

## ACTIVITIES OF NATIONAL PARKS AS A SOURCE OF REVENUE FOR THEIR COMMUNES. CASE STUDY OF BABIA GÓRA NATIONAL PARK<sup>1</sup>

**Bernadetta Zawilińska\***  
**Wojciech Strzelczyk\*\***

### **Abstract**

*The paper discusses the impact of Polish national parks on their respective communes' own revenue. It presents important changes that were introduced in 2010-2012 in the parks' legal situation and financing. It discusses financial relations between the parks and commune administrations (local government bodies), focusing on the impact of parks on the communes' own revenue. The example of Babia Góra National Park is used to present detailed issues.*

*The impact of national parks on finances of local government bodies depends largely on legal regulations in force, including in particular regulations governing the parks' legal form and funding, as well as those concerning local taxes, tax exemptions and reductions, and compensations of lost revenue for the communes. Local circumstances also play a key role. These include: relative area of the park in a commune, use pattern of protected areas, location of the park's head office, size of real properties and the type and form of their use, number of staff in the park, the park's activities, as well as its social and economic environment.*

**Keywords:** national park, local government, local taxes, own revenue.

### **1. Introduction**

In Poland's well developed system of protected areas, national parks play a key role. They cover areas of outstanding natural value, representing all of Poland's landscape zones. The total area of Poland's 23 national parks is 314.6 ha (1% of the country's area), of which 22.5% is under strict protection. Most

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\*\* M.A., Ph.D. Student, Department of Regional Economy, Cracow University of Economics, ul. Rakowicka 27, 31-510 Cracow, e-mail: strzelczykwojciech@wp.pl.

national parks were created between 1947 and 1989 as a result of government decisions taken with no regard to the opinion of local communities or the social and economic consequences on the local level. National parks saved areas of significant natural value from degradation by rapid development of urban areas, industry and mass tourism infrastructure. At the same time, however, they met with negative reactions from local communities that were subjected to restrictions they often did not understand or accept. Those contradictions have been broadly discussed in literature, with a focus on obstacles hindering local development as a result of introducing legal protection in a given area.

Nowadays, following political and economic transformation that entailed a rejection of central state control and a shift of responsibility to local and regional government levels, as well as a development of market economy, national parks have become important in local economy and their relations with local government entities grew in significance. National parks, in their capacity as employers, land owners, business operators and taxpayers, have direct or indirect impact on their respective communes' financial standing. Those relations are largely influenced by current changes of national parks' legal situation and funding, as national parks have been transformed into State-owned legal persons and acquired far-reaching autonomy in terms of their organisation and funding.

This paper aims at identifying financial relations between national parks and their hosting communes and presenting changes in communes' own revenue from local taxes as a result of transformations of national parks' organisational and legal form in 2010-2012. The example of Babia Góra National Park is used to illustrate specific issues.

As its key objective, the paper seeks to verify the following hypothesis: the change of Polish national parks' organisational and legal form has not resulted in an increase of communes' budgetary revenue raised in local taxes and income tax paid by Babia Góra National Park in 2010-2012.

In the research we analysed the dynamics and structure of revenue from local taxes paid by Babia Góra National Park as a percentage of total revenue from each type of tax in the communes hosting the Park.

## **2. Legal and organisational basis of national parks' in Poland**

Each national park in Poland operates in the public sector and its operation is governed by legal regulations. According to the Act of 16 April 2004 on Nature Conservation, a national park covers an area of not less than 1,000 ha, of particular natural, scientific, social, cultural and educational value, where the totality of nature and landscape assets is protected (*Ustawa...*, 2004a, Article 8). Each of Polish national parks is established, as a State-owned legal

person, by virtue of a separate legal act pursuant to Article 30(1) of the Public Finance Act<sup>2</sup>.

