

How to run predictable tax policy? discretion vs. rules in excises

Biased opinion of a former policy-maker

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- Does the government need flexibility on both, the revenue and expenditure side?
 - The only thing about life that does not change is that is always changing
 - The same is true of politician's wishes
- Does the government deserve flexibility on the revenue and expenditure side?
 - What if a real disaster happens?
- Are we able to stop the government from flexibility?
 - Is it really that hard to circumvent the rule?

Maturity of politicians, the society and its institutions are far more important than rules alone.

What are the triggers of changes in the tax system?

- VISION
- money capital
- political capital

How to run excise tax policy?

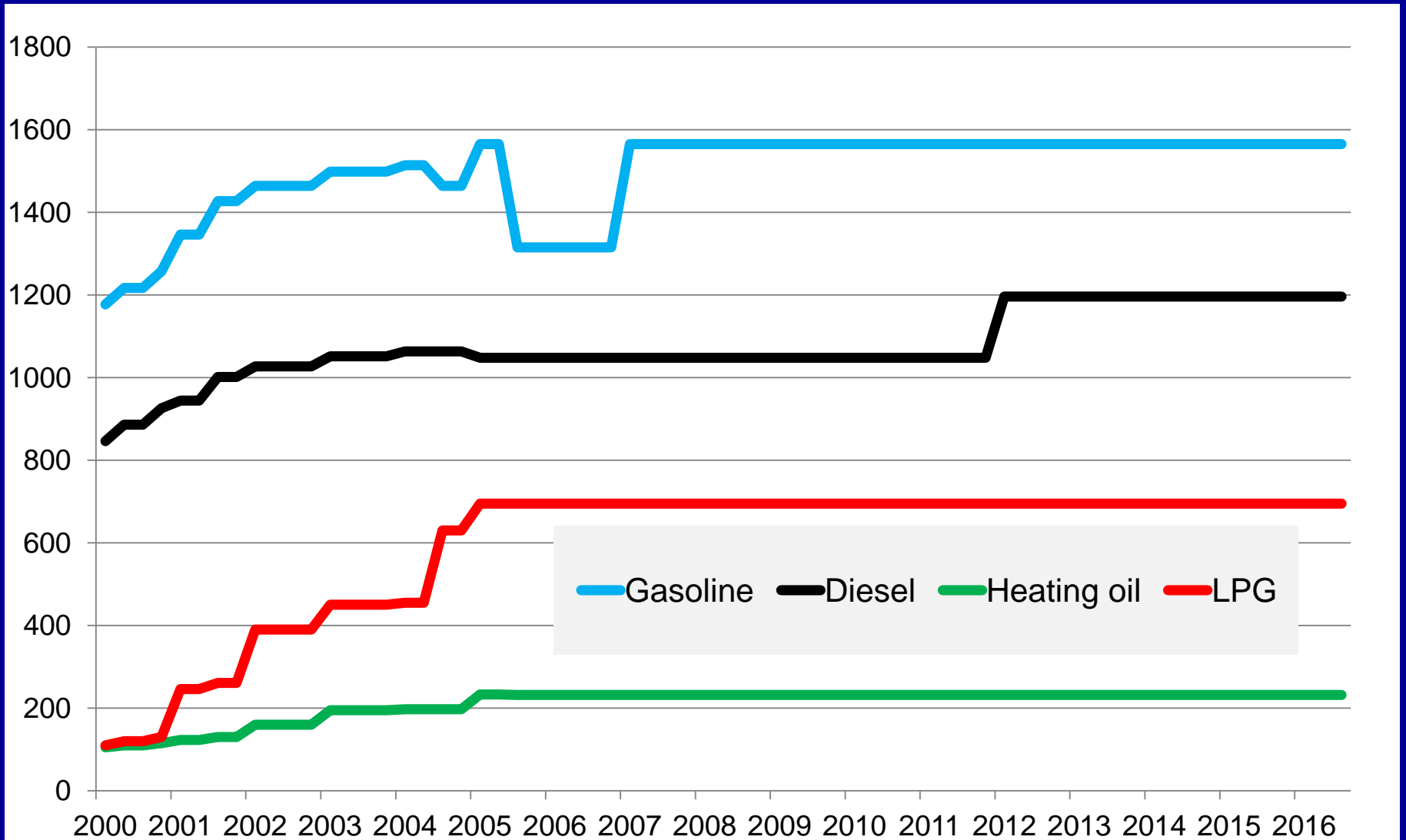
- Excise duty:
 - A *sin* tax – Laffer considerations not that essential
 - Specific (unit) tax (with partial exception for cigarettes)

Do we need to increase excise duty rates?

