
Family-Friendly Tax Policies in Poland: Balancing Personal Income Taxation with Equity Principles

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Abstract:

Purpose: The purpose of the article is to present the tax preferences enjoyed by taxpayers with children in Poland and their assessment from the point of view of tax justice. In order to verify the hypothesis that pro-family solutions in the personal income tax in Poland comply with the principles of tax justice, the data of the Ministry of Finance from the settlement of the personal income tax (PIT) for 2009-2023 was used. The research problem focuses on the ethics of personal income taxation, in particular, on the assessment of the fairness of pro-family solutions in the tax system. The key question is: does preferential treatment of families through credits and deductions comply with the principles of ethical taxation?

Design/Methodology/Approach: The data for the analyses are taken from studies by the Polish Ministries of Finance. The main research methods used in the study are content analysis, analysis of the current tax law and individual case studies.

Findings: A detailed interpretation of the provisions on family-friendly solutions in the personal income tax was carried out, taking into account their compliance with the principle of tax fairness. In addition, data from the Ministry of Finance and the Central Statistical Office were used to highlight the importance of this fiscal assistance to taxpayers with children, including the number of beneficiaries and the amounts of such support.

Practical Implications: The study's conclusions can serve as a basis for optimizing tax policy on family-friendly solutions. They can also serve as a reference point for institutions involved in social and tax policy making.

Originality/Value: The issues addressed are relevant and topical. The analyses conducted and the conclusions formulated can inspire further research on family-friendly solutions in personal income tax. The article contributes to the discussion of tax fairness and the effectiveness of mechanisms supporting pro-family solutions.

Keywords: Personal income tax, tax credits, family-friendly policies, tax fairness, tax system.

JEL codes: H24, H31, K34, J13.

Paper type: Research article.

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1. Introduction

In addition to fulfilling fiscal goals, modern tax systems increasingly take into account social tasks, such as supporting families and countering income inequality. In Poland, a number of family-friendly solutions have been introduced in the personal income tax to improve the financial situation of families and support demographic policies. Of key importance in this context is the principle of tax fairness, which implies adjusting the tax burden to the ability to pay and the needs of taxpayers.

The ethics of personal income taxation play an important role in the tax system, influencing public perceptions of fairness and balance in the distribution of the fiscal burden. In Poland, the tax system incorporates a number of family-friendly solutions, such as child tax credits or the possibility of joint accounting for spouses, which are aimed at supporting families and improving demographic policies. However, the question arises as to whether such preferences are compatible with the principles of tax justice and, in particular, with the ethical standards of equal distribution of the tax burden.

The purpose of this article is to present pro-family solutions in the Polish tax system in terms of their compliance with the principles of tax justice. The research hypothesis assumes that pro-family tax preferences support the ethical goals of taxation, contributing to the realization of social justice.

Verification of the research hypothesis formulated in this way requires a detailed analysis of existing constructions in the personal income tax that benefit families in Poland and their evaluation from the point of view of tax ethics. These considerations will help answer the question of whether such solutions are consistent with the principles of tax ethics, as well as with the perception of social justice.

2. Literature Review

The discussion of the essence of justice dates back to ancient times. It was one of the main subjects of consideration of the Greek philosophers Aristotle or Plato. The problem of fair and at the same time efficient distribution of the tax burden in society was also the subject of interest of many economists, such as Adam Smith, David Ricardo, Jean-Baptiste Say, John Stuart Mill, Adolph Wagner, Fritz Neumark, and John Maynard Keynes.

Adam Smith, considered the father of classical economics, formulated four fundamental principles of taxation that are still a reference point in taxation theory today (Smith, 2007). These are: the principle of equality - the tax burden should be proportional to the taxpayer's income, meaning that everyone contributes to the state's upkeep according to his or her ability.

The principle of certainty - the amount of tax, the timing of its payment and the method of collection should be clearly defined, eliminating uncertainty among taxpayers. The principle of convenience - taxes should be collected in the least burdensome way possible for the taxpayer, such as at a convenient time and place. The principle of cheapness - the administrative costs of collection.

When analyzing tax principles, it is worth noting in particular the principle of equality, which is linked to the principle of fairness and therefore raises many emotions. Nowadays, equality does not mean proportional taxation of a taxpayer's income or assets, but taxation in accordance with his financial capacity. This follows from the theory of diminishing marginal utility of income (Eriotis *et al.*, 2021).

A consequence of this theory is the principle of "equality of sacrifice" formulated by J.S. Mill and applied to taxation (Wernik, 2007). Its introduction is to equalize the marginal utility of income, collected by the tax from different taxpayers. This principle also leads to progressive income taxation. The principle of equality is an expression of the desire to equitably distribute the burden of taxation among the various individuals and social groups that are treated as subjects of tax liability. As a result, equality understood in this way implies redistribution of income.

Significant influence on modern tax principles was exerted by A. Wagner, who in the group of social principles attributed an important role to the principle of justice, understood as a demand for universality and equality of taxation. Universality meant taxation of all social groups, without exception. Any exemptions or privileges would be a manifestation of injustice.

Taxation, however, should be in proportion to a person's ability to pay and should be differentiated by wealth. Such assumptions corresponded to the progressive, and not proportional, as in A. Smith, taxation of income. According to these terms, taxes should be borne by everyone in "proportion to economic ability to pay." Taking into account the "proportion of the ability to pay" can ensure the progressivity of taxation (Gomułowicz, 2001).

