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## **CADASTRAL TAX IN POLAND - HISTORY, CHANGES AND CHALLENGES**

### **Introduction**

The issue of a cadastral tax in Poland emerges from time to time in public discussions. Replacing the property tax in its current form with an *ad valorem* tax was again recommended by the International Monetary Fund (IMF) and the Organization for Economic Co-operation and Development (OECD). The purpose of the change in the method of calculating the tax would be to improve Poland's public finances.

The aim of this study is to identify the possibilities of a prompt introduction of a cadastral tax in the current legal and organization situation.

### **1. Cadastral tax throughout centuries**

A historical outline of real estate taxation should begin with Greece and the Roman Republic.

In modern times, an excellent example is the Danegeld, an old English land tax levied from 991 to 1162<sup>1</sup>.

While the Danegeld tax was in force, in 1086, at the order of William the Conqueror, a land cadaster was created covering the territory of conquered England. This land register book is referred to as the Domesday Book<sup>2</sup>. The book, or rather two manuscripts that are kept in Winchester, contains data with a cadastral value of approximately 45 thousand land estates along with their statistical data<sup>3</sup>. The creation of the cadaster was possible thanks to efficient administration and lasted a year. No other European country managed to implement a similar system for many centuries.

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<sup>1</sup> B. Abraham, *Danegeld – from Danish Tribute to England Land Tax: The Evolution of Danegeld from 991 to 1086*, in: *Studies in the History of Tax Law*, J. Tiley (ed.), Vol. 6, Hart Publishing, Oxford 2013, p. 262.

<sup>2</sup> <http://www.domesdaymap.co.uk/>

<sup>3</sup> N. Davis, *Wyspy. Historia*, Wydawnictwo Znak, Kraków 2003, p. 265.

The modern cadaster was developed only in the 19<sup>th</sup> century. The first registers were established in 1850 in France and in the Austro-Hungarian Monarchy in 1881<sup>4</sup>.

In Poland, the first attempts to develop a cadaster began in the 13<sup>th</sup> century. During the settlement under the Polish law, land ownership began to be created from princely grants. At the beginning of the 13<sup>th</sup> century, because of the Tatar invasions, the Magdeburg Law started to be introduced, which involved rent paid in cash, although contracts also stipulated additional payments in kind.

In the second half of the 14<sup>th</sup> century, a new social class emerged in Poland: gentry, which descended from knights. Manor farms were established. Serfdom was imposed on peasants, and tenement farms were kept only on royal and church estates<sup>5</sup>. The amount of rent and tax paid to the state by the gentry was specified approximately because the area of the cultivated land was not subject to precise measurements.

In the mid-16<sup>th</sup> century, a major agricultural reform was conducted in Lithuania and Samogita. At that time, the unit of land area was the Lithuanian *włóka*, which corresponded to 30 Lithuanian *morgas*. King Sigismund Augustus sought to introduce registration of land belonging to gentry and free boyars in order to regulate land ownership and at the same time increase revenues and equal taxation. These solutions were opposed by the gentry. Therefore, the agricultural reforms were limited only to grand-ducal estates. On April 1, 1557, Sigismund Augustus issued a law on *woloczna pomiera*, to which amendments and supplements were added on October 20, 1557. The office of village head (*wójt*) was then established, which was a sworn official appointed by the commissioner. Measurement registers were also created, which until the mid-19<sup>th</sup> century were extremely helpful in disputes, border issues and the emancipation of peasants<sup>6</sup>.

During the partitions of Poland, Western countries began to reform the land tax, abolish serfdom, and emancipate the peasants. These actions had a significant impact on legal solutions in ownership relations in Poland. They took various forms and occurred in different periods in each of the partitions.

At the beginning of the state's existence after the long years of partitions, several regulations were introduced in Poland aimed at increasing revenues to cover the rapidly

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<sup>4</sup> A. Bień, *Kataster i podatek od nieruchomości*, „Monitor Podatkowy” 1995, No. 2, p. 36 and following.

