnia 18 grudnia 2007 r.)

The local fee rate is determined by the municipal council, yet it cannot exceed the maximum rate specified in the Act. It varies depending on the type of locality in which it is collected, in accordance with the classification determining the subject of the fee. The maximum rates applicable in the years covered by the analysis ranged from PLN 2.19 to PLN 2.41 for the first type of localities and from PLN 3.11 to PLN 3.39 in the localities situated within the health resort protection areas. If the rates were not enacted by the municipal council, the rates applicable in the year preceding the tax year shall apply. The maximum rates are annually indexed with the inflation rate.

The Act specifies the subject-based exemptions from the local fees, which are not charged to the staff of the diplomatic missions and consular offices (subject to reciprocity), hospital patients, the blind and their guides, real estate taxpayers owning holiday homes, and organised groups of children and school-age youngsters. The municipal council may also enact local fee exemptions other than those mentioned in the Act, but only of a subjective nature.

Another prerogative of the municipal council is the possibility of ordering the collection of these fees by way of determining the collectors and the amount of remuneration for the collection. The council can also impose an obligation for the fee collectors to keep records of the persons obliged to pay the local fee and define the detailed scope of data included in this register, taking into account the need to ensure the correct collection of the local fee.

The source literature highlights a certain anachronism of the local fee, indicating that its legal structure is not conducive to making it a universal and efficient fiscal instrument. In particular, the use of climate criteria regarding the method of determining air quality, limiting the possibility of charging the fee, narrowing the purpose of stay causing the obligation to pay, low rates and the small scope of possibilities to influence them, as well as a 'leaky' collection system, are criticised (Burzec, 2019, pp. 10-20).

#### **4. Analysis of using the local fee by municipalities**

The local fee, as already mentioned, is optional, and the possibility of its implementation depends on the fulfilment of the conditions provided by law. The analysis of reports on the implementation of municipal budgets shows that in 2020, 199 municipalities (including cities with county status) generated revenues from this

fee (Table 1). They accounted for approximately 8% of all municipalities recorded in that year, i.e. 2,477 including cities with county status. In recent years, a downward trend in the number of municipalities charging the fee has been observed. Compared to 2014, this number declined by almost 13.5% (31 municipalities). As a result, the percentage of such municipalities decreased, and in 2014 amounted to 9.3%. Thus, the local fee cannot be considered a common source of financing for municipalities along with their declining share in the entire sector.

**Table 1.** The number of municipalities generating revenues from the local fee in 2014-2020 by voivodeship

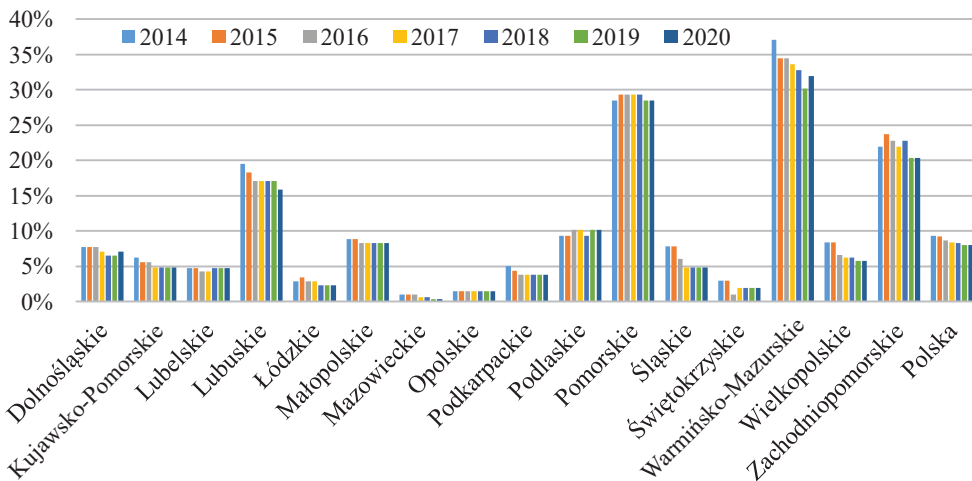
Voivodeship	2014	2015	2016	2017	2018	2019	2020
Dolnośląskie	13	13	13	12	11	11	12
Kujawsko-Pomorskie	9	8	8	7	7	7	7
Lubelskie	10	10	9	9	10	10	10
Lubuskie	16	15	14	14	14	14	13
Łódzkie	5	6	5	5	4	4	4
Małopolskie	16	16	15	15	15	15	15
Mazowieckie	3	3	3	2	2	1	1
Opolskie	1	1	1	1	1	1	1
Podkarpackie	8	7	6	6	6	6	6
Podlaskie	11	11	12	12	11	12	12
Pomorskie	35	36	36	36	36	35	35
Śląskie	13	13	10	8	8	8	8
Świętokrzyskie	3	3	1	2	2	2	2
Warmińsko-Mazurskie	43	40	40	39	38	35	37
Wielkopolskie	19	19	15	14	14	13	13
Zachodniopomorskie	25	27	26	25	26	23	23
Total	230	228	214	207	205	197	199

