

ANALYSIS OF FISCAL CASH REGISTERS INTRODUCTION AND TAX LEGISLATION NOVELTIES OF THE SUPPLEMENTARY ACTIVITIES ON THE FARM

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ABSTRACT

The main purpose of the research is to analyze the recent tax legislation of supplementary activities on farms and to determine if the implementation of fiscal cash registers affects its number. This survey covers 90 holders of subsidiary activities in northeast Slovenia. It was determined that the implementation had mainly affected activities with a yearly income of 3,500 EUR or less. 62% of respondents have been considering resigning. 26% of holders with less than 3,500 EUR of yearly income have resigned. Even though the analysis shows the implementation of fiscal cash registers is not the main cause of resigning, while 29 % of all holders resigned. In general, it represents 5.75% of all registered agricultural holders with supplementary activities. Research also includes farmer's feedback on legal novelties that have been implemented between 2015 and 2018.

Key words: fiscal validation, fiscal tax, supplementary activities, farms.

INTRODUCTION

Slovenia is among the EU-27 countries with the highest share of agricultural land in use in areas with limited possibilities for agricultural activity. It stands out mostly due to the share of such land in mountain areas (55.7%) since the average of the EU-27 in 2005 was 16.2%. A total of 75.3% of utilized agricultural land is located in areas with limited possibilities for agricultural activity (RDP, 2019).

Agricultural legislation has in recent three years changed and introduced significant novelties in supplementary activities. These kind of activities present raising the income and strengthening social security for people living on a farm household. An average Slovenian farm cultivates small and fragmented areas. Natural conditions are in majority inappropriate for intensive agriculture. Supplementary activities present a very important source of income and stability, especially on farms with limited possibilities for production. It enables additional value to products, reaching higher prices as final products rather than selling half products or ingredients.

Validation of receipt as before the legal novelty has been enabled until the end of 2017. The act of Fiscal validation of receipts ensured one year of the transitional period, in which taxpayers should adjust the technical demands of the new legal act.

Technical demands are performing the business with a fiscal cash register, which allows digitally signing with intent digital certificate each and every receipt. The act also stipulates usage of the fiscal cash register to be imperative for all taxpayers from 1.1.2018.

New Decree on subsidiary activities on farms stipulates crucial simplifications and novelties on evidencing supplies and footage of the ingredients in food production. Precisely defines activities, its conditions and range, which can be determined as subsidiary activity and defines standard qualification of activities. Activity holders had had to adjust the novelties until the beginning of 2016. The last change of the Decree was in August 2018.

The aim of the analysis and the survey is to research whether the legal novelties have a positive or negative impact on subsidiary activities de facto. The survey covers 90 holders in North-East Slovenia, it also covers the ones, who resigned the activity in those critical years between 2015 and 2017. With the answers of 90 holders, we have got the representative sample of answers, from which we can assume general opinion.

MATERIAL AND METHODS

The paper presents a combination of the theoretical and empirical research. The hypothesis of the paper will be partially examined by the analysis of primary and secondary law acts. The appropriate are also sources publicly released by the government. The second part of the paper will be based on a survey analysis of 90 supplementary activities holders. For representative statistic sample the responders were chosen randomly. The criteria were to have or used to have registered at least one subsidiary activity between the years of 2015-2017. In research captured area are administrative units of Lenart, Ptuj and Slovenska Bistrica. Target responders are subsidiary activity holders irrespective of ownership of the farm. The responders have been chosen by the Agency of the Republic of Slovenia for public legal records and related services. Answers were analyzed utilizing SPSS. Out of the total population, we have got two unequal groups. For the data analysis, we have used CHI- square.

In the framework of the selected analysis, we found out the differences in the selected answers, what percentage of randomly selected operators dropped out activity due to the introduction of cash registers. We also investigated direct information on the appropriateness of taxing and thus receiving feedback from responders.

By the analysis of hypothesis, in conclusion, we have used inferential statistics, with which we have interpreted the outcome on the entire population or in our case on all the supplementary activities holders.

Goals and hypotheses of the research

The research of law with combination with surveys resulted in answer whether the implementation of Legal act of Fiscal validation and performing the business with a fiscal cash register affects the number of farms with registered subsidiary activity. The aim of the paper is also to find out if the current law encourages farmers to produce more and if it offers any tax relieves.

The goals (G) of the paper are:

G1: To find if the implementation of fiscal cash registers affects the number of supplementary activities on farms.

G2: To research if positive tax law ensures any kind of tax relieves or encouragement.

The hypotheses (H) of the paper are:

H1: Tax law of subsidiary activities do not ensure any kind of tax relief or encouragements for its holders.

H2: Legal act of Fiscal validation negatively affected activities holders who make less than 3500 EUR of yearly income.