<sup>5</sup> R. Hycner, M. Mika, *System KW w Polsce – analiza stanu istniejącego w aspekcie katastru nieruchomości*, „Geodezja” 2000, Vol. 6/1, p. 56.

<sup>6</sup> M. Mika, *Historia katastru polskiego*, „Infrastruktura i ekologia terenów wiejskich” 2010, Vol. 6, p. 75 and following.

growing state expenditures<sup>7</sup>. Considering real estate taxation, mention should be made of the Decree of the Chief of State of January 29, 1919, on a one-time tax on real estate and capital assets<sup>8</sup>, which provided for the collection of a one-time advance payment to the general state tax on property in the areas of the former Russian partition. The tax applied to:

- real estate in cities and towns on their approximate net value,
- land subject to the state land tax, as well as the forest land exempt from land tax on area and fertility,
- capital assets on their net value.

However, of particular importance from the point of view of the property tax system in the interwar period were taxes paid permanently, i.e., land tax, which was charged on the ownership or possession of agricultural and forest land, as well as the real estate tax<sup>9</sup>.

After regaining independence after three partitions, Poland inherited three different taxation models. Only in the Prussian partition had the tax cadastral qualities and was based on land and revenue cadaster.

After the end of World War I, laws were introduced in Poland regulating the same land tax rates throughout the entire territory of the country, while leaving in force the laws on land tax and cadaster that applied during the partition period. The beginning of the organization of a uniform land cadaster was marked by the Act on land classification for land tax purposes, issued on 26 March 1936, which became the basis for the development of a preliminary draft of the act on land registers. Codification work was interrupted with the outbreak of World War II.

After World War II, regulations on real estate taxation were subject to frequent changes. In the early 1950s, pursuant to the Act of 26 February 1951 on local taxes, the real estate tax was based on value<sup>10</sup>. For rented or leased buildings, the tax base was the rent, and for unrented or unleased buildings, the rental value was the tax base. In the case of buildings for which the tax base could not be determined in the manner described above, the depreciation and the so-called current values were taken into account for taxation purposes. The current value was also

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<sup>7</sup> G. K. Walkowski, *System polskiego prawa podatkowego w praktyce*, Vol. VII, Źródła polskiego prawa podatkowego, part. 4, Podatki w dwudziestolecu międzywojennym (1918 – 1939), WALKOWSKI, Bydgoszcz 2013, p. 49.

<sup>8</sup> Decree of 29 January 1919 of the Chief of State on a one-time tax on real estate and capital assets, Journal of Laws of 1919, No.11, item 128.

<sup>9</sup> M. Głuszak, B. Marona, *Podatek katastralny. Ekonomiczne uwarunkowania reformy opodatkowania nieruchomości*, Wyd. Poltext, Warszawa 2015, pp. 22-23.

<sup>10</sup> Acts of 26 February 1951 on local taxes, Journal of Laws, No.14, items 1908, 109 and 110.

the basis for calculating tax in the case of land. Depending on the type of land, the current value was the balance sheet or rental value (e.g., in the case of hotels and guesthouses).

It should be considered that the basis for the current real estate tax in Poland is the tax introduced a few years later by the Decree of 20 May 1955 on local taxes and charges. Pursuant to this act, the tax base for land is related to its surface area expressed in square meters<sup>11</sup>. In 1975, pursuant to the Act of December 1975 on some local charges and taxes<sup>12</sup> it was established that the surface area will be the tax base for both land, unrented and unleased buildings owned by natural and legal persons who are not units of socialized economy. The dependence of the real estate tax on the surface area of buildings and land continues in Poland to this day.

Further legal regulations on real estate taxation were introduced in the 1980s. They distinguish between taxation of units of the socialized economy and units of non-socialized economy and private ones. Pursuant to the Act of 26 February 1982 on the taxation of units of the socialized economy<sup>13</sup> the scope of the tax in question included buildings for the first time. The surface area remained the tax base for land, while for buildings it was their depreciation value.

