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Structure and fiscal efficiency of excise duty
based on the example of taxation of tobacco products.

Abstract of the doctoral dissertation written under the scientific guidance
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Excise duty is distinguished by a rich history in the Polish tax system. Public authorities, aware of its fiscal value, have used the centuries-old experience in the field of consumption taxation to satisfy the demand for funds necessary for the implementation of public services. Currently, excise duty entirely supports the state budget, and constitutes an important source of the budget revenue. The growing state's expenditure lead to searching for an answer to the question about the determinants of the fiscal efficiency of excise duty and the methods to enhance it so that excise duty collection provides regular and high budget revenue.

This dissertation is an attempt to improve knowledge about the fiscal efficiency of excise duty based on the example of taxation of tobacco products. The main goal of the paper is to identify the relations between the structure and fiscal efficiency of excise duty based on the example of taxation of tobacco products.

The main goal includes achieving the following partial objectives:

- review of the scientific output concerning the notion and determinants of fiscal efficiency of the tax,
- determination of fiscal efficiency measures of the tax,
- verification of the specific nature and functions of excise duty from the perspective of its fiscal efficiency,
- analysis of the evolution of public levies in the form of excise duty,
- identification of the reasons, scope and course of harmonisation of excise duty in the European Union, with particular focus on tobacco products,
- evaluation of structural components of excise duty on tobacco products and their changes determining the fiscal efficiency of this tax,
- determination of tax gap with reference to excise duty on tobacco products,
- indication of the directions for changes in the imposition of excise duty on tobacco products affecting its fiscal efficiency.

Achieving such objectives is intended to verify the following research hypotheses:

1. The specific nature of excise duty and implemented non-fiscal objectives affect its fiscal efficiency.
2. Harmonisation of legal regulations in the field of excise duty on tobacco products fosters the fiscal efficiency of this tax.
3. The structure of excise duty on tobacco products is the essential determinant of its fiscal efficiency.

The content of the dissertation, divided into four chapters, has been organised in line with its hypotheses and goals.

The first chapter discusses problems concerning the theoretical aspects of fiscal efficiency of the tax. In the introduction, tax was presented as the fundamental instrument for collecting public revenue. This was followed by defining the notion of tax fiscal efficiency in the context of scientific output. In line with the adopted definition, an original classification system of the types of tax fiscal efficiency in three areas of its identification was proposed. Moreover, the measures for analysing and assessing fiscal efficiency of the tax were indicated. This context was set to identify the determinants of tax fiscal efficiency, offering their original division within three groups, namely economic, legal and behavioural determinants, with presentation of the relations between them. In the final part of the chapter, the significance of tax structure for the implementation of fiscal function was discussed.

The second chapter contains the theoretical considerations on excise duty as a fiscally efficient public levy. This chapter presents the origin and development of excise duties and provides a comparative analysis between excise duty and with other forms of selective taxation of consumption applied in Poland from a historical perspective. The specific nature of excise duty was presented by putting it in different tax classifications, and the advantages and disadvantages of particular solutions were indicated in the context of fiscal efficiency of this tax. Moreover, non-fiscal functions of excise duty were introduced, and their impact on the fiscal efficiency of the analysed tax was determined.

The third chapter is of investigative nature and concerns the structure of excise duty on tobacco products in 2004-2019. The starting point is the reasons, scope and course of the harmonisation of tax law in the European Union as the main premise for changes in the structure of excise duty on tobacco products. A comparative analysis of domestic regulations and EU requirements was carried out with reference to specific elements of tax technique: objective and subjective scope, taking into consideration the tax exemptions applied

in these areas, as well as tax base and tax rates. The significant changes in the structure of excise duty on tobacco products affecting the fiscal efficiency of this tax in the analysed period were assessed. Moreover, the rules for trading tobacco products with reference to excise duty and other legal regulations were taken into account, as well as the rules for collecting this tax under EU and domestic tax law regulations.

The results of the conducted empirical research were included in the fourth chapter of the paper. This chapter contains an analysis and assessment of the fiscal efficiency of excise duty on tobacco products in connection with the structural elements of this tax. For this purpose, selected measures presented in the first chapter were used. In the first place, the fiscal significance of excise duty in the state budget revenue was determined, with particular focus on taxation of tobacco products. This was followed by the analysis of fiscal efficiency of excise duty on tobacco products understood as the ability to collect budget revenue, in particular applying measures concerning the volume, structure and dynamics of tax revenue. On the other hand, the approach in which tax fiscal efficiency is regarded as the ability to cover public expenditures induced us to use the tax fiscal efficiency measures for which public expenditures incurred under the state budget (total and for health protection) are the reference basis. The assessment of the fiscal efficiency of excise duty on tobacco products also included a comparison with the planned fiscal efficiency of this tax. Moreover, an attempt was made to estimate the tax gap and potential fiscal efficiency of excise duty on tobacco products based on the data on tax arrears and volume of illegal cigarette consumption in Poland. Finally, the proposed directions for changes in the structure of excise duty on tobacco products affecting its fiscal efficiency were formulated.

Achieving the goals of the paper and verifying the hypotheses included therein required applying the proper research methods. The paper uses critical and postulative analysis of domestic and foreign literature on the subject, analysis of domestic and EU normative acts, quantitative analysis, cause-and-effect analysis and comparative analysis of source data (original and processed), as well as the descriptive and statistical analysis of the structure and dynamics of phenomena. The dissertation, depending on the stage of considerations, applies inference based on the deductive and inductive methods.

In quantitative analyses, data from the Ministry of Finance were particularly used, including unpublished data from the Excise Duty Department, Tax Collection Department and Department for Combating Economic Crime, as well as unpublished data from the Fiscal Administration Chamber in Kraków, and data from the Statistics Poland. The dominating sources of information about the volume of illegal cigarette consumption in Poland were reports on the studies estimating the size and development of illegal cigarette market in the

European Union, Norway and Switzerland prepared by KPMG since 2006 at the commission of the market-leading companies in the tobacco industry.

The study basically covered the period 2004-2019. The justification for the adoption of 2004 as the beginning of the analysed period was the fact that the Act on Excise Duty was adopted on 23 January 2004 (and effective from 1 March 2004). It defined the structure of excise duty on tobacco products in Poland after joining the European Union. On the other hand, the year 2019, which ended the analysed period, was the last year for which complete data were available. If it is required by the logic of the argument, certain solutions applicable outside the basic research period have also been indicated in order to show a broader context. It should also be emphasized that within the scope concerning the harmonisation of excise duty on tobacco products in the European Union, the paper covers the period 1960-2019. However, in the empirical part, with reference to the research on tax gap and potential fiscal efficiency of excise duty on tobacco products, the research period was reduced by the years 2004-2005 due to the lack of data.

To sum up, the conducted theoretical and empirical research enabled to achieve the main goal of the dissertation, i.e. to identify the relations between the structure and fiscal efficiency of excise duty based on the example of taxation of tobacco products. At the same time, the obtained results of research and analyses, as well as the conclusions drawn on their basis, allowed to positively verify all research hypotheses adopted in the paper and formulate the directions for changes in the structure of excise duty on tobacco products affecting its fiscal efficiency.

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