- How?
 - Discretion?
 - Rules?
 - Road map (binding vs not binding)
 - CPI
 - Nominal GDP
 - Average wage

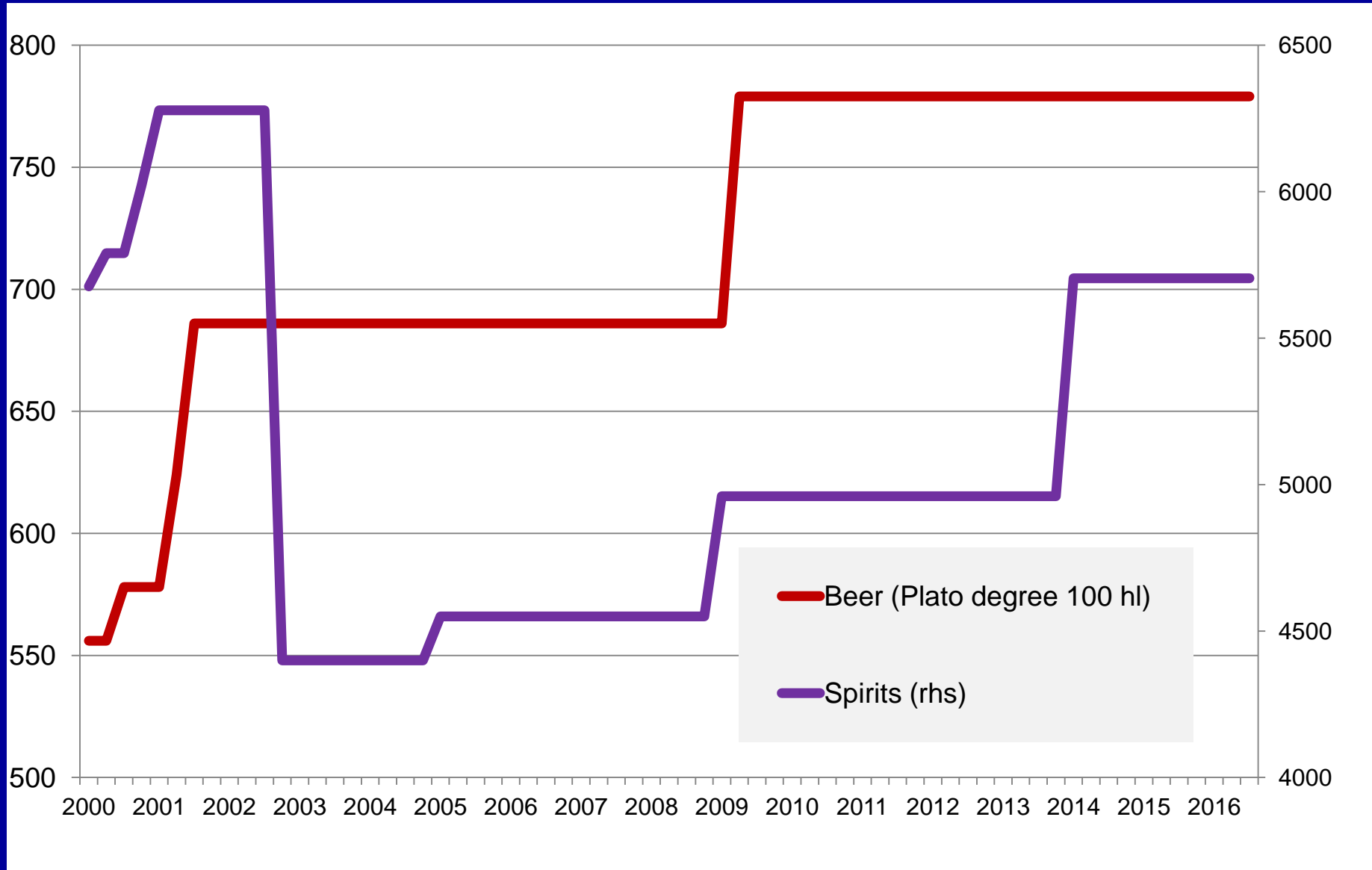
How to increase excise duty?