H3: The implementation of Legal act of Fiscal validation and performing the business with a fiscal cash register was not the biggest reason for the resignation of subsidiary activities.

H4: Legal novelties have not had a negative impact on subsidiary activities development.

RESULTS AND DISCUSSION

Legal novelties of taxation of subsidiary activities on the farm

Agricultural law is relatively quickly changing and updating. Subsidiary activities on the farm are a special segment. It is actively reaching in other economic activities field and is on this point bounded to fill the conditions of its particular activity also.

Agriculture act - In 2017 the agricultural act has changed on the field of subsidiary activity. It determines if one of the activity holders does not report a yearly income, the administrative unit by legal duty or by the authoritative inspector nullifies all permissions for performing the activities. Discussed novelty is a very negative disproportionate measure for not reporting an income. Another permission for performing the same supplementary activity cannot be issued sooner than in one year after the finality of a nullify order.

Personal income tax act - For certain activities of the first step of handling of farm products of their own from basic agricultural and forester activity, the act stipulates those activities as a small volume of first stage processing. The activity is treated and registered as a subsidiary activity on the farm. The income from this kind of activity can be treated as basic agricultural and forester income, which is acquitted of paying the personal income tax. There have to be fulfilled followed conditions: A farm is not allowed to have the same activity on subsidiary activity and on a small volume of first stage processing. An exception is only activities of vegetable waste processing, agricultural and forestry machinery services and consulting and training in respect of agriculture, forestry and subsidiary activities (Pajntar, 2018). The tax base of basic agriculture and forestry income is not established from actual revenue and actual expenditure or actual revenue and standardized expenditure in a year of notification of activity of a small volume of first stage processing. In a tax year before of notification of activity of a small volume of first stage processing, a yearly income should not exceed 3500 EUR. Small volume activities of first stage of processing is not in use in practice. New Health care and health insurance act determines monthly contribution 32,36 EUR, before the novelty the same contribution was 4,5 EUR. Small volume activities are not tolerated as exception, what causes less declarations of the activity. As it resulted in analysis is higher health care and health insurance contribution also one of the major causes for resignation of subsidiary activities in general. Regarding the total yearly income of small volume activities which cannot exceed 3500 EUR is clear that it determines 388,32 EUR or 11 % yearly only for insurance.

The act of fiscal validation of receipts - An important newness in last 3 years introduced the act of fiscal validation receipts, which is based on a system, where cash registers are online connected with the central information system of financial administration of the Republic of Slovenia shorter FURS.

The taxpayers, who have to follow the law are the ones, who cumulatively reaching the following conditions: (i) keeps business books; (ii) issues receipts of supply of goods and services in terms of Slovenian tax regulations; (iii) supplied goods and services are paid by cash (FURS, 2018).

The law allows exceptions for following taxpayer, respectively farm households: (i) with basic agricultural activity, of which tax base is established by a flat rate of a yearly income; (ii) which are not identified for a value-added tax.

The act allows transitional period, in which is allowed performing business with a linked book of accounts. The transitional period was enabled until the end of 2017. With 2018 should the usage of fiscal cash registers be mandatory, but the agricultural sector and small economy groups achieved usage of linked books of accounts in term of taxation law in advance. The taxpayer has to determine the way of issuing the receipts by the internal act and with accordance with the law.

Decree on subsidiary activities on farms - On legal standing of Agriculture act is supplementary activities determined by Decree on subsidiary activities on farms. Decree's novelty from 2015 introduces quite some changes. Last novelty was passed in May 2018. The decree had an important impact on the omissions of subsidiary activities in the last 3 years. It

introduced simplifications and relieving for agricultural holdings, among other things, It abolished vine raising production, horticulture and poultry and classified them among other agriculture activities. The decree had also abolished nine subsidiary activities, while they were not strongly related to agriculture.

Results of analysis and discussion

For the relevant answers, we have prepared a survey for subsidiary activity holders. With aim focused questions we wanted to create an as wider image of range and type of the holder's farm as possible. For a representative sample, we have got the answers of ninety respondents from north-east Slovenia. Holders were chosen randomly. Aimed respondents were activity holders or the ones, who have resigned the activity in the last 3 years. The survey is completed from 87 respondents, 3 out of 90 surveys were invalid. From 87 respondents were 23 women and 64 men. 52,2% were between 41 and 60 years old and more than 30% were younger than 40. An average Slovenian farm cultivates of 6,5 ha and subsidiary activities have a big role in the economy of small range farm. The most extended subsidiary activities are processing primary agricultural products and services with agricultural and forestry machinery.

H1: Tax law of subsidiary activities do not ensure any kind of tax relief or encouragements for its activities holders.