In 2010-2012, legal basis and organisation forms of Polish national parks were modified considerably, which had an impact on the financing of their statutory activities. That evolution was initiated by the adoption of the Public Finance Act on 27 August 2009. One of its provisions excluded the so-called auxiliary holdings, hitherto associated with budgetary entities on the State or commune level, from the list of public finance sector entities (Filipowicz 2012, p. 294-297). In practice, as a result, auxiliary holdings ceased to exist altogether. Until the end of 2010, national parks operated, under the Public Finance Act of 2005 and the Nature Conservation Act of 2004, as State budget entities (*Ustawa...*, 2004a, Article 8 in its wording in force until 31 December 2011), supported by their associated auxiliary holdings, which carried out parts of the parks' statutory activities.

A State budget entity is a public finance sector entity which covers the entirety of its expenditure directly from the State budget and transfers its entire revenue to the State budget. This is known as the "gross-type" settlement of accounts (Borodo 2011, p. 34-35). In order for the national parks to operate legally and efficiently, but purely as public utility entities rather than commercial businesses, part of their statutory activities had to be outsourced to separate entities which could, for instance, collect entrance fees, sell licences, timber, etc. Those entities became known as "auxiliary holdings". In principle, they covered their expenditure from their own revenue and settled their accounts with the State budget according to the "net-type" method (Etel, Tyniewicki, 2012, p. 185). Specifically, they were required to transfer one-half of their profits to the State budget (*Ustawa...* 2005, Article 26). The use of the other half of the profit was left to the discretion of the national park manager.

Auxiliary holdings associated with State budget entities were designed to operate as quasi-businesses carrying out those activities that could be outsourced. In practice, the outsourcing of activities by national parks was purely formal, which was criticised by the Supreme Audit Office (Babczuk, Krawiec 2009, p. 17).

Auxiliary holdings operated until the end of 2010. Throughout 2011, national parks operated purely as State budget entities. They however struggled in organisation and administration terms. Following the closure of auxiliary holdings, no entity was made responsible for continuing their activities. That was especially relevant as the income of auxiliary holdings had been high enough to largely cover the costs of the parks' conservation effort.

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<sup>2</sup> As of 1 January 2012, Article 8a of the Nature Conservation Act entered into force. According to that Article, each national park in Poland is a State-owned legal person. Until 31 December 2011, national parks were established by virtue of a regulation of the Council of Ministers.

According to the law, the scope of operation of State budget entities is restricted to public utility activities, whereas the auxiliary holdings had carried out tasks far beyond that scope.

2012 saw another change in the national parks' legal situation. Under the new Act of 18 August 2011 amending the Nature Conservation Act and certain other acts (*Ustawa...*, 2011), national parks were transformed from State budget entities into State-owned legal persons (as defined in Article 9(14) of the Public Finance Act of 27 August 2009). That change has allowed the parks to conduct business under the Business Freedom Act of 2 July 2004 (*Ustawa...*, 2004b) and to fund their statutory activity and administrative costs from their own funds and the revenue they raise.

Financial planning arrangements evolved to follow the legal and organisational modifications. In 2010, as national parks still operated as State budget entities with associated auxiliary holdings, each park drew up two financing plans, one for itself and the other for its auxiliary holding (Waryszak 2008, p. 20-22). In 2011, once the auxiliary holdings ceased to exist, national parks sought a new preferable solution to maintain liquidity. Each of them still drew up two financial plans for itself as a State budget entity: one concerned the park's own budgetary resources and the other was made to manage the special purpose reserve provided from the State budget to cover the expenditure on activities that had earlier been performed by the auxiliary holdings. In 2012, once national parks were transformed into State-owned legal persons under the Nature Conservation Act, each of them drew up a single financing plan.

