

# EDITORIAL

## PARAFISCAL LEVIES – DEFINITION AND WHO SHOULD PAY THEM

A new change referring to the payment of non-market forest function fees, regarded as a parafiscal tax, urges us to again discuss this problem. We read on the Entrepreneurial Portal: Although officially called "non-tax benefits", the term "parafiscal levies" has already become commonplace in the public, and 161 parafiscal levies have been listed, which is believed to take away about 2.5 % of the GDP from the nation. A more detailed explanation according to the definition of the Ministry of Finance states: "parafiscal levies are all prescribed mandatory non-tax benefits paid by companies to central state administrative bodies, local and regional self-government units or other bodies with public authority, **if the payer does not receive a service, goods or right in return ...**". **If so, then why is the non-market forest function fee treated as a parafiscal levy?** In this case it is indisputable that the payer receives a service, goods or right in return. It should be clear to everyone who reads the Forest Act and where the non-market forest functions are listed as follows: 1. protection of soil, roads and other facilities from erosion, torrents and floods; 2. impact on water regime and water quality; 3. impact on soil fertility and agricultural production; 4. impact on climate and mitigation of climate change; 5. protection and improvement of the human environment; 6. oxygen generation, carbon sink and atmospheric purification; 7. recreation, tourist and health function; 8. creation of favourable conditions for wildlife and other fauna, and 9: increased impact of protective forests and special purpose forests on biodiversity. **Some of the functions provide benefits only for some individuals, while other functions provide benefits for all.** The non-market forest function fee initially amounted to 0.07 % of the total annual income, in 2010 it dropped to 0,0525 %, and then in 2012 to 0.0265 %, whereas in 2018 all those who generated total income less than 3 million kuna annually were exempt from payment. Now all these with a total annual income of less than 7.5 million kuna are exempt from payment, and the percentage has dropped to 0.024. To make it clearer, let us calculate how much money it is per year - at 3 million kuna it was 795.00 kuna/year, and at 7.5 million kuna it was 1,800.00 kuna / year (what an amount!). In view of the chronology of the reduction of the non-market forest function fee and the hysteria surrounding parafiscal levies, it would not at all surprise us if, after the parliamentary elections, the government

completely abolishes this, in our view, necessary and environmentally progressive tax. Regrettably, it would not be the first time that populism takes steps that are not good either for the state or for the society.

The main economic activities, including 1. production of wood forest products, 2. production of forest reproductive material and 3. production of non-wood forest products, are expected to generate income which is paid into the state budget. All this despite non-market business moves in the trade of these products and the necessary need for timely and comprehensive work on silvicultural and protection operations in the forest ecosystem, which are often "skipped" in order to maximize profit. We have repeatedly pointed out that there is no profit in forestry if we return to the forest what we have taken from it so as to leave it in the optimal state, or figuratively speaking, so as to make it "eternal". We have often discussed every one of the nine non-market functions listed above, corroborating our words with research results. The numbers are impressive and are easy to remember. Due to limited space in the column, let us only take the hydrological function; no vegetation form affects water as effectively as a forest - it balances the distribution of water in space, evenly supplies watercourses and mitigates high water waves, and affects water purity and the number of water springs. Water filtered through live and friable forest soil reaches ground courses as potable water. If we take into account the average annual rainfall in Croatia of 1200 mm and the forest area of only 2 million ha (it is larger), it is calculated that **about 13 billion tons of drinking water flows from the forest. Who receives this service? Everyone, including the payer!** We could continue in the same way with other non-market forest functions. Some would say, these issues have been treated at a number of forestry conferences, but we foresters speak for ourselves - and we ask our colleagues: you have been served information in this column and in other articles - why do not you spread it among your acquaintances, and why those politically active forestry experts do not raise these issues among their fellow politicians at the local, regional and even state level? We wonder, is it polite to say that you have "crawled into a mouse hole"? You answer it!

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