

## **THE BEGINNING OF TAXATION IN AGRICULTURE: THE CASE OF SLOVENIA**

**Mag. Maučec Marjan**  
*member of the Senate of Landscape Governance College GRM, Novo Mesto, Slovenia*

**Abstract:** Taxes as a state cash income are collected in the public interest and form a legitimate obligation. They are important in terms of international business but they also appear in agriculture. Agriculture policy was one of the first common European Union policies. A record of farmer's property is needed for taxation. First land records and taxes in Slovenia were introduced at the Austro Hungarian time and were representing the beginning of agriculture taxation. The taxation developed until the independence of Slovenia and the adoption of its Constitution, which is in force also today.

**Key words:** agriculture, taxes, state, Constitution, field, agriculture policies, cadaster, sustainable agriculture.

## **НАЧАЛО НАЛОГООБЛОЖЕНИЯ В СЕЛЬСКОМ ХОЗЯЙСТВЕ: ОПЫТ СЛОВЕНИИ**

**Маучек Марьян,**  
*член Сената ландшафтного колледжа ГРМ, Ново Место, Словения*

**Аннотация:** Налоги, как государственный денежный доход, собираются в общественных интересах и формируют законное обязательство. Они важны с точки зрения международного бизнеса, но они также проявляются в сельском хозяйстве. Политика в области сельского хозяйства была одной из первых всеобщих линий Европейского Союза. Учет имущества фермера необходим для налогообложения. Первый земельный учет и налоги в Словении были введены в Австро-Венгерское время и представляли начало налогообложения сельского хозяйства. Налогообложение развивалось вплоть до провозглашения независимости Словении и принятия ее Конституции, которая действует и сегодня.

**Ключевые слова:** сельское хозяйство, налоги, государство, Конституция, поля, политика сельского хозяйства, кадастр, устойчивое развитие сельского хозяйства.

Agriculture is a business which deals with food production. It is one of the oldest economic activities which are crucial for the existence of man. Agriculture has, besides food production other important tasks as for example the conservation of cultural landscapes, uniform settlement of rural areas, preservation of the rural population and concerns for clean environment. The European Union devotes more

and more attention to agriculture because of the factors specified above. The Common Agricultural Policy is one of the most important policies in the European Union (Zajc 2007,5).

The Common Agricultural Policy is one of the first common policies in the European Community. The goals and principles of this policy were defined already in the Treaty of Rome which established the European Economic Community in 1957. This Treaty was not only a result of an agreement between the founding states but it was also a continuation of a protectionist approach to agriculture in Europe. Since the establishment of the EEC the interest and conceptual differences between states are showing. These differences are affecting the Common Agricultural Policy even today and are reflected in the definition of its goals and implementation of measures (Avsec in Erjavec 1997,41).

Avsec and Erjavec claim, that the core objectives and principles of the Common Agriculture Policy did not change until today. These core objectives and principles are:

- To increase productivity of agriculture with the promotion of technical progress, ensuring the rational development of agriculture production and optimal utilization of the production factors particularly workforce,
- To ensure a fair living standards of agricultural communities in particular with the increase of individual earnings of people who are dealing with agriculture,
- To stabilize agriculture markets,
- To provide a stable supply of food,
- To take care that the providing of consumers is accessible and at reasonable and acceptable prices.

Kovač claims that nowadays the Common Agricultural Policy pays increased attention to environmental protection and development of rural areas and not only to the goals that were specified above. The structural measures for modernization and development of agriculture are gaining ground as well as regional policy. The key component of the Common Agriculture Policy is the legislation regarding the veterinary supervision, protection of plants and animals, animal nutrition and hygiene and quality regulations. The Common Agriculture Policy uses many and varied instruments for the implementation of its goals. These goals are achieved with the help of Rules, Regulations and actions that are laid down in special regulations called Common market orientation or market orders. These represent the legal basis for Agricultural Policy and are in force for individual agriculture products (Kovač 2002, 15).

Normile also mentions the principles of the Common Agriculture Policy and highlights especially three:

- Common market ( free sales of agricultural products between states),
- Giving the priority to domestic production (market price protection),
- Financial solidarity of member states (common budget).

The Common Agriculture Policy has a major influence on the European Union and world economy. Its focus in the last years has been on sustainable agriculture.

Sustainable agriculture should be internationally competitive without relying on subsidies or protectionism, sensible to the environment, social responsible, it must take care about the health of animals and prosperity, it has to ensure that it does not come to the distortion of international commerce and the world economy.

The Common Sustainable Agriculture Policy should include a free and fair market place for all European farmers that would allow them to produce and place their products on the single European market. It should include the integration of agriculture in the European competition policy and a clear framework set at the European level to define the goals of the Common Agriculture Policy focused mainly on the environment and promotion of a sustainable development of agriculture. It should include lower tariffs, without price support, export refunds or other subsidies. The expenditure of the European Union for Agriculture should be based on the current Second Pillar and may be reduced in a way that would allow agriculture to be comparable to other sectors in the European Union (Zajec, 2007, 26).