In the 20th F. Neumark, also made important contributions to the development of the theory of taxation, especially in the area of tax justice (Gomułowicz and Małecki, 2002). Tax justice according to F. Neumark was based on the principle of taxpayers' ability to pay. He believed that the tax system should be universal and equal, taking into account the individual material situation of citizens. Like Wagner, he emphasized the importance of progressive taxation, which adjusts the tax burden to the financial capacity of individuals, which promotes income redistribution and the reduction of social inequality.

Similarly, J.M. Keynes advocated progressive taxation and pointed to the "great social advantages" of universal taxation covering all social classes, especially in the context of war spending (Keynes, 1974). Such a system design was supposed to

promote, first, the reduction of income inequality, which promoted greater social stability. Second, to enable efficient financing of state expenditures.

Keynes saw income taxation as a tool for mitigating social inequality. He advocated progressive tax rates that would reduce the concentration of wealth in the hands of the wealthiest. His approach assumed that greater income fairness promotes economic stability, since increased purchasing power for lower-income earners translates into increased consumption (Wojciechowski, 2022).

It is worth noting that from the perspective of public finance, the issue of fair taxation can be considered on two levels, both objectively and subjectively (Famulska, 1996). Fairness from an objective perspective has a practical dimension, since in this sense the public authority tries to take it into account when levying taxes. Subjective justice concerns the perception of taxes as fair by taxpayers themselves (Famulska, 1998). In addition, economists, in determining the objective fairness of the tax system, generally refer simultaneously to two criteria: horizontal fairness and vertical fairness.

We speak of horizontal equity when entities in similar or identical situations are taxed the same. Applying this principle in practice is not at all that easy. It is not realized by material taxes, and takes into account more complex personal taxes, where the individual situation of the taxpayer, such as health or the number of dependents, is taken into account.

However, following this principle can lead to horizontal injustice (Kośny, 2007). Vertical fairness in taxation, on the other hand, is based on the fact that better-off subjects are burdened more compared to those who are worse off (Famulska, 1996). That is, according to this belief, better-off taxpayers should pay higher taxes. The realization of vertical equity is ensured by a progressive system of personal income taxation.

It is worth noting that the modern interpretation of the principle of fairness differs significantly from the understanding of it at the time it was created. The basic issue in this case is to take into account the principle of ability to pay. Personal income tax meets the principle of ability to pay if everyone is charged according to his or her ability (Grima and Thalassinos, 2018; Thalassinos *et al.*, 2023).

In doing so, attention should be paid to the amount of income and its source, the situation of the taxpayer, as well as the state of the economy. The realization of the principle of ability to pay is also determined by the tax-free minimum, that is, the amount on which no tax is assessed.

There is a need to provide each person with a minimum of subsistence, so it is not necessary to collect tax from those taxpayers living at the subsistence level.

3. Research Methodology

The primary research methods employed to achieve the authors' intended objective comprised groups of empirical cognition methods typical of the social sciences. In the analysis of legislative acts concerning Polish tax law, the legal-dogmatic method was applied. In selecting the research methodology, the aim was not solely to adhere to scientific rigor, but also to identify an optimal approach that ensures an objective, rational, organized, systematic, and structured scientific process (Campbell, 1966).

Consequently, a triangulation of research methods was chosen to achieve the most reliable research outcomes. The qualitative method selected was the case study. Although this approach is characterized by strict requirements, it allows for considerable flexibility. M. Patton (1985) highlights that the strength of such a method lies in its ability to grasp the uniqueness of the situation, the nature of the specific phenomenon, its context, and its interactions with other elements, rather than in attempting to predict future occurrences.

Similarly, R. Yin (2009) advocates for the use of the case study method to gain a profound understanding of the phenomenon under investigation. The initial stage of the research process involved identifying and defining the research problem and research questions. Subsequently, the authors analyzed the previously collected research material. The method of legal document review and analysis was employed, particularly in the following areas: family policy, family-oriented solutions in personal income taxation in Poland, and tax justice.

The article employs a primary source analysis method to provide a comprehensive and up-to-date perspective on tax-related issues in Poland. The analysis covered applicable tax laws, executive regulations, as well as selected EU legal acts influencing the national fiscal system. Particular attention was given to the Personal Income Tax Act, the Value Added Tax Act, and the Real Estate Tax Act, which are of key relevance to business operations. The study also included an examination of administrative court rulings, including decisions issued by the Supreme Administrative Court, which shape the interpretative practice of tax law.

Positions and individual interpretations issued by the Director of the National Revenue Information Service were also considered as important sources of statutory interpretation. The analysis applied a critical evaluation of normative content, taking into account its systemic coherence, practical implications, and legislative volatility. An essential component of the research was the analysis of tax reports and publications issued by the Ministry of Finance, and the Supreme Audit Office. This enabled the identification of systemic trends such as the efficiency of tax collection and the stability of the tax system under changing economic conditions.

The method allowed for linking legal data with the institutional and economic context, thereby enhancing the analytical value of the study.

The next phase of the research entailed a comprehensive literature review and its subsequent analysis. Based on this review, an assessment of Polish family-oriented tax solutions was conducted from the perspective of taxation ethics. Utilizing the methods of induction and deduction, the authors present tax preferences benefiting taxpayers with children in Poland and evaluate them in terms of tax justice.

