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Symptoms of Populism in the Polish Tax Policy

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Abstract

Theoretical background: In tax matters, the motives of populism can vary. Tax populism should be related to the concept of optimal tax policy, which is forged in a contractual agreement between the state and society. The optimal policy is at odds with demagogy practiced by populists and an overly complicated tax system. The tax policy uses tax parameters, so tax functions and principles can be used to assess it. The Polish tax system and the policy based on it are not consistent with the idea of social contract in relation to the taxes imposed.

Purpose of the article: Given the wide range of tax issues, tax populism has been chosen for further examination. The aim of the article is to assess Poland's tax policy in terms of tax populism and the essential tax principles that should be taken into account when shaping it: universality, justice, equality, efficiency, simplicity and transparency.

Research methods: To achieve the aim, the following research methods were used in the article: literature studies, critical examination of legal acts, analysis of reports, internet sources and data from the Central Statistical Office in Poland and the Eurostat. The adopted time perspective is 1990–2023.

Main findings: The analysis of Poland's tax policy, which considers the underlying tax principles, shows that in the period in question decisions were made in clear violation of these principles. A striking example of this was the introduction of new ones or changes made during the budget (tax) year. As a result, the principle of certainty was violated and a number of illusions were created by the state. They involved, for

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example, an alleged reduction of tax burdens: instead of reduced tax rates, new burdens appeared, and taxpayers with higher incomes took advantage of tax reductions, which contributed to the stratification of income. The tax policy fails to adequately address the relationship between tax changes and the state's spending needs. Severing the link between the income and spending side is particularly dangerous in the face of spending populism. This may lead to another tax illusion, i.e. financing expenditure on social transfers and others with debt, i.e. tax increases in the future.

Introduction

Tax is one of the oldest financial categories. Due to its functions and importance, both for the tax-imposing entity (the state) and the entities subject to it, tax issues are the subject of continuous, past and present, scientific discussions, theoretical disputes. In the practice (policy) of taxation one observes seemingly continuous (regardless of the country) period of the economic and social doctrine implemented. At the root of controversy in the sphere of taxation lies the contradictory nature of taxes themselves. The essence of the conflict lies in the violation of the property (income) interest of the taxpayer, for whom it may be irrelevant that the revenue earned by the state is used to finance public goods that taxpayers (citizens) benefit from. The state, as an active subject of the tax relationship, can be (and often is) identified with a monster that lurks in the taxpayer's income, thus limiting individual consumption, opportunities to accumulate savings, investments, etc. The prevalence of taxes prompts the formulation of opinions and recommendations in relation to the required tax policy. This fact makes it even more difficult to understand the nature of taxes, both in the economic and social sphere.[1] Moreover, this encourages the abuse of taxes by the state, the creation of tax illusions, tax avoidance, tax fraud, without taking into account in a reliable way the consequences of these actions. For this reason, tax populism is the object of further consideration and analysis here. The aim of the article is to assess the tax policy[2] in Poland from the point of view of tax populism. For this assessment, selected tax principles, representing the achievements of economic theory, public finance or, finally, tax theory, will be of great use. The realization of the aim of the article required the application of research methods such as review of the relevant literature, critical analysis of legal acts, analysis of reports, internet sources and statistical data. This approach made it possible to answer the research question: To what extent was tax policy in Poland inspired by populist ideas?

[1] The eminent scientist Albert Einstein stated that "the thing that is most difficult in the world to understand is the income tax" (*Przysłowia i powiedzenia*, 2022).

[2] As both in colloquial life and sometimes in relevant literature the terms "tax system" and "tax policy" are used quite freely, this work assumes that the tax system is the material and legal basis for the formation of tax policy – it is its tool. This approach is supported by the fact that within the framework of the tax system, various solutions may be provided (reliefs, exemptions, payment in instalments, remission of penalty interest, etc.), the application of which depends on the state.