National parks fund their operation from State budget subsidies, own funds (revenue from the park's own activities) and external funds. Significant revenue is raised on sale of services, goods and assets, and lease of property. Some parks raise much of their revenue from entry fees, licences granted, fees for entry of vehicles used by lessees of tourist facilities for their business, and fees for commercial use of the park's helicopter. The park manager may also introduce other fees, such as for commercial use of the park's grounds (e.g. for horse-drawn sled or carriage rides for guests), hosting sport events, shooting of films on location in the park etc. Other sources of own revenue include sale of publications, fees for photography and filming permits as well as permits for certain types of active tourism (rock climbing, bike tourism), fees for campfires, education services, proceeds (or share in proceeds) from coin-operated stationary binoculars or snack machines, rental of bicycles or horse-drawn carriages (Berebka 1997, p. 61-62; Bołtromiuk 2010, p. 144). A significant part of the parks' own funds is raised from sale of timber, which can be considered a type of side activity. Parks also receive rent from lease of properties. They can also obtain external funds, such as from the National Fund for Environmental Protection and Water Management, the Provincial Fund for

Environmental Protection and Water Management, as well as donations from private commercial sponsors. Until 2012, for institutional reasons, national parks had very limited possibilities to apply for European Union funding. Those limitations were eased thanks to the change of the parks' legal and organisational form.

Those changes were made to introduce a more orderly structure of national and local government economy, including by eliminating the dual type of the parks' legal organisation and increasing transparency of their funding. They should also result in improved economic standing of the parks, due to their broader financial autonomy, including more opportunities to apply for external funding. That should stimulate the parks' managers to seek new funding sources and to use their funds more efficiently.

In relations with their hosting communes, the parks' changed legal status and organisation results in their different standing than before in terms of local taxes. That has required a new interpretation of tax regulations, including in relation to an exemption from corporate income tax (CIT) (a share of proceeds from CIT goes to the communes).

### **3. National parks' impact on the financial standing of their hosting communes**

The significance of Polish national parks in local economy has not been subject of in-depth research and seems to be underestimated. One of the scarce studies on that subject was provided by A. Bołtromiuk, who presented the economic context of Białowieża National Park (Bołtromiuk 2010). The parks' influence is usually perceived as a restriction on the freedom of economic use of their respective areas, which results in social tensions (Królikowska 2007). Perceived benefits usually include promotion of the region among tourists (Zawilińska 2012). In foreign literature, economic significance of national parks is often presented, but their impact on their local surrounding is usually analysed in terms of visitors' spending (studies include: Huhtala 2007; Saayman, Saayman 2006; *Economic benefits of ...* 2009; *Economic Impact of ...* 2011). Tourists' spending is certainly of crucial economic importance in many Polish national parks as well, however most of that spending is not directly linked with the parks' operation.

In Poland, national parks include areas or parts of areas of 119 communes in 48 powiats (districts) in 12 voivodeships (provinces). Most parks cover areas of several communes each (ranging from two communes for Tuchola Forest NP to as many as 14 for Biebrza NP, which is Poland's largest). Communes hosting national parks are predominantly rural: 64% of them are rural-type communes and 26% are combined rural-urban type. Most parks are

located far from major cities (with the exception of Ojców NP, Kampinos NP and Wielkopolska NP) and in areas of relatively low population density (the average population density of communes hosting national parks is 58 persons per km<sup>2</sup>) (Zawilińska 2012).

Local taxes are a source of significant own revenue for communes, allowing them to make decisions independently, largely meet the needs of local community and improve the standard of their services. Local taxes are source of budget revenues for communes only. They include: real property tax, agricultural tax, forest tax, tax on means of transport, tax on inheritances and donations, “tax charter”, tax on civil law transactions and local residents self-taxation. Local taxes that are particularly relevant in the context of national parks’ operation are forest tax, agricultural tax and real property tax. Other taxes are either incidental or unrelated to the national parks’ operation. National parks also benefit from tax exemptions which decrease their respective communes’ revenue. Own revenue of communes related to national parks also include a share in proceeds from corporate income tax that the parks have been subject to since 2012.