4. Research Results and Discussion

4.1 Reliefs and Exemptions vs. Implementation of Tax Fairness

The legitimacy of the reliefs and exemptions introduced by the legislature is worth considering from an ethical perspective, i.e. from the point of view of tax justice. Tax justice is mainly manifested in the universality and equality of taxation. Universality of taxation means that the tax, which is a forced benefit, should be borne by everyone. Every citizen must contribute to covering common needs.

Universality should be combined with the establishment of an appropriate measure of taxation, so that the distribution of the tax burden depends on the taxpayer's ability to pay. This can be achieved through tax progression, but also through tax credits and exemptions, but only if they are well designed.

According to Prof. Szolno-Koguc (2016), fairness does not exclude tax privileges. It allows the use of tax reductions and exemptions, as long as this is justified by the particular payment situation of the specific group of taxpayers covered by them, without causing a sense of discrimination against the others.

The universality of taxation, moreover, means that all subjects are taxed as the tax laws specify, regardless of extra-legal criteria of origin, race, or religion. At the same time, the amount of these burdens, as intended, should be within the limits set by the state's financial needs.

With the universality of taxation, in turn, is connected its equality. It can be assumed that equality of taxation means such distribution of the tax burden that it is in accordance with the principle of ability to pay, which is treated today as one of the most important tax principles (Mastalski, 2023).

With the principle of ability to pay in mind, it seems that the idea of universality can be violated when certain groups of taxpayers are treated differently from others. This problem is particularly true of tax credits and exemptions.

The system of allowances and exemptions built into tax progression - primarily in personal income taxes - significantly changes the distribution of taxes paid in real terms compared to the taxes that result from the distribution of income size alone (Gomułowicz, 2001).

Through the system of concessions and exemptions, the personal income tax is increasingly becoming a general income tax, especially when no tax is paid at all on many incomes.

Personal income tax credits - either redistributive or stimulative in nature - allow certain groups of taxpayers to reduce (or completely eliminate) the burden of tax, thus directly affecting their income. Therefore, considering only the fiscal context, personal income tax credits appear to be a limitation of the principle of universality of taxation. Moreover, they often alleviate tax progression, in a situation where reliefs addressed to all taxpayers mostly benefit higher-income taxpayers. From this point of view, redistribution through personal income tax credits and exemptions can be seen as contrary to the principle of social justice.

Undoubtedly, a fair tax is a tax that is universal from the point of view of both subject and object. At the same time, a fair approach takes into account the evenness of the distribution of tax burdens in accordance with the ability to pay. It is worth remembering that any tax preference in the form of reliefs and deductions must be the realization of a constitutional right of a subjective nature, realizing the principles of fairness, equality and universality of taxation.

Therefore, the system of reliefs and exemptions within the framework of personal income tax should respect and support the rules arising from the Polish Constitution (including the principles arising from its Articles 2, 32(1) and 84 and 217) (Marusik, 2018).

In doing so, the principles of universality, equality and fairness of taxation are considered complementary to each other. Hence, the creation and interpretation of tax norms on the system of reliefs and exemptions in income tax must consider them together. Reliefs and exemptions are an important instrument for shaping the obligation of the individual to bear public tributes, arising from Article 84 of the Constitution, which, by submission, cannot be detached from the normative basis of taxation, having its source in human dignity.

In addition, the construction of the personal income tax must take into account the physical minimum of existence. This is evidenced, for example, by the norms of the tax-free amount. One can even risk the claim that without a system of reliefs and exemptions, the personal income tax would in a sense fail to meet the goal set by the legislator, as it would be neither rational nor fair (Marusik, 2018).

In summary, on the one hand, the introduction of tax credits and exemptions in personal income tax is a necessary measure in the pursuit of fair taxation, in accordance with the principle of ability to pay. From this point of view, allowances and exemptions - especially social allowances - should not be treated as an exception, but as a tool to implement the principle of equality of taxation. They are intended to ensure tax fairness (Marianiński, 2021).

On the other hand, excessive implementation of non-fiscal goals through tax breaks may violate the principle of universality of taxation. Stimulative reliefs can lead to an unfair situation for taxpayers who do not take advantage of these reliefs, forcing them to cover budget shortfalls, which in effect reduces their income and contradicts the concept of tax freedom and neutrality (Gomułowicz and Małecki, 2011).

According to Mariański, many of the reliefs and exemptions that currently apply to the personal income tax in Poland do not realize the idea of tax fairness at all. The main problem is the flawed construction of this tax and the arbitrariness of decisions made by the legislator, which extremely often leads to unequal taxation of people in identical situations (Mariański, 2021).

4.2 Family – Friendly Preferences in Personal Income Taxation in Poland

In the taxation of personal income in Poland, solutions have been applied to support the state's pro-family policy. Among the most important instruments in this regard are the child tax credit, the possibility of joint taxation of the income of spouses and single parents, and subject exemptions covering various family benefits and allowances.

The child-rearing tax credit was introduced in 2007 under Article 27f of the updo of (Personal Income Tax Act of July 26, 1991) . Since October 2007, it was a tax-deductible relief, and its amount was the annual double of the tax-reducing amount, i.e. $2 \times \text{PLN } 556.02$, or $\text{PLN } 1112.04$ for each child (Law of July 26, 1991). Currently, taxpayers who exercise parental authority, i.e. are legal guardians, if the child lived with them, or provided care as a foster family on the basis of a court decision or an agreement with the starost, are entitled to take advantage of this relief. The rules for applying the child tax credit are shown in Table 1.