No excise increases in fuels (in PLN)



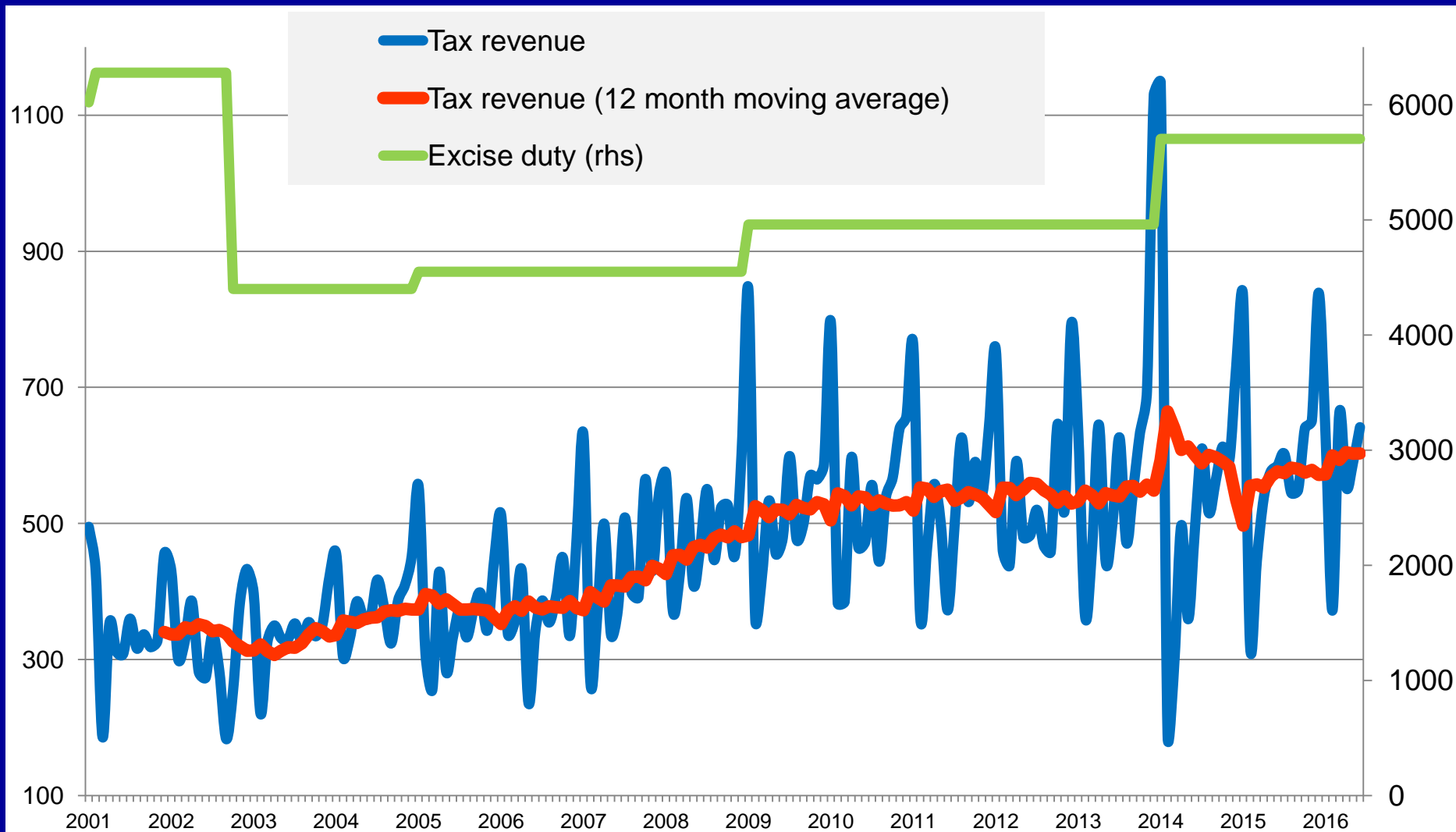
How to increase excise duty?

Incidental increases on alcohol beverages (in PLN)