A national park is usually the major land user in its hosting communes, being either the largest or one of the largest land users<sup>3</sup>. It therefore provides a significant share of local taxes for its communes. The payment of real property tax and the scope of taxation is regulated by the Local Taxes and Duties Act (*Ustawa...*, 1991, Articles 5 and 6). Real property tax exemptions are particularly relevant for national parks. Under the law, the full exemption covers lands under strict protection, active protection or landscape protection, as well as buildings and structures within national parks, permanently fixed to the ground, that directly serve nature conservation purposes (*Ustawa...* 1991, Article 7). In practice, tax returns submitted by national parks specify land plots, buildings and structures which serve nature conservation purposes. These exclude in particular facilities put up for rent.

In the context of real property tax obligation, auxiliary holdings, associated with State budget entities, could be of relevance in 2010. According to Article 3 of the Local Taxes and Duties Act, under the rules described above, auxiliary holdings were in principle not subject to real property tax. That was because each auxiliary holding, as an entity without legal personality, represented the State Treasury or a relevant local government body and concluded all its civil law transactions on their respective behalf. For that reason, any real properties, buildings or structures were not formally owned by the auxiliary holding but, respectively, by the State Treasury or the local government body. Under the regulations in force until the end of 2010, auxiliary holdings could be

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<sup>3</sup> In 10 communes, national park area accounts for more than one-half of the commune area (up to 86% covered by Kampinos NP in Izabelin Commune).

required to pay real property tax only if they were legally appointed perpetual administrators of property (Dolińska-Pierwoła 2007, p. 13-14).

The fact that national parks have been transformed into State-owned legal persons and allowed to conduct business has not in practice changed their situation as regards exemption from real property tax. That is because all lands located on protected areas as well as all buildings and structures serving nature conservation purposes within national parks and nature reserves are exempt from real property tax, irrespective of their owner and the type of the owner's activity.

The said exemption decreases tax revenue of communes hosting national parks, therefore those communes indirectly and partly bear the costs of the parks' operation. Where such tax exemptions and reductions have been introduced to meet objectives of national relevance, the State is legally obliged to fully compensate the communes for their lost revenue (*Opinia...* 2013, p. 6). Such compensations have been expressly provided for in Article 7(4) of the Local Taxes and Duties Act. Under that provision, local government bodies are entitled to a reimbursement of revenue lost due to exemption from real property tax of lands under strict protection, active protection or landscape protection, as well as buildings and structures within national parks and nature reserves, permanently fixed to the ground, that directly serve nature conservation purposes. Detailed procedures of that reimbursement are laid down in Minister of Finance Regulation of 28 May 2007 on the reimbursement of revenue lost by communes due to exemption from real property tax granted to national parks, nature reserves and businesses operating as research and development centres (*Rozporządzenie...*, 2007).

Pursuant to the Regulation, the reimbursement of lost revenue is made on the request of the commune, which must be submitted to the competent voivode (head of province) no later than 31 March of the year following the year for which reimbursement is sought. Upon approval of the request by the voivode, the commune obtains the reimbursement of the lost amount. However, grounds within national parks may also be exempt from real property tax under other provisions of the Local Taxes and Duties Act<sup>4</sup> which do not allow communes to request compensation. It is also worth noting that commune authorities are entitled but not obliged to request compensation. Therefore, they might still lose the revenue on real property tax, for instance if they fail to make the request within the deadline.

National parks are also liable to pay forest tax to their competent local administration. The calculation of that tax is governed by Forest Tax Act of 30 October 2002. As forests account for 61% of the total area of national parks

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<sup>4</sup> Areas exempt from real property tax include e.g. wastelands, ecological areas, or areas covered with trees or shrubs, excluding those under commercial use (Article 7(1)(10)).

in Poland (*Ochrona środowiska* 2012), that tax is significant in the general scale of Polish national parks. Pursuant to the Act, the payable tax amounts are reduced by 50% for protected forests and forests within national parks and nature reserves. Furthermore, forests of a tree stand age of less than 40 years, forests included individually in the national heritage register and ecological areas are exempt from the tax (*Ustawa...* 2002, Article 4).