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Tax policy as an element of state financial policy

The state's financial policy is pursued in two areas, monetary and fiscal. The fiscal policy includes a tax policy. The fiscal policy should be regarded as a conscious and rational action leading to the achievement of predetermined legal, economic and social objectives (Pomorski, 2020, p. 117). The literature emphasizes that the tax policy is the core of the fiscal policy and its the nature depends on the means it uses (Dziemianowicz et al., 2016, p. 32). Taxes are the main tool for raising revenue by the state, which means that they were introduced, first, for fiscal purposes and, second, for other non-fiscal purposes. It is easy to agree with the statement that "tax policy, although in itself a value and at the same time a criterion of public accountability, is thus part of a broader phenomenon" (Pomorski, 2020, p. 121). The advantage of a tax policy is that the elements of taxes within the tax system are constructed in such a way that they have a differential impact on different actors, and this is linked to the adopted concept of tax policy (Nizioł, 2007, pp. 11–13). This concept is not only derived from the adopted state model, but also results from factors of a political nature.

The assessment of the tax policy adopted by the state involves several aspects. Firstly, it should be emphasized that the tax system is the basis of tax policy. Moreover, despite the four groups of factors influencing the tax system (historical, administrative, economic, political), it is characterized by relative stability. On the contrary, tax policy is more variable and the decisions taken reflect the specific economic, social and political situation. Tax policy uses tax construction elements/tax parameters, so tax functions and principles can be used to evaluate it (Owsiak, 2016, pp. 18–19). In such an approach, Poland's tax policy will be analyzed by referring to the most important tax principles in its formation, i.e.: universality, equity, equality, efficiency, simplicity and transparency.

A significant feature of tax policy in recent decades is the declining trend in the ratio of public revenue to GDP. This applies not only to Poland, but to most countries in the world, and the sources of this can be traced to ideological and doctrinal reasons (market liberalism), as well as populism. The possibility of combining taxation with populism was recognized relatively long ago (Kristol, 2025).

In the European Union, in the first decades of the 21st century, the ratio of public revenue to GDP showed a declining trend from about 47% of GDP in the early years to about 45% of GDP in 2023 (EUROSTAT, n.d., *Government finance statistics*). The role of taxes and compulsory social security contributions in the creation of total government revenue is diminishing over time. If the ratio of tax revenue and social security contributions to GDP is taken as a measure of fiscalism, it was 36% of GDP in 2023 (with the EU-27 average at 40% of GDP). The countries with the highest level of fiscalism were France (45.6%), Belgium (44.8%), Austria (43.5%). The countries with the lowest level of fiscalism in the EU in 2023 were Ireland (22.7%), Romania (27.0%), and Malta (27.1%). Slovakia, Czechia and Hungary had similar levels of fiscalism to Poland. The tax reduction policy is to some extent

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related to public debt, which is influenced by many factors such as the phase of the business cycle, inflation, interest rates, exchange rates, but tax reduction with pressure on spending is also of importance. In the case of Poland, a correlation can be seen between the tax reduction policy and the upward trend of the public debt-to-GDP ratio. While in 2000, after the reduction of Poland's foreign debt, the ratio fell to its lowest post-transformation level (1990), i.e. 36.6% of GDP, in subsequent years the ratio steadily increased and in 2010 it already reached 53.7% of GDP. It is highlighted that this indicator was preceded by reductions in PIT and CIT rates. The public debt-to-GDP ratio reached its highest value (56.6% of GDP) in 2020, which can be linked to the effects of the COVID-19 pandemic. In subsequent years, the ratio fluctuated around 50% of GDP (EUROSTAT, n.d., *General government gross debt*). The debt level of a country should not be approached in absolute terms, as many countries around the world have much higher debt levels and the economy is achieving positive results. However, the experience of many countries shows that excessive debt growth exposes public finances and indeed society to dangerous consequences. Examples are not only Greece, Italy, Portugal, or non-EU countries such as Argentina. In the context under consideration, the point is to highlight the fact that sometimes hasty decisions to reduce taxes, whether for ideological reasons or because of ad hoc political interests, can result in the need to borrow (financing expenditure with debt), which is fraught with risk (e.g. difficulties in obtaining loans) and always entails costs. Furthermore, such a situation is an example of fiscal illusion, as it results in taxes being passed on to future periods (generations).

The problem of tax principles: An economic approach

Tax principles are not only theoretical guidelines, but they also have a practical relevance for modern states. The function of tax principles essentially characterize a rational tax system. It is worth noting, however, that with the development of economic thought, attempts were made to determine the significance of taxes in the economy, taking into account various aspects. Smith (2007) formulated four cardinal principles of taxation, derived from liberal views: (1) the principle of equality, (2) the principle of certainty, (3) the principle of convenience, and (4) the principle of cheapness. At the same time, treating taxes as a necessary evil, he limited himself to recognizing proportional taxation of income (pp. 500–501).