Tax reliefs of subsidiary activities income can be asserted on a yearly basis only when incomes are taxable based on actual revenue and actual expenditure. General and personal tax reliefs and dependent household member relief can be enforced for all the incomes which are taxable progressively. At subsidiary activities, taxed by actual revenue and standardized expenditure are all the reliefs already encountered in 80% of standardized expenditure, it means the holder cannot enforce it once again.

Special tax reliefs for activities holders or performers are not provided. Even if they earn significant lower yearly income the costs of taxes stays the same.

H2: Legal act of Fiscal validation negatively affected activities holders, who make less than 3500 EUR of annual income.

The hypothesis is based on two survey's questions. The first one is asking respondents about the height of annual income. The other question is asking the respondent whether they have seriously considered resigning the activity on their farm because of legislation novelties. Results show that 62% of respondents have considered resigning supplementary activities. We combined the results with another question of the survey who is asking if they have resigned the activity in the last two years. In advance, we have got important results. Results show that only 0,7 % respondents who make more than 3500 euro, have resigned the activity. The crucial result shows that 26% of respondents whose yearly income has not exceeded 3500 EUR have resigned the activity. Hypothesis two can be approved. T-test shows statistic correlation between lower yearly income and resigning the activity in the time of introducing the Legal act of Fiscal validation.

As it resulted from the analysis, the reasons for resignation the activities are not based at only one legal act novelty. Resignations are consequences of many factors. Including New Health care and health insurance act and this fact cannot be overseen.

H3: The implementation of Legal act of Fiscal validation and performing the business with a fiscal cash register was not the biggest reason for the resignation of supplementary activities on farms.

For statistic test, we used a binomial test. From the results, we can conclude, the introduction of fiscal cash registers was not the biggest reason for the resignation of subsidiary

activities on farms. Out of 87 answers were 17 resigned the activity in the last 3 years. And out of those, were only 5 of them resigning because of the introduction of fiscal cash registers, which presents 5.75% of all respondents. The hypothesis can be confirmed.

The omissions of supplementary activities were significantly influenced by the Decree, it abolished subsidiary activities of vine raising production, horticulture and poultry, and placed them among other agricultural activities. Among other things, the regulation has abolished nine complementary activities because they are not directly related to agriculture. Another reason is Personal income tax act which introduced the Institute of a small volume of first stage processing. A significant impact on the omissions of the activities was also caused by a higher flat rate for compulsory health insurance for carriers of supplementary activities.

From the one hand it is shown that new fiscal act had not the biggest impact on resigning the activities, but it is clear that it's affected lower income activities. It would definitely be a better solution for everyone if lower income activities would not have to follow the order of law strictly. The government under the agricultural lobbies tried to solve the problems with losing the rules at the end of 2017, but the major damage has been done already.

H4: Legal novelties have not had a negative impact on subsidiary activities development.

The hypothesis is researched by the question which is asking the respondents whether they have seriously considered resigning the activity because of legislation novelties. With binomial test the results are pointing to the fact that legal novelties have not had a negative impact on supplementary activity development. The results are backed up with Likert's chart with the following question: "How do you evaluate the way of taxation of supplementary activities on the farm?" Respondents evaluated taxation with the following possible answers in the survey: "rigid", "flexible", "efficient", "appropriate", "stimulating", "fair", "successful" and "complicated". Results of the survey show that respondents are not satisfied with taxation. They do not see it fair, neither appropriate, the respondents find it complicated. As it is shown, legal novelties did not have a negative impact on development of subsidiary activities, but respondents still find the way of taxation inappropriate, unfair and complicated.

Even if analysis has not shown a negative impact on activities, it is clear that a negative impact has been done. Especially on activities with lower income. It was a doubt, unawareness and lack of information the reason for fear of new technology, new expenses and new rules that has been determined. Considering all the aspects it is for certain that a negative impact has been done.

CONCLUSIONS

Agricultural activities in any of its forms cannot be considered as other economic activities. Agriculture and its subsidiary activities include many factors and aspects and according to results, the holders of supplementary activities consider that the amendment to the legislation did not adversely affect supplementary activities. However, the holders of activities are largely dissatisfied with the method of taxing its income.

Farming is not only considered as full employment. It is a farmer's way of life. The whole families live on farms and all of their decisions affect it. Supplementary activities help to provide social security and enable higher life standards also on rural areas and especially women. They provide additional income into the farm's household. With using their sources and ingredients for supplementary activity and being limited in income of three average annual salaries it is absolutely clear it cannot be equated to other non-agricultural economic activities. Slovenian agricultural law came towards farmers on many aspects, but this fact originates that law should consider farms and subsidiary activities even more precisely.

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