The next Act of 14 March 1985 on local taxes and charges<sup>14</sup> regulated the taxation of legal persons and units of non-socialized economy. Pursuant to this act, taxation was levied on buildings or their parts, land and structures not permanently connected to the ground, which was another novelty. At the same time, the Act abolished rental value as the tax base; the tax on premises was also abolished.

After the change of the political system in Poland in 1990s, the real estate tax is regulated by the Act of 12 January 1991 on local taxes and charges<sup>15</sup>. The property tax rates are established by commune or municipal councils.

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<sup>11</sup> Decree of 20 May 1955 on some local taxes and fees. (Journal of Laws, No. 21, item 136 (8) as amended).

<sup>12</sup> Act of December 19, 1975, on local taxes and fees, (Journal of Laws, No.45, item 229 as amended).

<sup>13</sup> Act of 26 February 1982 on the taxation of units of socialized economy (Journal of Laws No.7, item 55 as amended)

<sup>14</sup> Act of 14 March 1985 on local taxes and fees (Journal of Laws No.12, item 50 as amended).

<sup>15</sup> Act of 12 January 1991 on local taxes and fees (Journal of Laws No9, item 31 as amended)).

## 2. Cadaster and real estate valuation as essential tax elements

The system of public levies in the real estate sector includes both taxes and charges related to specific public activities that increase the value of real estate. The main public levy in the real estate sector is property taxes.

Real estate taxes are taxes related to real estate ownership and related to any economic event. As a rule, tax obligation falls on real estate owners. Real estate tax belongs to the group of property taxes<sup>16</sup>.

The cadastral tax, i.e., the tax on the value of real estate, is also referred to as the *ad valorem tax*, and its base is the cadastral value of the property.

For real estate taxation by the *ad valorem* principle, the concepts of cadaster and valuation are also important.

The modern concept of cadaster is understood as the Integrated Cadastral System or the Integrated Real Estate Information System. It is a set of legal, technical, and organizational solutions ensuring quick access to current and reliable information. The basic task of the cadaster is to register real estate that is subject to taxation. Therefore, the role of the cadaster is reduced to determining the real value of the property<sup>17</sup>.

Due to the complex nature of real estate, the cadaster system can be divided into three subsystems:

- legal cadaster, which is a register of data reflecting the legal status of real estate, containing information on ownership and other rights and encumbrances of real estate;
- physical cadaster (also referred to as geodetic cadaster), which includes information on the precise geographical location, dimensions, boundaries, and other physical features of plots that make up the property;
- fiscal cadaster, which holds information necessary to assess taxes on real estate, such as: property value, taxpayer data and income derived from real estate.

Common valuation pursuant to the Act on real estate management, Art. 161 par.1<sup>18</sup> aims to determine the cadastral value of real estate and is carried out based on the Act and separate regulations, such as the regulation of 29 June 2005 of the Council of Ministers on the common valuation of real estate<sup>19</sup>.

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<sup>16</sup> S. Owsiak, *Finanse publiczne. Teoria i praktyka*, edition 3 amended., Wydawnictwo Naukowe PWN, Warszawa 2013, p. 185.

<sup>17</sup> G. Nowecki, *Wycena nieruchomości dla celów podatkowych*, „Przegląd Podatkowy” 1996, No. 8, p. 1.

<sup>18</sup> Act of 21 August 1997 on real estate management (Journal of Laws of 2015, item 782 as amended)

<sup>19</sup> Regulation of 29 June 2005 of the Council of Ministers on the common valuation of real estate (Journal of Laws, No.131, item 1092).

In the natural tax process, real estate tax is based on the surface area of the land, of the total or usable area of the building, or both. Then, the amount of the tax is determined as the sum of the products of the individual components of the property (the land and buildings) and the rates assigned to them. Tax rates on land area and on buildings are usually different.

In the case of a system based on the value of real estate, it is crucial to define the concept of value itself, which is not clearly defined in the valuation theory. The tax base may be:

- market value;
- book value;
- rental value.

For tax purposes, three methods of estimating the value of real estate are most commonly used:

- mass valuation;
- individual valuation;
- self-listing.