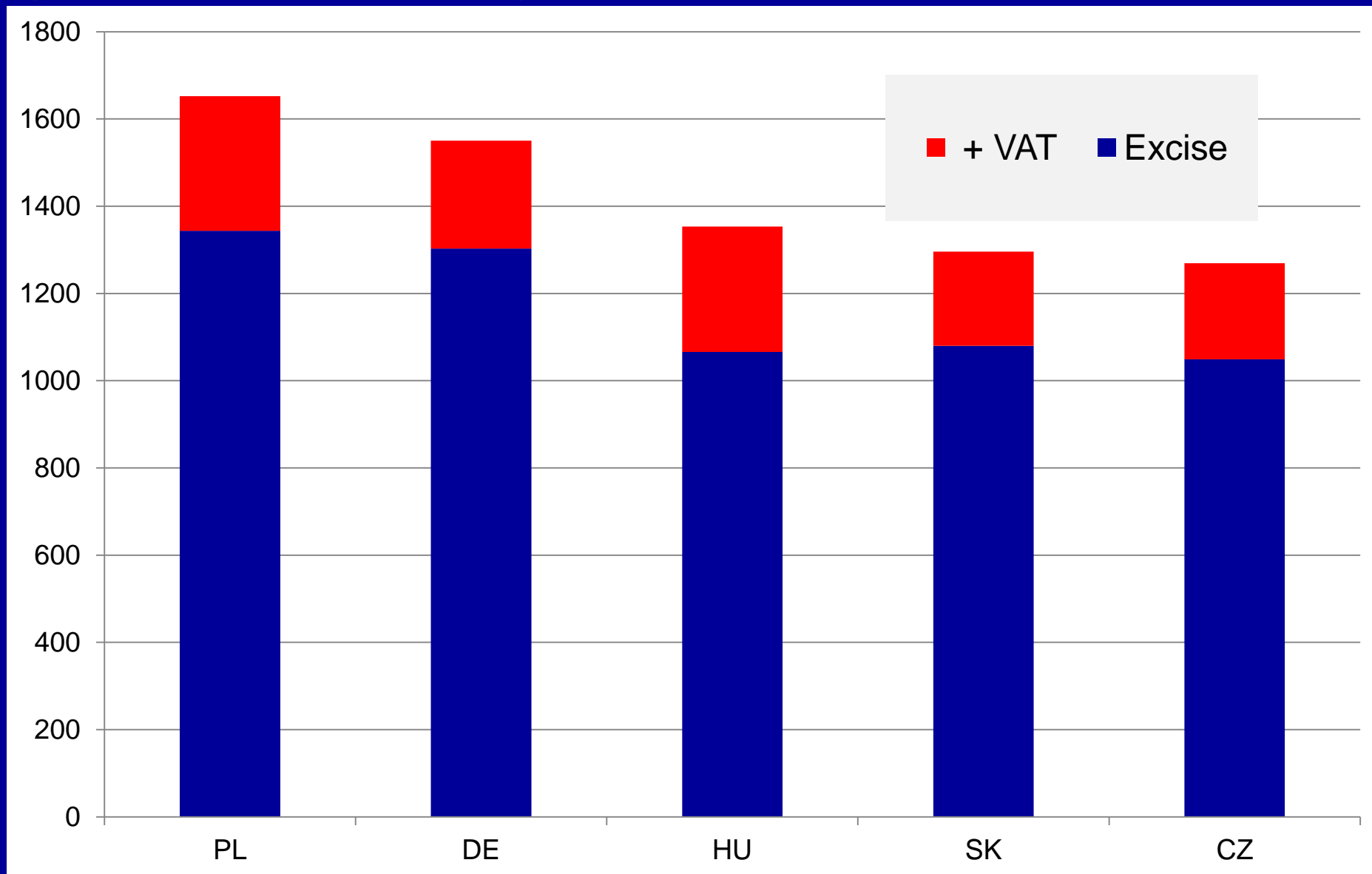
How to increase excise duty?

Spirits - excise rate (PLN) and revenue (m. PLN)



How to increase excise duty?

Spirits - excise rates (in PLN)