National parks are also required to pay agricultural tax on lands classified as agricultural lands in the land and building register. The tax is paid according to rates defined in the law. The Act does not provide for an exemption subjective for national parks, as well as any special exemptions in question due to the use of this form of protection (*Ustawa...* 1984). However, in the scale of national parks in general, agricultural tax is not significant. This is because agricultural lands account for small percentage (14%) of national parks' total area. Also, the rate of agricultural tax paid by national parks is usually low as a result of three factors that determine the calculation of reference area for taxation. Those factors are: classification of the host commune to a tax district; determination of land quality class; and determination of the type of agricultural use of the land.

National parks also transfer proceeds from local visitors' tax or health resort visitors' tax to their respective communes. These taxes are collected from individuals who spend more than 24 hours for therapy, tourism, leisure or education in localities which:

- have favourable climate or landscape characteristics and conditions that allow them to receive visitors for the purposes mentioned above;
- are located in areas legally recognised and protected as health resorts.

National parks are required to charge those taxes if they own their own accommodation facilities and provide accommodation to visitors (*Ustawa...* 1991, Article 17).

Local government budgets also receive a share of corporate income tax paid by national parks. In 2010, 2011 and 2012 the share of regional and local administration bodies of all levels in CIT revenue was 22.86% each year; the communes received 6.71% of the total per year (Jastrzębska 2012, p. 111). Legal and organisational status of national parks is highly relevant for their CIT obligations. In 2010 and 2011 national parks, operating as State budget entities, were exempt from CIT (*Ustawa...* 1992, Articles 6 and 27). In 2010, auxiliary holdings were required to pay the CIT. Some of those holdings, e.g. those associated with national parks, could benefit from an exemption laid down in Article 6(2) of the CIT act, provided that they used the amount saved thanks to the exemption on increasing its working capital or financing the



investments of the State budget entity up to the value of capital involved in the holding (Musiał 2010, p. 49).

Following national parks' transformation into State-owned legal persons in 2012, controversies emerged concerning the interpretation of CIT regulations. On 20 March 2012, the Head of Tax Chamber in Łódź, acting on behalf of the Minister of Finance and on request of a national park, issued an individual interpretation of the applicability of the exemption laid down in Article 17(1) (4) of the CIT Act, regulating environment protection (in its part concerning the objective of national parks' activities), to national parks. According to that interpretation, national parks, which have nature conservation defined as their main objective in their statutes, are exempt from CIT. This is because nature conservation is understood as a subtype of environment protection. However, that exemption may only be used if the revenue of the park's business is allocated to be spent on its statutory activities. It was also emphasised that the exemption does not depend on the type of revenue (except for the types listed in Article 17(1a) of the CIT Act) but depends strictly on the purpose that the revenue is to be used for<sup>5</sup>. Still, ambiguities in interpreting the said provisions had led some of the national parks to pay CIT in 2012.

Corporate income tax is calculated on the income, i.e. the difference between the revenue raised by the national park (for instance, on sale of timber or collection of various fees mentioned in Section 2) and costs inherent to the national park's operation. Such costs also include the payment of local taxes by the national park, which decrease the park's income and, consequently, the amount of CIT transferred to the communes as their budgetary revenue. For communes, the revenue that they are entitled to as their share in CIT paid by national parks is negligible, as national parks were exempted from CIT in 2010 and 2011 and had a right to be exempt in 2012, as mentioned above (though some parks still paid the CIT in that year due to ambiguous legal regulations). At present, the above mentioned interpretation issued by the Head of the Tax Chamber in Łódź clearly defines the entitlement to CIT exemption.

Each national park, as a business operator, clearly has an impact on the income of local government entities in its area and the local economy in general. The mere fact of establishing a national park, resulting in restrictions in spatial management, also has a significant impact for local economy and often results in the park being perceived by local communities as an obstacle to economic development. It might seem economically much more profitable in the short term (both for the local communities' budgets and broadly for the economy) if the same area could serve other purposes. Those relative benefits would however relate to the direct use value of the area and the revenue resulting therefrom. The balance of benefits and losses would shift upon assuming

<sup>5</sup> Individual interpretation no. IPTPB3/423-37/12-2/PM of 20 March 2012.

a longer timeframe and broader perspective, taking into account indirect use values, option values and non-use values of the parks (Philips 1998; Famielec 1999, p. 85; Woś 1995, p. 280).