The cadastral value is determined by estimating the value of real estate representatives for the particular types of real estate in the commune. Technical activities concerning the valuation of representative properties and preparation of maps and valuation tables fall within the competence of property appraisers.

Valuation maps are developed to determine the unit values of land in areas with similar factors influencing the market value of land. The cadastral value is obtained by relating this value to the surface area of the property.

The value of individual components of land (buildings and structures that do not constitute an object of ownership separate from the land) is determined in a similar way. For this purpose, unit values of the surface area are established for these objects and included in valuation tables. The cadastral value of structures that are components of land is calculated as the product of their surface area recorded in the real estate cadaster and the unit value given in valuation tables.

The valuation maps and tables are developed by the body that manages the cadaster and made available for public review. Claims and objections regarding the records in the maps and valuation tables may be submitted by people who have legal interest. After considering the objections, the municipal/commune council adopts a resolution to give official force to the maps and tables. Persons who are dissatisfied with the way their complaint is resolved may file a complaint to Supreme Administrative Court. The values of real estate entered in the cadaster

may be updated ex officio or at the taxpayer's request based on the individual valuation of the real estate.

When choosing a method, one should keep in mind that the above-mentioned methods differ in terms of accuracy and reliability of real estate valuation. The accuracy of the measurement of the value of real estate refers to whether the value established by the valuation corresponds to the actual value.

Due to the heterogeneous nature of real estate assets, the issue of real estate tax rates is not as simple as in the case of other taxes.

Tax rates and scales can be specified in terms of amount or percentage; real estate taxes can be progressive (the rate increases with the increase in the tax base, i.e. the value or the surface area of the property), linear (proportional) or regressive (the rate decreases with the increase in the tax base – the value or the surface area of the property).

Among the many solutions, three methods enjoy great popularity in terms of their application in fiscal policy and as the subject of economic reflection. These are:

- the classic property tax, where a single tax rate applies to the entire property,
- the split rate property tax, where tax rates are differentiated for land and buildings, or even there are different rates for developed and undeveloped land,
- the land tax or the site value tax, where only the land itself is subject of taxation.

The issue of real estate tax is inseparably linked to reliefs and exemptions. They may apply to specific categories, taxpayer or even be established individually or apply to specific types of or particular properties.

Based on the cadastral value and after considering reliefs, the tax base or tax value (TV) is obtained.

### **3. Real estate taxation system in Poland**

The real estate taxation system in Poland consists of three taxes: real estate tax, agricultural tax, and forestry tax.

The structure of the real estate tax involves the subject of taxation, the taxpayer, the tax base, tax rates and tax exemptions.

The subject of real estate tax is defined in the Act of 12 January 1991 on taxes and local charges (Journal of Laws No.9, item 31 as amended). Pursuant to the Act, the following real estate and structures are subject to tax:

- land (unless it is subject to agricultural or forestry tax),
- buildings or their parts,
- structures or their parts related to business activities.

The issues of the tax base are included in Article 4 of the Act, according to which the tax base is:

- for land - surface area,
- for buildings or their parts - usable surface area,
- for structures or their parts related to business activities – the value referred to in the income tax regulations, determined as of 1 January of the fiscal year, constituting the basis for calculating depreciation in that year, not reduced by depreciation write-offs; and for fully depreciated structures – the value as of 1 January of the year in which the last depreciation write-off was made.

As can be seen, the only manifestation of the ad valorem real estate taxation is the taxation of structures related to business activities. In this case, the rule is that the tax base is the value which is the basis for calculating depreciation in a given year.

Tax rates determine the amount of tax in terms of amounts or percentage. The rates are referred to in Article 5 of the Act. They are established by municipal/commune councils, and their amount cannot exceed the maximum rates set by the Minister of Finance. The maximum rates in individual years are presented in Table 1.

The Act allows municipalities/communes to differentiate rates for specific types of real estate.

In the case of the agricultural tax, an agricultural holding is considered to be an area of land classified in the register of land and buildings as agricultural land, excluding the land occupied by business activity other than agricultural activity, with the total surface area exceeding 1 hectare or 1 conversion hectare, owned or possessed by a natural person or organizational entity, including a company not being a legal person.