Another economist, Adolph Wagner, formulated a new view of taxes in relation to the role of the state in the economy. He believed that taxes should act as a corrective and intervening element in the economic system as well as in the distribution of national income (Dolata, 1999, p. 35). The idea of taxation is not only to fulfil fiscal objectives, but taxes can also serve non-fiscal (social) objectives. He distinguished four groups of tax principles based on the four classical principles formulated by Adam Smith: (1) fiscal (efficiency, flexibility, constancy), (2) economic (inviolability

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of the taxpayer's wealth), (3) equity (universality, revenue capacity, equality), and (4) technical (certainty, convenience, cheapness). From the point of view of the issues addressed in the article, it seems important to understand the principle of tax efficiency both as a source of budget revenue and as a guidance for public authorities that taxes which generate little revenue and whose implementation may entail significant costs and political risks should not be introduced. Also, respect for the principle of permanence is important. Instability of the law (changes in the tax system or the introduction of new taxes) hinders decision-making for the state, other beneficiaries of the tax system (local authorities) and for taxpayers themselves (Owsiak, 2017, pp. 247–249).

A review of the relevant literature leads to the conclusion that among the most frequently mentioned principles is the one of justice, which is treated differently. It is interdisciplinary, combining not only economic but also legal, philosophical, ethical and political aspects. A distinction is made between horizontal justice, according to which the tax burden should be imposed identically on entities in the same situation (having the same ability to pay). Consequently, the second type of justice is the principle of vertical justice, which consists in treating differently, in terms of tax burdens, subjects who are in different situations (having a different ability to pay). In the case of personal income tax, the issue will be the choice of tax rate, be it progressive or flat. And this is related to the issue of social solidarity and the consequent reduction of income inequality.

Despite the fact that the idea of fair taxation has been one of the most important points in the taxation debate among scholars, lawyers, politicians and taxpayers, as Szołno-Koguc (2016) notes: "no way has been found to resolve the age-old dilemma between the authorities expecting high tax revenues and taxpayers wishing to avoid paying taxes" (p. 166). Moreover, there are many dilemmas, starting with the very difficulty of defining the concept of tax justice, which is linked to the concept of social justice, as well as to approaches to tax discrimination or concepts of equality (Kosek-Wojnar, 2012, pp. 84–102).

In conclusion, the search for the ideal set of tax principles is not an easy task. From the catalogue of principles that should underlie the modern tax system, the choice is always debatable. Certainly, the tax system should be structured in such a way that taxes are paid by all citizens/taxpayers and economic agents (universality/universality principle). And furthermore, the tax system should be simple and transparent.

The problem of tax principles: A legal perspective

Tax is a complex category, economically, socially, legally, etc. Its use for economic and fiscal purposes, i.e. as a tool for collecting the revenue needed by the state and allocating it, requires a legal framework. This is why tax, or more broadly the tax system, is of interest to the legal sciences. Legal scholarship also formulates various

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principles, the sense of which is important for the practical handling of taxation, i.e. safeguarding the interests of both the taxpayer and the state in the process of levying and collecting taxes. These are expressed in the general principles of tax law, the principles of tax law formation, the general principles of tax procedure (Brzezinski, 2015, p. 4). Without entering into a discussion of the various approaches to tax principles encountered in the literature from the point of view of legal sciences, for further considerations it is necessary to mention the commonly accepted principles of tax law: statutory regulation of taxes, legalism, equality (non-discrimination), trust, speedy processing of tax issues, respect for established interpretative practice by the tax administration, non-retroactivity, respect for international and EU law, pragmatism, proportionality, application of repealed provisions to events that took place when they were in force, resolution of doubts in favor of the taxpayer, judicial protection of the taxpayer's rights, limited application of analogy, application of previous provisions to conduct cases initiated when they were in force, permanence of taxpayer's rights to benefit from tax exemptions and reliefs (Brzeziński, 2015, pp. 9–15).