#### 4. Babia Góra National Park as payer of local taxes and its impact on budget revenue of the hosting communes

Babia Góra National Park (BGNP, *Babiogórski Park Narodowy*) is one of Poland's oldest national parks. It was established in 1954 and covers the Babia Góra massif, the highest in the Outer Western Carpathian range (culminating at 1,725 m above sea level). Currently at 3,393.81 ha, it is one of Poland's smallest national parks. In terms of administration divisions, BGNP is located in the southern part of Małopolskie Voivodeship, covering parts of three communes: Zawoja (75.4% of BGNP's area and 19.8% of the commune's area), Lipnica Wielka (24.3% and 12.2%, respectively) and Jabłonka (0.4% and 0.1% respectively); cf. Table 1. The Park is surrounded by a buffer protection zone covering the area of 8,437 ha. Nearly all of BGNP's area (96%) is under the Park's usufruct. Most of the remaining land within the Park's boundaries, located mainly in Zawoja Commune, is owned by land and forest communities.

**Table 1.** Babia Góra National Park's land area in relation to its hosting communes

Commune	Commune area (ha)		BGNP area (ha)				Share of BGNP area in commune area	Share of BGNP forest area in commune's total forest area (%)
	total	of which:	total	of which:	Arable land	Other		
		Forests		Forests				
Jablonka	21,273	7,068	13	12	0	1	0.1	0.2
Lipnica Wielka	6,736	3,002	826	775	10	42	12.3	25.8
Zawoja	12,878	8,274	2,554	2,454	21	78	19.8	29.7
Total	40,887	18,344	3,392	3,240	31	121	8.3	17.7

Source: data from Central Statistical Office's (GUS) Local Data Bank and BGNP.

Forests dominate in BGNP, covering 95.3% of its area. Most of the remaining area is around the Babia Góra summit, above the upper limits of forests. Despite its small size, the Park is much visited: in 2013 the number of visitors was approximately 80 800, based on the numbers of entry tickets sold (*Analiza działalności...* 2013).

In 2012, BGNP's revenue was PLN 7.25 million, of which 29.1% was a subsidy from the State budget and 47.6% was raised as own revenue. The remainder was obtained under project funded by the European Union and the National Fund for Environmental Protection and Water Management. BGNP

has relatively high financial autonomy, chiefly thanks to high revenue on sale of timber, which accounted for 88.5% of own revenue in 2012.

BGNP's expenditure in 2012 was PLN 5.94 million. Around one-half of that amount (PLN 2.99 million) was spent on salaries and administration costs. A significant portion of the Park's expenses goes to operators located within the hosting communes or, as salaries, to local residents. As a taxpayer, BGNP has direct impact on the financial situation of local government entities. Due to the land use structure within the Park, the forest tax is the most significant element. Forests within BGNP account for as much as 30% of all forests within Zawoja Commune and 26% within Lipnica Wielka Commune (cf. Table 1). Pursuant to the Forest Tax Act of 2002, national parks pay a reduced rate of forest tax, equal to one-half of the normal rate (*Ustawa... 2002*).

Despite that reduction, proceeds from forest tax paid by BGNP accounted for 21% in 2010 and 2011, and 20% in 2012, of Zawoja Commune's total forest tax revenue. In Lipnica Wielka Commune, the corresponding percentage in the same period was between 18% and 19% (cf. Tables 2 and 3). The high increase of the tax amounts in those three years was due to an increase of the tax rate. From the communes' perspective, the protection of forest areas under the National Park and the resulting reduced tax rate causes a significant loss of income and is a source of deficit. However, the forest tax income for communes hosting BGNP would probably be similarly reduced even if the Park did not exist, as the forest areas would most probably enjoy a different type of protection, therefore the reduced tax rate would still apply to them.