The concepts of agricultural land, built-up land and land covered by water are defined in §68 of the Regulation of 29 March 2001 of the Minister of Regional Development and Construction on land and building records<sup>20</sup>.

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<sup>20</sup> Regulation of 29 March 2001 of the Minister of Regional Development and Construction on land and building records (Journal of Laws, No.38, item 454).

**Table 1. Maximum rates of real estate tax in selected years (in PLN)**

| Real estate tax rates                                                                                                                                                              | 2025  | 2024  | 2023  | 2022  | 2021  | 2017  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|-------|-------|-------|
| <b>Land:</b>                                                                                                                                                                       |       |       |       |       |       |       |
| - related to business activities regardless of the classification in the land and building register, per 1 m <sup>2</sup> of the surface area                                      | 1.38  | 1.35  | 1.16  | 1.03  | 0.99  | 0.89  |
| - covered by standing surface waters or flowing surface waters and waters of lakes and artificial reservoirs, per 1 ha                                                             | 6.84  | 6.66  | 5.79  | 5.17  | 4.99  | 4.54  |
| - other, including land used for the purpose of conducting paid statutory public benefit activities by public benefit organizations, per 1 m <sup>2</sup>                          | 0.73  | 0.71  | 0.61  | 0.54  | 0.52  | 0.47  |
| - undeveloped, covered by the revitalization area referred to in the Act of 9 October 2015 on revitalization (Journal of Laws of 2021, item 485)                                   | 4.51  | 4.39  | 3.,81 | 3.40  | 3.28  | 2.,98 |
| <b>Buildings or their parts:</b>                                                                                                                                                   |       |       |       |       |       |       |
| - residential, per 1 m <sup>2</sup> of usable area                                                                                                                                 | 1.19  | 1.15  | 1.00  | 0.,89 | 0.85  | 0.75  |
| - related to business activities and residential buildings or their parts used for business activities per 1m <sup>2</sup> of usable area                                          | 34.00 | 33.10 | 28.78 | 25.74 | 24.84 | 22.66 |
| - used for conducting business activities in the field of trade in qualified seed material, per 1m <sup>2</sup> of usable area                                                     | 15.92 | 15.50 | 13.47 | 12.04 | 11.62 | 10.59 |
| - related to the provision of health services within the meaning of the regulations on medical activity, used by entities providing these services, 1m <sup>2</sup> of usable area | 6.95  | 6.76  | 5.87  | 5.25  | 5.06  | 4.61  |
| - other, including buildings used for the purpose of conducting paid statutory public benefit activities by public benefit organizations, per 1 m <sup>2</sup> of usable area      | 11.48 | 11.17 | 9.71  | 8.,68 | 8.37  | 7.62  |
| <b>Structures</b> (tax paid on value)                                                                                                                                              | 2%    | 2%    | 2%    | 2%    | 2%    | 2%    |

Source: Author's research.

The tax base for the agricultural tax is the average purchase price of rye in the period of 11 quarters preceding the tax year (in PLN) presented in Table 2.

**Table 2. Average purchase price of rye in the period of 11 quarters preceding the tax year (in PLN)**

| Purchase price                                                                    | 2025            | 2024            | 2023            | 2022            | 2021            | 2017            |
|-----------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| average purchase price of rye in the period of 11 quarters preceding the tax year | 86.34<br>for 1q | 89.63<br>for 1q | 74.05<br>for 1q | 61.48<br>for 1q | 58.55<br>for 1q | 52.44<br>for 1q |

Source: Author's research.

Pursuant to the Act on agricultural tax Art. 4, par. 2<sup>21</sup>, when assessing agricultural tax, in order to determine the number of conversion hectares, the assessment bod, takes into account

<sup>21</sup> Act of 15 November 1984 on agricultural tax (Journal of Laws of 2020, item 333).

the surface area, type and class of agricultural land resulting from the land register. Table 3 presents agricultural tax rates in individual years.