Source: authors' compilation based on (Ministry of Finance, 2015-2021).

The use of the local fee is diversified in individual voivodeships. The municipalities located in coastal or mountain regions and lake districts are the most active in this respect. The largest share of such municipalities (over 30% in each analysed year) is found in the Warmińsko-Mazurskie voivodeship, where in 2020, there were 37 municipalities which received revenues from the discussed fee, whereas in 2014 the respective number was 43, i.e. over 37% of their total number in this region (Figure 1). However, in this voivodeship, the largest decrease in the number of municipalities reporting revenues from the fee under study (by 6 units) was noted in the analysed period, and therefore their share in the total number dropped to 32%. The municipalities in this voivodeship accounted for over 18% of all units reporting revenue from the fee. Slightly less, namely over 17% of such municipalities – 35 units, are located in the Pomorskie voivodeship; they make up over 27% of all its municipalities. Third place in this ranking is taken by the Zachodniopomorskie

voivodeship, where 23 municipalities account for 18.6% of all the municipalities in this region, and for over 11.5% of the municipalities charging the fee. These statistics also include the Lubuskie voivodeship with 13 units constituting 17.1% of its municipalities, and 6.5% of the municipalities collecting the fee. In these voivodeships, a downward trend in the analysed values can also be observed in the period covered by the study, however smaller than in the Warmińsko-Mazurskie voivodeship.

A slightly smaller number of municipalities collecting local fees (approximately 6-7% of their total number) can be observed in the voivodeships covering mountainous and foothill areas, i.e. mainly in the Małopolskie voivodship (15 municipalities, i.e. approximately 8% of the municipalities) and the Dolnośląskie voivodeship (12 municipalities, i.e. approximately 7%). The lower prevalence of this fee in the above-mentioned voivodeships results mainly from the relatively large number of municipalities with the status of a health resort where the spa resort fee is charged, which excludes the simultaneous collection of local fees. There are seven such municipalities in the Małopolskie voivodeship and nine in the Dolnośląskie voivodeship. In many voivodships, only a few or even singular cases of municipalities charging local fees were reported, with a marginal share of such municipalities in their total number. This situation occurs in the following voivodeships: Opolskie, Mazowieckie and Świętokrzyskie.



**Fig. 1.** The percentage of municipalities generating revenues from the local fee in 2014-2020 by voivodeship

Source: authors' compilation based on (Ministry of Finance, 2015-2021).

In 2014-2019, the municipal revenues from the local fee showed an upward trend, both in nominal and real terms, with the average annual rate of nominal dynamics at the level of 108.7%, and exceeded the dynamics of total revenues and



own revenues, both in the scale of the entire sector of municipalities and regarding the municipalities collecting the local fee. In 2019, this revenue amounted to over PLN 45.2 million (Table 2). This means a nominal growth, compared to 2018, by over 8.6%, which at the inflation rate of 2.3% in 2019, shows a real growth of over 6.3%. Compared to 2014, these revenues were higher by over 51%, which in real terms translates into an increase of over 45%. It is worth noting that the statutory maximum rates increased only by approximately 3% at that time, which means that such a dynamic revenue growth resulted from the higher number of entities subject to the fee, due to the development of tourism and/or from the improved efficiency in collecting the fee.