It is also worth mentioning that in the process of creating tax law in Poland, which was initiated during the period of political transformation in the 1990s, a special role was played by the case law of the Constitutional Tribunal, especially in the period when tax issues were not yet constitutionally regulated. Currently, the cardinal tax principles resulting from the 1997 Polish Constitution are the principle of legalism and the rule of law. Other principles include that of a democratic state ruled by law, exclusivity of the act in shaping tax obligations, prohibition of retroactivity of tax law (the law should regulate future, not past situations), trust in the state and the tax law it establishes (openness, clarity and certainty of tax law, protection of rights not defectively acquired), fairness of taxation, the annual basis of taxation, proportionality (public good vs. individual good), and prohibition of changing tax law in the manner provided for the budget act (Gomułowicz & Mączyński, 2022, pp. 115–151).

Tax populism vs. optimal tax policy

The concept of populism is ambiguous and can be interpreted differently in relation to different areas of social and economic life. In the broadest sense, populism is "supporting or promoting ideas, intentions, mainly political and economic, consistent with the expectations of the majority of society in order to gain its support and gain influence or power" (Wydawnictwo PWN, n.d.).

There is extensive literature on populism pointing to various causes, types and manifestations of populism in the world (Rydgren, 2006; Laclau, 2009; Wysocka, 2010; Acemoglu et al, 2011; Gidron & Bonikowski, 2013). Fritsche and Jugert (2017) draw attention to the psychological aspects of populism.

Our further considerations will focus on the economic sources and effects of populism, especially tax populism. Interesting considerations on the relationship

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between the negative economic situation and populism (focusing on economic distress as one of the basic triggers of populism) were presented by Manunta et al. (2022). However, as Reykowski (2022) notes, when it comes to the relationship between the economic situation and populism, it is not about the threat of a lack of basic economic goods for life, but about dissatisfaction with the position of one's social group in comparison to other groups, which causes opposition and anger (p. 10). Other studies determine how the income level of citizens (voters) influences voting. Low-income citizens support right-wing populists who oppose spending on global public goods (refugee support, foreign aid, environmental protection). This is due to the greater need for basic public services among this group of citizens (Persson & Aggeborn, 2017).

The negative effects of tax populism were pointed out by Johnston (2024). In turn, the threat of tax populism in complex tax systems (federal states) was pointed out by Narotzki and Shanan (2024) and Harrison (2015).

In tax matters, the motives and effects of populism may be different. In considering tax populism, it will be useful to contrast it with the concept of optimal tax policy. Although optimal tax policy is a theoretical, idealistic construct, it is possible to indicate certain features that favor it. The features of optimal tax policy undoubtedly include the fact that it is shaped as a result of an agreement between the state and society (more precisely, in a democratic system, with the majority of society). The essence of this agreement is that citizens (taxpayers) accept the level and structure of taxes proposed by the state, and the scope and types of public and social goods provided free of charge to citizens. Given the relatively homogeneous nature of the state (as an entity that exercises power) and the atomization of society (taxpayers), the only chance to conclude such an agreement, in a democratic system, are parliamentary and/or local government elections, provided that the latter have tax authority. The implementation of the idea of optimal tax policy is facilitated by the high development of civil society, as well as a high level of economic education of citizens. On the other hand, the optimal policy is not facilitated by demagogy practiced by populists and an overly complicated tax system. The condition of success, i.e. moving towards the optimal tax policy, is respecting the terms of the agreement between the state and taxpayers. These conditions include settling tax liabilities and providing society with public and social goods in the expected amount and of high quality. In addition, no changes in the tax policy (system) may take place when the agreement is in force. This is important because the amount of taxes paid, and consequently the amount of public (budget) revenues, depends on the phase of the economic cycle according to which the market economy operates. A violation of the social agreement between the state and taxpayers may be fiscal illusions consisting in the introduction of quasi-taxes and/or financing expenditures with loans, which means an increase in tax burdens in the future.

Due to the complexity of the matter, approaching the model of optimal tax policy requires a longer time perspective and is most often done by trial and error. An

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important guideline (criterion) in assessing the distance between the tax policy conducted in a given period and the optimal tax policy is the balance in public finances (state budget) and changes in public debt. It can be assumed that the balance in public finances maintained over a longer period and small changes (fluctuations) in the level of public debt, as a result of the economic cycle, means a clear move towards optimal tax policy. Such a state of public finances can be interpreted as society's acceptance of tax burdens while accepting free public and social goods. A good example is the Swedish tax policy in recent decades (Warsaw Enterprise Institute, 2020).