Before entering the European Union in 2004 Slovenia implemented the goals of the Common European Agriculture Policy. The Slovenian Agriculture Policy before entering the European Union did not differ significantly from the Common Agriculture Policy and it followed the development of Slovenian rural areas. Despite the fact that the Slovenian agriculture has to cope with adverse natural conditions it still has a lot of opportunities for development which are influenced by the agricultural policies on the European and State level.

First land records in the Slovenian territory were created under the law that was issued by Joseph II in 1785. At that time they measured all fertile soil in the Austrian provinces. The survey included data on surface, cadastral culture, amount of crops and the data about the owners.

In the 19<sup>th</sup> Century in the era of the Emperor Franc I. they constantly complemented the land records that were introduced by Jožef II. The complement was implemented with a view to a fair assessment of taxes on agricultural production. In 1817 a law named "Grundsteueroatent" regarding the property tax entered into force. The cadastral system that existed in this era was taken from the era of Maria Theresia. The majority of these remained unchanged until today.

The cadastral cultures were established on the field directly at the time of measurement. At that time they separated three groups of cadastral cultures: simple, mixed and changing. The simple ones were: field, meadows, gardens, vineyards, pastures, forests, ponds and lakes. Mixed cadastral cultures were a combination of at least two simple cadastral cultures on a single property. In the group of changing cadastral cultures they included the ones that were changed because of the treatment and production methods. The calculation of the cadastral income which was the basis for the tax measurement was performed after they classified all the properties in a cadastral municipality in one of the cadastral cultures and the fertility of the properties in a relevant class. This system has been kept with its occasional individual modifications until the end of the 2<sup>nd</sup> World War.

After the 2<sup>nd</sup> World War, in the first years the taxation of the agricultural activity was conducted on the basis of the actual income, which was identified by special commissions once in a year for each farm. The actual income at that time was based on planned and statistical data regarding the national income from agriculture, sown and harvested areas, amount of cattle, prices and expenses and partly on income from secondary activities (Ude et al. 2005, 3).

The return to the cadastral income happened in 1954 and made the land cadaster re-worthy. The land cadaster at that time introduced 8 cadastral cultures: fields, orchards, forests, vineyards, gardens, meadows, reeds, pastures and 8 cadastral classes.

For the purpose of rating the cadastral income a partial revision of the state of cadastral was made. New rankings of cadastral income were introduced but they afterwards changed in the years that followed.

At the beginning 1979 the cadastral income was determined without consideration of the cost of the labor force. The number of cadastral cultures has also changed from previous eight to the present twelve:

- |             |                     |
|-------------|---------------------|
| -fields     | - marshy meadows    |
| -vineyards  | -forest plantations |
| - gardens   | -extensive orchards |
| - pastures  | -forests            |
| -hop fields | -plantation orchard |
| -reeds      | -meadows            |

In 1991 when the Republic of Slovenia was founded, its Constitution came into force. The Constitution ensures that the state and local communities raise funds (for the performance of their duties) by means of taxes and other compulsory charges as well as from revenues from their own assets (Constitution RS, Article. 146).

If we summarize the definition of tax from the study of public finance, tax is an one time or a frequently repeating, mandatory monetary expenditure without a direct counter service, which is prescribed for economic entities for covering the expenditures of the public sector. Basic features of taxes of modern countries are coercion to pay taxes, irrecoverability of already collected taxes and that paid taxes do not offer a direct compensation to the taxpayer (as the payer). Taxes, as the fiscal income of the state, are collected in the public interest as a lawful obligation. One of their feature is also the ambiguity of spending. Taxes are also very important in the aspect of international business, because they are affecting the competitive ability of national businesses. That is why there is a goal of ensuring tax neutrality with a gradual establishment of unified tax union, after the abolition of the economic and social differences in the EU. Because of the big differences between tax systems, which are manifested in different fiscal policies and in different proportions between direct and indirect taxes, which make up tax burdens and also technical organization of taxation, the differences cannot be abolished suddenly.

Tax reliefs are exceptions from the rule of “tax generality” which means that the taxpayers are taxed notwithstanding their tax ability and other circumstances.

Reliefs and exemptions are similar to negative taxation if we look on their economic effect. These are divided in:

- Subsidies and grants (based on special regulations they are awarded directly from the state budget to specific companies and natural persons that carry on business),

- Social help or social transfers are negative taxes similar to subsidies and grants which are paid to specific natural persons (Premuš 2003, 135).

Taxation is specifically defined in laws which define direct and indirect taxation.

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