As agricultural land covers a minor proportion of BGNP's area, the agricultural tax paid by the Park (only in Zawoja Commune) is negligible for the commune's finance (cf. Tables 2 and 3). On the other hand, real property tax revenue is significant. BGNP owns land, buildings and structures (including the head office, residential buildings, utility buildings, rain shelters), but most of them directly serve nature conservation and are thus exempt from tax. Tax is only paid on facilities not directly serving nature conservation, e.g. buildings put up for rent. In this context, there are disagreements between BGNP and the communes, concerning the calculation of tax due and possible exemptions, as it is difficult to identify clearly whether a building or structure serves the purpose of nature conservation directly or indirectly.

Unlike forest tax reduction, the exemption of national parks from real property tax does not reduce local governments' tax revenue in real terms, as the communes' lost revenue is reimbursed in full upon request by the commune, submitted to the voivode (under Article 7(4) of Local Taxes and Duties Act and the Minister of Finance Regulation of 28 May 2007 on the reimbursement of revenue lost by communes due to exemption from real property tax granted to national parks, nature reserves and businesses operating as research and

development centres). Zawoja Commune obtained such reimbursement in 2010-2012, while Lipnica Wielka Commune has not thus far requested the reimbursement.

**Table 2.** Local taxes due from Babia Góra National Park in 2010-2012

Tax type	Year	Jablonka	Lipnica Wielka	Zawoja	Total tax amount
		(PLN)			
Forest tax	2010	111	11,353	31,402	42,866
	2011	197	13,712	35,518	49,427
	2012	238	15,270	42,106	57,614
Agricultural tax	2010	0	0	132	132
	2011	0	0	146	146
	2012	0	0	287	287
Real property tax	2010	0	371	1,795	2,166
	2011	0	746	2,027	2,773
	2012	0	2,314	6,055	8369
Exemption from real property tax	2010	0	7,050	23,532	30,582
	2011	0	7,050	24,954	32,004
	2012	0	5,745	37,652	43,397

Source: data from BGNP and Lipnica Wielka and Zawoja Commune authorities.

**Table 3.** Proportion of local taxes due from Babia Góra National Park in the tax revenue of communes in 2010-2012.

Tax type	Year	Total revenue of commune under given tax			Proportion of revenue under given tax raised from BGNP in total revenue under that tax*		
		Lipnica Wielka	Zawoja	Total LW+Z**	Lipnica Wielka	Zawoja	Total LW+Z**
		(PLN)			w %		
Forest tax	2010	64,217.8	148,253.5	212,471.3	17.7	21.2	20.1
	2011	71,216.4	168,662.9	239,879.3	19.3	21.1	20.5
	2012	85,810.6	206,395.4	292,206	17.8	20.4	19.6
Agricultural tax	2010	7,839.1	18,404.7	26,243.8	0	0.7	0.5
	2011	19,579.9	20,757.1	40,337	0	0.7	0.4
	2012	39,703.1	40,523.9	80,227	0	0.7	0.4
Real property tax	2010	239,234.5	1,447,478.7	1,686,713.2	3.1	1.8	1.9
	2011	236,427.6	1,755,340.1	1,991,767.7	3.3	1.5	1.7
	2012	262,275.3	1,906,997.1	2,169,272.4	3.1	2.3	2.4

\* For real property tax, the proportion includes the amount paid by BGNP and the amount of the tax exemption.

\*\* LW+Z – the sum of revenue raised under the given tax in the relevant period in the communes Lipnica Wielka and Zawoja and the proportion of the combined amounts paid in tax by BGNP in the communes Lipnica Wielka and Zawoja in the total budget revenue of those communes under the given tax.

Source: data from Central Statistical Office's (GUS) Local Data Bank and BGNP.