Table 1. Rules for applying the child tax credit for 2024.

Value of deductions under the child tax credit in 2024		
Number of children entitled to relief	Taxpayer is single, widowed, divorced, married for part of the year	Taxpayer remains married for a full year
1 child	Earnings above PLN 56 thousand.	Total earnings of more than PLN 112,000.
	is not entitled to	
1 child	earnings \leq 56 thousand zlotys.	Total earnings \leq 112 thousand zlotys.
	92,67 zł/month	
2 children	first child	PLN 1,112.04/year
	second child	PLN 1,112.04/year
3 children	third child	PLN 2,000.04/year
4 children	fourth child	PLN 2,700/year
more children	each child	PLN 2,700/year

Source: Own compilation based on Article 27f of the July 26, 1991 Law on Personal Income Tax (PIT Law).

Starting in 2009, the method of accounting for the family allowance changed for the first time. The limit was set in proportion to the number of months during which the taxpayer raised a child. A definite advantage of the solutions introduced at the time was that the relief was extended to legal guardians and foster families.

Both of these changes combined provided a guarantee that if, in practice, a situation occurred in which for one part of the year a child was cared for by parents and for the other part by a foster family, there would be no risk of one child creating a double deduction.

The child tax credit in effect between 2007 and 2012 was in no way linked to family income or the number of children one had. Therefore, as of January 1, 2013, the legislature introduced two significant changes in the rules for granting and the amount of the child tax credit. The relief can still be used by personal income taxpayers earning income taxed according to the tax scale.

However, parents raising only one child in a year will benefit from the deduction, as long as their annual income does not exceed the income criterion of PLN 112,000. Unmarried parents - can take advantage of the child tax credit if their annual taxable income does not exceed PLN 56 thousand per year. In addition to the income limit, the amount of the child tax credit for the third child was simultaneously increased by 50% of the amount for the first child and by as much as 100% for the fourth and subsequent children. As a result of these changes, more than 310 thousand fewer taxpayers took advantage of the relief in 2013 compared to 2012 (Ministry of Finance, 2013 and 2014).

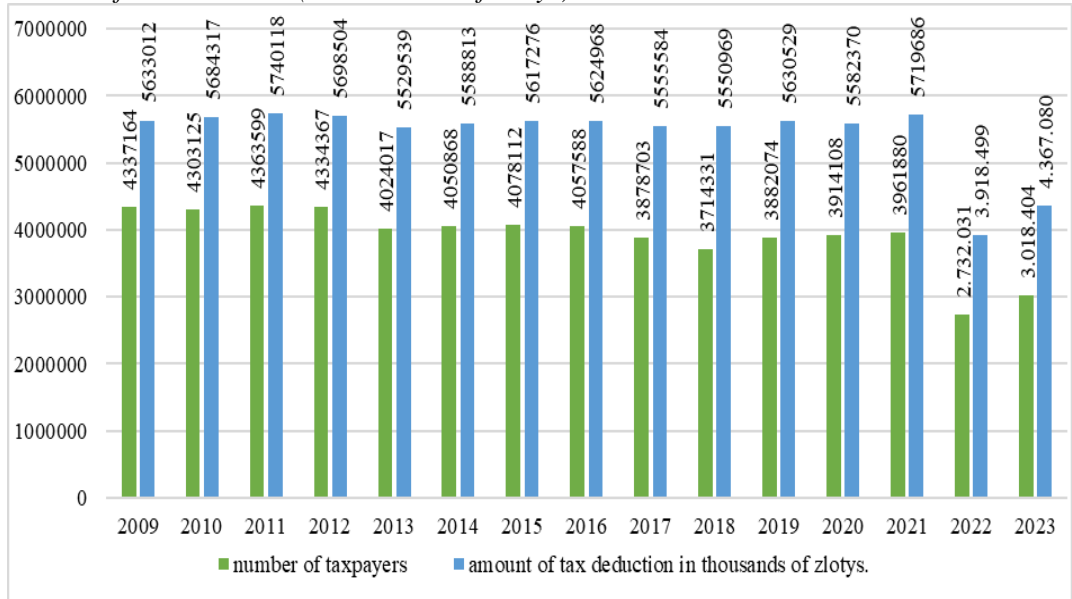
However, the fact that it became possible to use the child tax credit in its full amount in the 2014 tax return should be considered by far the most favorable change. This was particularly targeted at low-income families and families with many children. If a taxpayer lacked the tax to deduct the full amount of the credit, the taxpayer was entitled to a refund of this undeducted amount of the credit.

The amount for which a taxpayer could claim a refund could not exceed the sum of social and health insurance contributions (and, from 2022, only social contributions) paid in the tax year and deductible in the annual return. Such solutions were aimed at equalizing the situation of taxpayers raising children with that of those taxpayers who, due to too low income and consequently low tax, were not able to take advantage of their deductions.

In addition, the idea was that making the possibility of receiving an additional amount of unused child tax credit dependent on the amount of social and health insurance premiums paid was intended, according to the legislator, to motivate people to work and enter the general insurance system. Thus, the new mechanism for increasing the level of utilization of the amount of the child tax credit resulted in the

amount of additional surcharge on the tax credit from contributions amounting to almost PLN 1.42 billion in 2014 (Ministry of Finance, 2015).