A populist tax policy can have strong doctrinal roots. It is characterised by, among others: a) a small budget, b) the reduced role of direct taxes, c) exclusion of progression in income taxes, d) elimination of tax reliefs and exemptions. This doctrine assumes that the market mechanism is the best way to allocate and use resources, including labor resources and paying for them. A characteristic feature of doctrinally motivated populism is the constant pursuit of lower taxes. If these postulates were to be realized, tax as a source of state revenue should disappear. The fact that this determination was not implemented confirms the dogmatic and doctrinal approach to taxes. The formation of power using tax populism slogans in its programs faces resistance from social and political circles. Its effects leading to increased income inequality deserve special attention. Socially catchy slogans about reducing taxes are usually associated with either eliminating progressive tax rates (flat tax) or radically flattening progressive rates. As a result, the greatest beneficiaries of such changes are people with the highest incomes, which deepens income inequality. Thomas Piketty[3] draws attention to a certain "fashion" in this area, which emerged in the United States led by Ronald Reagan. Many countries followed the suit – dangerously because returning to the initial rates (before the changes) is difficult for political reasons (risk of social unrest). For example, in the U.S. case the marginal rate in the federal income tax has been 37% for a long time (*Gdzie są najniższe podatki*, n.d.).

Poland is far from the social contract in tax matters

The Polish tax system and the policy based on it after the collapse of the political and economic system in 1989 are far from the idea of a social contract in relation to the taxes imposed. This situation can be partially justified be the fact that building democratic institutions, including civil society, are longer-term. The devastation of economic and social awareness in the area of taxes, which the socialist economic system caused over 45 years, was shocking. Apart from marginally applied taxes on private entrepreneurship, this system excluded the use of taxes in economic and social functions known from the market (capitalist) economy. Taxes in the sense of

[3] The marginal income tax rate was 70% in the late 1970s, while during the Reagan administration it fell to 28% in 1986, but in the following years it began to rise to 39% in 1993 (Piketty, 2015, pp. 148–149).

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the market (capitalist) economy did not exist in this system. The conflict-generating nature of taxation was revealed in Poland in the first years of transformation, when, on account of the slowly occurring ownership transformations (privatization), the problem of wage control in state-owned enterprises arose, which were simultaneously granted the status of independent economic entities. Excessively high wage payments in state-owned enterprises were regulated by a special tax (so-called popiwek), which, however, brought poor results and, at the same time, caused protests and strikes ("Koniec z popiwkiem," 1993). Radical changes in the tax system took place in our country in the years 1992–1993, when personal income tax (PIT), corporate income tax (CIT) and value added tax (VAT) were introduced. It is also worth emphasizing that an important premise of the tax system adopted in Poland was the prospect of our country's accession to the European Union (EU), in a form similar to the tax system preferred by the EU. The tax system was imposed on society, which was easy due to the already mentioned low tax awareness of society. The framework of this work excludes a detailed analysis of tax policy over a relatively long period. Therefore, it was limited to capturing the important features in the evolution of tax policy, especially those that influenced the tax awareness of society. The features of the tax policy in the initial period include: (a) the progressive tax scale of PIT, (b) the linear rate of CIT, (c) an extensive system of income tax reliefs. Poland did not follow some countries that transformed their socio-economic systems[4] (the Baltic States, the Czech Republic, Slovakia, Hungary, Romania) and initially introduced a flat PIT rate (Matyszewska, 2012; *W jakich krajach*, 2018). Our tax policy in this respect was closer to countries with many years of experience in applying progressive income taxes with significant tax reliefs and exemptions. Both tax progression and an extensive system of reliefs, regardless of the economic effects, contributed to the growth of tax awareness in society and understanding the essence of taxation in the new systemic conditions. Two facts were of great importance for further growth of this awareness. The first was the enactment of the Personal Income Tax Act, which provided for the possibility of reducing the tax base through a donation made for specific purposes between natural persons and, among others, for religious worship (Personal Income Tax Act, Article 26). Due to signals reaching the tax administration that this provision may facilitate abuse, the Ministry of Finance appealed to the public (taxpayers) to limit such practices – with questionable results. It is worth emphasizing, however, that the state did not make any changes to the tax act during the tax year, accepting the negative effects of imprecise tax regulations on the state budget. Another impulse to increase tax awareness was provided by attempts to limit tax reliefs for housing expenses. Given the deteriorating state of public finances (the budget) as a result of the

[4] Among the 27 EU member states, the Baltic countries, the Czech Republic, Slovakia, Hungary, and Romania introduced a flat tax. It is worth noting that its introduction resulted in a shortage of state budget revenue. In some countries, e.g. Slovakia and Hungary, additional social and health insurance contributions were introduced.