The annual revenue growth generated from charging the fee came to a halt in 2020, when the amount of collected fee reached PLN 39.9 million, a nominal decline by 11.8%, i.e. by PLN 5.3 million compared to 2019. In real terms, at the average annual inflation rate of 3.4% in 2020, the recorded slump was even larger and amounted to over 15%. The reasons for such a reduction in revenues from the local fee should be perceived in the reduction in tourist traffic as a result of the restrictions imposed in the tourism industry due to the COVID-19 pandemic.

**Table 2.** Revenues from the local fee against the background of wider municipal revenue categories in 2014-2020 (million PLN)

Year	Total revenues	Own revenues	Total revenues of the municipalities collecting the local fee	Own revenues of the municipalities collecting the local fee	Revenues from the local fee
2014	152 808.76	84 604.71	17 774.06	10 321.65	29.83
2015	158 227.34	88 347.04	18 274.72	10 607.10	33.48
2016	176 214.96	91 003.80	19 021.31	10 595.29	36.81
2017	189 718.82	96 388.86	20 282.17	11 309.81	37.89
2018	206 933.39	104 941.59	21 441.45	12 091.71	41.63
2019	229 055.90	113 544.91	23 223.52	12 710.60	45.22
2020	249 404.90	121 692.78	25 205.62	13 410.56	39.88

Source: authors' calculations based on (Ministry of Finance, 2015-2021).

Revenue distribution from the local fee between voivodeships derives largely from the number of municipalities generating this revenue. It is collected, to the greatest extent, by the municipalities located in coastal voivodeships, such as the Zachodniopomorskie voivodeship, with its share in individual years ranging from 31.5% (2020) to 34.5% (2017) of the total municipal revenues from the fee, and the Pomorskie voivodeship – with a growing share from 21.5% in 2014 up to 24.2% in 2020 (Table 3).

The municipalities from the Dolnośląskie and Małopolskie voivodeships also have a significant share in this structure, each of them reaching the level of over 12% of the revenues in 2020. In the first of these, in the analysed years an increasing trend could be observed in this respect, whereas for the second a clear downward



tendency was reported. The municipalities from other voivodeships generated revenues from the fee presenting the share ranging from a fraction of a percent to a few percent of total revenues from this source. The relatively small share (6.0-7.6%) of the municipalities from the Warmińsko-Mazurskie voivodeship, being the most numerous in this respect, comes as a certain surprise. This proves the relatively low revenues from the fee collected individually by these municipalities.

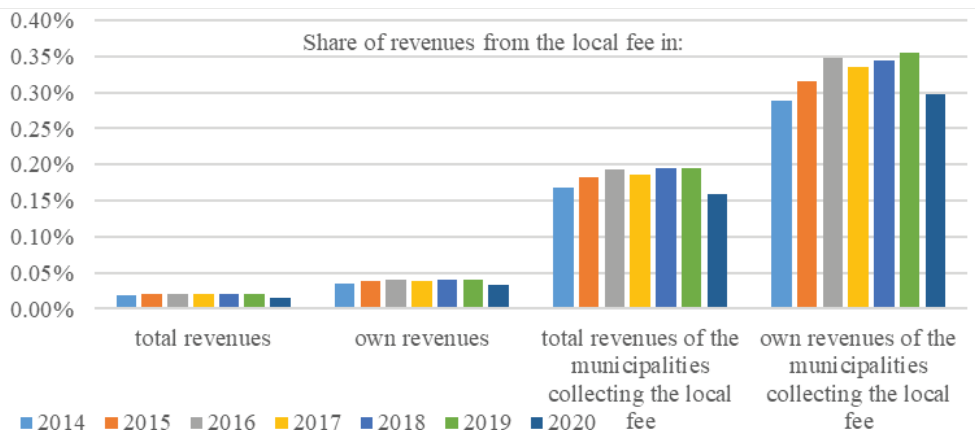
**Table 3.** The share of municipal revenues from the local fee in total revenues from this fee by voivodeship in 2014-2020 (%)