Figure 1. Number of taxpayers taking advantage of the child tax credit and the amount of tax deduction (in thousands of zlotys) in 2009-2023.



Source: Own compilation based on Ministry of Finance Income Tax Department database.

The discussed changes in the design of the child tax credit should be contrasted with the number of taxpayers and the amount of child tax credit deductions in 2009-2023.

The data presented in Figure 1 shows that the family tax credit benefited an average of more than 4 million taxpayers annually from 2009-2023. According to MF data, the family tax credit was used mainly by those taxpayers who reported income in the first threshold of the tax scale.

On the other hand, taxpayers in the second bracket of the tax scale subject to the 32% rate - only in 2009-2012 - accounted for an average of 3.7% of the total number of beneficiaries, with the percentage dropping by 1.52 p.p. in 2013, as a result of the changes introduced in the construction of the tax credit, compared to the previous year.

Despite the introduction of favorable solutions in the construction of the child tax credit, there was only a slight increase in deductions for this purpose from PLN 5.52 billion in 2013 to PLN 5.71 billion in 2021. Between 2017 and 2021, there is stabilization at an average of 3.86 million taxpayers. As a result of the slowdown in economic activity in Europe due to the pandemic and the war in Ukraine, there is a sharp drop in the number of taxpayers in 2022 to 2.73 million (more than 30% less

than the year before). Starting in 2022, health premiums were sent to be tax-deductible, which increased the tax burden for some taxpayers (Poradnik and Przedsiębiorcy, 2023).

As a result of these changes, as early as 2023 there was an increase in the number of taxpayers taking advantage of the child tax credit to 3.01 mill (Mill, year)ion (by more than 10%) and an increase in the amount of the tax deduction to 4.36 thousand deductions (by more than 11%).

Detailed data not only on the number of taxpayers and the amounts of deductions for the child tax credit in total, but also on the average amount of deductions per taxpayer or per child are summarized in Table 2.

Table 2. Family tax credit in 2009-2023.

Year	Average amount deducted per taxpayer in PLN	Average amount deducted per child in PLN
2009	1299	898
2010	1 321	904
2011	1 315	912
2012	1 315	924
2013	1 374	949
2014	1 380	1 071
2015	1 550	1 077
2016	1 550	1 080
2017	1 537	1 078
2018	1 548	1 067
2019	1 475	1 065
2020	1 469	1 064
2021	1 490	1 059
2022	1 510	1 018
2023	1 524	1 020

Source: Own compilation based on data from the Ministry of Finance.

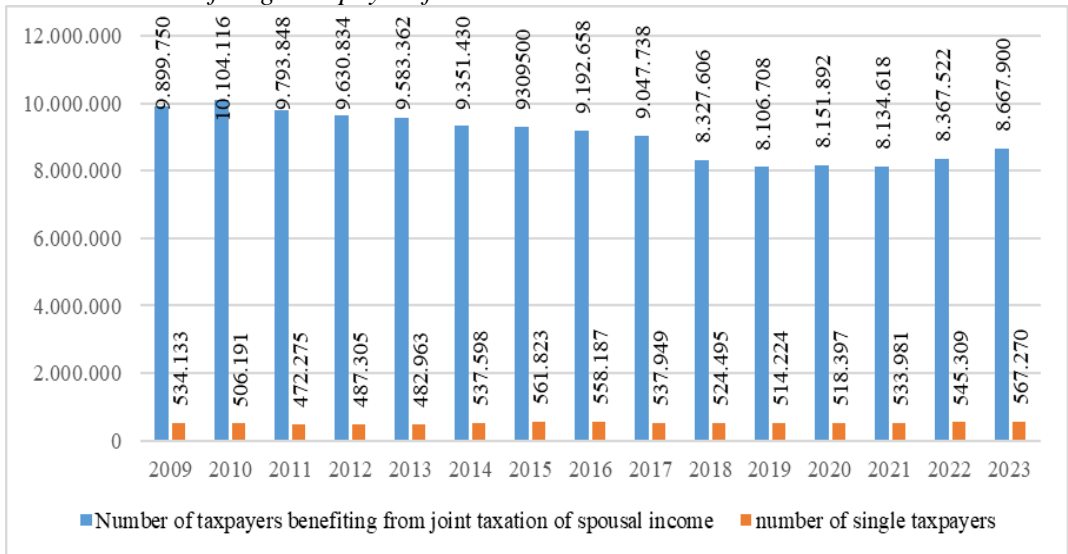
In 2009, the average amount deducted per child per taxpayer was PLN 1,299, while in 2023 it rose to PLN 1,524, an increase of 17.3%. A similar trend occurred for the average amount deducted per child - in 2009 it was PLN 898, while in 2023 it rose to PLN 1,020, an increase of 13.6%.

The increase in the average amount deducted per child and per taxpayer was related to the increase in the number of those eligible for the child tax credit, income restrictions and changes in the design of the credit in favor of large families. An increase in the average amount deducted per child and per taxpayer has also been evident since 2009 This is due to, among other things, an increase in the amount of the deduction for the third and subsequent children (in 2015) and the introduction of a refund mechanism for the unused deduction for low-income earners (in 2014).

