

# EDITORIAL

## FORESTRY WITH AND WITHOUT A TAX ON NON-MARKET FOREST FUNCTIONS

A tax levied for non-market forest functions has again become the topic of heated arguments, which makes us wonder whether this paves the path to its complete abolishment. We have repeatedly pointed out that wood as a raw material for primary and final processing is only a secondary product of sustainable forest management, while the real and multiple value (up to 50 times higher than that of wood) relates to non-market forest functions. We have tried to the best of our ability to present to the decision-making politicians, non-biologists and *quasi* biologists all the outstandingly beneficial functions of forests, such as protection against water and wind induced soil erosion, torrent prevention and balancing water relations, water purification and supply of sources of potable water, favourable effects on climate, purification of polluted air, beneficial effects on agricultural activities, enhancement of the beauty of the landscape, development of tourism, provision of relaxation and recreation areas, conservation of biological diversity and genofund, mitigation of the greenhouse effect and many others. It is for these reasons that the most responsible tasks of foresters is to maintain the forest in its optimal condition. The company, which the state as the main forest owner has entrusted with the management of state forests, invests the funds obtained from the sale of wood assortments in the preservation of non-wood forest functions in the areas of so-called commercial forests. Other legal persons performing the economic activity in the Republic of Croatia also pay a tax on non-market forest functions. The collected funds are invested in the areas in which there is no classical economic forest product, i.e. wood assortment. This tax used to be 0.07% of the total turnover, but was reduced to 0.0525% on July 1, 2010, and further reduced to 0.0265% on February 24th, 2012, to be finally threatened with complete abolishment. This tax is perceived by some as parafiscal; moreover, they argue that it should be the first to be revoked. This line of thinking is more than astonishing: why is it normal to pay for listening to music but not for something vital for the human life as the forest? Some taxes may be called imposts, but the significance of the term "impost" is not precisely defined and depends on the purpose for which it is used. In this case it would be more suitable to use the term "fee".

It would be interesting to see who would be exempt from paying this "heavy" impost. The Croatian Forestry Association has held a number of meetings devoted to this topic and has used four pages of text to express its views regarding the compensation for non-wood forest function. It has listed in detail all the non-market forest functions, the percentages of the former and current tax, the taxatively used means for the biological restoration and protection of forests during 2012 (about 253 million kuna) and the anticipated consequences of abolishing the tax on non-market forest functions. It has provided a list

of 20 leading legal persons (8 in domestic ownership) who would be exempt from paying this "parafiscal impost" if it was abolished. As an illustration, we mentioned (in percentages) only 5 out of 15 important items that are financed from the tax: about 17% relates to managing forests on karst, 13.5% was invested in privately owned forests, 12% relates to guarding forests, 10% was invested in the forest infrastructure and 10% in demining, amounting to about 62.5% overall. Exemption from paying the "parafiscal impost" would target the biggest payers. We listed only 5 out of the 20 big payers, whose payments reach almost 50% of the amount paid by the 20 monopolists: for example, INA – Croatian oil company (61.6 million kuna), Konzum retail chain (32.6 million kuna), Croatian Electrical Company (30.5 million kuna), Croatian Telecom (18 million kuna), Zagrebačka Banka (17.6 million kuna), Privredna Banka (12.4 million kuna), etc. A minor compensation amount of 265 kuna per 1 million kuna income which a legal person pays for non-market forest functions was also calculated. Finally, the Croatian Forestry Association proposed some solutions.

Let us return to the sentence at the beginning of this text "We have tried to the best of our ability to present... and highlight the fact that Croatia boasts 95% of the natural forests with high biodiversity, which is the result of staunch adherence to the principles of sustainable management which we, unlike Europe, have never abandoned. Despite numerous debates and written materials, acknowledgements by foreign experts and a set of valuable scientific monographs, we have evidently failed to convince the present day politicians of the richness in our possession and of the rare and highly valuable asset we are bringing to the EU. We simply cannot reach them, because there is not one person among them to advocate the forestry profession. Our colleagues, members of the ruling Coalition, keep silent and are content with not being asked anything, thus deserving a poor grade for their political and professional reputation. To make matters even worse, they allowed yet another shame to be inflicted on the profession by electing an agronomist as Vice Minister of Forestry. In vain were all the promises that the last nail in the "coffin of forestry" would not be driven. If the article on a fee for non-market forest functions is excluded from the new Forest Law, as is being hinted, then the first task of the new Vice Minister will have been successfully accomplished. It seems that there is no need to consult the Forest Act Commission or organize a public debate. The owner of Konzum can promptly buy a new yacht at which he will expectedly welcome a great "friend of forestry", the Minister of Finance, who is allegedly the initiator and advocate of this idea.

We are left to deliberate on what to do next, for we are all too familiar with the consequences of such a decision.