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introduction of excessively generous reliefs for a period of five years, the authorities came up with the idea of changing the rules of use after two years (Sienkiewicz, 2025). If this were to happen, it would mean a violation of acquired rights, i.e. a breach not only of several tax principles, but also of the constitutional provision that Poland is guided by the principle of a democratic state of law. The dispute between the state and taxpayers will be unequivocally resolved by the Constitutional Tribunal (Judgment of the Constitutional Tribunal of 25 November 1997).

The examples of the state's use of taxes presented here may indicate that the tax awareness of society has been growing. The growth of this awareness was facilitated by the recent outrageous practices related to the introduction of the so-called Polish Deal in 2022, in which two systems of taxing the personal income of individuals and economic operators were designed. This solution is treated in the relevant literature as an example of populism (Radzikowski, 2022, pp. 334–350). It is worth noting that society draws a considerable knowledge of economy from online social media, in which all flaws of the tax policy and law-making are judged. All this leads us to hypothesize that in our country there are already favorable conditions for shaping a tax policy in the form of a social contract. This agreement should highlight both the premises for the taxes imposed, as well as the benefits gained by society, civic groups, etc. This is so important that, unfortunately, the authorities' representatives do not highlight the motives of tax policy, i.e. the effects of expenditure on society, too weakly, which favors demagogy practiced by extreme opponents of taxes in general.

Symptoms of tax populism in Poland

The first unsuccessful attempt at tax populism occurred in 1999 with the introduction of a flat tax on personal income at a rate of 19% (Owsiak, 2016, p. 22). These intentions, informed by doctrinal (ideological) premises, went much further than the described example of federal income tax in the U.S., where although tax progression was radically reduced, this progression was maintained (currently the marginal rate in this tax is 37%). It must be added that this happens in a country epitomizing a liberal economy, preferring the idea of a small budget. In the case of Poland, it must be pointed out that the act on flat PIT, which undoubtedly constituted a revolution, went through the entire legislative process and "waited" for the President's signature. However, the government requested him not to sign this act due to its excessively negative effects on public finances, which were then in crisis due to the pension reform (OFE). This is a characteristic feature of tax policy during the transformation period, i.e. determination to reduce taxes for doctrinal reasons, without a proper assessment of the effects of these moves. The best proof of this is that the concept of a flat tax PIT returned in 2005, only in a broader context, i.e. in the 3×15% tax program. In this concept, pushed by the Civic Platform, the rates were to be as follows: 15% for PIT, 15% for CIT, and 15% for VAT. However, this idea fell

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through due to the resistance of the potential coalition partner, i.e. Law and Justice ("Koniec z popiwkiem," 1993). Taxpayers waited until 2009 for further changes in PIT, when although a flat tax was not introduced, the progression was flattened (Act of 16 November 2006). However, similarly to the changes proposed in 2000 and 2005, in this case too the effects of the reduction in PIT rates were underestimated, which forced the state to raise the basic VAT rate in 2011 from 22% to 23% (Act of 26 November 2010), in accordance with the government's announcements for several years, but this rate has remained unchanged despite the changing formations in power. It is a classic example of creating a tax (fiscal) illusion, which is dangerous because it leads to a hidden redistribution of income through an increase in indirect taxation and, as a consequence, an increase in income inequality in society. By the way, the abuse of indirect taxes in tax policy, characteristic of Poland, is also a symptom of fiscal (tax) illusions. In this respect, Poland differs from countries with historically shaped tax systems, which use income and property taxes to a greater extent.