Another family-friendly solution in PIT is the possibility of joint taxation with a spouse or minor child. This preference extends only to income taxed on the tax scale. Under current regulations, a joint PIT return is possible for people who have been married for the entire tax year or have married during the tax year and have not divorced or separated by the end of the year.

Previously, the condition for taking advantage of this preference was to be married for the entire tax year. On the other hand, joint taxation with a minor child applies to taxpayers raising a minor child, an adult child earning a family allowance or social pension, or an adult up to the age of 25 studying at school. Information on the number of total taxpayers using joint taxation is shown in Figure 2.

Figure 2. The number of taxpayers benefiting from joint taxation of spousal income and the number of single taxpayers from 2009 to 2023.



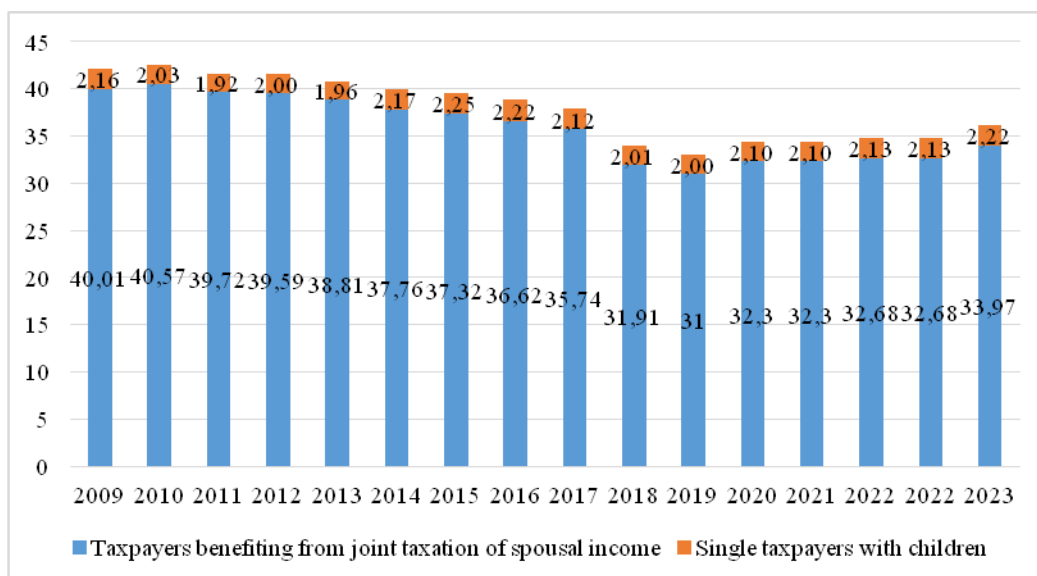
Source: Own compilation based on Ministry of Finance Income Tax Department database.

According to Article 6(2) of the Law on Personal Income Tax, in the case of a joint settlement of spouses, the sum of their income, after each of them has made deductions from the tax base, is taxed. The sum of the total income is divided in half, and from this amount the tax is calculated multiplied by two. This method of taxation is particularly advantageous when there is a disproportion of income between the spouses or when income is earned by only one of them. In other cases, filing a joint return will generally be tax-neutral. Also, taxpayers subject to a flat tax may not take advantage of this preference - as in the case of the child tax credit.

It is worth noting that, starting in 2022, a joint PIT return is possible for those who were not only spouses for the entire tax year and not separated, but married during the tax year. However, still the beneficiaries of this preference cannot be taxpayers

of flat income tax, flat tax or taxation on a tax card. An exception is made for business activities in which no income or expenses were reported in the year and there were no obligations or entitlements to increase or decrease the tax base and no obligations or entitlements to make other additions or deductions.

Figure 3. Number of joint taxpayers and number of single taxpayers from 2009 to 2023 (as % of total number of taxpayers taxing income using the tax scale).



Source: Own compilation based on Ministry of Finance Income Tax Department database.

From the data in Figure 1, that the possibility of joint taxation of spousal income was used in the 2023 tax return. 8.66 million general taxpayers, i.e. 33.97% of the total number of taxpayers taxing income using the tax scale (over 25.5 million). This number was lower by 1,231 thousand taxpayers (by 12.44%) compared to the 2009 settlement.

The decrease in the number of taxpayers using this tax preference is responsible, among other things, for the increase in the number of divorces (Infor, 2024) and the lower number of marriages. According to the Central Statistical Office, the end of 2023 there were more than 145,000 marriages in Poland, i.e., (9,919 fewer than the year before) 6% less than the year before and as much as 24% less than five years earlier (Demographic Year Book, Central Statistical Office, 2024).

At the same time, the MF data show that 567,270 taxpayers, or 2.22% of the total number of taxpayers taxing income using the tax scale (25,515,292), took advantage of the preferential income taxation available to single parents in 2023. Compared to the 2009 settlement, the number was 33,137 higher (by more than 6%). The increase in the number of taxpayers using joint taxation with a minor child can be associated,

among other things, with greater public awareness of the benefits of preferential taxation, supported by information campaigns conducted by the tax administration. In addition, an amendment to the PIT Law introduced the possibility of deducting a child tax credit regardless of income, as well as demographic changes, including an increase in the number of single-parent families.