Voivodeship	2014	2015	2016	2017	2018	2019	2020
Dolnośląskie	10.2	11.0	10.6	11.5	12.5	12.0	12.8
Kujawsko-Pomorskie	1.1	1.1	1.1	1.0	0.9	1.1	0.8
Lubelskie	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Lubuskie	1.1	1.0	1.0	0.9	0.8	0.8	0.9
Łódzkie	0.2	0.2	0.3	0.4	0.4	0.4	0.4
Małopolskie	18.2	17.3	13.2	13.4	12.6	13.1	12.3
Mazowieckie	1.2	1.1	0.8	1.0	0.8	0.7	0.3
Opolskie	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Podkarpackie	1.0	1.1	1.7	1.8	1.7	1.8	2.6
Podlaskie	0.6	0.7	0.9	0.9	0.8	0.8	0.9
Pomorskie	21.5	22.4	23.7	23.0	23.5	23.9	24.2
Śląskie	4.3	4.3	4.3	4.4	4.5	4.7	4.1
Świętokrzyskie	0.1	0.1	0.0	0.2	0.2	0.2	0.0
Warmińsko-Mazurskie	6.3	6.0	6.5	5.8	6.6	6.3	7.6
Wielkopolskie	0.8	0.7	0.6	0.5	0.5	0.6	0.9
Zachodniopomorskie	32.8	32.4	34.4	34.5	33.4	33.0	31.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: authors' calculations based on (Ministry of Finance, 2015-2021).

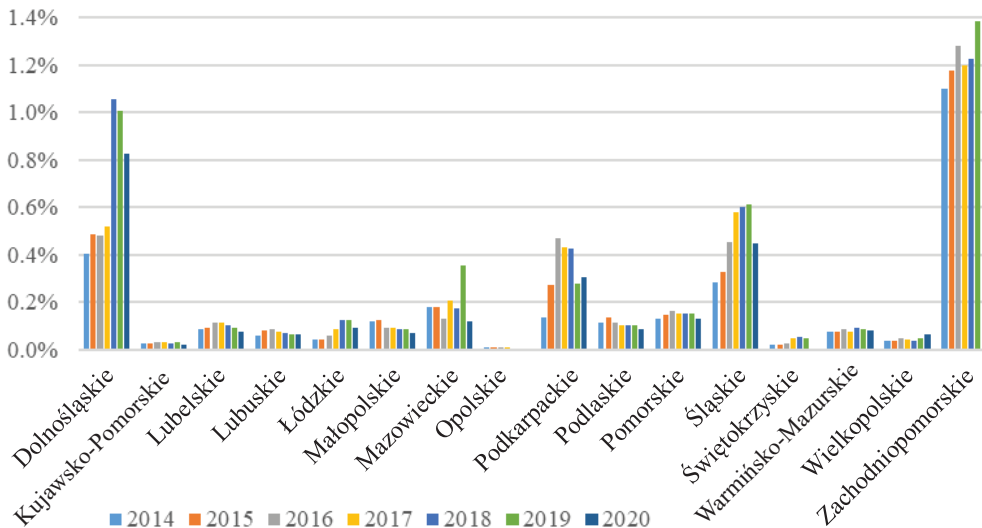
The importance of the revenues from the local fee can be analysed through the prism of its share in broader revenue categories, namely in total revenues and own revenues. The analysis of the aggregated data for the entire sector of municipalities indicates the marginal importance of the fee, with its share in total revenues below 0.02%, and in own revenues of less than 0.04% (Figure 2).

Taking into account in this analysis, only those municipalities which generate revenues from the local fee, its share in total revenues ranged from 0.16% to 0.19%, and in own revenues from 0.29% to 0.36%. During the analysed period a slight upward trend in these shares was noticeable, except for 2020, when for the reasons already indicated (the pandemic), they dropped to their lowest level. All these correlations, regardless of the tendencies they are subject to, prove the marginal importance of the local fee in the revenue structure of the municipal sector in Poland.



**Fig. 2.** Revenues from the local fee in the structure of municipal revenues in 2014-2020

Source: authors' compilation based on (Ministry of Finance, 2015-2021).



**Fig. 3.** The share of municipal revenues from the local fee in total municipal revenues by voivodeship in 2014-2020 (%)

Source: authors' compilation based on (Ministry of Finance, 2015-2021).