In the years 2015–2023, the government in Poland included in its economic and political programs the reduction of income taxes (PIT, CIT), which actually took place. It should be emphasized that the change in PIT was effected on August 1, 2019, i.e. just before the parliamentary elections. It consisted in exempting people up to 26 years of age from income earned on the basis of an employment contract or a contract for services (Act of 9 August 2019). There is no doubt that this is a blatant example of both using the tax for political purposes and violating a number of classic tax rules. Introducing the tax during the tax (fiscal) year is contrary to the principle of certainty, fair distribution of the tax burden, simplicity (tax settlement was complicated). The tax is undoubtedly a tool of the state's financial policy, but when used in this way, one can speak of the politicization of the tax, because its fiscal effects are disproportionate (low) in relation to the expected political goals. A similar move was the reduction of the basic PIT rate from 18% to 17%, from October 1, 2019[5] – two weeks before the parliamentary elections. The policy of lowering taxes was also practiced before the next elections scheduled for autumn 2023. A further significant reduction of the basic PIT rate to 12% took place on January 1, 2022, while at the same time raising the tax-free amount to PLN 30,000 and extending the tax bracket to PLN 120,000. However, this reduction deprived taxpayers of the right to deduct health insurance contributions from the tax base, which is also an example of fiscal illusion.

The changes in tax policy anticipated and partially implemented in 2022 in connection with the so-called Polish Deal and Low Taxes were a violation of almost all tax rules. These changes caused so much chaos, including a double system of income taxation, that the treasury apparatus had difficulties interpreting the regulations. A detailed description of the changes that were introduced in 2022 is beyond the scope of this publication. The state's tax measures proposed at the time were met

[5] Parliamentary elections were held on October 13, 2019.

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with widespread criticism. Also, understandably, by the Ministry of Finance, which, after taking power in 2023, also calculated negative consequences for the state budget consisting in a decrease in revenue in 2022 by PLN 32.6 billion compared to the previous year (Ministerstwo Finansów, 2024, pp. 51–51).

Empirical data also show that, contrary to the opinion promoted by the then ruling camp, fiscal burdens grew in 2015–2016, except that they were not called taxes. The Report on the State of Public Finances for this period shows that in 2016–2023, 22 new levies, fees and other charges were introduced, which, in accordance with the ESA methodology, are economically defined as taxes (Ministerstwo Finansów, 2024, p. 53). As a result, the burden on households, mainly in electricity bills, increased systematically from about PLN 5 billion in 2016 to about PLN 26 billion in 2022 (pp. 57–59).

While the violation of the principle of tax certainty in the case of taxpayers who benefit from the changes introduced during the tax year, the violation of the principle of certainty in the Polish public finance system has had negative consequences for local government units. This system is constructed in such a way that these authorities have shares in income taxes (PIT, CIT). Any changes to income taxes made by central authorities through laws, especially during the budget year, destabilize local government finances, which were forced to take out loans (credits) to implement statutory tasks for the benefit of residents (Ministerstwo Finansów, 2024, pp. 57–59). This is therefore another effect of tax populism.

Unfortunately, practicing tax populism does not rule out spending populism. The essence of the latter is to allocate expenditures in such a way as to gain as many votes as possible. An example of this is the government program "Family 500+" for all children introduced on April 1, 2016. This program was supposed to contribute to increasing the birth rate of families (Table 1), which, however, did not bring the expected results (Ministerstwo Finansów, 2024, p. 45; Bień, 2022, pp. 1–4). Even if we accept this goal, which deserves support, its implementation was met with criticism, among other things, because it was (is) poorly addressed. Transfers were directed to all families regardless of their income and property status. It cannot be ruled out that this was one of the reasons for the failure of this program, because if there had been higher transfers to less affluent families, the expected effects could have been achieved in some measure.

Table 1. Natural increase in Poland in the years 2015–2023

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Natural increase (in thousands)	−25.6	−5.8	−0.9	−26.0	−34.8	−122.0	−188.0	−143.3	−136.6
Natural increase per 1000 population	−0.7	−0.2	−0.0	−0.7	−0.9	−3.2	−4.9	−3.8	−3.6

Source: Statistics Poland (n.d.).

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This program turned out to be a burden on public finances in its unchanged form (Table 2), i.e. it is still addressed to all children, except that the amount of the benefit was increased to PLN 800 after the 2023 elections (Act of 7 July 2023).