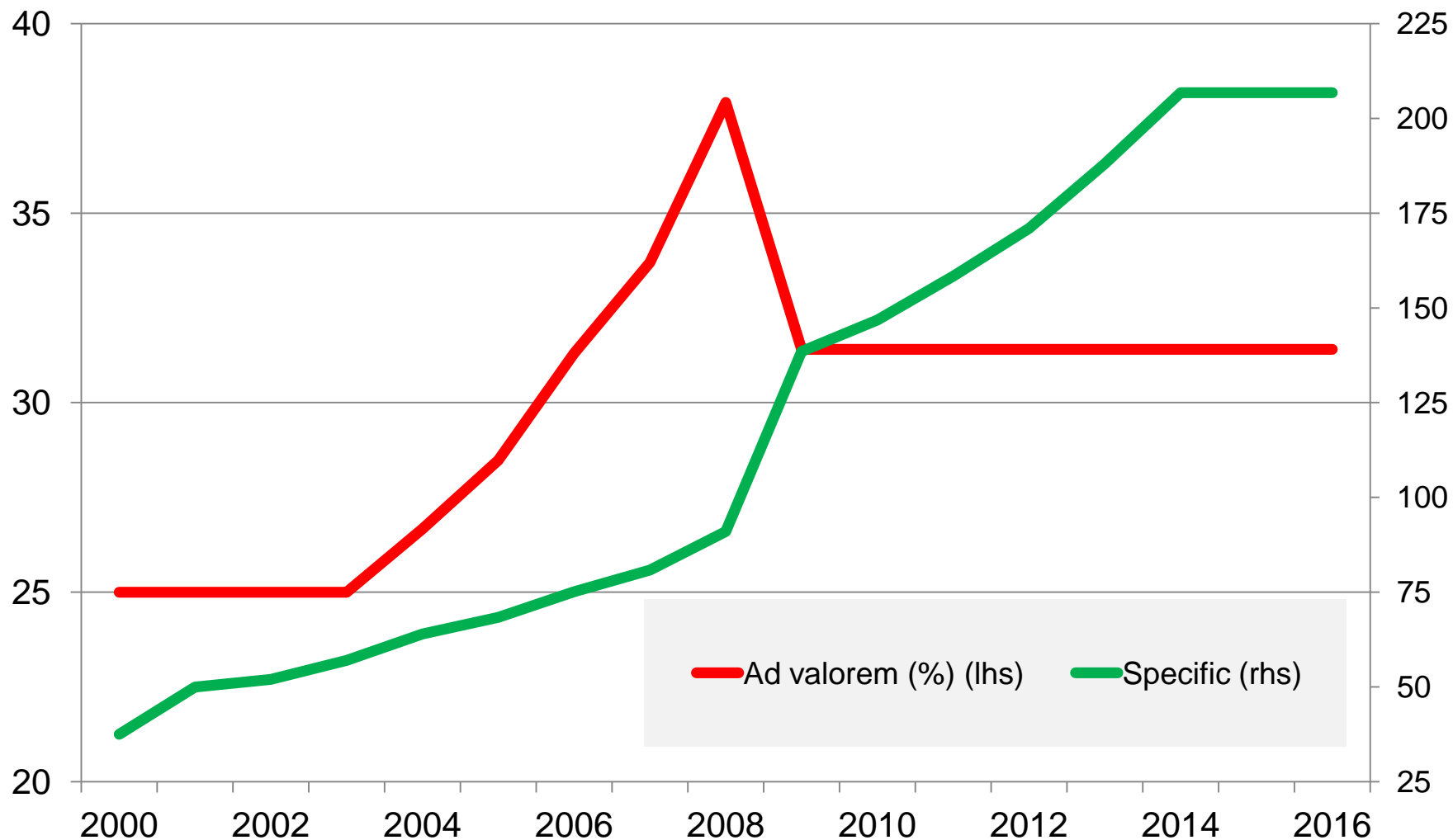


Tobacco taxation

- Far more complex (mixed system)
- Need to comply with the EU directive (increase of excise duty from €60 to €90)
- Announcement of specific component rising by 5% per year

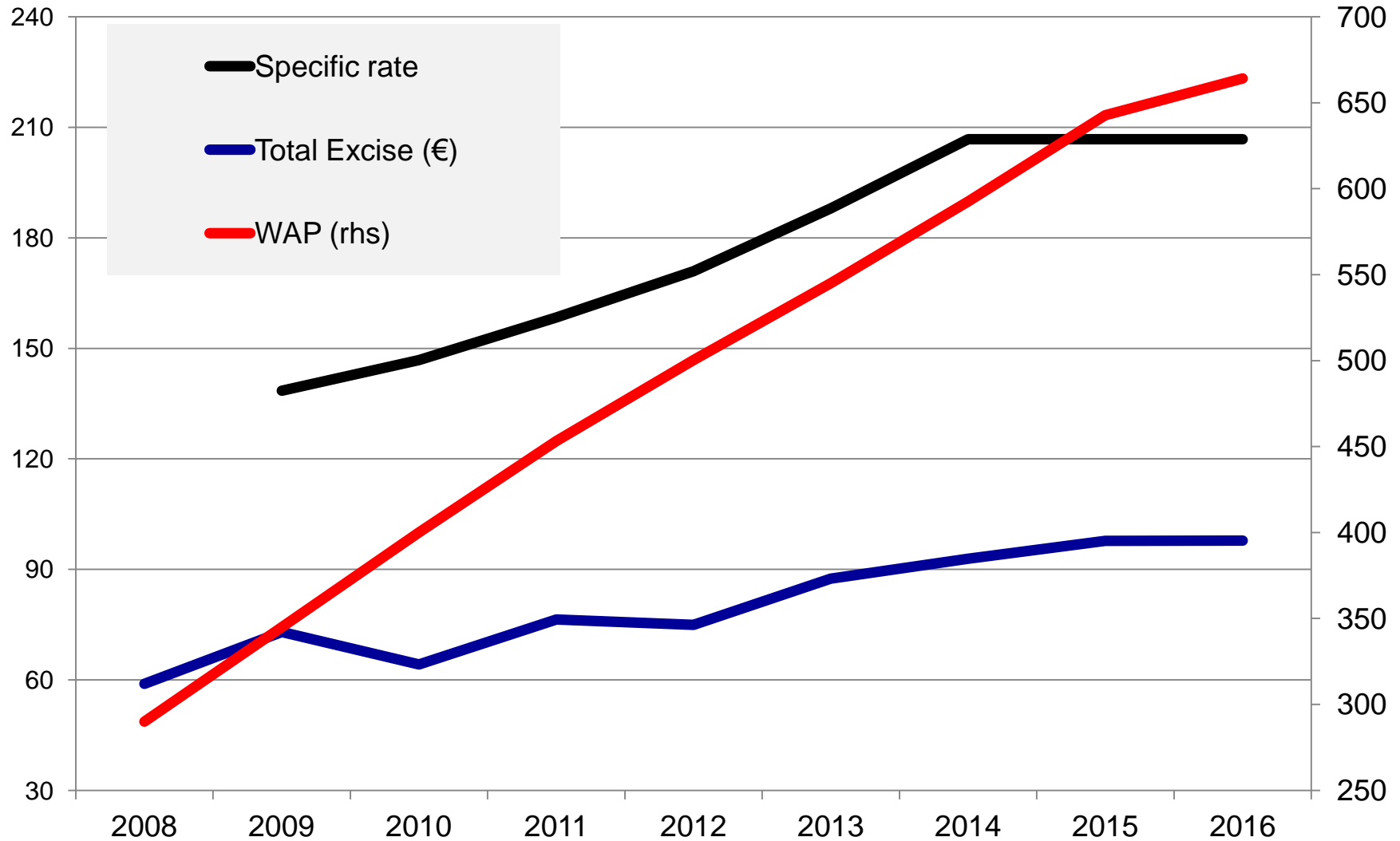
How to increase excise duty?