**Table 3. Agricultural tax rates in individual years (in PLN)**

| Agricultural tax rate                                                   | 2025   | 2024   | 2023  | 2022   | 2021   | 2017   |
|-------------------------------------------------------------------------|--------|--------|-------|--------|--------|--------|
| Agricultural holdings per 1 hectare (equivalent of 2.5 quintals of rye) | 215.85 | 22.07  | 18512 | 153.70 | 146.38 | 131.10 |
| Other land per 1 hectare (equivalent of 5 quintals of rye)              | 431.70 | 448.15 | 37.25 | 30.40  | 292.75 | 262.20 |

Source: Author's research.

Forest land classified in the land and building register as forests is subject to forestry tax except for forests used for activities other than forestry activity<sup>22</sup>. The tax base for forestry tax is the average sales price of timber obtained by forest districts in the first three quarters of the previous tax year (in PLN); it is presented in Table 4. Table 5 gives the forestry tax rates in selected years.

**Table 4. Average sales price of timber obtained by forest districts in the first three quarters of the previous tax year (in PLN)**

| Średnia cena drewna                                                                                                      | 2024                        | 2023                        | 2022                        | 2021                        | 2016                        |
|--------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| average sales price of timber obtained by forest districts in the first three quarters of the previous tax year (in PLN) | 277.35<br>/1 m <sup>3</sup> | 327.43<br>/1 m <sup>3</sup> | 323.18<br>/1 m <sup>3</sup> | 212.26<br>/1 m <sup>3</sup> | 191.01<br>/1 m <sup>3</sup> |

Source: Author's research.

**Table 5. Forestry tax rate (in PLN)**

| Forestry tax rate                                                             | 2025  | 2024  | 2023  | 2022  | 2017  |
|-------------------------------------------------------------------------------|-------|-------|-------|-------|-------|
| Forestry tax rate pe 1 hectare (equivalent of 0.220 m <sup>3</sup> of timber) | 61.02 | 72.03 | 71.10 | 46.70 | 42.02 |

Source: Author's research.

Regulations provide for **tax exemptions** in each of the above-mentioned taxes and consist in partial or total exemption from the obligation to pay the tax by a certain group of taxpayers or for a certain part of the subject of taxation.

<sup>22</sup> Act of 30 October 2002 on forestry tax (Journal of Laws of 2019, item 888).

#### **4. The future of the cadastral tax in Poland – challenges and opportunities**

Work on reforming real estate taxation system has been underway in Poland for over thirty years. In 1993, a team was appointed to reform the tax system. A year later, in 1994, the team presented detailed assumptions of the draft act on the real estate cadaster, which referred to the creation of a physical cadaster and the implementation of the reform. On the basis of the Strategy for Poland of 7 June 1994, the Council of Ministers obliged the Ministry of Finance to introduce a complete and comprehensive reform of the real estate register and to determine the value of real estate for the purposes of establishing the tax base.

The issue of the tax reform returned almost ten years later. In May 2012, the Ministry of Regional Development developed a draft reform of real estate taxation, entitled: *Assumptions of the national urban policy until 2020*. One of the five objectives of the urban policy was to support the sustainable development of urban areas. This goal was to be supported by the reform of the real estate taxation system and the introduction of an ad valorem property tax, or another tax indirectly depended on the real estate value.

The reform was not implemented. It encountered political resistance and in the new *Draft assumptions of the urban policy* of July 2012<sup>23</sup> and the document adopted a year later by the Council of Ministers, the reform of the real estate tax was abandoned.

The issue of the cadastral tax emerged again in 2024 thanks to the OECD report on Poland. According to the report, Poland, the Czech Republic, and Slovakia are the only member states in the Old Continent that still use the surface area of real estate as the tax base. The OECD and the International Monetary Fund indicate that the current model does not fulfill its role, and Poland should strive for the solutions used in other countries.

Cadaster tax rates in Europe usually range from 0.5% to 3% of the property value. In most cases, the tax is charged once a year, which means that its amount can change with fluctuations in real estate prices. In some countries reliefs are used to alleviate the burden on lower-income landlords.