A similar conclusion can be drawn based on the analysis of the above correlations broken down into voivodeships. The share of the revenues from the local fee in the total revenues generated by the municipalities collecting this fee varies in voivodeships, but in their vast majority does not exceed 0.6% (Figure 3). The Zachodniopomorskie voivodeship is the only one to stand out with a share ranging between 1.04% (2020)

and 1.38% (2019) of total revenues, and the Dolnośląskie voivodeship in 2018-2020, with a share ranging from 0.8 to 1.1%.

The general conclusion regarding the marginal importance of the local fee in financing municipalities, which can be formulated based on the analysis of aggregated data for the entire sector, does not have to apply to all the examined units. Therefore, the question arises whether there are municipalities in which this fee is of higher importance. In order to answer this question, the share of revenues from the local fee in total revenues for each municipality which collects this fee was calculated and also the descriptive statistics calculated for this share were analysed (Table 4). Some of them (range, standard deviation, coefficient of variation) regarding the analysed correlation suggest an extensive diversification of the local fee's importance in municipal budgets.

The highest ratio of the local fee and total revenues, from 4.9% in 2014 up to 7.1% in 2019, was recorded in the Mielno municipality, which stands out in the analysed period. The fee was equally important in the Karpacz municipality, which was ranked first in this respect in 2015 with a share of 6.0% and in 2020 with a share of 6.7%. The next highest share of revenues from the local fee in total revenues in 2020 were achieved by the following municipalities: Szklarska Poręba (4.5%), Rewal (4.5%), Krynica Morska (3.0%) and Jastarnia (2.9%). In previous years these municipalities were also showed the greatest importance of the fee and, moreover – except for 2020 – in most cases showed an upward trend. Generally, in the entire analysed period, in approximately 20 municipalities (around 10% of the municipalities collecting the fee) the share of the discussed fee in total revenues exceeded 1%. The other extreme of this analysis were a few entities with a share of the local fee in total revenues of below 0.0003%.

**Table 4.** Descriptive statistics of the local fee share in total municipal revenues in 2014-2020 (%)

Specification	2014	2015	2016	2017	2018	2019	2020
Max.	4.907	6.019	6.667	6.781	6.978	7.120	6.684
Min.	0.0002	0.0002	0.0003	0.0003	0.0002	0.0003	0.00002
Quartile 1	0.011	0.013	0.015	0.019	0.017	0.020	0.015
Median	0.045	0.061	0.084	0.081	0.079	0.090	0.070
Quartile 3	0.160	0.175	0.215	0.183	0.178	0.209	0.207
Arithmetic mean	0.319	0.358	0.397	0.386	0.411	0.423	0.368
Standard deviation	0.792	0.896	0.952	0.938	1.011	1.029	0.926

Source: authors' calculations based on (Ministry of Finance, 2015-2021).

The value of the median share in individual years ranged from 0.045% in 2014 to 0.084% in 2016, the values of the first quartile ranged from 0.011-0.020%, and the third quartile from 0.160 to 0.209%. This means that taking the average value of the share for all municipalities at the level of 0.319-0.423%, the distribution of this correlation shows strong right asymmetry, i.e. in the majority of cases the indicator

value remains below the average value for the entire population. It is worth emphasising that the standard deviation of the share in each analysed year exceeds its arithmetic mean as much as several times, which confirms the extensive diversification of the examined feature (high coefficient of variation – over 240%).

The presented data prompt the question about the factors influencing the significant diversification, both in the amount of revenues from the collected fee and its share in the structure of municipal revenues. Taking into account the legal structure of the fee, and especially its subject, such factors primarily include tourist attractiveness motivating the fee's subjects (natural persons) not residing in the municipality, to stay in its area longer than 24 hours. As an indirect measure of tourist attractiveness offered by a municipality, the number of tourist accommodation facilities and the number of beds available in the municipality can be used. This is because tourist facilities are established where there is a demand for their services, primarily accommodation, i.e. in areas attractive in terms of tourism. In order to demonstrate this correlation and its strength, Pearson's linear correlation coefficients were calculated between the amount of revenues from the local fee collected by municipalities and the share of this fee in total revenues, as well as the number of accommodation facilities and the number of beds in the municipality.