Cigarettes – frequent excise increases (in PLN)



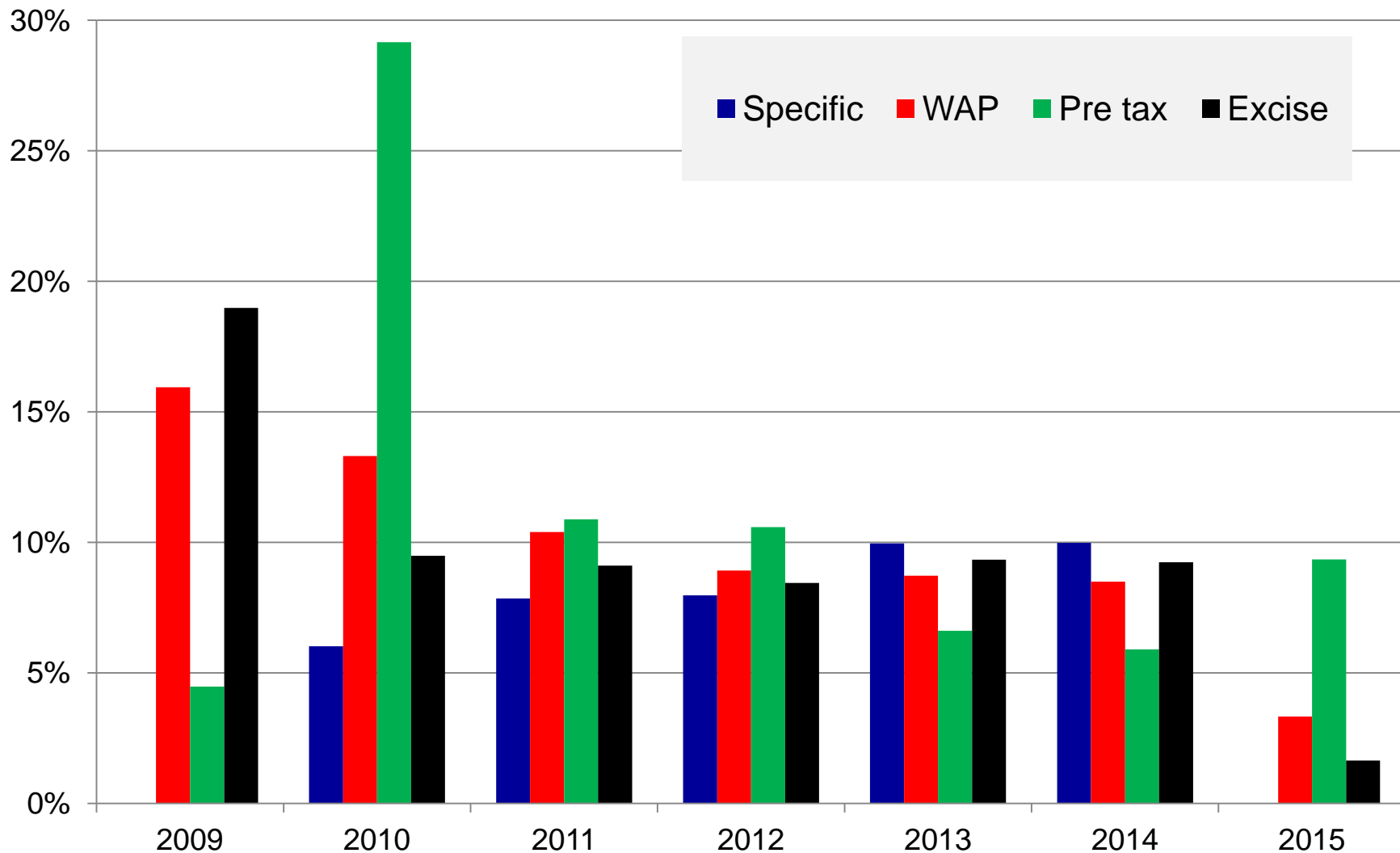
How to increase excise duty?