Both above-mentioned organizations consider the assistance in balancing the budget as one of the benefits of replacing the current square footage tax with a cadastral tax.

Do these arguments mean that the implementation of the value-based real estate tax in Poland is only a matter of time?

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<sup>23</sup> Assumptions of the National Urban Policy until 2020. Draft, Ministry of Regional Development, Warszawa, 20 June 2012. The draft was adopted by the Council of Ministers at the meeting on 16 July 2013.

The proposed change would require enormous preparation and huge expenditure. In Poland, there is not even a uniform real estate information system. To deal with changes in taxes, it is first necessary to organize the land and building records and improve the flow of data between, for example, land and building records, land and mortgage registers and the PESEL and REGON registers.

To determine the value of the cadastral tax, it would be necessary to conduct a common real estate valuation. Obviously, this process would require reforming real estate taxation regulations, which involves substantial costs.

Moreover, such a change could cause great dissatisfaction in the society. The necessity to pay a cadastral tax arouses the greatest emotions in the case of households and their housing resources. In Poland, a flat or a house is the most important fixed asset for an average household. The introduction of a cadastral tax would be most harmful to less affluent households. This would apply both to those who own the property and those who rent a flat or a house (because of the tendency to shift part of the tax to tenants). Income is not always related to the assets owned. There is a large group of people who have assets of significant value but do not have high or even average incomes. This groups involves people, who own real estate for which they worked their entire lives or which they inherited (pensioners).

Although the authorities officially deny that they are planning to introduce a cadastral tax, the issue sparks heated discussions among politicians and experts concerning *in what form* rather than *if* this tax should be introduced.

The most common arguments for the introduction of the cadastral tax include:

- beneficial impact on the county's balance sheet balance,
- increased revenues to the budgets of local authorities, which could be allocated to the development of towns and their rational spatial management,
- grey zone reduction in real estate trading,
- combating speculation on the housing market, increased availability of flat, purchasing several flats as a capital investment would become less common,
- development or demolition of currently unused real estate (keeping such buildings would be unprofitable for the owners),
- revitalization on the real estate market – the owners who cannot afford or do not want to pay fees for high-value properties could decide to sell them,
- proportional distribution of burdens depending on the location of the property.

On the other hand, the potential disadvantages of introducing the cadastral tax are as follows:

- the development and introduction of the tax is an expensive project,
- the outflow of capital from municipalities and the emergence of disproportions between large, urban, rich, and small, rural, and poor municipalities,
- a higher tax to be paid may result in an increase in rental prices and a general increase in real estate prices,
- the emergence of tax arrears and problems with tax collection,
- discouraging investment (improvements, renovations) in real estate due to the fear of an increase in their value and, consequently, in the tax amounts.

## Conclusions

Although the decision on introducing the cadaster tax in Poland has been postponed, return to the public discussion on this issue is only a matter of time. Recommendations of European organizations also bring Poland closer to introducing an ad valorem tax.

However, a reform of real estate taxation cannot be introduced without economic simulations that would indicate the financial consequences of implementing new solutions. This concerns both municipalities and their revenues as well as taxpayers and the burdens they bear. Without such calculations, implementing even the best proposals for changes would be very difficult.

Moreover, a fast implementation of the reform is not possible because a common real estate valuation would be necessary to determine the value of the cadastral tax. This process would require reforming the regulations on real estate taxation, which would involve excessive costs and a huge amount of work for the entire administration. It would also be necessary to implement a tax registration system and a land and building register so that receivables are properly collected. Little public support does not favor this, either.

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### **Abstract**

Cadastral tax is a real estate taxation system in which the tax depends on the property value. The property, agricultural and forest taxes that are currently in force in Poland would be replaced by an ad valorem tax. The article discusses the history, essence, and the characteristic features of the cadastral tax. The real estate tax system currently in force in Poland is presented.

Necessary actions that should be taken to the taxation system are discussed. Advantages and disadvantages of introducing an ad valorem tax are presented.

***Key words***

Tax, ad valorem, real estate, cadaster, valuation.