**Table 5.** Pearson's linear correlation coefficients between the selected characteristics of the municipalities in 2014-2020

Correlation dependence between	2014	2015	2016	2017	2018	2019	2020
the amount of revenues from the local fee and the number of tourist accommodation facilities	0.91	0.88	0.81	0.80	0.79	0.80	0.83
the share of revenues from the local fee in total revenues and the number of tourist accommodation facilities	0.69	0.65	0.64	0.62	0.64	0.65	0.64
the amount of revenues from the local fee and the number of beds	0.88	0.86	0.72	0.70	0.69	0.70	0.74
the share of revenues from the local fee in total revenues and the number of beds	0.63	0.60	0.58	0.56	0.57	0.59	0.61

Source: authors' calculations based on (Ministry of Finance, 2015-2021), (Statistics Poland, Local Data Bank).

The correlation coefficients presented in Table 5 confirm the occurrence of a positive correlation between the adopted characteristics. The highest correlation in each of the analysed years was found between the number of accommodation facilities and the absolute value of revenues from the local fee. In this case, the calculated correlation coefficients ranged from 0.7 in 2018 to 0.91 in 2014 which, according to the standards usually adopted in statistical analyses, indicates a significant, close to strong correlation (Ostasiewicz, Rusnak, and Siedlecka, 1999, p. 276). A slightly smaller, but also significant correlation, occurs between the amount of revenues generated by the fee and the number of available beds. In the

case of examining the correlation between the share of revenues from the local fee in total revenues and the number of facilities and also the number of beds, a positive correlation was also found, but of moderate strength. The explanation for this lower degree of dependence is the low, and frequently even marginal, share of the local fee in the municipal total revenue structure, which means that this share is influenced much more by other sources of financing, which affect total revenues to a larger extent.

**Table 6.** Fiscal consequences of applying the power to impose levy instruments by municipalities regarding the local fee in 2014-2020

Specification	2014	2015	2016	2017	2018	2019	2020
Number of municipalities							
Reduced rate	9	8	6	5	7	8	8
Discounts and exemptions	0	0	0	0	0	0	0
Cancellation of arrears	0	1	0	0	0	0	0
Payment in instalments, postponing the deadline	0	0	0	2	1	1	0
Financial implications of applying the power to impose fees (thou. PLN)							
Reduced rate	202.06	213.64	226.39	225.31	258.39	325.75	355.90
Discounts and exemptions	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cancellation of arrears	0.00	0.06	0.00	0.00	0.00	0.00	0.00
Payment in instalments, postponing the deadline	0.00	0.00	0.00	13.40	5.95	2.89	0.00
Financial implications in relation to total municipal revenues from the local fee (%)							
Reduced rate	0.68	0.64	0.61	0.59	0.62	0.72	0.89
Discounts and exemptions	0	0	0	0	0	0	0
Cancellation of arrears	0	0.0002	0	0	0	0	0
Payment in instalments, postponing the deadline	0	0	0	0.04	0.01	0.01	0
Financial implications in relation to revenues from the local fee collected by municipalities applying the power to impose fees (%)							
Reduced rate	44.69	45.14	38.20	39.29	7.60	8.49	9.67
Discounts and exemptions	0	0	0	0	0	0	0
Cancellation of arrears	0	0.01	0	0	0	0	0
Payment in instalments, postponing the deadline	0	0	0	0.25	0.21	0.10	0

Source: authors' compilation and calculations based on (Ministry of Finance, 2015-2021).

Another confirmation of the correlation between the local fee and tourist activity is the fact that the voivodeships recording the highest indicators in terms of quantity and value for the municipalities charging the local fee were considered the most attractive for tourists in the ranking prepared by Statistics Poland in 2015 (see Łysoń, 2015, pp. 62-64). This study considered various variables of cultural, environmental and business-hospitality nature. On this basis, it can be concluded that using the local

fee in financing municipalities derives mainly from their tourist attractiveness and popularity. Therefore, the previously discussed compensatory function can be indicated as the main function of the local fee.