Cigarettes - excise duty rate and yield and weighted average price



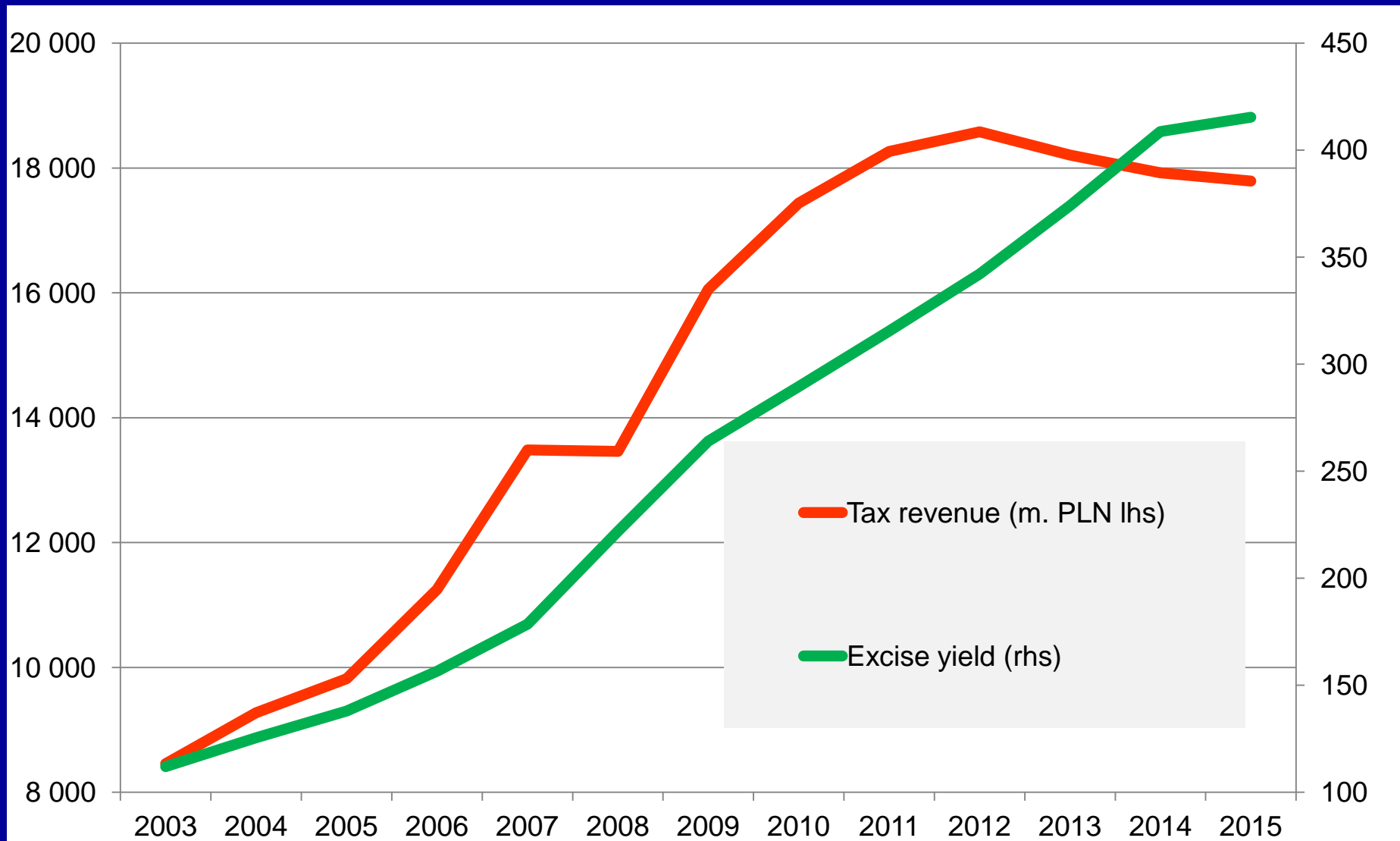
How to increase excise duty?