Table 2. Benefits under the "Family 500+" program in the years 2015–2023, PLN (in billions)

Year	2016*	2017	2018	2019	2020	2021	2022	2023
Amount	17.3	23.5	22.2	3.5	40.0	39.9	41.9	41.6

* As at April 1, 2016.

Source: Statistics Poland (n.d.).

The "Family 500+" program, or currently "Family 800+", can be somewhat effective in reducing poverty, although the assessments of these results are different (Ministerstwo Rodziny i Polityki Społecznej, 2021; Centrum Badania Opinii Społecznej, 2021). The policy of social transfers may also come under criticism because it is not an economic incentive. An alternative to the family social policy based on transfers could be income tax reliefs applied more broadly than currently. The relief is based on the income earned, whereas in the case of transfers demanding attitudes may emerge that are economically unfounded. However, leaving aside the arguments for and against transfers or reliefs, it must be said that this is one of the dilemmas encountered in tax (financial) policy.

Conclusions

The considerations presented do not warrant the conclusion that the state should not use taxes in its social and economic policy. Such a conclusion should be described as not only utopian, but also harmful. However, in conducting its tax policy, the state should take into account the state of theory, which is a generalization of centuries of experience in the use of taxes by the state. The analysis of tax policy in Poland, taking into account tax principles, showed that in the observed period some decisions were made in clear violation of these principles. A glaring example of this was the introduction of new ones or making changes during the budget (tax) year. Such practices should be viewed critically, even when these changes were beneficial to taxpayers. As a result, the principle of certainty was violated, which undermined the taxpayers' trust in the state. Such an example was the introduction of a tax on certain financial institutions during the financial year (Act of 15 January 2016) and an unsuccessful attempt to introduce a tax on large-scale retail outlets from 1 September 2016 (Kidacka, 2020). In its tax policy, the state created a number of illusions. They consisted in the alleged reduction of tax burdens, because instead of reduced tax rates, new burdens appeared, and taxpayers with higher incomes benefited from

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the tax reductions, which contributed to the increase in income stratification – the Gini coefficient in 2016 was 29.8, 26.3 in 2022, 27 in 2023, and 30 in 2024 (Statistics Poland, n.d.). The tax policy is characterized by a high share of indirect taxes (VAT, excise duty), which generate about 70% of revenue to the state budget, "at the expense" of direct (income) taxes. Such an approach makes the concept of tax policy based on a social contract less viable, because the perception of indirect taxes is much weaker than that of direct taxes. The abuse of indirect taxes limits the use of various reliefs and incentives for taxpayers, the existence of which promotes better tax tolerance within society, since the state creates opportunities to use part of the income earned for important purposes (housing, health, education). Tax-wise, Poland clearly lags behind many countries (e.g. the Netherlands) that have historically developed, proven and tested tax systems. The approach to tax reliefs (preferences) is dominated by the doctrinal approach characteristic of liberal economic thought, i.e. taxes as low, simple as possible, etc. The tax policy does not take into account the relationship between changes in taxes and the state's spending needs, which results in hidden new levies, as was the case with the reduction of personal income tax rates (an increase in various fees, deprivation of the possibility of deducting health insurance contributions from the tax base). Severing the bond between the income side and the spending side is especially dangerous in the face of spending populism. The consequence of this may be another tax illusion, or financing social transfers and other expenses with debt, i.e. an increase in taxes in the future. The abuse of taxes to achieve immediate political goals was blatant (elections, propaganda of the success of the so-called Polish Deal, promises of social transfers). Taxes then cease to be a tool of rational tax policy and become a symptom of the politicization of taxes – they encourage fiscal illusions.

The topic of tax policy in Poland and the attempt to assess it from the point of view of tax populism, as discussed in this article, does not exhaust the issue and requires further study. Tax principles were taken as a reference point in this article. Nevertheless, further research should highlight social expectations and propose measures for assessing populism.

If we assume that "populism consists in dividing society – pitting different groups against each other" (Kowanda, 2024), then we can assume that some taxpayers were satisfied with the solutions adopted (beneficiaries whose taxes were reduced). Tax populism has both short- and long-term effects on the functioning of the state (public finances). In the first case, it leads to election victories and benefits for certain social groups, and in the second, to an increase in public debt and the burden of its repayment being shifted to future generations.

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