The local fee is characterised by the very small scale of using the power to influence its structure by the municipal authorities. In several cases, repeating annually, ranging from five to nine units in individual years, the municipal councils adopted rates lower than the maximum ones specified in the Act (Table 6).

The financial effects of these decisions, i.e. the reduction of revenues generated by the fee, amounted to PLN 202 thousand in 2014 and PLN 356 thousand in 2020. This constituted a fraction of one percent (0.59-0.89%) of the total revenues collected by municipalities from the local fee, so the importance of these decisions for financing the entire municipal sector was marginal.

From the perspective of financing only the municipalities reducing the rates, these decisions have already resulted in a significant reduction of revenues from this source, especially in the period 2014-2017. The financial effects of reducing the rates in the discussed period ranged from 38.2% of revenues from the fee in 2016 to 45.1% in 2015. In the following years this ratio dropped to below 10%, which was not caused by reducing the effects of lower rates, but by the group of municipalities lowering their rates in 2017 being joined by the Karpacz municipality, where the revenues from the fee are at one of the highest levels in the sector. This significantly increased the reference base and consequently resulted in a decrease of the discussed correlation.

Municipalities, apart from regulating the rates, in individual cases used the competences vested in the tax authority under the Tax Ordinance, which resulted in marginal effects both in absolute terms and in relation to revenues from the fee. In turn, during the analysed period, non-statutory entity-related exemptions adopted by the municipal council resolution were not applied. The conclusion is that the vast majority of municipalities approach the local fee mainly through the prism of the fiscal function and are not willing to apply any preferences in the fee for non-fiscal purposes.

## 5. Conclusion

The data presented in the article show that the local fee represents an optional source of own revenues, contributing to the municipal budget. Based on the analysis of its legal structure, it can be classified as the fee for using goods subject to special protection (natural environment, cultural heritage) for reasons of public interest. This is confirmed by the conditions that the locality has to meet in order to be entitled to charge a fee in its area. The protection of these goods, as well as allowing and improving their access and restoring infrastructure damaged as a result of high tourist traffic requires financial resources, which provides substantive grounds for charging such a fee.

The analysis of budget data shows that the fee is not of a universal nature, as it was used in 2020 as the source of revenues by 199 municipalities, i.e. approximately 8% of their total number. Additionally, in recent years a downward trend has been recorded in these values. The municipalities from the voivodeships featuring areas attractive to tourists and places for recreational visits (e.g. Warmińsko-Mazurskie, Zachodniopomorskie, and Pomorskie) were most active in this respect. The possibility of charging a fee is determined by certain climate, landscape and accommodation conditions which should be presented by the municipality. It seems, however, that with a fairly wide catalogue of these features, failing to meet these conditions does not explain low prevalence of the fee. As indicated by Budzeń and Kańduła in their study addressing rural municipalities, the significant reasons underlying the withdrawal of municipalities from collecting optional fees can be the revenue source ineffectiveness, too high enforcement costs, ineffective debt enforcement instruments, as well as no interest on the part of the municipal authorities in this source of revenue (no resolution of the decision-making body specifying the amount of the fee) (Budzeń and Kańduła, 2021, p. 214).

Providing the explanation for the occasional use of the local fee requires more in-depth research, however some conclusions in this matter can be drawn from the content of the report on the activities prepared by the Regional Accounting Chambers. It indicated that the municipal tax authorities who adopted the local fee experience difficulties in collecting it, because they have no legal possibility to enforce collection activities from the fee collectors. Many collectors, i.e. currently mainly tourist accommodation facilities, intentionally and consciously do not collect the local fee which is due to the municipality. The possible choice, made by the municipality, of the collectors not dependent on tourist facilities, with a large dispersion of those obliged to pay these fees, results in their collection being unprofitable. At the same time, the National Council of the Regional Accounting Chambers proposes to introduce a statutory obligation to charge fees by the entities providing accommodation services as payers of these fees and to keep records of the persons obliged to pay the fee. This is supposed to enable municipalities to enforce the obligation of collecting fees by these entities and contribute to the improvement of the whole collection system functioning (Krajowa Rada Regionalnych Izb Obrachunkowych, 2021, p. 147).