Cigarettes - excise and price dynamics



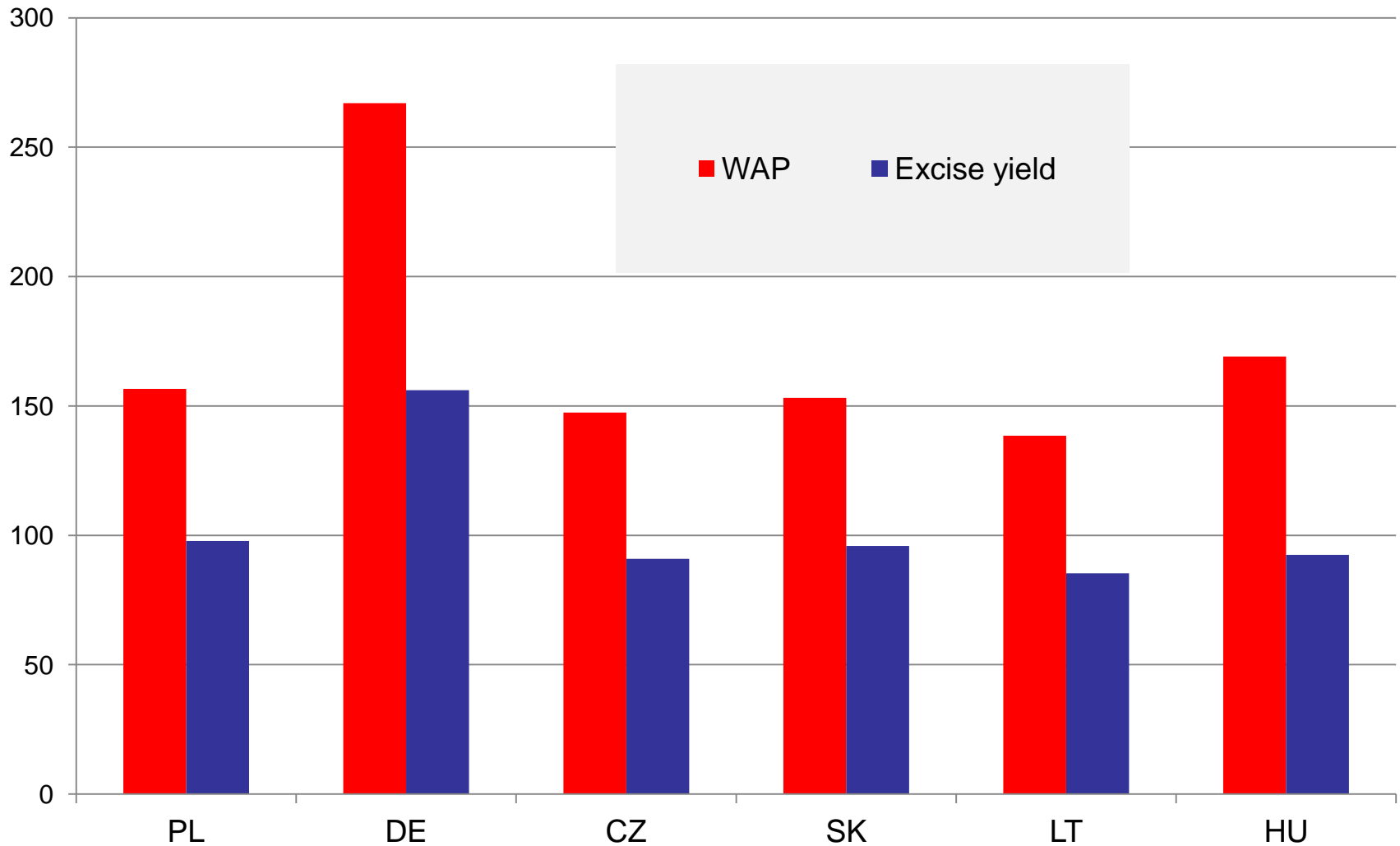
How to increase excise duty?

Cigarettes - excise yield (PLN) and revenue (m. PLN)



How to increase excise duty?

Cigarettes - excise yield and weighted average prices



Conclusions

- Rules alone do not guarantee predictability of the fiscal policy
- How to increase excises – still an open question
- Excise increases on cigarettes – an example of unsuccessful tax policy