In Jabłonka Commune, the only tax paid by BGNP is the forest tax, but its share in the commune's revenue is close to nil due to small areas of BGNP forests in the commune. For that reason, figures for Jabłonka Commune have been omitted in Table 3. In the other two communes, there is a visibly high proportion of forest tax paid by BGNP in the total forest tax revenue. The Park also brings significant income for the communes in its capacity as real property owner (Table 3).

## **5. Conclusion**

National parks play an important role in the local economies and largely affect the revenue level of their respective local government entities. The size and nature of that impact depend both on local circumstances and the legal regulations in force. Local circumstances include in particular: the relative area of the national park within its hosting communes, use structure of protected areas, age of tree stands, location of the park's head office, the types of real properties owned by the park as well as their size and use, number of staff in the park, the types of its activities, as well as the park's social and economic environment (population potential, economic potential, functional structure of the commune's territory). Legal regulations which are relevant for the parks are in particular those governing their legal form and funding arrangements, as well as local taxes, tax reductions and exemptions available, and compensations offered to the communes for their lost revenue.

In terms of national parks' impact on the financial standing of communes, it is mostly negative in communes where the national park covers a significant proportion of the commune's area and includes mostly forests with tree stand older than 40 years. For those areas, the communes only receive one-half of the forest tax amounts that they would be entitled to if the forest was outside national park boundaries (provided that the forest was under protection as a nature reserve or protected forest or was not subject to tax exemption for another reason).

Real property tax payable by national parks also directly affects the communes' finance. National parks have numerous buildings and structures in their usage. Given that most parks are located in rural areas, often sparsely populated and not intensively developed, they probably provide a large proportion of real property tax revenues for their respective communes. Although most buildings and structures used by parks directly serve nature conservation and are therefore exempt from real property tax, the communes may request reimbursement of revenue thus lost from the provincial authorities, so formally they incur no losses.

Another tax of direct relevance for communes' finance is agricultural tax, however few parks contribute significant amounts under that tax. Most Polish national parks predominantly include forests, whereas arable lands, meadows and pastures only account for a minor proportion of their total areas. Furthermore, their classification into categories and tax districts often reduces the tax calculation base.

The changes introduced in national parks' legal form and organisation in 2010-2012 did not directly result in changes to the size of revenue raised by communes from local taxes. Each national park, as a State-owned legal person, is obliged to pay local taxes in the same amounts as if it was a State budget entity. The situation is different for communes' revenue under corporate income tax. National parks are subject to calculate their payable CIT as State-owned legal persons, but due to their statutory activity falling within the scope of environment protection, they are entitled to exemption from that tax.

As far as Babia Góra National Park is specifically concerned, its operation mostly benefits Zawoja Commune, hosting three-quarters of the Park's area, its head office and most of its buildings and structures. BGNP is a significant taxpayer for Zawoja Commune, where most of the Park's staff reside and where most of businesses with the strongest commercial links with the Park have their registered offices. Financial relations of BGNP with Lipnica Wielka Commune are far less strong, as the Park has less of its area in that commune, the Park's head office is located at a significant distance from the commune's boundaries and there are no direct public transport links between Lipnica Wielka and Zawoja. Other villages on the southern side of Babia Góra massif also have weak transport links with Zawoja, which is probably the factor behind the Park's limited significance for Jabłonka Commune. Due to the negligible proportion of BGNP area in the latter commune, the Park's role as a taxpayer in its revenue is marginal.

Among taxes paid by BGNP, the forest tax is the most relevant for the communes of Zawoja and Lipnica Wielka, as it accounts for approx. 20% of those communes' total forest tax revenue. The total nominal value of real property tax paid by the Park (taking also into account the reimbursement that the communes may request, equivalent to the Park's tax exemption) is similar to the amounts raised under forest tax. However, that amount accounts for a minor proportion of the communes' total revenue under real property tax. Interestingly, that proportion is lower in Zawoja Commune than in Lipnica Wielka Commune. That is because the population density is much higher in Zawoja and so is the number of buildings and businesses, which means that the commune's total revenue on real property tax is seven times higher than the corresponding amount in Lipnica Wielka Commune.

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