Another instrument for supporting families is subject exemptions. A catalog of these exemptions can be found in Article 21 of the updof. Among those exemptions directed at families with children are: family benefits, family and nursing allowances, guardian's benefits, cash benefits received in case of ineffective enforcement of alimony, childbirth benefits, child-rearing benefit, maternity benefit, family care capital, subsidizing the reduction of a parent's fee for a child's stay in a nursery, children's club or day care center, social assistance benefits and alimony.

Starting January 1, 2022, there are also new itemized exemptions, commonly referred to as the 4+ relief, a tax preference for families raising at least four children. According to Article 21 updof para. 153, the income of taxpayers raising at least four children is exempt from income tax up to the amount of PLN 85,528.

This applies to income from employment (employment contract, service relationship, contracted work, cooperative employment relationship), contract of mandate, from business activities taxed according to the tax scale, 19% flat tax, 5% rate (so-called IP Box relief) and lump sum on registered income (regardless of the tax rate) or from maternity benefit. In addition, Article 21 updof para. 8c introduces another PIT exemption for Family Care Capital (RKO).

According to the provisions of the Family Care Capital Law of November 17 2021, this capital is entitled to the mother or father of a second or subsequent child between the 12th and 36th month of the child's life in the amount of PLN 12,000 (Low of November 17 on the family care capital, 2021). In the case of RKO, there is no income criterion. In addition, from April 2022, under Article 21 updof para. 8d, subsidizing the reduction of a parent's fee for a child's stay at a day care center, children's club or day care provider in the amount of PLN 400 is also tax-free, as referred to in Article 64c(1) of the Act of February 4, 2011 on the care of children up to the age of 3 (Act of February 4 on the care of children up to the age 3, 2011).

4.3 Evaluation of Family – Friendly Solutions from the Point of View of Tax Fairness

The child tax credit is a social tax credit, so it can be considered a redistribution of income from the rich to the poor, which corresponds to the concept of vertical justice, which is also based on the concept of ability to pay. It also does not contradict the principle of horizontal justice, since it should be noted that a taxpayer with three dependent children does not have an identical ability to pay compared to a taxpayer without children, even if their starting incomes were identical.

It is through child allowances and deductions that the legislature can adjust the amount of tax paid by a taxpayer with children in accordance with his ability to pay.

Tax fairness allows allowances and exemptions, as long as they are justified by the special financial situation of certain groups, without creating a sense of discrimination among other taxpayers. In the case of the child tax credit, its purpose is to support families raising children, which corresponds to the principle of equal distribution of the tax burden. Transparency and precise justification of such solutions are key to maintaining trust in the tax system and its effectiveness (Szołno-Koguc, 2016). It is compatible both from the point of view of tax fairness and social justice as long as it is well designed, so its beneficiaries are indeed taxpayers with lower ability to pay.

With this in mind, it is worth noting that after 2009, Poland made significant modifications to the family allowance, which should be evaluated positively from the point of view of tax fairness. The most important modifications included both the amount of the relief and its subjective scope. Since 2015, the amount of the relief was made dependent on the number of children one has. A particularly important change from the point of view of tax fairness, as well as a sense of social justice, is the possibility of refunding the unused portion of the relief in a situation where the taxpayer does not have sufficient income to fully deduct it.

This mechanism allows for a refund of the amount corresponding to the undeducted portion of the relief, which increases the effectiveness of support for families with lower incomes. Since 2015, there is also an income threshold, but only for families with one child. So far, the income criterion in the construction of the child tax credit applies only to taxpayers with one child, when the income limit for two parents exceeds the amount of PLN 112,000. This amount has not been revalued at all so far. On the other hand, the income criterion does not apply at all to other taxpayers with two or more children, which means that the ability-to-pay principle does not apply.

As of July 1, 2019, the rules for granting the 800plus benefit were also changed. It is now granted to every child in the family, without specifying an additional income criterion, which does not comply with both the principles of efficiency and fairness. The benefit goes to both low-income and high-income families, which undermines its redistributive nature. It should be noted, moreover, that the family tax credit continues to be available only to taxpayers taxed according to the tax scale, which at the same time discriminates against taxpayers subject to flat or flat tax.

Joint taxation of spouses is also not without drawbacks, which continues to discriminate against those raising children in informal unions, depriving them of the opportunity to take advantage of this tax preference. Joint taxation is also not available to taxpayers subject to the lump sum and flat tax. On the other hand, a positive change that has been introduced since 2022 is the possibility of joint

taxation with a spouse, regardless of the number of calendar months in which the taxpayer is married.

It is worth mentioning the latest 4+ tax credit, which is aimed at families with many children. As of 2022, it is available to parents, legal guardians and persons acting as foster families raising at least four children, and exempts from taxation income of up to PLN 85,528 per year earned from an employment contract, a contract of mandate or a non-agricultural business activity.

In the case of this relief, the legislator has introduced an income limit, without depriving taxpayers taxed on a flat rate or flat tax from the possibility of taking advantage of this relief. However, from the point of view of the principle of fairness, the 4+ relief does not meet the principle of universality, because it limits access to assistance only to families raising at least four children. This means that financially disadvantaged people raising fewer children cannot benefit from this support.

An amendment to the Personal Income Tax Law, which removes the income limit for the family tax credit for children with disabilities, also takes effect on January 1, 2023. According to Article 27f (2e) of the PIT Law, parents of a disabled child, regardless of the amount of their annual income (even if their income exceeds PLN 112,000 or PLN 56,000), can deduct the family tax credit.