The analysis of revenues from the local fee and its share in broader municipal revenue categories indicates its marginal fiscal efficiency. In the scale of the entire sector, these revenues accounted for approximately 0.02% of total revenues and 0.04% of own revenues, whereas narrowing the analysis to the municipalities charging the fee alone, the respective correlations were 0.19% and 0.36%. Additionally, in this group of municipalities, an upward trend in the absolute (nominal and real) and also relative values can be observed, which means an increase in the fee's importance in their financing, despite the lower number of municipalities using this source. Moreover, the growth in revenues was several times higher than the increase in



the fee rates, which proves the development of tourism in municipalities. The exception was 2020, when due to the pandemic and the restrictions imposed by the government in the tourism industry, the amount of revenues from the fee and its share in the financing structure showed a significant decline. This confirms that the level of generated revenues is highly dependent on other economic phenomena that substantially influence its fiscal efficiency. This is in line with the flexibility principle of the local self-government financial resources postulated in the European Charter of Local Self-Government.

Tourist activity of natural persons is the main factor impacting on the amount of revenues from the studied fee. This results from the legal structure in terms of determining its subject and is confirmed by the demonstrated high correlation between the number of tourist accommodation facilities and beds available in the municipality, as well as the amount of revenues from the local fee and its share in total revenues. In the municipalities with high tourist traffic, the consequence of which are extensive accommodation facilities corresponding to this demand, the importance of the local fee in financing remains significant, reaching even 7% of total revenue. The occurrence of such cases is an argument justifying the inclusion of the local fee in the municipal financing system, which increases diversification in line with the principle provided by the European Charter of Local Self-Government.

Another important rule followed by the municipal financing system is the principle of independence and fiscal power, which also applies to fees (power to impose fees). The structure of the local fee implements this principle to an extent, providing municipalities with the power to set the fee rates, implement the subject-related exemptions, defer payment deadlines and cancel the arrears. However, the application of such instruments is marginal, as are their financial implications in the scale of all municipalities. Only in individual cases did the implementation of lower rates than the statutory ones significantly reduce revenues from the fee. This means that municipalities approach the fee primarily through the prism of its fiscal function.

To sum up, the local fee is, beyond any doubt, a desirable public levy performing important fiscal and non-fiscal functions and should be included in the catalogue of local self-government revenues. The examples of a few units indicate its significant revenue-generating potential. Its higher popularity and increased importance require legislative measures to change its legal structure, in accordance with the postulates put forward by the scientific community. This mainly refers to abandoning the conditions for charging a fee related to the specific attributes of the municipality and enabling all municipalities to collect the fee. In such circumstances the fee would take the form of a tourist tax popular in many countries, collected simply because the incoming visitors generate real costs related to municipal services provided in tourist destinations (waste management, street maintenance, etc.) (Swianiewicz and Łukomska, 2019, p. 3). Moreover, it is postulated to give up the requirement of specifying the purpose of stay, to clarify the subject of the fee and to increase the

rates along with a wider possibility of their diversification, and to tighten the fee collection system (Burzec, 2019, p. 21).

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## **ZNACZENIE DOCHODÓW Z OPŁATY MIEJSCOWEJ W FINANSOWANIU GMIN W POLSCE**

**Streszczenie:** Artykuł przedstawia konstrukcję prawną opłaty miejscowej, a także zawiera wieloaspektową statystyczną analizę ilościową i wartościową wykorzystania tej opłaty przez gminy w Polsce. Celem jest ukazanie i ocena znaczenia tej opłaty w finansowaniu gmin. Analizie poddano dochody wszystkich gmin w Polsce w latach 2014-2020. Wynika z niej, że opłata miejscowa generalnie nie jest powszechnym i znaczącym źródłem finansowania sektora gmin. Przykłady nielicznych jednostek wskazują jednak na jej duży potencjał dochodowy, który po wprowadzeniu odpowiednich zmian prawnych w konstrukcji opłaty powinien być wykorzystany w szerszym zakresie, jest ona bowiem pożądaną daniną publiczną, która może pełnić istotne fiskalne i pozafiskalne funkcje jej zawartości.

**Słowa kluczowe:** samorząd terytorialny, finanse lokalne, dochody publiczne, opłata publiczna, opłata miejscowa.