This change was an important support for families raising disabled children. Caring for a child with a disability is expensive, and the amount of the family tax credit can significantly reduce the financial burden on parents. The introduction of an allowance with no income limit is a positive development in the construction of the allowance and an expression of concern for families raising disabled children. It is also proof that the state recognizes their needs and is trying to help them.

It is noted that the construction of the child tax credit, in accordance with the principle of tax fairness, should take into account both the income criterion and the actual costs incurred by taxpayers. The implementation of the income criterion of the child tax credit can be attributed to several reasons, which aim to fairly and effectively support families raising children. The most important may include:

1. Targeting assistance to those most in need. The introduction of an income criterion makes it possible to target tax relief to lower- and middle-income families that are most in need of financial support.
2. Protecting the state budget. Limiting relief for high-income families helps control budget spending and allows for better management of public finances.
3. Increasing tax fairness. The income criterion prevents the wealthiest individuals from receiving relief on the same basis as lower-income families, increasing the progressivity of the tax system.

4. Encourage childbearing among lower-income people. Relief can be given to families for whom it has real meaning, which can positively influence procreation decisions among this group.
5. Preventing abuse. Introducing income limits can prevent high-income earners from artificially optimizing their tax liability through the child tax credit.
6. Alignment with state social policy. The income criterion allows better implementation of family-oriented and social policies, focusing on groups that need the most support.

5. Conclusions, Proposals, Recommendations

The principle of tax fairness requires adjusting the fiscal burden to the capacity of taxpayers. In the context of family-oriented policies, mechanisms for the construction of family-friendly allowances are important so that they effectively support families with different incomes. The current model raises questions in terms of equal treatment of taxpayers, which indicates the need for its modification. The purpose of the article was to present and evaluate pro-family solutions in the personal income tax in Poland from the point of view of tax equity.

Pro-family relief, and in particular the child tax credit to be consistent with the principle of tax fairness, should take into account both the tax capacity of families and the real costs of raising children. The changes in the design of the child-rearing tax credit since 2008 should be considered positive - and in line with family-friendly policies. The introduction of an income criterion and the change in the mechanism for deducting the child tax credit, in effect since 2014, must be evaluated positively.

Thanks to these changes, the beneficiaries of the child tax credit are to a greater extent families with many children, including taxpayers with a worse financial situation and more in need of assistance from the state.

A clear shortcoming of the existing solutions is that the Personal Income Tax Law still allows only taxpayers settling according to the progressive tax scale to enjoy this privilege. On the other hand, the child tax credit is not available to small entrepreneurs paying income tax in a lump sum, settling according to the registered lump sum or according to the tax card, nor to those who have chosen to settle their non-agricultural business activities according to the 19% flat rate.

On this basis, it can be concluded that the family tax credit, which in theory is supposed to support families raising children, in practice does not always fulfill its function. In addition, the application of the income criterion for families with one child results in the exclusion of some taxpayers, despite their high cost of living. Another shortcoming of the existing family-friendly solutions is the ineffectiveness of joint accounting for spouses, which does not bring significant benefits to low-

income families and discriminates against those raising children in informal unions. Moreover, this preference applies only to taxpayers taxed according to the scale.

It has been noted that the use of rigid income thresholds in family-friendly tax credits leads to inconsistencies in the system, as relief for the first child is capped, while no income criteria apply for subsequent children. The system also fails to take into account the varying cost of living in different regions of the country, leading to inequality in access to tax support tax credits favor families with many children, but do not compensate for the real cost of raising children. As a result, the tax system needs to be reformed in the direction of greater progressivity and the elimination of barriers to accessing reliefs.

The observations made authorize the following recommendations for modifying the design of the family tax credit:

1. Introduce a progressive relief mechanism. Instead of using a rigid income criterion, which can lead to a sudden loss of the right to relief after exceeding a certain income threshold, it would make sense to introduce a mechanism for the relief to gradually expire as income increases. Such a solution would prevent the negative effects of the "income trap" and increase the fairness of the tax system.
2. Making the amount of relief dependent on the number of children and the family situation. The principle of tax fairness implies taking into account the actual costs incurred by taxpayers. Accordingly, the child tax credit could be differentiated according to the number of children in the family, which would mean increasing the amount of the credit for the second and subsequent children. In addition, additional support should be included for families raising children with disabilities, who incur higher costs for care and rehabilitation.
3. Introduce a progressive relief for lower-income families. The current rules may lead to a situation in which low-income families are unable to take full advantage of the relief due to insufficient tax liabilities. In order to improve tax fairness, it would make sense to introduce a progressive system in which families with the lowest incomes could receive relief in the form of a tax refund, regardless of the amount of taxes paid.
4. Coordinate the system of tax credits and social benefits. The system of tax benefits should be consistent with other family support instruments, such as social benefits (e.g., the "Family 800+" program). Lack of proper coordination can lead to disproportionate support of certain income groups or duplication of benefits. The introduction of uniform criteria and corrective mechanisms would allow for a more efficient and equitable distribution of public funds.

5. Ability to choose the form of relief. In order to increase the flexibility of the tax system, it would make sense to allow taxpayers to choose between a tax credit and its direct refund in the form of a cash transfer. Such a solution would allow low-income families to take full advantage of their support, regardless of the amount of taxes paid.

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